



Union Sanitary District

Union City, California

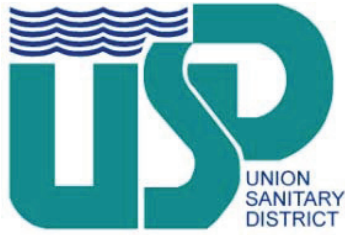
Annual Comprehensive Financial Report



Image: Enhanced Treatment & Site Upgrade Project
Rendering. Projected Completion 2028

Fiscal Year Ended June 30, 2021 with Comparative
Information for Fiscal Year Ended June 30, 2020

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Union Sanitary District

Union City, California

Annual Comprehensive Financial Report



Image: Cogen Engines

Fiscal Year Ended June 30, 2021 with Comparative
Information for Fiscal Year Ended June 30, 2020

Prepared by Business Services Work Group

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Introductory Section



Image: East Internal Lift Pumps

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**Directors**

Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers

Paul R. Eldredge
*General Manager/
District Engineer*

Karen W. Murphy
Attorney

October 27, 2021

Board of Directors
Union Sanitary District
Union City, California

Subject: Annual Comprehensive Financial Report for the Year Ended June 30, 2021

We are pleased to present the Union Sanitary District's (the District) Annual Comprehensive Financial Report (ACFR) for the fiscal year (FY) ended June 30, 2021 (formerly referred to as the Comprehensive Annual Financial Report). Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

The ACFR is presented in accordance with Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB).

District Profile**The Reporting Entity**

The District is an independent Special District and is accounted for as an enterprise fund type (proprietary fund category). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. As an enterprise fund, the District uses the accrual basis of accounting. Revenues are recognized when earned

and expenses are recognized as they are incurred, regardless of when cash is paid or received. The District considers the Union Sanitary District Financing Authority as a blended component unit of the District.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations. District policy requires that its financial statements be audited on an annual basis by an independent certified public accounting firm approved by the Board of Directors. The independent auditor's report for the fiscal year ended June 30, 2021 is presented in the Financial Section of this report. Please refer to the Management's Discussion and Analysis immediately following the independent auditor's report in the Financial Section for additional information about the financial statements.

District Formation and Organization

The Union Sanitary District was formed in 1918 and subsequently reorganized in 1923 to serve Newark and the Centerville area of what is now Fremont. Between 1949 and 1962, Niles, Decoto, Irvington, and Alvarado Sanitary Districts joined the Union Sanitary District. The District is empowered to own and operate wastewater facilities and the Board of Directors may prescribe, revise, and collect fees or charges for services and facilities. The District provides wastewater collection, treatment and disposal services to the residents and businesses of the cities of Fremont, Newark, and Union City, commonly referred to as the Tri-City Area, with a combined population of over 355,000. The Cities are located along Interstates 680 and 880, between Oakland and San Jose in southern Alameda County.

The District is governed by a five-member Board of Directors, which is independently and directly elected by voters to staggered four-year terms. The Board appoints the General Manager to manage and oversee the day-to-day operations. The District, which currently employs 140.45 Full Time Equivalent (FTE) staff, operates in a team-based environment, and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

Local Economic Condition and Outlook

Located at the northern end of Silicon Valley, the Tri-City area of Fremont, Newark and Union City has a diverse population, as well as a varied mix of employers including biotech, research and development, education, manufacturing, and retail. Summary notes of the prevailing economic conditions in the Tri-City area and the District are below, delineated by City.

The City of Fremont*

Located on the southeast side of the San Francisco Bay, Fremont is a city of over 234,000 people and 76,000 households, with an area of 92-square miles. Fremont remains the fourth most populous city in the Bay Area and California's 16th largest city. With its moderate climate and its proximity to major universities, shopping areas, recreation and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

Fremont is conveniently served by Interstates 680 and 880, as well as rail transport lines including Altamont Commuter Express (ACE), Amtrak Capitol Corridor, and the Bay Area Rapid Transit (BART) system. Fremont also has easy access to the San Jose Airport, Oakland Airport,

San Francisco Airport, and the Port of Oakland. Fremont is home to a broad variety of innovative firms including over 1,200 high tech, life science, and clean technology firms. The city has a broad range of quality, affordable business locations; a superior workforce; and a wide variety of tax benefits and incentive programs for businesses.

Fremont is one of the most ethnically and culturally diverse cities in the Bay Area. Residents are attracted to Fremont for its nationally recognized high-ranking public schools, its numerous well-kept parks, and a variety of recreational amenities, including beautiful Lake Elizabeth, Central Park, and Mission San José (California's 14th mission). Fremont is described as a wonderful community to live, work, and play.

The City of Newark*

Newark has an area of 14 square miles, a population of over 48,000. Newark was incorporated in 1955 and is located 35 miles south of San Francisco and next to many high-tech hubs, including easy access to highways 880, 580, 680, and the Dumbarton Corridor places Newark in an ideal location. Newark has evolved from its days enriched in agriculture, manufacturing, and railroad to today's expansion of high-tech, biotech, and the health sciences.

Although Newark has grown significantly, it still manages to keep a small, hometown community charm that citizens say they love about Newark. The City of Newark has a wide variety of programs and services to meet the community's needs.

The City of Union City*

Union City is 18 square miles in area, boasting a diverse and unified people, excellent educational institutions, unsurpassed quality of life, strong economy, and world-renowned location in The San Francisco Bay Area. Incorporated in 1959, the city proudly maintains a small-town feel while being in the center of the Bay Area, with San Francisco and Silicon Valley just minutes away. Union City has grown into an ethnically diverse community of over 73,000 residents, and the highly regarded New Haven Unified School District serves about 13,000 K-12 students. The community offers a variety of housing, with affordable and upscale homes available in many charming neighborhoods throughout the city. The transit-oriented Station District, located around the Union City BART station, boasts housing and business development opportunities with easy, convenient access to major public transit running throughout the Bay Area. Union City also offers many wonderful parks, sports fields, community centers, and a variety of recreation programs and social services for residents of all ages.

Region-wide, the Tri-City area is still experiencing significant impacts as a result of COVID-19. Unemployment rates for the cities of Fremont, Newark and Union City on June 30, 2021 were 5.1%, 6.1%, and 6.6% respectively, compared with 10.5%, 12.8%, and 13.4% one year earlier.

*Information adapted from the respective city's website and the US Census Bureau

Major Projects or Initiatives

During fiscal year 2021, the District continued, completed, or initiated several significant projects:

Enhanced Treatment & Site Upgrade (ETSU) Program - The District developed the Enhanced Treatment and Site Upgrade (ETSU) Program to upgrade and bring infrastructure up to current standards and to address impending regulatory requirements and capacity needed to meet the

General Plans of the Cities served. The Program is a roadmap for the treatment plant's infrastructure over the next 40 years. Design of the first group of projects is underway. These include improvements to the aeration basins and relocation of operations, maintenance, and administrative facilities. Construction of Phase 1 projects is expected to begin in calendar year 2022 and last through calendar year 2028.

Digester 7 - An additional anaerobic digester is currently under construction and is expected to be placed into service in early calendar 2022.

Force Main Relocation Project, Phase II - This project continues work done previously to relocate sections of the force main to allow for development and construction of new residential housing, in conjunction with local area developers. Construction should be completed by the end of calendar year 2021.

Standby Power Generation System Upgrade - The District's current emergency power facilities are beyond their useful life. Final design is anticipated by the end of calendar year 2021 with construction anticipated to begin in early calendar year 2022.

Rebranding Initiative - This project was initiated in late FY 2017 to explore options for rebranding and updating the District's name and logo to increase customer awareness of the services provided by the District. The current name and logo does not provide sufficient differentiation between the City of Union City, sanitation companies or the water District. Various stakeholders have been involved in the process. The Board will consider options and provide direction to staff in summer of 2022.

COVID-19 Response – The impacts of COVID-19 have been felt throughout the region impacting every agency in a variety of ways. The District responded early in the pandemic to mitigate the impacts of the virus while maintaining operations at customary levels. Precautions have been taken to not only separate operational groups to reduce the risk of cross contamination from the virus, but to also follow strict health and safety protocols for all employees. Efforts thus far have been highly successful with minimal disruption to services. No significant fiscal impacts have occurred to the District due to the virus.

Future Projects or Initiatives

The primary focus for the next 5-10 years will be additional projects associated with the ETSU program as well as the capital program.

The District will also be focusing on a Strategic Planning Initiative in FY 2022. As an organizational management activity, the strategic planning process is used to set priorities, focus energy and resources, strengthen operations, and ensure that employees and other stakeholders are working toward common goals. Our District maintains a three-year plan, with a mid-way opportunity to assess the strategy.

Financial Information

Accounting System

District financial records are maintained on the accrual basis of accounting as required by GASB Section 1600.125. Accrual basis accounting recognizes transactions, events, and circumstances when they occur, rather than when cash is received or paid.

Internal Controls

While developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to give reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The District's internal controls include but are not limited to positive pay, fraud protection checks, timely bank reconciliations, segregation of duties wherever possible, dual approvals on wires, an anonymous fraud hotline, and financial system security.

Budgetary Controls

Budgetary controls are maintained by the District to ensure compliance with the annual budget adopted by the Board of Directors. All financial activities for the fiscal year are included in the annual budget, along with a twenty-year capital improvement projects plan. Budgetary control is maintained at the Work Group (department) level for administrative and operating budgets, and at the project level for capital improvements. Monthly budget reports are provided to the Executive Team and Board of Directors, and the Executive Team conducts a detailed quarterly review, as well.

Rate Structure

The District receives its revenue from four primary sources: sewer service charges; capacity fees; other minor operating revenues such as permits, inspections and outside work that is performed in cooperation with other municipalities; and interest earnings on reserve funds.

Sewer Service Charge

The sewer service charge has historically been collected on the annual property tax bill. Sewer service charges to be collected are provided to the County of Alameda in August of each fiscal year. The District receives its primary payments of funds in December (50%) and April (45%), and the remainder in September, and receives all amounts billed as part of the County's "Teeter" plan.

The sewer service charge is divided into four primary categories of customers: residential, commercial, institutional, and industrial. The calculation of the sewer service charge for the commercial, institutional, and industrial customers is based upon their average flow, as well as contribution of their projected suspended solids (SS) and chemical oxygen demand (COD). The District has a sampling program to periodically test the effluent from its industrial customers.

Flow for industrial users is based on water use records from the Alameda County Water District. The annual residential fee for FY 2021 was \$454.57 for a single-family dwelling and \$400.58 for a multi-family dwelling.

Connection Fees

In 2021 the District charged a sewer connection fee of \$8,897.71 for a residential equivalent dwelling unit (EDU). The charges for commercial, industrial, and office use are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that preserve or increase the system's capacity. Collected capacity fee revenues may not fund ongoing operating costs.

Interest Income

The District earns interest on its portfolio of investments, including the Local Agency Investment Fund (LAIF), and the California Asset Management Program (CAMP), which is allocated to the major funds (Capacity and Sewer Service) monthly by percentage of fund balance.

Other Information

Independent Financial Audit – California state statutes require an annual independent audit of the books of accounts and financial records of the District. The firm of Lance, Soll & Lunghard, LLP was contracted to conduct this year's audit. The Board Audit Committee receives and reviews the audited financial statements. The audit opinion is included in the Financial Section of this report.

Financial Policies – The District maintains a rotation schedule for updating and reviewing policies. In fiscal year 2021, the District reviewed and/or updated the following important financial policies:

Procurement, Surplus Property Disposal, Capital Assets, Internal Controls, Accounting Standards, Investments, Budget, Fraud in the Workplace, Project Expenditures

During the year, the District adopted a new policy titled Pension and OPEB Funding.

East Bay Dischargers Authority (EBDA) – USD is a member of EBDA. Founded in 1974, EBDA is a five-member Joint Powers Authority (JPA) formed to plan, design, construct, and operate regional facilities to collect, transport and discharge treated effluent to deep waters of San Francisco Bay. Treated effluent from the District's Alvarado Wastewater Treatment Plant is pumped to the EBDA System and discharged into the Bay southwest of Oakland International Airport. Frequent testing of the treated wastewater confirms compliance with regional permit requirements. The other member agencies are Castro Valley Sanitary District, Oro Loma Sanitary District, City of Hayward, and City of San Leandro.

District Financing Authority – The District is a member of the Alameda County Water District (ACWD) Financing Authority. The Authority was organized to aid ACWD in the financing of capital projects via a bond sale or other mechanisms requiring an issuing agency authority. The District has one Board member on the governing body of the Authority.

Union Sanitary Financing Authority (USDFA) – During FY 2020, the District formed the USDFA. The creation of this JPA to issue revenue bonds provides savings benefits to the District's ratepayers. The Authority was not utilized during FY 2021.

Awards Received – During the past year, the District received the following awards:

- ❖ National Association of Clean Water Agencies (NACWA) - Peak Performance Awards 1993 – 2020; USD's Alvarado Treatment Plant in Union City has been recognized for 28 consecutive years by NACWA (and its predecessor, AMSA) for outstanding performance.
- ❖ National Association of Clean Water Agencies – Excellence in Management Platinum Recognition
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

DocuSigned by:
Paul R. Eldredge
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Paul R. Eldredge, P.E.
General Manager/District Engineer

DocuSigned by:
Mark Carlson
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Mark Carlson, CPA
CFO/Business Services Manager

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VISION/MISSION STATEMENT

Revised April 10, 2017

To safely and responsibly collect and treat wastewater, and to recover resources from process waste streams, while protecting human health and improving the environment in a way that benefits the Tri-Cities and all USD stakeholders.

How we continue to accomplish our Vision:

Commitment to safety:

- Continually reviewing our safety program for opportunities to improve
- Focusing on protecting employees and the community in all our activities
- Allocating resources to ensure safe operations (equipment, training, staff)
- Collaboratively promoting a safe work environment

Responsibility:

- Being accountable for our actions and decisions
- Being fiscally prudent
- Maintaining and upgrading infrastructure
- Anticipating and meeting future District and stakeholder needs
- Compliance with laws and regulations (local, state, federal)
- Effective asset management
- Effective use of technology
- Looking for innovative ways to reduce or reuse our waste streams

Collect, treat, and recover/reuse wastewater:

- Providing capacity in the collection system and plant
- Regulating connections
- Increasing efforts for resource recovery (biogas, biosolids, etc.)
- Exploring ways to maximize water reclamation and reuse potential

Human health and environmental stewardship

- Preventing sewer spills and back-ups
- Limiting health risks through treatment of wastewater
- Responding to emergencies
- Enhancing water quality in the San Francisco Bay estuary
- Meeting or exceeding all water and air quality standards
- Promoting pollution prevention and pretreatment through outreach and educational programs
- Maximizing use of green energy sources when feasible
- Working towards energy neutrality



VISION/MISSION STATEMENT

Revised April 10, 2017

We benefit our stakeholders by:



Board of Directors



Pat Kite



Anjali Lathi



Manny Fernandez



Tom Handley



Jennifer Toy

Principal Officials

As of June 30, 2021

		City Represented	Year Elected	Term Expires
Pat Kite	President	Newark (Ward 2)	1991	2024
Anjali Lathi	Vice President	Fremont (Ward 3)	2002	2024
Manny Fernandez	Secretary	Union City (Ward 1)	2011 (Appointed)	2024
Tom Handley	Board Member	Fremont (Ward 3)	2007	2022
Jennifer Toy	Board Member	Fremont (Ward 3)	1998	2022

Karen W. Murphy

General Counsel

Staff

Paul Eldredge

General Manager/District Engineer

Armando Lopez

Treatment & Disposal Services Manager

Robert Simonich

Maintenance & Technology Services Manager

Mark Carlson

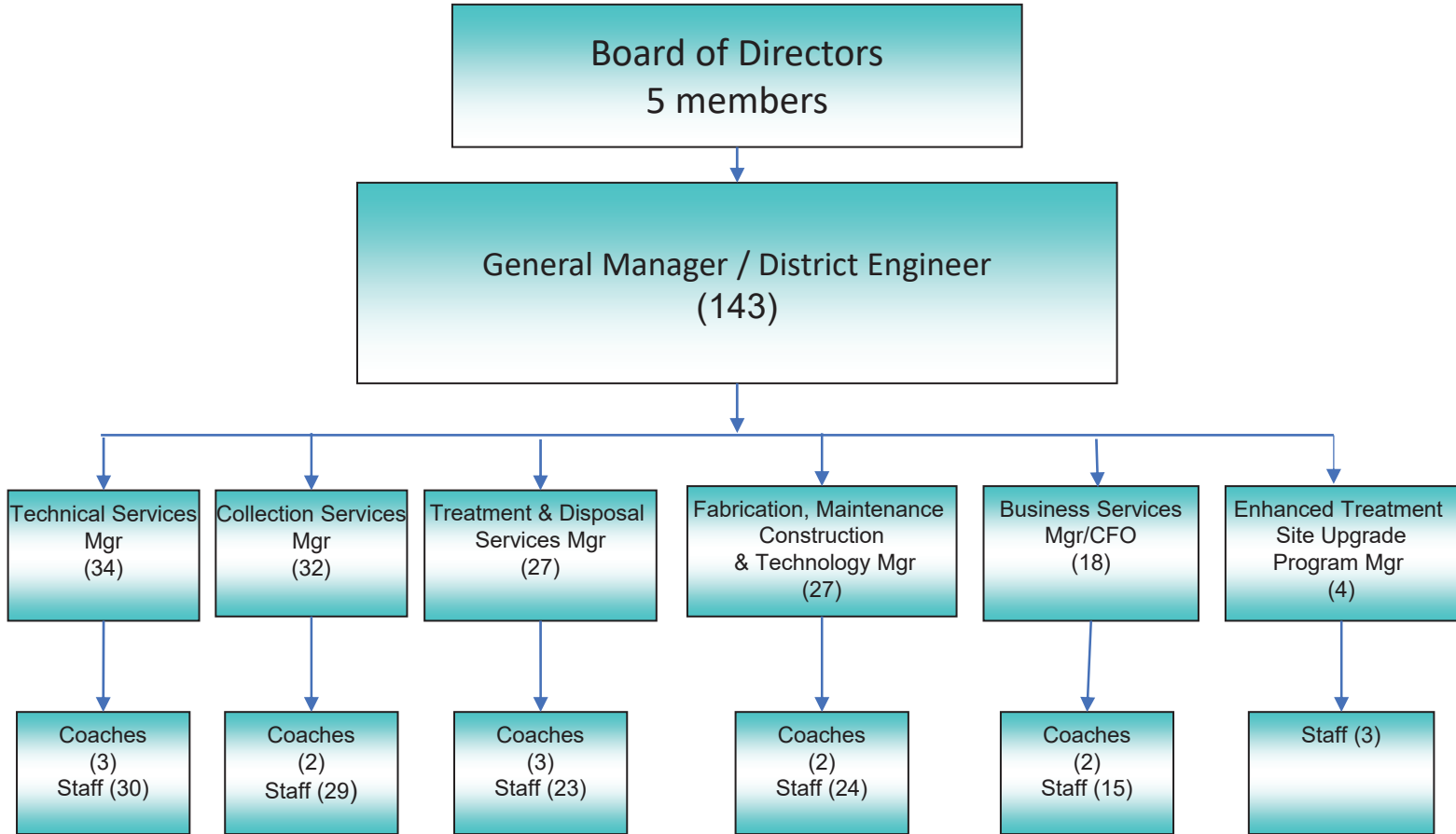
Business Services Manager/Chief Financial Officer

Sami Ghossain

Technical Services Manager`

James Schofield

Collection Services Manager



*143 Positions allocated in FY2021
Full Time Equivalent positions in FY2021 is 140.45

June 30, 2021



**Union Sanitary District
Service Area Location Map**



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Union Sanitary District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO

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Financial Section



Image: Methane Gas Conditioning Skid
for Co-gen and Boiler Fuel

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Union Sanitary District
Union City, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Union Sanitary District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the date of the financial statements.



To the Board of Directors
Union Sanitary District
Union City, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of Plan contributions, the schedule of changes in net OPEB liability and related ratios, and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors
Union Sanitary District
Union City, California

Report on Prior Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedule of operating expenses before depreciation, and schedule of insurance coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of operating expenses before depreciation and schedule of insurance coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Loughard, LLP".

Sacramento, California
October 27, 2021

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UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

This section of the Union Sanitary District's (the District) annual comprehensive financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2021. This information is presented in conjunction with the audited financial statements, which follow this section.

The District, which was established in 1918 and subsequently reorganized in 1923, is empowered to own and operate wastewater facilities and the Board of Directors may prescribe, revise, and collect fees or charges for services and facilities of the District in connection with its wastewater system.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2021, by \$431.5 million (net position). Net position consists of \$293.1 million invested in capital assets, \$91.7 million restricted net position, and \$46.7 million in unrestricted net position.
- The District's total net position increased by \$26.3 million during the fiscal year ended June 30, 2021. Contributing factors include \$9.4 million in connection fees, \$12.3 million in contributed capital, marginal rate increases, inspections and other area development.
- Long-term liabilities increased on the Statement of Net Position by \$0.6 million during the current fiscal year. Contributing factors included an increase in pension and other post-employment benefits liabilities of \$3.5 million and a decrease in long term bonds payable of \$2.9 million.
- The District placed \$17.9 million in capital assets into service compared to \$6.9 in the previous year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The District's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These provide information about the activities of the District as a whole and present a long-term view of the District's property, debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure.

- **Statement of Net Position** – Includes all District assets, liabilities, deferred outflows of resources, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return; evaluating the capital structure of the District; and assessing the liquidity and financial flexibility of the District.
- **Statement of Revenues, Expenses and Changes in Net Position** – All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of District operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.
- **Statement of Cash Flows** – The primary purpose of this statement is to provide information about District cash receipts, cash disbursements and net changes in cash resulting from operations, investments, and capital and non-capital financing activities. It illustrates the source of revenue, purposes for which it was used, and change in cash balance during the reporting period.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

Reporting the District as a Whole

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

DISTRICT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's activities.

The largest portion of the District's Net Position (68%) reflects its investment in capital assets (net of accumulated depreciation) less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1 – Condensed Statement of Net Position

	Fiscal Year	Fiscal Year	Fiscal Year	Dollar Change	Percent Change
	2021	2020	2019	FY21 to FY20	FY21 to FY20
Current and other assets	\$ 209,786,196	\$ 212,422,497	\$ 153,635,984	\$ (2,636,301)	-1.2%
Capital Assets	354,820,252	325,577,880	323,687,525	29,242,372	9.0%
Total Assets	564,606,448	538,000,377	477,323,509	26,606,071	4.9%
Deferred outflows of resources	10,436,854	10,049,080	9,982,982	387,774	3.9%
Current liabilities	14,849,655	13,419,790	11,054,282	1,429,865	10.7%
Long-term liabilities	127,428,957	126,855,110	89,017,951	573,847	0.5%
Total liabilities	142,278,612	140,274,900	100,072,233	2,003,712	1.4%
Deferred inflows of resources	1,314,631	2,584,183	1,903,197	(1,269,552)	-49.1%
Net Position:					
Net investment in capital assets	293,087,260	283,568,402	284,632,017	9,518,858	3.4%
Restricted	91,707,599	66,590,701	69,264,549	25,116,898	37.7%
Unrestricted	46,655,200	55,031,271	31,434,495	(8,376,071)	-15.2%
Total net position	\$ 431,450,059	\$ 405,190,374	\$ 385,331,061	\$ 26,259,685	6.5%

Net position of the District's business type activities increased 6.5% to \$431.5 million, of which \$293.1 million is invested in capital assets such as equipment, buildings, and infrastructure. Of the remaining total, \$91.7 million is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. The remaining \$46.7 million is subject to designation for specific purposes as approved by the District Board of Directors and may be used to meet the District's ongoing obligations.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

Table 2 – Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year	Fiscal Year	Fiscal Year	Dollar Change	Percent Change
	2021	2020	2019	FY21 to FY20	FY21 to FY20
Operating Revenues:					
Sewer service charges (SSC)	\$ 62,142,806	\$ 60,216,149	\$ 57,330,651	\$ 1,926,657	3.2%
Other revenues	1,332,737	1,460,111	2,188,027	(127,374)	-8.7%
Total operating revenues	63,475,543	61,676,260	59,518,678	1,799,283	2.9%
Operating Expenses:					
Depreciation	16,482,501	16,819,345	17,857,275	(336,844)	-2.0%
Sewage treatment	21,756,065	21,815,870	19,339,187	(59,805)	-0.3%
Sewage collection and engineering	16,437,903	16,596,589	14,519,186	(158,686)	-1.0%
General and administration	8,824,715	8,858,612	8,044,226	(33,897)	-0.4%
Total operating expenses	63,501,184	64,090,416	59,759,874	(589,232)	-0.9%
Non-operating Revenues (Expenses):					
Investment income and net gains	238,374	5,069,307	4,097,258	(4,830,933)	-95.3%
Loss on retirement of capital assets	(5,840)	(45,982)	(6,606,751)	40,142	-87.3%
East Bay Dischargers Authority gain/(loss)	7,355,380	(62,484)	(170,591)	7,417,864	-11,871.6%
Interest	(2,097,916)	(1,841,089)	(992,721)	(256,827)	13.9%
Total non-operating revenues (expenses)	5,489,998	3,119,752	(3,672,805)	2,370,246	76.0%
Income/(Loss) Before Contributed Capital	5,464,357	705,596	(3,914,001)	4,758,761	674.4%
Capital Contributions					
Connection fees	9,358,209	14,179,465	16,158,027	(4,821,256)	-34.0%
Contributed capital	12,360,959	5,582,142	1,738,388	6,778,817	121.4%
Total capital contributions	21,719,168	19,761,607	17,896,415	1,957,561	9.9%
Change in Net Position	27,183,525	20,467,203	13,982,414	6,716,322	32.8%
Beginning Net Position	405,190,374	385,331,061	371,508,117	19,859,313	5.2%
Prior period adjustment	(923,840)	(607,890)	(159,470)	(315,950)	52.0%
Restated Net Position, Beginning of Year	404,266,534	384,723,171	371,348,647	19,543,363	5.1%
Ending Net Position	\$ 431,450,059	\$ 405,190,374	\$ 385,331,061	\$ 26,259,685	6.5%

The District's increase in net position of \$26.3 million is primarily due to the following:

- A marginal rate increase in sewer service charge and the increase in other revenues, such as permit fees.
- The District received \$9.4 million in connection fees and \$12.3 million in contributed capital due to the ongoing residential development activity within the service area.

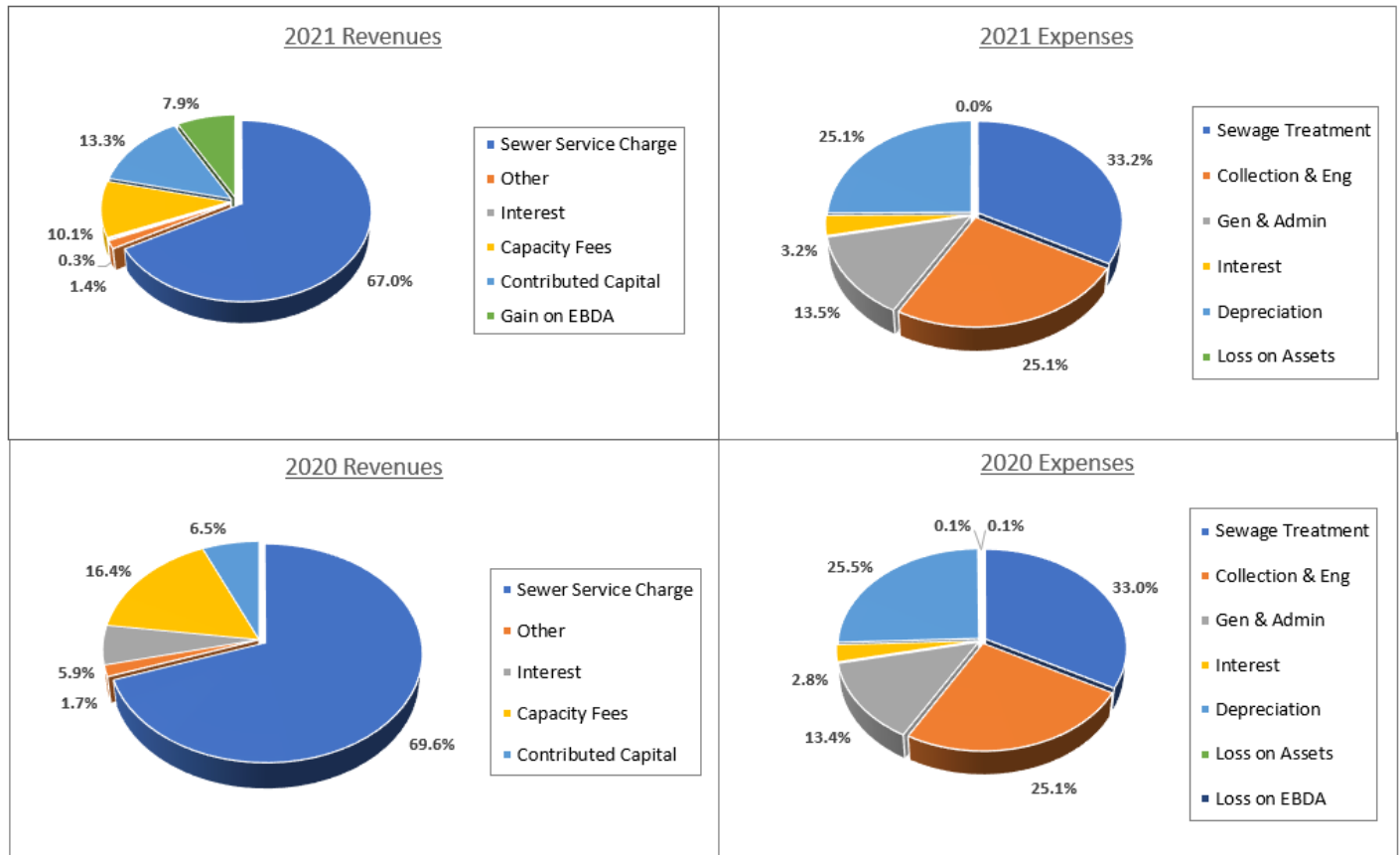
UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

Overall, the District's operating revenues increased 2.9% or \$1.8 million from FY 2020. Sewer service revenues for the year increased by 3.2% or \$1.9 million. Other operating revenues decreased by 8.7% or \$0.1 million from prior year as the result of a decrease in permits and compliance fees received from the service area. However, both commercial and residential development slowed, and connection fee revenues decreased 34.0%, or \$4.8 million from prior year as a result. Contributed capital increased 121.4% or \$6.8 million.

The gain on equity investment in East Bay Dischargers Authority (EBDA) was \$7.4 million. This increase was a result of a change in the District's ownership percentage in EBDA that increased from 18.7% to 42.1%. Investment income decreased by \$4.8 million to \$0.2 million in FY 2021. Lower returns from LAIF, CAMP, and managed portfolio investments resulted in a lower weighted investment yield at June 30, 2021, of 0.53%, with a weighted average portfolio life of 262 days compared to a weighted investment yield at June 30, 2020, of 1.19%, with a weighted average portfolio life of 322 days.

The District's operating expenses decreased from the prior year \$0.6 million.



UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2021, the District had \$354.8 million invested in a broad range of capital assets, including facilities and equipment for the plant, collections, and administrative facilities. This amount represents a net increase of \$29.2 million compared to the prior year. The net change consisted of total additions of \$46.7 million, net deletions and adjustments of \$1.0 million and depreciation of \$16.5 million.

The District has outstanding construction contract commitments on capital projects approximating \$44.1 million at June 30, 2021. During the year ended June 30, 2021, major projects and related activity included:

Table 3 – Additions to CIP

Primary Digester No. 7	\$ 15,927,875
MP - Aeration Basin Modifications	4,870,953
Alvarado Influent PS Pumps and VFDs	4,831,896
Campus Building (Admin, FMC, Ops)	2,114,848
Primary Digester No. 2 Rehabilitation	1,496,135
Headworks 3rd Bar Screen	1,145,322
WAS Thickeners	832,930
ETSU Phase 1B Project	561,059
Pump Stations Chemical System Improvements	377,056
Standby Power System Upgrade	248,692
Aeration Blower 11 (High Speed)	225,938
Calcium Thiosulfate Chemical Tank	196,230
NRB (Non Residential Billing) Replacement	132,300
Emergency Outfall Outlet Improvements	127,315
Alvarado Influent Valve Box Rehabilitation	103,420
Others	336,497
Total	<u>\$ 33,528,466</u>

This year's additions (placed into service) included:

Table 4 – Total CIP Placed into Service

Digester No. 3 Insp & Rehab	\$ 2,871,948
3 rd Sludge Degritter System	1,846,151
Lab/Plant Operations Data Mgmt System (ODMS)	77,940
Alvarado-Niles Road SS Rehabilitation	2,457
Total	<u>\$ 4,798,496</u>

More detailed information about the District's capital assets is presented in Note 2 to the financial statements.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Debt Administration

At year-end, the District had \$70.9 million in long-term debt outstanding versus \$73.5 million last year.

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

NEW SIGNIFICANT ACCOUNTING STANDARDS IMPLEMENTED

In FY 2021, the following Governmental Accounting Standards Board (GASB) pronouncements impacted the District:

- GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement 90, Majority Equity Interests – an Amendment of GASB Statement Nos. 14 and 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the FY 2022 Budget with total appropriations of \$112.0 million which is an increase over the prior year budget of \$14.1 million. Of that amount, \$43.2 million has been appropriated for capital projects (both for design and construction) such as the Enhanced Treatment & Site Upgrade (ETSU) program (a series of prior Master Plan (MP) projects), Digester No. 7, Stand by Power Generation System Upgrade, and Headworks Screens Replacement. The budget also includes \$4.0 million in special projects (including some new and some continuing efforts) such as property acquisitions, election related costs, headworks degritting and various other project studies. To stay competitive with the market, the appropriations include a cost-of-living increase of 3.25% for employees.

This budget also includes certain rate increase as part of an approved five-year rate plan that became effective on July 1, 2021. Total estimated revenues for FY 2022 are \$192.5 million, of which, \$110 million is anticipated bond proceeds in the fall of 2021. Revenues (net of bond proceeds) increased by \$13.8 million over the prior year budget. The increase is largely attributable to increases in Sewer Service Charges, a portion of which was deferred from FY 2021 to FY 2022. Major revenue items are sewer service charges of \$74.7 million, capacity fee revenues of \$4.9 million and other revenues of \$2.9 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at (510) 477- 7500.

UNION SANITARY DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021 (with comparative information for June 30, 2020)

	2021	2020
Assets:		
Current Assets:		
Cash, cash equivalents	\$ 3,898,442	\$ 4,907,684
Investments	171,017,705	160,359,553
Receivables:		
Accounts, net	6,575,274	4,802,401
Accrued interest	241,568	607,871
Inventories	796,089	772,503
Prepaid expenses	32,539	46,096
Total Current Assets	182,561,617	171,496,108
Noncurrent Assets:		
Capital assets		
Non-depreciable capital assets		
Land and improvements	5,395,903	5,395,903
Construction in progress	64,404,996	36,598,866
Capacity permits and easements	6,415,898	6,415,898
Depreciable capital assets		
Utility plant in service	690,626,913	672,726,404
Less: Accumulated depreciation	(412,023,458)	(395,559,191)
Net capital assets	354,820,252	325,577,880
Other Assets		
Restricted cash, cash equivalents	1,039,360	278,200
Restricted investments	13,072,622	34,890,971
Investment in East Bay Dischargers Authority	13,112,597	5,757,218
Total other assets	27,224,579	40,926,389
Total Noncurrent Assets	382,044,831	366,504,269
Total Assets	\$ 564,606,448	\$ 538,000,377
Deferred Outflows of Resources:		
Deferred outflows related to pensions	\$ 9,058,711	\$ 8,425,826
Deferred outflows related to OPEB	1,378,143	1,623,254
Total Deferred Outflows of Resources	\$ 10,436,854	\$ 10,049,080
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,842,991	\$ 4,429,104
Accrued payroll and related expenses	1,160,842	895,034
Interest payable	752,436	844,459
Customer deposits	3,868,142	3,662,957
Accrued compensated absences	1,650,244	1,298,236
Bonds payable	2,575,000	2,290,000
Total Current Liabilities	14,849,655	13,419,790
Long-term liabilities:		
Bonds payable	68,338,414	71,218,249
Net pension liability	55,447,032	51,055,879
Net OPEB liability	3,643,511	4,580,982
Total Long-Term Liabilities	127,428,957	126,855,110
Total Liabilities	\$ 142,278,612	\$ 140,274,900
Deferred Inflows of Resources:		
Deferred inflows related to pensions	\$ 204,255	\$ 1,098,252
Deferred inflows related to OPEB	1,110,376	1,485,931
Total Deferred Inflows of Resources	\$ 1,314,631	\$ 2,584,183
Net Position:		
Net investment in capital assets	\$ 293,087,260	\$ 283,568,402
Restricted for:		
Capacity purposes	86,776,039	62,920,301
Debt service	3,887,201	3,399,270
Funds held for faithful performance	1,044,359	271,130
Unrestricted	46,655,200	55,031,271
Total Net Position	\$ 431,450,059	\$ 405,190,374

UNION SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative information for the year ended June 30, 2020)

	2021	2020
Operating Revenues:		
Sewer service charges (SSC)	\$ 62,142,806	\$ 60,216,149
Other operating revenues	1,332,737	1,460,111
Total Operating Revenues	63,475,543	61,676,260
Operating Expenses:		
Sewage treatment	21,756,065	21,815,870
Sewage collection and engineering	16,437,903	16,596,589
General and administration	8,824,715	8,858,612
Total Operating Expenses Before Depreciation	47,018,683	47,271,071
Depreciation	16,482,501	16,819,345
Total Operating Expenses	63,501,184	64,090,416
Operating (Loss)	(25,641)	(2,414,156)
Nonoperating Revenues (Expenses):		
Net investment income and net realized gains and losses	238,374	5,069,307
Interest and fiscal charges	(2,097,916)	(1,841,089)
Gain (Loss) on equity investment in East Bay Dischargers Authority	7,355,380	(62,484)
Loss on disposal of capital assets	(5,840)	(45,982)
Net Nonoperating Revenues (Expenses)	5,489,998	3,119,752
Income Before Contributed Capital	5,464,357	705,596
Connection fees and other contributed capital	21,719,168	19,761,607
Changes in Net Position	27,183,525	20,467,203
Net Position:		
Beginning of Fiscal Year	405,190,374	385,331,061
Restatements	(923,840)	(607,890)
Beginning of Fiscal Year, as restated	404,266,534	384,723,171
End of Fiscal Year	\$ 431,450,059	\$ 405,190,374

UNION SANITARY DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative information for the year ended June 30, 2020)

	2021	2020
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 61,702,670	\$ 60,743,320
Payments to suppliers for goods and services	(14,020,261)	(13,277,479)
Payments to employees for services	(30,180,392)	(28,133,837)
Receipts from customer deposits	205,185	90,167
Net Cash Provided by Operating Activities	17,707,202	19,422,171
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt	-	73,609,860
Capital contributions	9,358,209	14,179,465
Acquisition and construction of capital assets	(34,307,658)	(13,430,301)
Principal paid on capital debt	(2,290,000)	(39,055,508)
Interest and fiscal charges paid on capital debt	(2,494,774)	(1,563,553)
Proceeds from sales of capital assets	14,064	15,207
Net Cash Provided (Used) by Capital and Related Financing Activities	(29,720,159)	33,755,170
Cash Flows from Investing Activities:		
Maturity (purchase) of investments	9,823,466	(53,501,345)
Interest received	1,941,409	3,343,669
Net Cash Provided (Used) by Investing Activities	11,764,875	(50,157,676)
Net Increase (Decrease) in Cash and Cash Equivalents	(248,082)	3,019,665
Cash and Cash Equivalents at Beginning of Year	5,185,884	2,166,219
Cash and Cash Equivalents at End of Year	\$ 4,937,802	\$ 5,185,884
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position		
Cash, cash equivalents	\$ 3,898,442	\$ 4,907,684
Restricted cash, cash equivalents	1,039,360	278,200
	\$ 4,937,802	\$ 5,185,884
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating (loss)	\$ (25,641)	\$ (2,414,156)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	16,482,501	16,819,345
Increase (decrease) in pension related items	2,864,271	4,750,140
Increase (decrease) in OPEB related items	(1,067,915)	(1,402,007)
(Increase) decrease in accounts receivable	(1,772,873)	(932,940)
(Increase) decrease in inventories and other	(10,029)	(35,745)
Increase (decrease) in accounts payable and accrued expenses	413,887	2,024,644
Increase (decrease) in accrued liabilities	265,808	273,979
Increase (decrease) in customer deposits	205,185	90,167
Increase (decrease) in compensated absences	352,008	248,744
Total Adjustments	17,732,843	21,836,327
Net Cash Provided by Operating Activities	\$ 17,707,202	\$ 19,422,171
Non-Cash Investing, Capital, and Financing Activities:		
Contributions of capital assets	\$ 12,360,959	\$ 5,582,142
Loss on disposal of capital assets	(5,840)	(45,982)
Increase (Decrease) in equity in East Bay Dischargers Authority	7,355,380	(62,484)
Unrealized gain on investments	(1,336,732)	1,699,925
Amortization of premiums on long-term debt	(304,835)	(101,611)
Restatement due to inventory adjustment	-	(366,336)
Restatement due to CIP adjustment	(923,840)	(241,554)

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UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies

The Organization

Union Sanitary District (the "District") operates pursuant to Division 6 of the Health and Safety Code of the State of California (Sanitary District Act of 1923, as amended). The District, which was established in 1918 and subsequently reorganized in 1923, is empowered to own and operate wastewater facilities, and the Board of Directors may prescribe, revise and collect fees or charges for services and facilities of the District in connection with its wastewater system.

The District is governed by a five-member Board of Directors elected by wards for four-year staggered terms. The election is at-large and non-partisan. The Board appoints the General Manager to manage and oversee the day-to-day operations.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB establishes standards for external financial reporting for all state and local governmental entities, which require a management and discussion and analysis section, a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

The Financial Reporting Entity

For financial reporting purposes component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District.

On January 13, 2020, the District entered into a joint powers' agreement with the California Municipal Finance Authority to create the Union Sanitary District Financing Authority, a blended component unit of the District. The authority is authorized to buy, sell, lease, and use property and to incur indebtedness for public purposes pursuant to the California Health and Safety Code, the California Government Code and other laws of the State of California. This agreement was made for the purpose of assisting in the financing and refinancing of capital improvement projects of the District and to finance working capital for the District and financing other authorized costs. The activities of the authority are blended in the District's financial statements.

In addition, the District's share of a Joint Powers Authority (East Bay Dischargers Authority) is reflected based upon the District's proportionate share of its investment in the discharge facilities in the Authority (see Note 5).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

a. Basis of Accounting and Measurement Focus

The financial statements of the District are presented as those of an enterprise fund under the broad category of funds called proprietary funds, which also include internal service funds. All proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred, or economic asset utilized.

Enterprise funds account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The acquisition and capital improvement of the physical plant facilities requires that these goods and services be financed from existing cash resources, cash flow from operations, the issuance of debt, and contributed capital.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

b. Cash and Cash Equivalents

The District considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of June 30, 2021, cash equivalents consist of U.S. Treasury funds in a sweep account and money market funds.

Certain cash and cash equivalents have been placed into escrow according to the requirements of ongoing construction contracts. Accordingly, such cash and cash equivalents have been classified as restricted in the accompanying financial statements.

c. Investments

Investments, which consist of short-term, fixed-income securities at June 30, 2021, are recorded at fair value using quoted market prices. The related net realized and unrealized gains (losses) on investments are recognized in the accompanying statement of revenues expenses, and changes in net position.

d. Inventory

Inventory is held for consumption and is recorded at cost using the first-in-first-out (FIFO) basis.

e. Capital Assets

Capital assets, including costs of addition to utility plant and major replacements of property, are capitalized and stated at cost. The District's capitalization threshold is \$10,000. Such capital costs include materials, direct labor, transportation, and such indirect costs as interest and contracted engineering. Contributed property is recorded at acquisition value as of the date of donation. Repairs, maintenance, and minor replacements of property are charges to expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

f. Depreciation

The purpose of depreciation is to spread the cost of capital assets equitably among all customers over the life of those assets. The amount charged to depreciation expense each year represents that year's pro rata share of capital asset costs.

Depreciation of all capital assets in service is charged as an expense against operations each year. Accumulated depreciation, the total amount of depreciation taken over the years, is reported on the statement of net position as a reduction in the gross value of the capital assets.

Depreciation of capital assets in service is calculated using the straight-line method, dividing the cost of the asset by its expected useful life in years. The result is charged to expense each year until the asset is fully depreciated. It is the District's policy to utilize the half-year convention when calculating depreciation. The District has assigned the following useful lives to capital assets:

Useful Lives

Wastewater collection facilities	50 – 115 years
Wastewater treatment facilities	10 – 50 years
District facilities	10 – 35 years
General equipment	3 – 35 years

The aggregate provision for depreciation was 3.06 percent of average depreciable plant during the year ended June 30, 2021.

g. Compensated Absences

Compensated absences, including accumulated unpaid vacation, sick pay, and other employee benefits, are accounted for as expenses in the year earned. The liability for compensated absences includes the vested portions of vacation, sick leave, and compensated time off. The liability for compensated absences is determined annually.

h. Net Position

Net position is measured on the full accrual basis and is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows. Net position is classified into the following components: net investment in capital assets, restricted and unrestricted. Restricted net position describes the portion of net position which is restricted as to use by the terms and conditions of agreement with outside parties, governmental regulations, laws, enabling legislation or other restrictions which the District cannot unilaterally alter. It is the District's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The following categories of restricted net position are described as follows:

- Net Position Restricted for Capacity Purposes – restricted for activities related to increases in the capacity of the collection and/or treatment systems.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

- Net Position Restricted for Debt Service – the bond trustee requires a contingency reserve for outstanding bond balances.
- Net Position Restricted for Funds Held for Faithful Performance – Certain cash and cash equivalents have been placed into escrow according to the requirements of ongoing construction contracts. Accordingly, net position relating to such cash and cash equivalents have been classified as restricted in the accompanying financial statements.

i. Classification of Revenues and Expenses

Operating revenues consist primarily of sewer service charges to customers, which are billed and collected on behalf of the District by Alameda County (the County) as a separate component of semiannual property tax billings. Property taxes are levied on March 1 and are due in equal installments on November 1 and February 1. The County remits to the District those charges which are placed on the property tax roll and handles all delinquencies, retaining interest and penalties.

Non-operating revenues consist of investment income and special charges that can be used for either operating or capital purposes.

Capital contributions consist of contributed capital assets, connection, and capacity fees that are legally restricted for capital expenditures by State law or by Board actions that established those charges. Connection and capacity fees represent a one-time contribution of resources to the District, imposed on contractors and developers for the purpose of financing capital improvements.

Operating expenses are those expenses that are essential to the primary operations of the District. Operating expenses include costs related to wastewater collection and treatment, as well as engineering and general and administrative expenses. Other expenses such as investment losses, interest expense, and loss on retirement of capital assets are reported as non-operating expenses.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities. The District has certain items relating to the net pension and net OPEB liabilities, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

I. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan of Union Sanitary District (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m. Other Post-Employment Benefit (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan ("OPEB Plan"), the assets of which are held by CalPERS, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

n. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earning on OPEB plan investments	5 years
All other Amounts	Expected average remaining service lifetime (EARSL) (6.63 years at June 30, 2020)

o. Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 2: Capital Assets

Capital asset activity for the year ended June 30, 2021, is summarized as follows:

	Balance June 30, 2020	Adjustments*	Adjusted Balance	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets, not being depreciated:							
Land and improvements	\$ 5,395,903	\$ -	\$ 5,395,903	\$ -	\$ -	\$ -	\$ 5,395,903
Construction in progress	36,598,866	(923,840)	35,675,026	33,528,466	-	(4,798,496)	64,404,996
Capacity permits and easements	6,415,898	-	6,415,898	-	-	-	6,415,898
Total capital assets, not being depreciated	48,410,667	(923,840)	47,486,827	33,528,466	-	(4,798,496)	76,216,797
Capital assets, being depreciated:							
Sewage collection facilities	449,930,175	-	449,930,175	12,360,959	-	2,457	462,293,591
Sewage treatment facilities	128,429,461	-	128,429,461	47,217	-	4,718,099	133,194,777
District facilities	78,877,182	-	78,877,182	-	(22,746)	-	78,854,436
General equipment	8,197,080	-	8,197,080	345,481	-	77,940	8,620,501
Fleet	7,292,506	-	7,292,506	386,494	(15,392)	-	7,663,608
Total capital assets, being depreciated	672,726,404	-	672,726,404	13,140,151	(38,138)	4,798,496	690,626,913
Less accumulated depreciation for:							
Sewage collection facilities	(269,591,159)	-	(269,591,159)	(8,920,576)	-	-	(278,511,735)
Sewage treatment facilities	(78,367,621)	-	(78,367,621)	(4,393,211)	-	-	(82,760,832)
District facilities	(36,034,683)	-	(36,034,683)	(2,163,235)	2,842	-	(38,195,076)
General equipment	(6,790,341)	-	(6,790,341)	(462,991)	-	-	(7,253,332)
Fleet	(4,775,387)	-	(4,775,387)	(542,488)	15,392	-	(5,302,483)
Total accumulated depreciation	(395,559,191)	-	(395,559,191)	(16,482,501)	18,234	-	(412,023,458)
Total capital assets being depreciated, net	277,167,213	-	277,167,213	(3,342,350)	(19,904)	4,798,496	278,603,455
Total Capital Assets, net	\$ 325,577,880	\$ (923,840)	\$ 324,654,040	\$ 30,186,116	\$ (19,904)	\$ -	\$ 354,820,252

Construction work in progress consists primarily of the direct construction costs associated with numerous District projects plus related construction overhead. The District has outstanding construction contract commitments on capital projects approximating \$44.1 million at June 30, 2021.

* Adjustments to remove prior year additions to construction-in-progress (CIP). These costs have been determined not capitalizable and an adjustment was necessary to properly state capital assets.

Note 3: Cash and Investments

a. Summary of Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2021, are detailed as follows:

Cash and cash equivalents	\$ 3,898,442
Restricted cash and cash equivalents	1,039,360
Investments	171,017,705
Restricted Investments	13,072,622
Total cash and cash equivalents and investments	<u>\$ 189,028,129</u>

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 3: Cash and Investments (Continued)

b. Authorized Investments by the District

The District's investment policy and the California Government Code allow the District to invest in the following investments, with certain limiting provisions that address interest rate, risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Remaining Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (a)	5 years	N/A	None	None
Banker's Acceptances (b)	180 days	A1/P1 (ST) A (LT)	40%	10%
Certificates of Deposit	5 years	N/A	20%	10%
Negotiable Certificates of Deposit	5 years	A1 (ST) A (LT)	30%	10%
Repurchase Agreements (c)	90 days	A1/A	10%	10%
Commercial Paper	270 days	"Prime" quality	25%	10%
Local Agency Investment Fund (LAIF)- Unrestricted	N/A	N/A	70%	None
Corporate Notes (d)	5 years	A	30%	None
Mortgage Pass-through and Asset Backed Securities	5 years	A/AA	20%	10%
Money Market Funds	N/A	AAA	20%	10%

- a) Securities issued by agencies sponsored by the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). There is an exception with federal agency mortgage-backed securities, which are limited to 20% of the portfolio.
- b) Bankers Acceptances issued by institutions the short term obligations of which are rated at a minimum of "P1" by Moody's Investor Services (Moody's) and A1 by Standard & Poor's, Inc. (S&P); or if the short term obligations are unrated, the long-term obligations of which are rated a minimum of "A" by S&P.
- c) Repurchase agreements must be collateralized with U.S. Treasury Obligation or U.S. Agency Securities, which must maintain a market value of at least 102% of the principal of the repurchase agreement.
- d) Securities shall be issued by corporations rated a minimum of "A" by S&P.

c. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 3: Cash and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2021:

	Maturities of			Total
	12 Months Or Less	12 to 24 Months	25 to 60 Months	
U.S. Treasury Obligation	\$ -	\$ 6,838,155	\$ 15,483,390	\$ 22,321,545
U.S Agency Obligations:				
FFCB	-	-	1,622,579	1,622,579
FHLB	-	1,796,014	556,892	2,352,906
FHLMC	-	1,000,455	3,078,505	4,078,960
FNMA	-	1,848,193	5,956,895	7,805,088
Corporate Notes	-	7,681,210	2,262,919	9,944,129
Certificate of Deposit	5,000	3,394,671	-	3,399,671
Asset-Backed Securities	-	-	1,457,945	1,457,945
Commercial Paper	-	3,169,131	-	3,169,131
LAIF- Unrestricted	72,199,912	-	-	72,199,912
LAIF- Restricted	9,180,422	-	-	9,180,422
California Asset Management Program Pool (CAMP)	46,558,039	-	-	46,558,039
Total Investments	127,943,373	25,727,829	30,419,125	184,090,327
Cash in bank	3,898,442	-	-	3,898,442
Restricted cash	1,039,360	-	-	1,039,360
Total Cash and Investments	\$ 132,881,175	\$ 25,727,829	\$ 30,419,125	\$ 189,028,129

d. LAIF Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The unrestricted portion of LAIF's balance is available for withdrawal on demand and is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The restricted portion of LAIF's balance may only be withdrawn once a month. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills and corporations. The carrying value of LAIF approximates fair value. At June 30, 2021, the District had two accounts with LAIF, consisting of \$72,199,912 in unrestricted investments, and \$9,180,422 in restricted investments specific to the proceeds from the issuance of the Series 2020A Revenue Bonds, further discussed in footnote 6. At June 30, 2021, these investments mature in an average of 291 days.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 3: Cash and Investments (Continued)

e. California Asset Management Program (CAMP) Pool

The District is a voluntary participant in the California Asset Management Program (CAMP) Pool. CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 72 requirements. At June 30, 2021, the fair value was approximate to the District's cost. As of June 30, 2021, the District investment in CAMP is \$46,558,039.

f. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2021, for each investment type:

Investment Type	Aaa	Aa3	Aa2	Aa1	A1	A2	A3	Total
U.S. Agency Obligations								
FFCB	\$ 1,622,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,622,579
FHLB	2,352,906	-	-	-	-	-	-	2,352,906
FHLMC	4,078,960	-	-	-	-	-	-	4,078,960
FNMA	7,805,088	-	-	-	-	-	-	7,805,088
Corporate Notes	-	500,665	3,037,206	327,805	2,009,346	2,822,874	1,246,233	9,944,129
Asset-Backed Securities	1,059,729	-	-	-	398,216	-	-	1,457,945
Totals	<u>\$ 16,919,262</u>	<u>\$ 500,665</u>	<u>\$ 3,037,206</u>	<u>\$ 327,805</u>	<u>\$ 2,407,562</u>	<u>\$ 2,822,874</u>	<u>\$ 1,246,233</u>	<u>27,261,607</u>
Exempt from credit rate disclosure								
U.S. Treasury Obligations								22,321,545
Not Rated								
Certificates of deposit								3,399,671
Commercial Paper								3,169,131
California Local Agency Investment Fund (LAIF) - Unrestricted								72,199,912
California Local Agency Investment Fund (LAIF) - Restricted								9,180,422
California Asset Management Program (CAMP)								46,558,039
Cash and cash equivalents								4,937,802
Total Cash, Cash Equivalents and Investments								<u>\$ 189,028,129</u>

g. Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

As of fiscal year ended June 30, 2021, none of the District's investments had concentrations in any single issuer greater than 5 percent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3: Cash and Investments (Continued)

h. Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's total bank balance of \$5,411,908 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC). Certificates of Deposit were also collateralized.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. However, the District's policy states that all security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery, or by third party custodial agreement as required by CGC Section 53601. The collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC Section 53601(i) (2).

Note 4: Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 4: Fair Value Measurements (Continued)

Uncategorized - Investments in the Local Agency Investment Funds/State Investment Pools (LAIF) and California Asset Management Program (CAMP) pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The District reports its investment in CAMP on an amortized cost basis. The balance of LAIF's unrestricted portion and CAMP are available for withdrawal on demand. The balance of LAIF's restricted portion may only be withdrawn once a month.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
U.S. Agency Obligations					
FFCB	\$ 1,622,579	\$ -	\$ 1,622,579	\$ -	\$ -
FHLB	2,352,906	-	2,352,906	-	-
FHLMC	4,078,960	-	4,078,960	-	-
FNMA	7,805,088	-	7,805,088	-	-
Corporate Notes	9,944,129	-	9,944,129	-	-
Asset-Back Securities	1,457,945	-	1,457,945	-	-
Commercial Paper	3,169,131	-	3,169,131	-	-
California Asset Management Program (CAMP)	46,558,039	-	-	-	46,558,039
U.S. Treasury Obligations	22,321,545	22,321,545	-	-	-
Certificates of Deposits	3,399,671	-	3,399,671	-	-
California Local Agency Investment Fund (LAIF)- Unrestricted	72,199,912	-	-	-	72,199,912
California Local Agency Investment Fund (LAIF)- Restricted	9,180,422	-	-	-	9,180,422
Totals	<u>\$ 184,090,327</u>	<u>\$ 22,321,545</u>	<u>\$ 33,830,409</u>	<u>\$ -</u>	<u>\$ 127,938,373</u>

Note 5: Joint Ventures

Alameda County Water District Financing Authority

The Alameda County Water District Financing Authority, a Joint Powers Authority, was established through Joint Exercise of Powers Agreement between the Alameda County Water District (ACWD) and Union Sanitary District (USD) on November 14, 2011 for the purpose of assisting in the financing and refinancing of capital improvement projects of the ACWD and to finance working capital for the ACWD. The assets, debts, liabilities, and obligations of the Authority do not constitute assets, debts, liabilities, and obligations of Union Sanitary District. The Authority is administered by the Board, which consists of one member from Union Sanitary District and five members from the Alameda County Water District.

Investment in East Bay Dischargers Authority

The District has an 42.1 percent interest in East Bay Discharges Authority (EBDA), a Joint Powers Authority established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, EBDA exercises full power and authority within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of EBDA are not those of the District and the other participating entities.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 5: Joint Ventures (Continued)

EBDA constructed and operates an export pumping facility through which all treated wastewater in the area is discharged. The other participants (and their ownership percentages) are the City of Hayward (14.72 percent), the City of San Leandro (13.74 percent), the City of Oro Loma (19.44 percent), and Castro Valley Sanitary Districts (10.30 percent). The District has rights to 42.1 percent of EBDA's capacity.

EBDA is governed by a board of directors consisting of representatives from each member agency. The board controls the operations of EBDA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

Because the District has the ability to exercise influence over operating and financial policies of EBDA, the District's proportionate share of EBDA's net position, excluding sole use of facilities, and the District's share of its undivided ownership (42.1 percent) in EBDA's total net equity, has been recorded as an investment in EBDA accounted for under the equity method.

Summary financial information for EBDA, as of June 30, 2020, and for the years then ended, the most recent audited information available, is as follows:

	2020
Total assets and deferred outflows	\$ 34,069,006
Total liabilities and deferred inflows	(2,922,696)
Net position value of EBDA	<u>\$ 31,146,310</u>
District's share at 42.1%	<u>\$ 13,112,597</u>
Net gain on equity investment in EBDA	<u>\$ 7,355,380</u>

EBDA has no outstanding debt.

During fiscal year ended June 30, 2021, the District was charged \$1,479,175 by EBDA primarily for operating costs. Such costs are included in the wastewater treatment expenses by the District for financial reporting purposes.

The financial statement for EBDA may be obtained from the EBDA, 2651 Grant Avenue, San Lorenzo, California 94580-1841.

Note 6: Long-Term Obligations

Long-term obligations at June 30, 2021, are summarized as below:

	Maturity Date	Interest Rate	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Public Offerings:							
Series 2020A Revenue Bonds	9/1/2050	4.0%	\$ 64,160,000	\$ -	\$ 2,290,000	\$ 61,870,000	\$ 2,575,000
Premium- Series 2020A Revenue Bonds			9,348,249	-	304,835	9,043,414	-
			<u>\$ 73,508,249</u>	<u>\$ -</u>	<u>\$ 2,594,835</u>	<u>\$ 70,913,414</u>	<u>\$ 2,575,000</u>

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6: Long-Term Obligations (Continued)

Series 2020A Revenue Bonds

During February 2020, the Union Sanitary District Financing Authority (USDFA) issued \$64,160,000 in revenue bonds. The interest rate on the loan is 4.0 percent and will be payable in thirty annual installments beginning September 1, 2020. The purpose of the bonds is to finance improvements to the wastewater system, pay off the District's obligations under various prior loan agreements with the California State Water Resources Control Board, proceeds of which were originally used to finance improvements to the wastewater system. The outstanding balance from this public offering contains a provision that in the occurrence or continuation of any event of default the trustee, at the written direction of the bond owners, must declare the principal of the bonds, together with the accrued interest, to be due and payable immediately and may exercise any other remedies available to the trustee and bond owners in law or at equity to enforce the rights of the bond owners. In addition, upon the occurrence and during the continuation of an event of default, interest on the bonds shall accrue at the default rate.

Debt Service Requirements

Future annual repayment requirements as of June 30, 2021, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 2,575,000	\$ 2,236,900	\$ 4,811,900
2023	2,670,000	2,132,000	4,802,000
2024	2,780,000	2,023,000	4,803,000
2025	2,010,000	1,927,200	3,937,200
2026	2,090,000	1,845,200	3,935,200
2027-2031	11,595,000	7,887,300	19,482,300
2032-2036	12,270,000	5,375,600	17,645,600
2037-2041	7,240,000	3,543,000	10,783,000
2042-2046	8,620,000	2,165,250	10,785,250
2047-2051	10,020,000	769,500	10,789,500
Totals	<u>\$ 61,870,000</u>	<u>\$ 29,904,950</u>	<u>\$ 91,774,950</u>

Note 7: Compensated Absences

A summary of the changes in compensated absences for the year ended June 30, 2021, is as follows:

Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due in One Year
\$ 1,298,236	\$ 1,312,490	\$ 960,482	\$ 1,650,244	\$ 1,650,244

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 8: Pension Plan

General Information about the Pension Plans

Plan Descriptions

All qualified permanent employees are eligible to participate in the District's separate Miscellaneous Plan, agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at <https://www.calpers.ca.gov/page/employers/actuarial-services/employer-contributions/public-agency-actuarial-valuation-reports>.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at the measurement date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50+	52+
Monthly benefits, as a % of annual salary	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer normal contribution rates	9.774%	12.500%
Required employer payment of the Unfunded Liability	\$3,196,761	-

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8: Pension Plan (Continued)

Employees Covered

As of the June 30, 2020 measurement date, the following employees were covered by the benefit terms of the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	178
Inactive employees entitled to but not yet receiving benefits	68
Active employees	133
Totals	<u>379</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

As of the measurement date for classic members, the average employee contribution rate was 8.0 percent of annual payroll, and the District's average rate was 9.774 percent of annual payroll. As of the measurement date for PEPRAs members, the average employee contribution rate was 6.25 percent of annual payroll, and the District's average rate was 12.500 percent of annual payroll. The total contribution to the plan was \$5,617,343 for the year ended June 30, 2021.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020.

A summary of principal assumptions used to determine the net pension liability is shown on the following page.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 8: Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected Salary increases	Varies by Entry Age and Service
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

The mortality table used in the June 30, 2019 valuation was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website at: <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020, was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8: Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The target allocation for the June 30, 2020, measurement date was as follows:

Asset Class	Target Allocation		
	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+ **
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%

*In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.00% used for this period.

***An expected inflation of 2.92% used for this period.

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the District are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019 (Measurement Date)	\$ 154,788,548	\$ 103,732,669	\$ 51,055,879
Change in the year:			
Service Cost	3,048,341	-	3,048,341
Interest on total pension liability	10,992,856	-	10,992,856
Differences between expected and actual experience	1,629,169	-	1,629,169
Contribution-employer	-	4,859,547	(4,859,547)
Contribution-employee	-	1,405,189	(1,405,189)
Net investment income	-	5,160,715	(5,160,715)
Administrative Expenses	-	(146,238)	146,238
Benefit payments, including refunds of employee contributions	(8,391,292)	(8,391,292)	-
Net changes	7,279,074	2,887,921	4,391,153
Balance at June 30, 2020 (Measurement Date)	\$ 162,067,622	\$ 106,620,590	\$ 55,447,032

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8: Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District for the Plan, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 75,688,096
Current Discount Rate	7.15%
Net Pension Liability	55,447,032
1% Increase	8.15%
Net Pension Liability	38,549,687

Pension Plan Fiduciary Net Position

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expense and Deferred Outflows/(Inflows) of Resources Related to Pensions

For the year ended June 30, 2021, the District recognized pension expense of \$8,370,795. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,617,343	\$ -
Differences between actual and expected experience	2,643,905	-
Changes in assumptions	-	(204,255)
Net differences between projected and actual earnings on plan investments	797,463	-
Totals	\$ 9,058,711	\$ (204,255)

The amount of \$5,617,343 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows of Resources
2022	\$ 715,271
2023	1,254,546
2024	836,135
2025	431,161
Total	\$ 3,237,113

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9: Other Retirement Benefits

a. Post-Employment Healthcare Benefit (OPEB)

Plan Description

The District's defined benefit postemployment healthcare plan provides medical benefits to employees who satisfy the requirements for retirement under CalPERS (attained age 50 with five years of service or satisfaction of the requirements for a disability retirement.) The amount of the retiree's medical benefit is dependent upon both years of service with the District and the year the employee retires.

The District contracts with CalPERS to administer its retiree health benefit plan (an agent multiple-employer plan) and to provide an investment vehicle, the California Employers' Retiree Benefit Trust Fund, to prefund future OPEB costs. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The District chooses among the menu of benefit provisions and adopts certain benefit provisions by Board resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California, 95814.

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	141
Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	39
Totals	<u><u>286</u></u>

Contributions

The Plan and its contribution requirements are established by Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2020, the District's contributions were \$1,623,254 in total payments, which were recognized as a reduction to the OPEB liability.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9: Other Retirement Benefits (Continued)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, that was used to determine the June 30, 2020, total OPEB liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial funding method	Entry age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Actuarial assumptions:	
Discount rate	6.30%
Inflation	2.50%
Salary increases	3.50% per year, used only to allocated to cost of benefits between service years
Investment rate of return	6.30%
Mortality Rate*	MacLeod Watts Scale 2018, applied generationally from 2015
Pre-Retirement Turnover*	MacLeod Watts Scale 2018, applied generationally from 2015
Healthcare Trend Rate	Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the assumed medical inflation of 6.50% and ultimate trend of 4.00% per year

Notes:

* MacLeod Watts Scale 2018 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2017 Report, published in October 2017 and (2) the demographic assumptions used in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published in July 2017. Scale MP-2017 can be found at the SOA website and the projection scales used in the 2017 Social Security Administrations Trustees Report at the Social Security Administration website.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9: Other Retirement Benefits (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Return Years 1-10*	Expected Real Return Years 11+*
Global Equity	40.00%	4.80%	5.98%
Fixed Income	43.00%	1.10%	2.62%
Treasury Inflation Protected Securities	5.00%	0.25%	1.46%
REITs	8.00%	3.20%	5.00%
Commodities	4.00%	1.50%	2.87%
Total	100.00%		

* A general inflation rate of 2.00% were used for these periods.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (Measurement Date)	\$ 11,702,278	\$ 7,121,296	\$ 4,580,982
Change in the year:			
Service Cost	371,844	-	371,844
Interest on total OPEB liability	738,140	-	738,140
Contribution-employer	-	1,623,254	(1,623,254)
Net investment income	-	427,895	(427,895)
Administrative Expenses	-	(3,694)	3,694
Benefit payments, including refunds of employee contributions	(715,232)	(715,232)	-
Net changes	394,752	1,332,223	(937,471)
Balance at June 30, 2020 (Measurement Date)	\$ 12,097,030	\$ 8,453,519	\$ 3,643,511

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9: Other Retirement Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.30%)	Current Discount Rate (6.30%)	1% Increase (7.30%)
Net OPEB Liability	\$ 5,056,012	\$ 3,643,511	\$ 2,449,651

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (6.00%HMO/6.50%PPO decreasing to 3.50%HMO/3.50%PPO)	Current Healthcare Cost Trend Rates (7.00%HMO/7.50%PPO decreasing to 4.50%HMO/4.50%PPO)	1% Increase (8.00%HMO/8.50%PPO decreasing to 5.50%/5.50%PPO)
Net OPEB Liability	\$ 2,934,660	\$ 3,643,511	\$ 4,519,852

OPEB Plan Fiduciary Net Position

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California, 95814.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$288,156. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,356,071	\$ -
Changes of assumptions	-	559,618
Differences between expected and actual experience	-	550,758
Net difference between projected and actual earnings on OPEB plan investments	22,072	-
Total	\$ 1,378,143	\$ 1,110,376

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 9: Other Retirement Benefits (Continued)

The \$1,356,071 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Inflows of Resources</u>
2022	\$ (348,394)
2023	(341,127)
2024	(213,955)
2025	(109,584)
2026	(75,244)
Total	<u>\$ (1,088,304)</u>

b. 401(a) Plans

The District sponsors two internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the ICMA Retirement Corporation. The plans were established and can be amended by Board resolution and, for certain terms, by participant agreement. Eligibility for participation in a particular plan is dependent on job classification. Within each plan, participating employees contribute the same dollar amount of \$3,000 per year for employees under the management plan, and \$1,850 for employees under the professional plan, and the District makes matching contributions on their behalf. The District and the participants each contributed a total of \$22,649 and \$22,649 to the plans for the year ended June 30, 2021.

c. Deferred Compensation Plan

District employees may defer a portion of their compensation under a District sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distribution. Distributions may be made only at termination, retirement, death, or, in an emergency, as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District assets and are not subject to District control, they have been excluded from these general-purpose financial statements.

Note 10: Risk Management

The District is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA covers general liability and workers' compensation claims. In addition, commercial insurance is purchased for excess liability, property, and employee dishonesty coverage. The District has a \$500,000 deductible for general liability coverage, and no deductible for workers' compensation coverage.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 10: Risk Management (Continued)

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims. The District's liability for uninsured claims is limited to general liability claims, as discussed above. Settled claims have not exceeded coverage in any of the past three years.

Note 11: Commitments and Contingent Liabilities

The District is contingently liable in connection with claims and contracts arising in the normal course of its activities. District management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the District.

Construction Contracts – The following material construction commitments existed at June 30, 2021:

Project Name	Total Committed Amount	Expenses to Date as of June 30, 2021	Remaning Commitment
Primary Digester No.7	\$ 28,307,826	\$ 24,764,480	\$ 3,543,346
Cogeneration Project	15,080,010	12,019,034	3,060,976
MP - Aeration Basin Modifications	14,379,507	5,927,897	8,451,610
Alvarado Influent PS Pumps and VFDS	10,981,192	5,714,962	5,266,230
ETSU Phase 1B Project	7,960,952	561,059	7,399,893
Campus Buildings (Admin, FMC, Ops)	7,946,143	2,226,297	5,719,846
Standby Power System Upgrade	5,823,551	2,488,274	3,335,277

COVID-19 National Health Emergency – On March 15, 2020, the District's operations were impacted by the COVID-19 national health emergency which resulted in shelter in place orders by national, state and county health departments. The District implemented customer and staff safety procedures based on recommendations from the health departments and industry specialists. However, the District's operations were not impacted or halted, due to the District's operations being considered essential. In addition, the majority of the District's operating revenues consist primarily of sewer service charges to customers, which are billed and collected on behalf of the District by Alameda County (the County) through the County's teeter program. Due to the teeter program, the District is entitled to complete collection of these charges from the County, and as such, the District's revenue has not been significantly impacted by the health emergency. The District continues to evaluate the impact of this health emergency on the District's operations.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12: Restatement of Prior Year Balances

The various restatements of beginning net position and the reasons for each are as follows:

Beginning Net Position, as Previously Reported	\$ 405,190,374
Restatement (1)	<u>(923,840)</u>
Beginning Net Position, as Restated	<u>\$ 404,266,534</u>

- (1) Beginning net position of the District was restated by \$923,840 due to the removal of prior year additions to construction-in-progress (CIP). These costs have been determined not capitalizable and an adjustment was necessary to properly state capital assets.

Note 13: Subsequent Events

On August 12, 2021, the District issued Revenue Bonds in a par amount of \$99,505,000 to provide funds to finance improvements to the wastewater system and pay the costs of issuing the Bonds. The revenue bonds were issued with a \$11,121,705 original issue premium.

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REQUIRED SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

Miscellaneous Plan
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years**
Schedule of Changes in the Net Pension Liability and Related Ratios
During the Measurement Period

Measurement Period	2021 June 30, 2020	2020 June 30, 2019	2019 June 30, 2018	2018 June 30, 2017
Total Pension Liability				
Service Cost	\$ 3,048,341	\$ 2,910,836	\$ 2,751,248	\$ 2,818,370
Interest on total pension liability	10,992,856	10,488,921	9,904,222	9,548,343
Differences between expected and actual experience	1,629,169	2,872,889	810,456	900,525
Changes in assumptions	-	-	(1,225,530)	7,589,483
Benefit payments, including refunds of employee contributions	(8,391,292)	(7,707,967)	(7,153,133)	(6,728,358)
Net change in total pension liability	7,279,074	8,564,679	5,087,263	14,128,363
Total Pension Liability-beginning	154,788,548	146,223,869	141,136,606	127,008,243
Total Pension Liability-ending (a)	\$ 162,067,622	\$ 154,788,548	\$ 146,223,869	\$ 141,136,606
Plan Fiduciary Net Position				
Contributions-employer	\$ 4,859,547	\$ 4,156,261	\$ 3,473,052	\$ 3,203,124
Contributions-employee	1,405,189	1,343,915	1,296,037	1,256,350
Net investment income	5,160,715	6,526,074	7,910,460	9,631,126
Benefit payments	(8,391,292)	(7,707,967)	(7,153,133)	(6,728,358)
Plan to plan resource movement	-	231	(231)	-
Administrative expense	(146,238)	(70,995)	(426,382)	(128,674)
Net change in plan fiduciary net position	2,887,921	4,247,519	5,099,803	7,233,568
Plan Fiduciary Net Position-beginning	103,732,669	99,485,150	94,385,347	87,151,779
Plan Fiduciary Net Position-ending (b)	\$ 106,620,590	\$ 103,732,669	\$ 99,485,150	\$ 94,385,347
Net pension liability-ending (a) - (b)	\$ 55,447,032	\$ 51,055,879	\$ 46,738,719	\$ 46,751,259
Plan fiduciary net position as a percentage of the total pension liability	65.79%	67.02%	68.04%	66.88%
Covered payroll	\$ 18,388,754	\$ 17,036,713	\$ 15,174,379	\$ 15,017,486
Net pension liability as a percentage of covered payroll	301.53%	299.68%	308.01%	311.31%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2019 and 2020, there were no changes. In 2018, demographic assumptions and inflation rates were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

**Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only seven years are shown.

2017	2016	2015
June 30, 2016	June 30, 2015	June 30, 2014
\$ 2,413,856	\$ 2,285,511	\$ 2,338,837
9,157,444	8,707,550	8,205,194
621,331	1,118,325	-
-	(2,041,756)	-
(6,122,564)	(5,472,643)	(4,871,998)
6,070,067	4,596,987	5,672,033
120,938,176	116,341,189	110,669,156
\$ 127,008,243	\$ 120,938,176	\$ 116,341,189
\$ 2,770,226	\$ 2,536,676	\$ 2,428,874
1,206,505	1,187,621	1,356,767
490,693	2,002,533	13,223,974
(6,122,564)	(5,472,643)	(4,871,998)
-	(8,501)	-
(54,156)	(100,081)	-
(1,709,296)	145,605	12,137,617
88,861,075	88,715,470	76,577,853
\$ 87,151,779	\$ 88,861,075	\$ 88,715,470
\$ 39,856,464	\$ 32,077,101	\$ 27,625,719
68.62%	73.48%	76.25%
\$ 14,229,298	\$ 13,896,353	\$ 13,453,476
280.10%	230.83%	205.34%

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Miscellaneous Plan
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years**
Schedule of Plan Contributions

	2021	2020	2019	2018
Actuarial Determined Contribution	\$ 5,617,343	\$ 4,970,366	\$ 4,221,019	\$ 3,572,132
Contribution in relation to the Actuarially Determined Contribution	(5,617,343)	(4,970,366)	(4,221,019)	(3,572,132)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 19,159,318	\$ 18,388,754	\$ 17,036,713	\$ 15,174,379
Contributions as a percentage of covered payroll	29.32%	27.03%	24.78%	23.54%

Notes to Schedule:

Valuation date June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method
Amortization method

Entry age normal cost method
Level percentage of pay, a summary of the current policy is provided in the table below:

Driver	Source		
	(Gain)/Loss		Assumption/ Method Change
	Investment	Non-investment	
Amortization Period	30 years	30 Years	20 Years
Escalation Rate			
- Active Plans	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%
Ramp Up	5	5	5
Ramp Down	5	5	5

Asset valuation method
Inflation
Salary increases
Payroll growth
Investment rate of return
Retirement age

Market Value
2.50%
Varies by Entry Age and Service
2.75%
7.00%, net of pension plan investment expenses, including inflation.
All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Mortality

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

**Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only seven years are shown.

2017	2016	2015
\$ 3,333,889	\$ 3,034,082	\$ 2,973,280
(3,333,889)	(3,034,082)	(2,973,280)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,017,486	\$ 14,229,298	\$ 13,896,353
22.20%	21.32%	21.40%

Source	
Benefit Change	Golden Handshake
20 Years	5 Years
2.750%	2.750%
0%	0%
0	0
0	0

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 371,844	\$ 401,584	\$ 388,943	\$ 420,836
Interest on the total OPEB liability	738,140	808,836	773,775	832,649
Differences between expected and actual experiences	-	(401,695)	-	(716,909)
Changes in assumptions	-	(390,123)	-	(761,859)
Benefit payments	(715,232)	(666,223)	(642,551)	(592,698)
Net change in total OPEB liability	394,752	(247,621)	520,167	(817,981)
Total OPEB liability - beginning	11,702,278	11,949,899	11,429,732	12,247,713
Total OPEB liability - ending (a)	12,097,030	11,702,278	11,949,899	11,429,732
Plan Fiduciary Net Position				
Contribution - employer	1,623,254	1,546,756	920,935	767,866
Net investment income	427,895	457,085	326,192	355,878
Benefit payments	(715,232)	(666,223)	(642,551)	(592,698)
Administrative expense	(3,694)	(1,324)	(9,654)	(2,557)
Net change in plan fiduciary net position	1,332,223	1,336,294	594,922	528,489
Plan fiduciary net position - beginning	7,121,296	5,785,002	5,190,080	4,661,591
Plan fiduciary net position - ending (b)	8,453,519	7,121,296	5,785,002	5,190,080
Net OPEB Liability - ending (a) - (b)	\$ 3,643,511	\$ 4,580,982	\$ 6,164,897	\$ 6,239,652
Plan fiduciary net position as a percentage of the total OPEB liability	69.88%	60.85%	48.41%	45.41%
Covered-employee payroll	\$ 18,419,720	\$ 17,245,563	\$ 16,384,101	\$ 15,715,654
Net OPEB liability as a percentage of covered-employee payroll	19.78%	26.56%	37.63%	39.70%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

SCHEDULE OF OPEB CONTRIBUTIONS

	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 708,354	\$ 908,022	\$ 880,553	\$ 708,037
Contribution in Relation to the Actuarially Determined Contributions	(1,356,071)	(1,623,254)	(1,333,416)	(324,982)
Contribution Deficiency (Excess)	<u>\$ (647,717)</u>	<u>\$ (715,232)</u>	<u>\$ (452,863)</u>	<u>\$ 383,055</u>
Covered-employee payroll	\$ 19,722,927	\$ 18,419,720	\$ 17,245,563	\$ 16,384,101
Contributions as a percentage of covered-employee payroll	-6.88%	-8.81%	-7.73%	4.32%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2021 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal, level percent of pay
Asset Valuation Method	Market value of assets
Discount rate	6.30%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocated to cost of benefits between service years
Investment rate of return	6.30%
Mortality Rate*	Derived using MacLeod Watts Scale 2020
Pre-Retirement Turnover**	Derived using MacLeod Watts Scale 2020
Healthcare Trend Rate	Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the ultimate trend of 4.0% per year.

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SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

**SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION
FOR THE YEAR ENDED JUNE 30, 2021**

	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	\$ 7,335,856	\$ 9,005,119	\$ 3,851,695	\$ 20,192,670
Employee benefits	4,545,646	5,574,250	2,357,155	12,477,051
Recruitment and development	29,212	40,587	193,511	263,310
Temporary help	-	31,211	-	31,211
Repairs and maintenance	1,542,455	675,818	9,925	2,228,198
Operating supplies	2,432,665	178,162	-	2,610,827
Office and safety supplies	121,883	175,925	273,956	571,764
Insurance	-	-	369,527	369,527
Contractual services	1,134,709	88,962	-	1,223,671
Professional services	204,623	90,787	1,207,986	1,503,396
Utilities	2,433,640	81,384	141,747	2,656,771
East Bay Dischargers Authority operating charges	1,479,175	-	-	1,479,175
Non-capital projects	441,306	441,306	382,166	1,264,778
Sewer Service charge administrative fee	37,047	37,047	37,047	111,141
Rents/Leases	17,848	17,345	-	35,193
Total	\$ 21,756,065	\$ 16,437,903	\$ 8,824,715	\$ 47,018,683

UNION SANITARY DISTRICT

SCHEDULE OF INSURANCE COVERAGE FOR THE YEAR ENDED JUNE 30, 2021

The District's insurance policies and coverages in effect at June 30, 2021, are as follows:

General liability (pooled liability program)		
Bodily injury, property damage, and personal injury	\$	15,500,000
Public entity errors and omissions and other related practices		15,500,000
Employment related practices		15,500,000
		Insured Value
Auto physical damage (primary insurance program)	\$	3,064,064
Workers' Compensation		1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	\$	273,884,345
Accounts receivable		No sublimit
Employee Dishonesty Bond Coverages:		
Public Employee Dishonesty Bond	\$	2,000,000
Forgery and alteration		2,000,000
Computer Fraud		2,000,000

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Statistical Section



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The Statistical Section of Union Sanitary District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

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UNION SANITARY DISTRICT

Changes in Net Position and Statement of Net Position by Component
Last Ten Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Changes in Net Position										
Operating Revenues										
Sewer Service Charges	\$ 40,630,578	\$ 42,339,311	\$ 45,139,420	\$ 48,379,254	\$ 50,112,564	\$ 52,384,709	\$ 54,260,096	\$ 57,330,651	\$ 60,216,149	\$ 62,142,806
Other Operating Revenues	1,027,357	1,163,802	1,370,017	1,581,031	1,791,782	2,154,364	1,631,870	2,188,027	1,460,111	1,332,737
Total Operating Revenues	41,657,935	43,503,113	46,509,437	49,960,285	51,904,346	54,539,073	55,891,966	59,518,678	61,676,260	63,475,543
Operating Expenses										
Treatment	14,255,266	16,088,929	15,410,523	14,956,369	15,464,775	16,964,901	18,657,355	19,339,187	21,815,870	21,756,065
Collection and Engineering	9,712,645	11,954,345	10,869,755	10,763,530	11,296,680	12,101,081	14,173,382	14,519,186	16,596,589	16,437,903
General and Administration	5,951,818	6,111,468	6,634,688	6,910,857	6,848,244	6,844,559	7,611,460	8,044,226	8,858,612	8,824,715
Total Operating Expenses Before Depreciation	29,919,729	34,154,742	32,914,966	32,630,756	33,609,699	35,910,541	40,442,197	41,902,599	47,271,071	47,018,683
Depreciation	16,790,277	16,776,307	17,219,109	17,899,765	17,379,112	17,036,880	17,003,398	17,857,275	16,819,345	16,482,501
Total Operating Expenses	46,710,006	50,931,049	50,134,075	50,530,521	50,988,811	52,947,421	57,445,595	59,759,874	64,090,416	63,501,184
Operating Income (Loss)	(5,052,071)	(7,427,936)	(3,624,638)	(570,236)	915,535	1,591,652	(1,553,629)	(241,196)	(2,414,156)	(25,641)
Non-Operating Revenues (Expenses)										
Investment Income	248,337	178,690	180,041	160,790	496,439	482,342	700,856	4,097,258	5,069,307	238,374
Interest and fiscal charges	(858,162)	(1,138,677)	(1,106,609)	(971,695)	(916,968)	(860,316)	(1,479,413)	(992,721)	(1,841,089)	(2,097,916)
Loss on Retirement of Utility in Capital Assets	(127,430)	(1,479,254)	(796,735)	(1,165,160)	(30,472)	(432,674)	-	(6,606,751)	(45,982)	(5,840)
Gain (Loss) on Equity Investment in EBDA	(100,827)	(89,170)	(92,180)	(86,652)	(160,540)	(52,458)	(90,325)	(170,591)	(62,484)	7,355,380
Net Non-Operating Revenues (Expenses)	(838,082)	(2,528,411)	(1,815,483)	(2,062,717)	(611,541)	(863,106)	(868,882)	(3,672,805)	3,119,752	5,489,998
Income (Loss) Before Contributions	(5,890,153)	(9,956,347)	(5,440,121)	(2,632,953)	303,994	728,546	(2,422,511)	(3,914,001)	705,596	5,464,357
Connection Fees and Other Contributed Capital	4,386,772	7,072,821	4,201,932	9,595,219	9,096,373	16,560,652	31,338,298	17,896,415	19,761,607	21,719,168
Change in Net Position	(1,503,381)	(2,883,526)	(1,238,189)	6,962,266	9,400,367	17,289,198	28,915,787	13,982,414	20,467,203	27,183,525
Net Position, Beginning of Fiscal Year	355,370,629	353,867,248	350,983,722	349,745,533	325,045,364	334,445,731	351,734,929	371,508,117	385,331,061	405,190,374
Prior Period Adjustment*	-	-	-	(31,662,435)	-	-	(9,142,599)	(159,470)	(607,890)	(923,840)
Net Position, End of Fiscal Year	\$ 353,867,248	\$ 350,983,722	\$ 349,745,533	\$ 325,045,364	\$ 334,445,731	\$ 351,734,929	\$ 371,508,117	\$ 385,331,061	\$ 405,190,374	\$ 431,450,059
Statement of Net Position by Component										
Net Investment in Capital Assets	\$ 296,939,157	\$ 294,393,392	\$ 299,269,526	\$ 297,462,404	\$ 295,355,262	\$ 294,906,308	\$ 296,442,688	\$ 284,632,017	\$ 283,568,402	\$ 293,087,260
Restricted	19,346,378	20,297,820	17,622,778	19,808,500	25,075,327	34,360,257	55,373,688	69,264,549	66,590,701	91,707,599
Unrestricted	37,581,713	36,292,510	32,853,229	7,774,460	14,015,142	22,468,364	19,691,741	31,434,495	55,031,271	46,655,200
Total USD Net Position	\$ 353,867,248	\$ 350,983,722	\$ 349,745,533	\$ 325,045,364	\$ 334,445,731	\$ 351,734,929	\$ 371,508,117	\$ 385,331,061	\$ 405,190,374	\$ 431,450,059

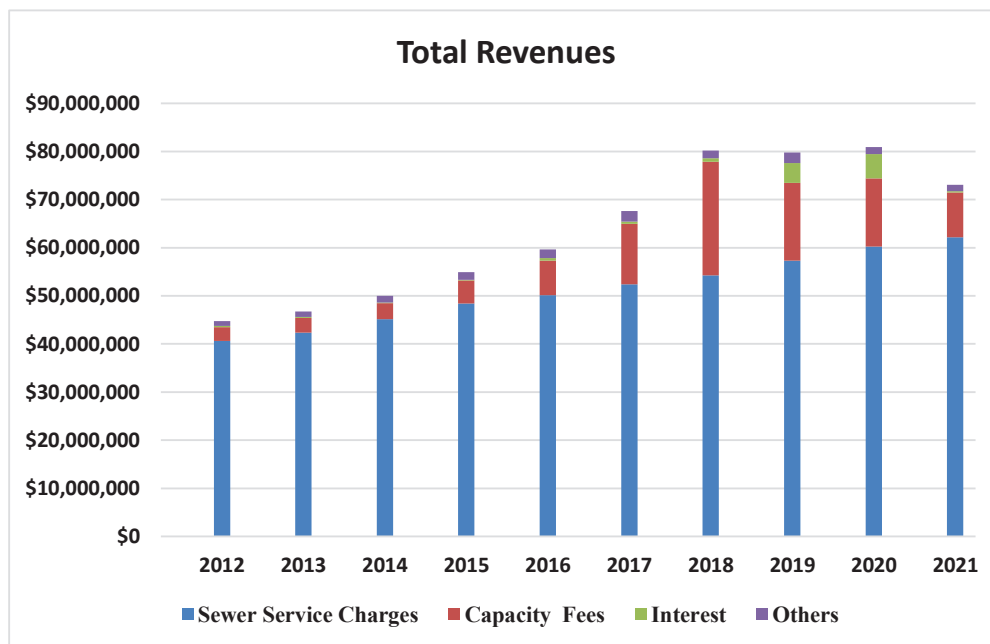
*Non-CIP Project Cost Adjustments

UNION SANITARY DISTRICT

District-Wide Revenues and Other Financing Sources

<u>Fiscal Year</u>	<u>Sewer Service Charges</u>	<u>Capacity Fees</u>	<u>Interest</u>	<u>Others*</u>	<u>Total Revenues</u>
2021	\$ 62,142,806	\$ 9,358,209	\$ 238,374	\$ 1,332,737	\$ 73,072,126
2020	60,216,149	14,179,465	5,069,307	1,460,111	80,925,032
2019	57,330,651	16,158,027	4,097,258	2,188,027	79,773,963
2018	54,260,096	23,623,947	700,856	1,631,870	80,216,769
2017	52,384,709	12,595,637	482,342	2,154,364	67,617,052
2016	50,112,564	7,233,338	496,439	1,791,782	59,634,123
2015	48,379,254	4,820,637	160,790	1,581,031	54,941,712
2014	45,139,420	3,315,007	180,071	1,370,017	50,004,515
2013	42,339,311	3,062,836	178,690	1,163,802	46,744,639
2012	40,630,578	2,848,488	248,337	1,027,357	44,754,760

*Others includes inspection fees, permits, external work orders, discounts, and miscellaneous

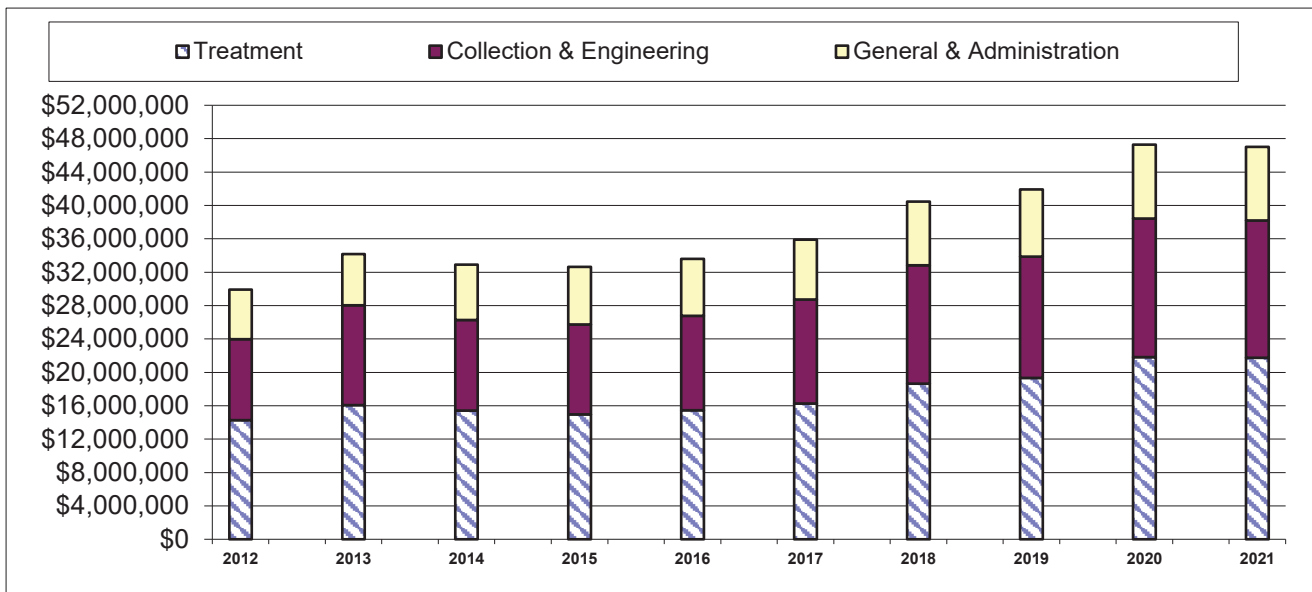


The District's main source of revenue is sewer service charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

UNION SANITARY DISTRICT

Operating Expenses By Major Function

<u>Fiscal Year</u>		<u>Treatment</u>		<u>Collection & Engineering</u>		<u>General & Administration</u>		<u>Total Operating Expenses</u>
2021	\$	21,756,065	\$	16,437,903	\$	8,824,715	\$	47,018,683
2020		21,815,870		16,596,589		8,858,612		47,271,071
2019		19,339,187		14,519,186		8,044,226		41,902,599
2018		18,657,355		14,173,382		7,611,460		40,442,197
2017		16,252,881		12,462,391		7,195,269		35,910,541
2016		15,464,775		11,296,680		6,848,244		33,609,699
2015		14,956,369		10,763,530		6,910,857		32,630,756
2014		15,410,523		10,869,755		6,634,688		32,914,966
2013		16,088,929		11,954,345		6,111,468		34,154,742
2012		14,255,266		9,712,645		5,951,818		29,919,729



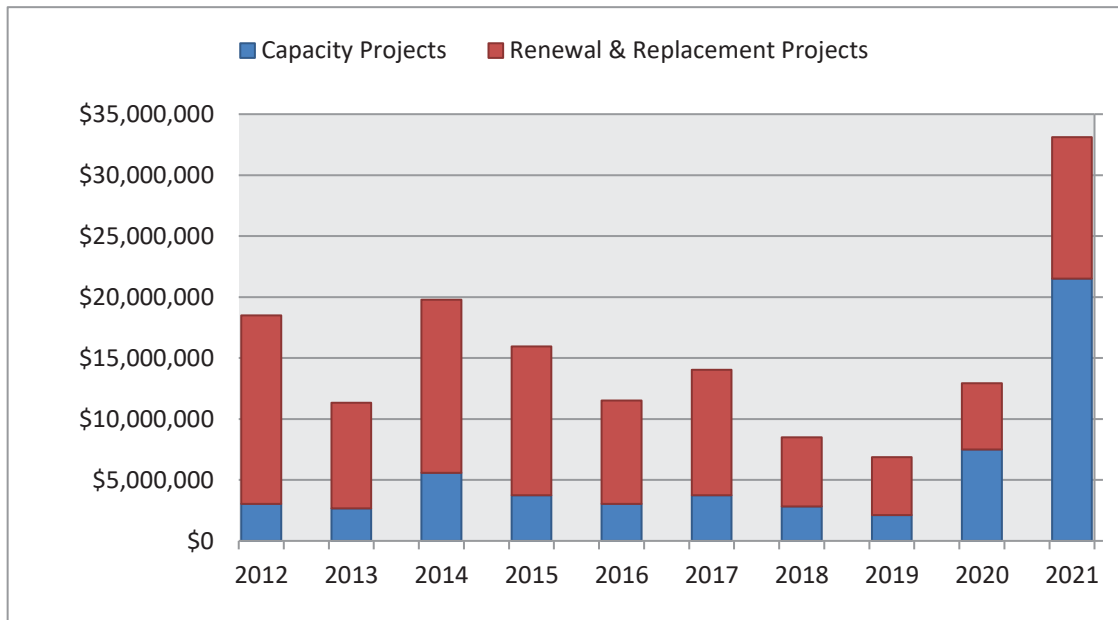
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

General & Administration includes Business Services, Information Technology, Information System Renewal and Replacement, and retiree medical benefits.

UNION SANITARY DISTRICT

Capital Expenditures

<u>Fiscal Year</u>	<u>Capacity Projects</u>	<u>Renewal & Replacement Projects</u>	<u>Total Capital Expenditures</u>
2021	\$ 21,520,168	\$ 11,598,759	\$ 33,118,927
2020	7,501,176	5,439,604	12,940,781
2019	2,116,500	4,763,583	6,880,082
2018	2,828,376	5,666,366	8,494,742
2017	3,734,780	10,310,989	14,045,769
2016	3,037,012	8,466,899	11,503,911
2015	3,755,472	12,194,927	15,950,399
2014	5,592,023	14,195,068	19,787,091
2013	2,673,173	8,663,485	11,336,658
2012	3,032,556	15,453,790	18,486,346



Capacity projects provide new or expanded facilities (equipment, processes, buildings, pipelines, etc.) to accommodate increased wastewater flows or to provide reliability in the collection, treatment and disposal systems.

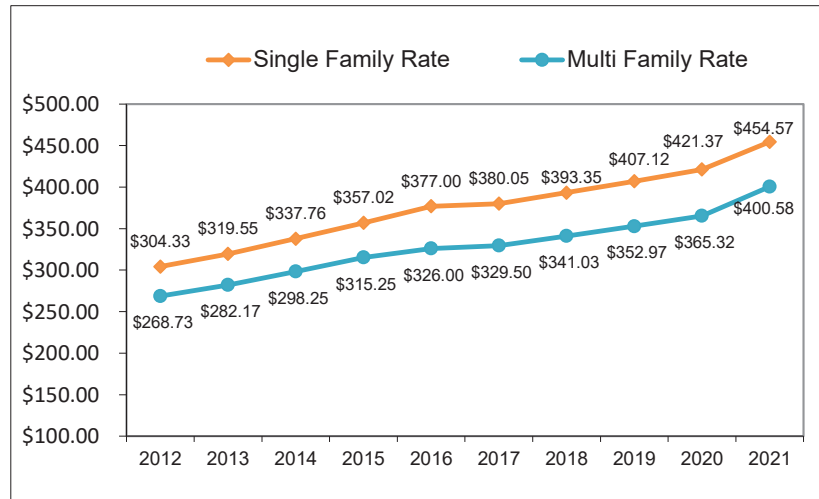
Structural renewal & replacement projects provide rehabilitation, replacement, or upgrade of existing facilities to prolong the useful life of the assets and to maintain the current service level of the facilities.

UNION SANITARY DISTRICT

Current and Historical Fees As of June 30, 2021 Last Ten Years

Sewer Service Charge Rates

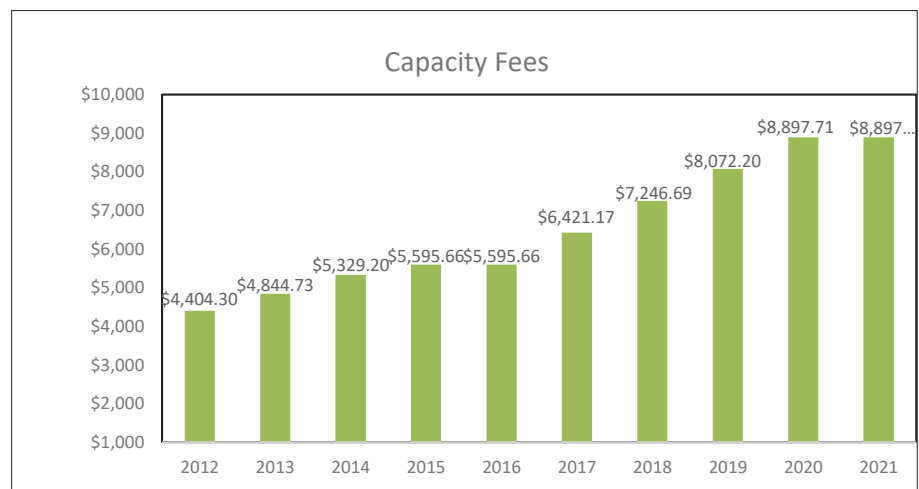
	Single Family Rate	Multi - Family Rate	Single Family Rate Percentage Change
2021	\$ 454.57	\$ 400.58	7.9%
2020	421.37	365.32	3.5%
2019	407.12	352.97	3.5%
2018	393.35	341.03	3.5%
2017	380.05	329.50	1.0%
2016	377.00	326.00	5.6%
2015	357.02	315.25	5.7%
2014	337.76	298.25	5.7%
2013	319.55	282.17	5.0%
2012	304.33	268.73	5.0%



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$400.58 for each dwelling unit on the property. Fees for commercial and industrial customers are based on the volume and strength of the wastewater being treated.

Capacity Fee Rates

		Percentage Change
2021	\$ 8,897.71	0.0%
2020	8,897.71	10.2%
2019	8,072.20	11.4%
2018	7,246.69	12.9%
2017	6,421.17	14.8%
2016	5,595.66	0.0%
2015	5,595.66	5.0%
2014	5,329.20	10.0%
2013	4,844.73	10.0%
2012	4,404.30	10.0%



The capacity fees shown are per dwelling unit. Other categories such as restaurants, warehouses, and mixed-use commercial facilities are based on square footage and other factors as per the Capacity Fee Ordinance.

UNION SANITARY DISTRICT
Ten Principal Industrial Rate Payers by Levy
June 30, 2021

2020-21			2019-20			2018-19		
Rate Payer	Total Annual Billing	% of Total Annual Billings Rank	Rate Payer	Total Annual Billing	% of Total Annual Billings Rank	Rate Payer	Total Annual Billing	% of Total Annual Billings Rank
Tesla	\$ 1,176,212	1 1.89%	Tesla	\$ 1,381,023	1 2.29%	Tesla	\$ 1,228,862	1 2.14%
Mission Linen Supply	243,523	2 0.39%	Washington Hospital	314,394	2 0.52%	Washington Hospital	221,799	2 0.39%
Western Digital	224,028	3 0.36%	US Pipe	244,683	3 0.41%	US Pipe	216,296	3 0.38%
Washington Hospital	213,400	4 0.34%	Western Digital	187,814	4 0.31%	Western Digital	174,219	4 0.30%
Ranch 99/Warm Springs Shopping Center	213,196	5 0.34%	Ranch 99/Warm Springs Shopping Center	161,740	5 0.27%	Ranch 99/Warm Springs Shopping Center	157,421	5 0.27%
Ranch 98/Warm Springs Shopping Center	212,278	6 0.34%	Union Square Shopping Center/Market Place	161,271	6 0.27%	Ranch 99/Newark	152,401	6 0.27%
Lam Research	204,684	7 0.33%	Union Square Shopping Center	160,087	7 0.27%	Marriott Hotel	141,572	7 0.25%
US Pipe	194,164	8 0.31%	Ranch 99/Newark	148,835	8 0.25%	Union Square Shopping Center	138,482	8 0.24%
Ranch 99/Newark	181,779	9 0.29%	Lam Research	133,716	9 0.22%	Lam Research	125,330	9 0.22%
Boehringer Ingelheim	168,826	10 0.27%	Marriott Hotel	127,508	10 0.21%	Gateway Plaza Shopping Center	125,202	10 0.22%
Total annual billing largest ten:	\$ 3,032,088	4.88%	Sterling Foods	127,508	5.02%	Total annual billing largest ten:	\$ 2,681,584	4.66%
Total ALL annual billings	\$ 62,142,806		Total ALL annual billings	\$ 60,216,149		Total ALL annual billings	\$ 57,330,651	

2017-18			2016-17			2015-16		
Rate Payer	Total Annual Billing	% of Total Annual Billings Rank	Rate Payer	Total Annual Billing	% of Total Annual Billings Rank	Rate Payer	Total Annual Billing	% of Total Annual Billings Rank
Tesla	\$ 817,848	1 1.51%	Tesla	\$ 1,141,868	1 2.18%	Tesla	\$ 469,466	1 0.94%
Western Digital	141,806	2 0.26%	Washington Hospital	206,132	2 0.39%	Western Digital	218,616	2 0.44%
Solar City	172,276	3 0.32%	Western Digital	176,435	3 0.34%	Seagate Technology #3	152,100	3 0.30%
US Pipe	135,774	4 0.25%	Ranch 99/Warm Springs Shopping Center	161,772	4 0.31%	Washington Hospital	147,910	4 0.30%
Seagate Magnetics	156,718	5 0.29%	Marriott Hotel	142,229	5 0.27%	US Pipe	123,218	5 0.25%
Lam Research	122,954	6 0.23%	Ranch 99/Newark	133,807	6 0.26%	Marriott Hotel	119,716	6 0.24%
Washington Hospital	173,057	7 0.32%	US Pipe	130,685	7 0.25%	Kaiser Hospital	118,369	7 0.24%
Kaiser Hospital	106,337	8 0.20%	Kaiser Hospital	125,907	8 0.24%	Ranch 99/Warm Springs Shopping Center	115,458	8 0.23%
Boehringer Ingelheim	87,678	9 0.16%	Gateway Plaza	124,269	9 0.24%	Pacific Commons (Area 4-Asian Pearl, Kinders, etc.)	112,498	9 0.22%
Seagate Technology #3	69,384	10 0.13%	Pacific Commons (Area 4-Asian Pearl, Kinders, etc.)	119,920	10 0.23%	Pacific Commons (Kohls/Old Navy Area)	108,358	10 0.22%
Total annual billing largest ten:	\$ 1,983,813	3.66%	Total annual billing largest ten:	\$ 2,463,022	4.70%	Total annual billing largest ten:	\$ 1,685,708	3.36%
Total ALL annual billings	\$ 54,260,096		Total ALL annual billings	\$ 52,384,709		Total ALL annual billings	\$ 50,112,564	

UNION SANITARY DISTRICT
 Ten Principal Industrial Rate Payers by Levy (continued)
 June 30, 2021

2014-15			2013-14			2012-13		
Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings
Tesla	\$ 324,934	0.67%	Western Digital	\$ 260,023	1 0.58%	Western Digital	\$ 216,919	1 0.51%
Western Digital	235,844	0.49%	Washington Hospital	148,743	2 0.33%	Seagate Technology	114,131	2 0.27%
Washington Hospital	153,845	0.32%	Seagate Technology	140,016	3 0.31%	Washington Hospital	105,407	3 0.25%
Seagate Technology	116,332	0.24%	Tesla	137,788	4 0.31%	Pacific Commons (Kohls/Old Navy Area)	95,188	4 0.22%
Lido Faire Shopping Center	114,536	0.24%	Ranch 99 Warm Springs Shopping	112,329	5 0.25%	Ranch 99 Warm Springs Shopping	90,954	5 0.21%
Pacific Commons (Kohls/Old Navy Area)	113,472	0.23%	Gateway Plaza	101,416	6 0.22%	The Benton in Fremont	90,859	6 0.21%
Pacific Commons (Area 4-Asian Pearl, Kinders, etc.)	108,292	0.22%	Kaiser Hospital	98,174	7 0.22%	US Pipe	90,780	7 0.21%
Ranch 99/Warm Springs Shopping Center	108,163	0.22%	Pacific Commons (Area 4)	98,159	8 0.22%	Solyndra	89,164	8 0.21%
Full Bloom	105,805	0.22%	The Benton in Fremont	96,037	9 0.21%	Lam Research	88,904	9 0.21%
Kaiser Hospital	102,771	0.21%	Pacific Commons (Kohls/Old Navy Area)	90,880	10 0.20%	Kaiser Hospital	83,870	10 0.20%
Total annual billing largest ten:	<u>\$ 1,483,794</u>	<u>3.07%</u>	Total annual billing largest ten:	<u>\$ 1,285,565</u>	<u>2.85%</u>	Total annual billing largest ten:	<u>\$ 1,066,166</u>	<u>2.52%</u>
Total ALL annual billings	\$ 48,379,254		Total ALL annual billings	\$ 45,138,420		Total ALL annual billings	\$ 42,339,311	

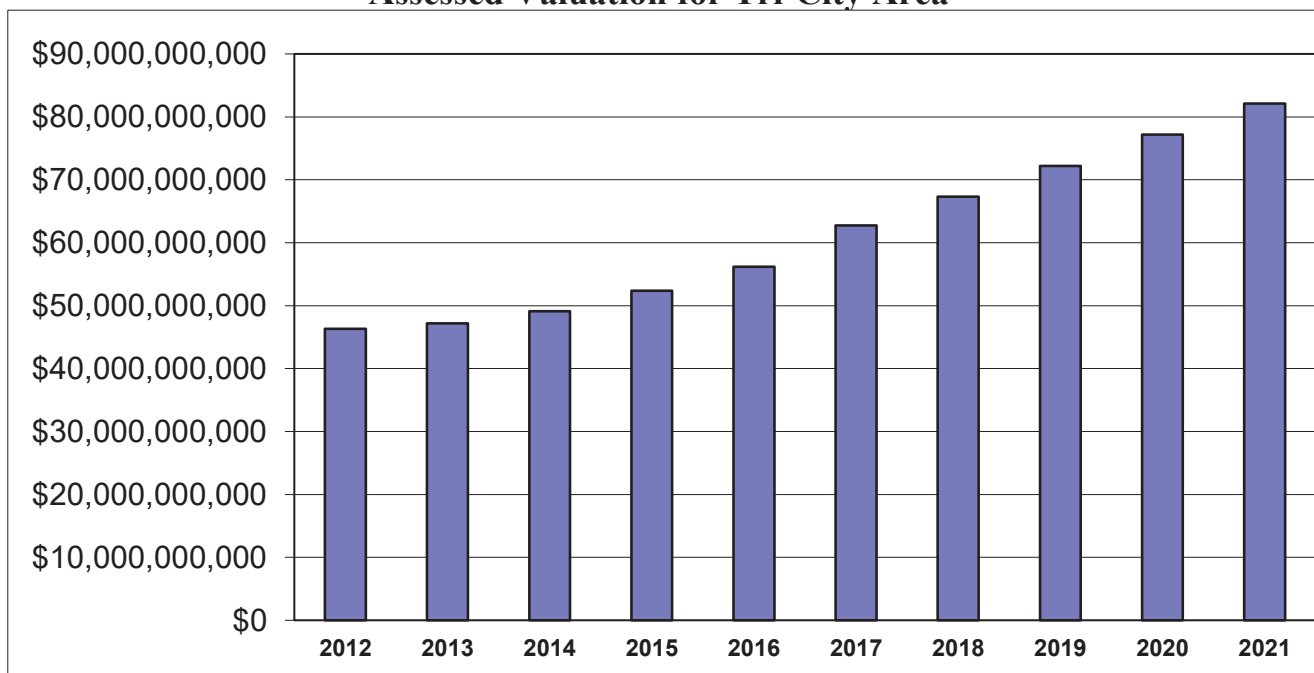
2011-12		
Rate Payer	Total Annual Billing	% of Total Annual Billings
Western Digital	\$ 269,619	1 0.66%
Solyndra	210,366	2 0.52%
NUMMI/Tesla	148,978	3 0.37%
Evergreen Oil	133,925	4 0.33%
Washington Hospital	112,361	5 0.28%
Caravan Trading Co. & Bakery	103,048	6 0.25%
The Benton in Fremont	86,531	7 0.21%
Kaiser Hospital	84,813	8 0.21%
Gateway Plaza	81,681	9 0.20%
US Pipe	76,091	10 0.19%
Total annual billing largest ten:	<u>\$ 1,307,413</u>	<u>3.22%</u>
Total ALL annual billings	\$ 40,630,578	

UNION SANITARY DISTRICT

Fiscal Year Assessed Valuation for All Properties in the Tri-City Area Valuation of taxable property within Union Sanitary District

Fiscal Year	Assessed Values	% Change
2021	\$ 82,091,519,505	6.34%
2020	77,195,891,174	6.95%
2019	72,179,061,738	7.21%
2018	67,322,355,237	7.29%
2017	62,748,855,394	11.69%
2016	56,180,082,061	7.25%
2015	52,380,183,178	6.64%
2014	49,120,298,326	4.06%
2013	47,205,182,529	1.95%
2012	46,301,581,317	-1.22%

Assessed Valuation for Tri-City Area



Includes property in Fremont, Newark, and Union City.

UNION SANITARY DISTRICT

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	State Revolving Fund Loans	Revenue Bonds	Principal Total	# of Parcels	Total Debt/ Parcel
2021	\$ -	\$ 70,913,414	\$ 70,913,414	101,456	\$ 699
2020	-	73,508,249	73,508,249	101,056	727
2019	39,055,508	-	39,055,508	97,870	399
2018	41,925,514	-	41,925,514	97,183	431
2017	44,272,413	-	44,272,413	95,997	461
2016	43,070,909	-	43,070,909	95,254	452
2015	41,861,476	-	41,861,476	94,768	442
2014	39,488,115	-	39,488,115	94,877	416
2013	40,648,328	-	40,648,328	94,640	430
2012	39,630,289	-	39,630,289	94,351	420

UNION SANITARY DISTRICT

Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage % ⁽³⁾
2021	\$ 73,072,126	\$ 47,018,683	\$ 26,053,443	\$ 3,887,201	670%
2020	80,925,032	47,271,071	33,653,961	3,399,270	990%
2019	79,773,963	41,902,599	37,871,364	3,902,080	971%
2018	80,216,769	40,442,197	39,774,572	3,902,080	1019%
2017	67,617,052	35,910,541	31,706,511	3,127,110	1014%
2016	59,634,122	33,609,699	26,024,423	3,127,110	832%
2015	54,941,712	32,630,756	22,310,956	3,127,110	713%
2014	50,004,485	32,914,966	17,089,519	4,086,647	418%
2013	46,744,639	34,154,742	12,589,897	4,429,320	284%
2012	44,754,760	29,919,730	14,835,030	4,429,320	335%

(1) Includes sewer service charges, connection fees, other operating revenues, and interest.

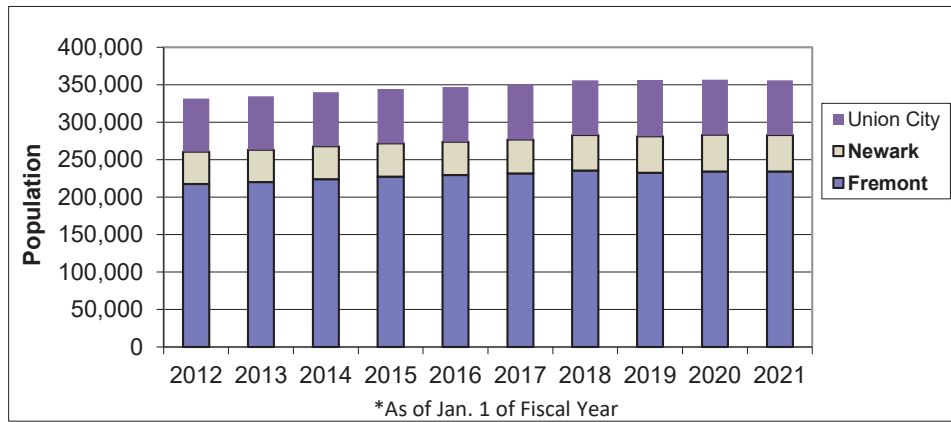
(2) Excludes depreciation; operating expenses do not include capital project expenditures.

(3) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 150%, which is higher than the standard 120% typically used to secure revenue bonds.

UNION SANITARY DISTRICT

Demographics Population of Service Area Served*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fremont	217,700	219,926	223,972	227,582	229,324	231,664	235,439	232,532	234,220	234,239
Newark	43,041	43,342	43,856	44,284	44,733	45,422	47,467	48,712	48,966	48,859
Union City	70,646	71,329	72,155	72,412	72,952	73,452	72,991	74,916	73,637	72,779
Total	331,387	334,597	339,983	344,278	347,009	350,538	355,897	356,160	356,823	355,877
Total % Change	0.93%	0.97%	1.61%	1.26%	0.79%	1.02%	1.53%	0.07%	0.19%	-0.27%



UNION SANITARY DISTRICT

Demographics Per Capita Income and Unemployment Rate (Calendar Year)

	Per Capita Income	Unemployment Rate
2020 Fremont	\$ 57,850	7.0%
Newark	N/A	8.2%
Union City	N/A	8.7%
2019 Fremont	57,850	2.5%
Newark	36,958	2.7%
Union City	81,171	2.9%
2018 Fremont	55,521	2.6%
Newark	33,591	2.8%
Union City	71,282	2.9%
2017 Fremont	49,740	2.7%
Newark	32,301	2.9%
Union City	68,519	3.4%
2016 Fremont	46,899	3.3%
Newark	31,358	3.6%
Union City	65,884	4.3%
2015 Fremont	43,563	3.7%
Newark	31,043	4.1%
Union City	62,926	4.4%
2014 Fremont	40,562	4.5%
Newark	30,572	5.0%
Union City	58,175	5.9%
2013 Fremont	43,504	5.7%
Newark	29,390	5.3%
Union City	56,365	7.4%
2012 Fremont	38,095	6.9%
Newark	28,683	6.5%
Union City	55,224	9.0%

Number of Persons in Household:		1	2	3	4	5	6	7	8
Alameda County Area Median Income: \$125,600	Extremely Low	28800	32900	37000	41100	44400	47700	51000	54300
	Very Low Income	47950	54800	61650	68500	74000	79500	84950	90450
	Low Income	76750	87700	98650	109600	118400	127150	135950	144700
	Median Income	87900	100500	113050	125600	135650	145700	155750	165800
	Moderate Income	105500	120550	135650	150700	162750	174800	186850	198900

Sources: ACFR Reports - Fremont, Newark, Union City; Employment Development Department State of California Department of Housing and Community Development (www.hcd.ca.gov).

UNION SANITARY DISTRICT

Demographics
Major Employers in District Service Area

	Employer Name	Type of Business	Percent of Total Employees as of fiscal year ended June 30,*									
			2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fremont	Tesla Motors Inc	Auto Manufacturer	N/A	12.12%	12.31%	3.17%	3.12%	3.12%	2.68%	2.75%	2.81%	1.45%
	Fremont Unified School District	Education	N/A	2.80%	2.46%	2.67%	2.61%	2.47%	2.38%	2.75%	2.81%	2.90%
	Lam Research	Technology	N/A	2.33%	2.46%	2.72%	2.68%	2.68%	2.68%	2.75%	1.41%	1.45%
	Washington Hospital	Healthcare	N/A	2.05%	2.46%	2.72%	2.68%	2.68%	2.68%	2.75%	1.70%	1.76%
	Kaiser Permanente Medical Group	Healthcare	N/A	1.58%	2.46%	0.68%	0.67%	0.67%	0.67%	0.69%	N/A	N/A
Newark	Newark Unified School District	Education	N/A	3.72%	3.46%	3.70%	4.00%	4.20%	3.10%	3.20%	3.30%	3.40%
	Logitech	Computer Accessories	N/A	2.54%	2.36%	2.40%	2.70%	3.00%	3.00%	3.10%	3.20%	3.00%
	Risk Management Solutions	Catastrophe Risk Management	N/A	1.21%	1.20%	1.20%	1.20%	1.40%	1.20%	1.20%	1.30%	1.30%
	WorldPac Inc	Wholesale Distributor	N/A	1.05%	1.18%	0.90%	0.90%	0.90%	N/A	N/A	N/A	N/A
	VM Services Inc	Technology	N/A	1.01%	0.92%	1.10%	1.10%	1.00%	N/A	N/A	N/A	N/A
Union City	New Haven Unified School District	Education	N/A	N/A	3.23%	3.19%	3.30%	3.10%	3.01%	3.01%	3.07%	3.22%
	Southern Glazer's Wine & Spirits	Beverages	N/A	N/A	1.62%	2.00%	2.06%	3.67%	3.44%	3.44%	3.54%	3.71%
	Walmart Inc	Retailer	N/A	N/A	1.44%	1.43%	1.10%	1.20%	2.34%	2.34%	2.40%	2.52%
	Masonic Home for Adults	Continuing Care Retirement Community	N/A	N/A	1.35%	1.33%	1.26%	N/A	N/A	N/A	N/A	N/A
	Abaxis Inc	Biotech	N/A	N/A	1.08%	1.07%	1.10%	1.20%	1.11%	1.11%	1.14%	1.19%

* Some employers report as of December 31.
N/A = More statistics will be added as the data becomes available.

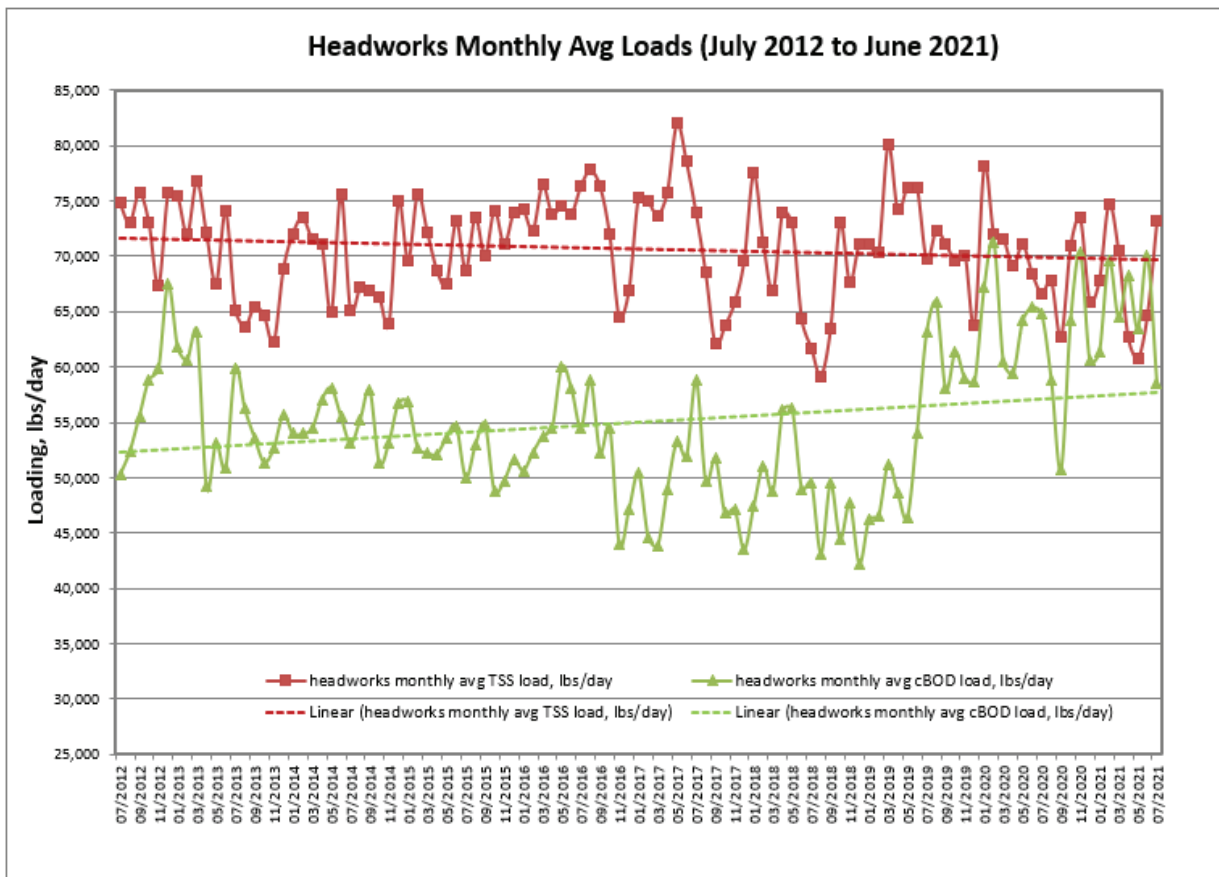
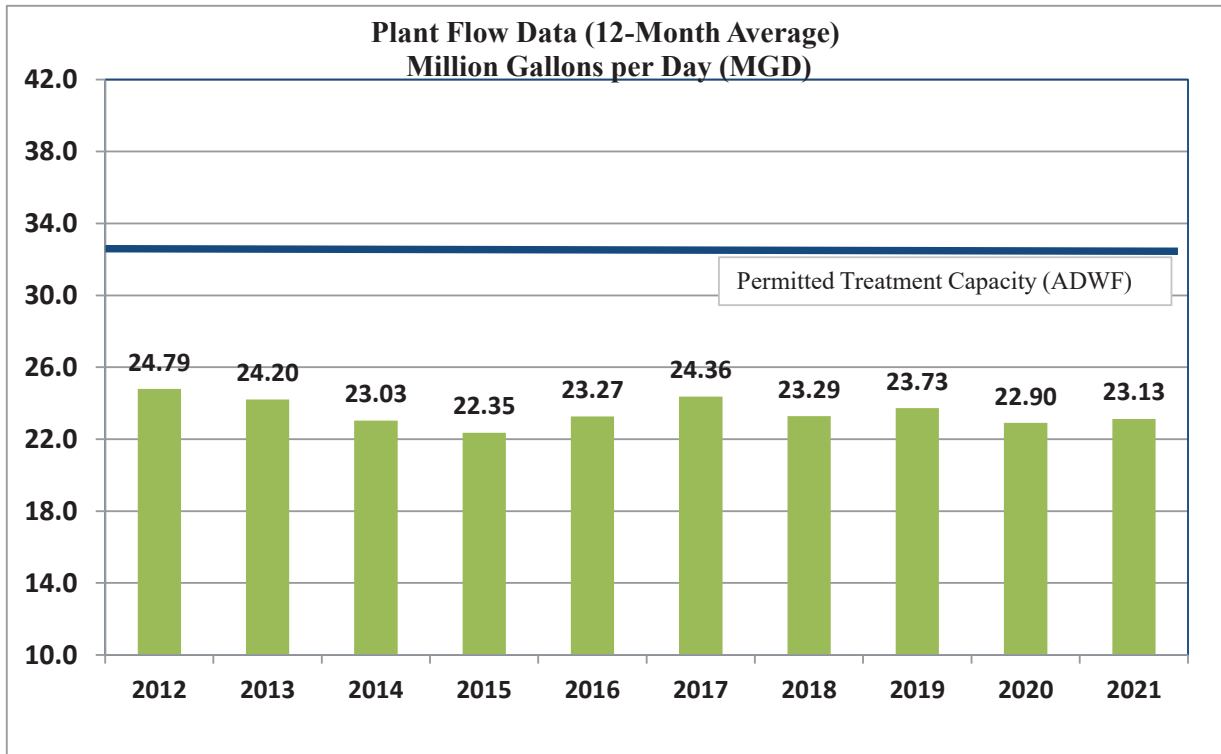
UNION SANITARY DISTRICT

Full-time Equivalent District Employees by Function/Program
Last 10 Fiscal Years

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
System operations and maintenance (CS Support, FMC, T&D, Warehouse)	54.45	53.45	54.45	55.45	52.45	53.45	53.45	50.45	51.45	51.45
Engineering and construction (CIP, ETSU)	13.00	11.00	9.00	8.00	9.00	10.00	8.00	8.00	7.00	8.00
Collections System Maintenance (CS)	25.00	26.00	25.00	25.00	25.00	25.00	23.00	23.00	24.00	22.00
Office of the General Manager (GM)	2.00	2.00	2.00	2.00	2.00	2.00	3.00	1.00	2.00	3.00
Finance (FAST)	5.00	5.00	6.00	5.00	3.00	5.00	5.00	5.00	5.00	5.00
Information systems (IT)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration department (Adm Specialist, Purchasing, non-HR OST)	14.00	15.00	12.00	13.00	13.00	14.00	13.00	14.00	15.00	14.00
Customer and community services (Rest of TS)	20.00	20.00	21.00	21.00	20.00	20.00	18.00	19.00	19.00	19.00
Human resources (HR)	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Total # of Employees	140.45	139.45	136.45	136.45	131.45	136.45	131.45	128.45	131.45	130.45
Average years of service of employees as of June 30:	10.76	10.20	10.20	10.41	10.60	10.54	11.25	11.97	11.70	12.25

CIP = Capital Improvements Projects Team
ETSU = Enhanced Treatment & Site Upgrade
FAST = Finance & Acquisition Services Team
FMC = Fabrication, Maintenance and Construction
OST = Organizational Support Team
T&D = Treatment & Disposal Work Group
TS = Technical Services Work Group

UNION SANITARY DISTRICT
 Operating Indicators by Function/Program
 Average Daily Flow



Source: USD Treatment and Disposal Work Group

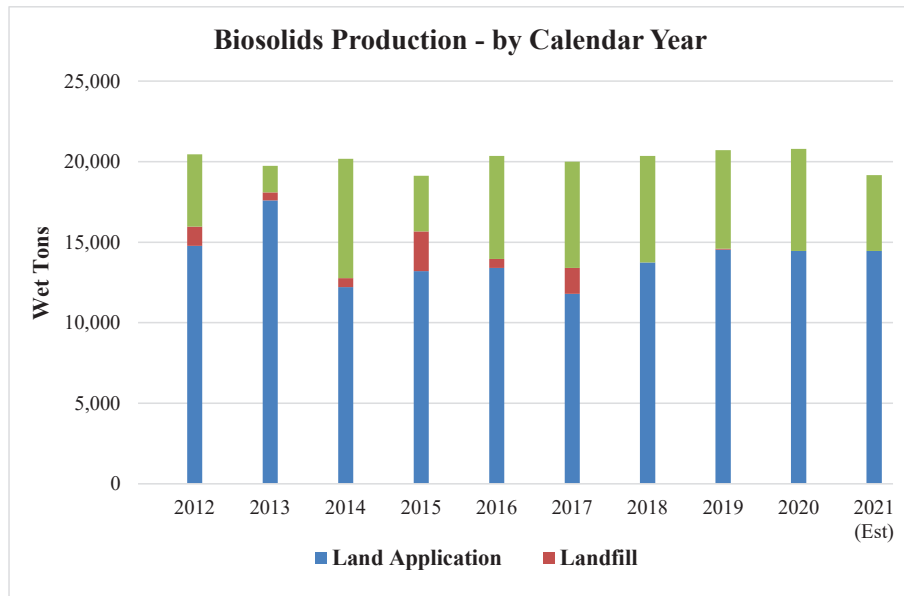
UNION SANITARY DISTRICT

Operating Indicators - Biosolids Last Ten Calendar Years

Function/Program

Biosolids

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (Est)
Land Application	14,770	17,597	12,212	13,212	13,395	11,784	13,733	14,529	14,452	14,451
Landfill	1,187	501	545	2,450	563	1,624	-	72	-	-
Compost	4,501	1,642	7,414	3,470	6,399	6,584	6,615	6,103	6,342	4,722
Total (in Wet Tons)	20,458	19,741	20,171	19,132	20,357	19,992	20,347	20,704	20,793	19,173



UNION SANITARY DISTRICT

Miscellaneous Statistics 6/30/2021

Governing Body:	Elected 5-Member Board of Directors Fremont - 3 Members Newark - 1 Member Union City - 1 Member
Governmental Structure:	Established in 1918 and reorganized in 1923 under the Sanitary District Act
Staff:	140.45 full-time equivalent employees
CEO:	General Manager
CFO:	Business Services Manager
Authority:	California Health and Safety Code Section 4700 et. Seq.
Services:	Wastewater collection, treatment and disposal
Service Area:	60.2 square miles (Annexed areas - Fremont, Newark and Union City)
Total Population Served:	355,877
Number of Parcels	101,456 (90,442 Residential; 3,116 Non-Residential; 7,907 Other (vacant land))
Operations:	Total miles of pipeline - 839, including the force main and all gravity sewers (including trunk mains) Number of pumping stations - 7 Larger: Irvington, Newark, Alvarado Smaller: Fremont, Boyce, Paseo Padre, Cherry Street
Permitted Plant Treatment Capacity (ADWF)	33 million gallons per day (mgd)
Type of Treatment:	Secondary
Sewer Service Charge:	\$454.57 annually per single family residential dwelling unit

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