



Union Sanitary District
Union City, California

Annual Comprehensive Financial Report



Fiscal Year Ended June 30, 2023 with Comparative
Information for Fiscal Year Ended June 30, 2022



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Union City, California

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023 with Comparative
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Prepared by Business Services Work Group



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ETSU Phase 1A - New Pump Station

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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

November 03 , 2023

Customers of Union Sanitary District
Board of Directors
Union Sanitary District
Union City, California

Subject: Annual Comprehensive Financial Report for the Year Ended June 30, 2023

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, 2023 (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, 2023 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 343,680. 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. At June 30, 2023, the District employed 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 229,476 people and 74,629 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 1,700 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 and a population of 47,459. 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 66,754 residents, and the highly regarded New Haven Unified School District serves about 10,400 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.

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

Major Projects or Initiatives

During fiscal year 2023, 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 preserve 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 to 50 years. These include improvements to the aeration basins and relocation of operations, maintenance, and administrative facilities. The first step in the project, Aeration Basin Modifications, began construction in January of 2022 followed by the Campus Building project in June. The ETSU project is expected to last through calendar year 2029.

Standby Power Generation System Upgrade - The District's current emergency power facilities are beyond their useful life. This project began construction in the spring of 2022 and is expected to be completed in 2025.

Wastewater Based Disease Surveillance – WastewaterSCAN is a national effort to provide a leading approach for monitoring diseases through communities' wastewater to inform public health responses locally and nationally. Scientists at Stanford University and Emory University, the life sciences company Verily, and local wastewater and public health officials partner to produce actionable data about COVID-19, Monkeypox, and other pathogens. The District is participating in this program through January of 2024, which is when the program is expected to conclude. The District will continue to participate in the program if it is extended.

BACWA Watershed Permit 3.0 - Nutrient discharges by municipal Publicly Owned Treatment Works (POTWs) in the San Francisco Bay (SF Bay) Region are governed by the second Nutrient Watershed Permit, which was adopted by the San Francisco Bay Regional Water Quality Control Board in May of 2019. The key tenants are:

- Nutrient Monitoring
- Reporting
- Support for Scientific Studies
- Special Studies

Since the adoption of the second Watershed Permit, the District through the Bay Area Clean Water Agencies (BACWA) and the Regional Water Board have been meeting regularly to discuss the key tenets of the third Watershed Permit, which will be reissued in 2024 and will have a five-year term (through 2029).

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 continue to focus on the Strategic Planning Initiative in FY 2024. 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.

The District is will also be focusing on the following issues/projects over the next several years:

- Biosolids management
- Energy resiliency
- Nutrient reduction
- PFAS/PFOA

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 2023 was \$530.21 for a single-family dwelling and \$467.24 for a multi-family dwelling.

Connection Fees

In FY 2023 the District charged a sewer connection fee of \$10,027 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 Badawi & Associates 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 2023, the District reviewed and/or updated the following important financial policies:

Investments; Financial Audit; Procurement; Reserves, Allocations and Fund Balance; and Debt Management.

East Bay Dischargers Authority (EBDA) – The District 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 utilized during FY 2022 for the issuance of the 2021A bonds and the Water Infrastructure Finance and Innovation Act (WIFIA) loan through the US EPA.

Awards Received - During the past year, the District received the following recognition:

- National Association of Clean Water Agencies (NACWA) - Peak Performance Awards 1993 – 2022; USD's Alvarado Treatment Plant in Union City has been recognized for 30 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
91F3D7DCBD12473...

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

DocuSigned by:
Mark Carlson
0B4326FB327F4BF...

Mark Carlson, CPA
CFO/Business Services Manager

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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

We benefit our stakeholders by:

- | | | |
|-----------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community | } | <ul style="list-style-type: none"> • Complying with all local, state, and federal regulations, protecting the environment and controlling odors • Communicating with the public and bringing awareness about wastewater issues • Responding to emergencies and providing mutual aid • Participating in community outreach activities • Contributing to the wastewater treatment profession by participating in professional associations, partnering with other agencies and organizations, and sharing best practices • Working cooperatively with cities and other government agencies |
| Customer | } | <ul style="list-style-type: none"> • Providing award-winning, reliable service • Being fiscally responsible and cost effective, and providing value • Promptly responding to customers' needs • Being professional and courteous • Proactively and creatively meeting customer needs • Supporting businesses through permitting, education and by providing capacity |
| Employees | } | <ul style="list-style-type: none"> • Providing a safe work environment • Recognizing employee contributions • Encouraging cooperation and collaboration • Demonstrating equality and fairness • Valuing employee input, and offering opportunities for involvement and creativity • Providing training and resources • Providing competitive wages and benefits in a stable work environment • Communicating and sharing information openly and honestly |

Board of Directors



Manny Fernandez



Jennifer Toy



Tom Handley



Pat Kite



Anjali Lathi



Principal Officials

As of June 30, 2023

		City Represented	Year Elected	Term Expires
Manny Fernandez	President	Union City (Ward 1)	2011 (Appointed)	2024
Jennifer Toy	Vice President	Fremont (Ward 3)	1998	2026
Tom Handley	Secretary	Fremont (Ward 3)	2007	2026
Pat Kite	Board Member	Newark (Ward 2)	1991	2024
Anjali Lathi	Board Member	Fremont (Ward 3)	2002	2024

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

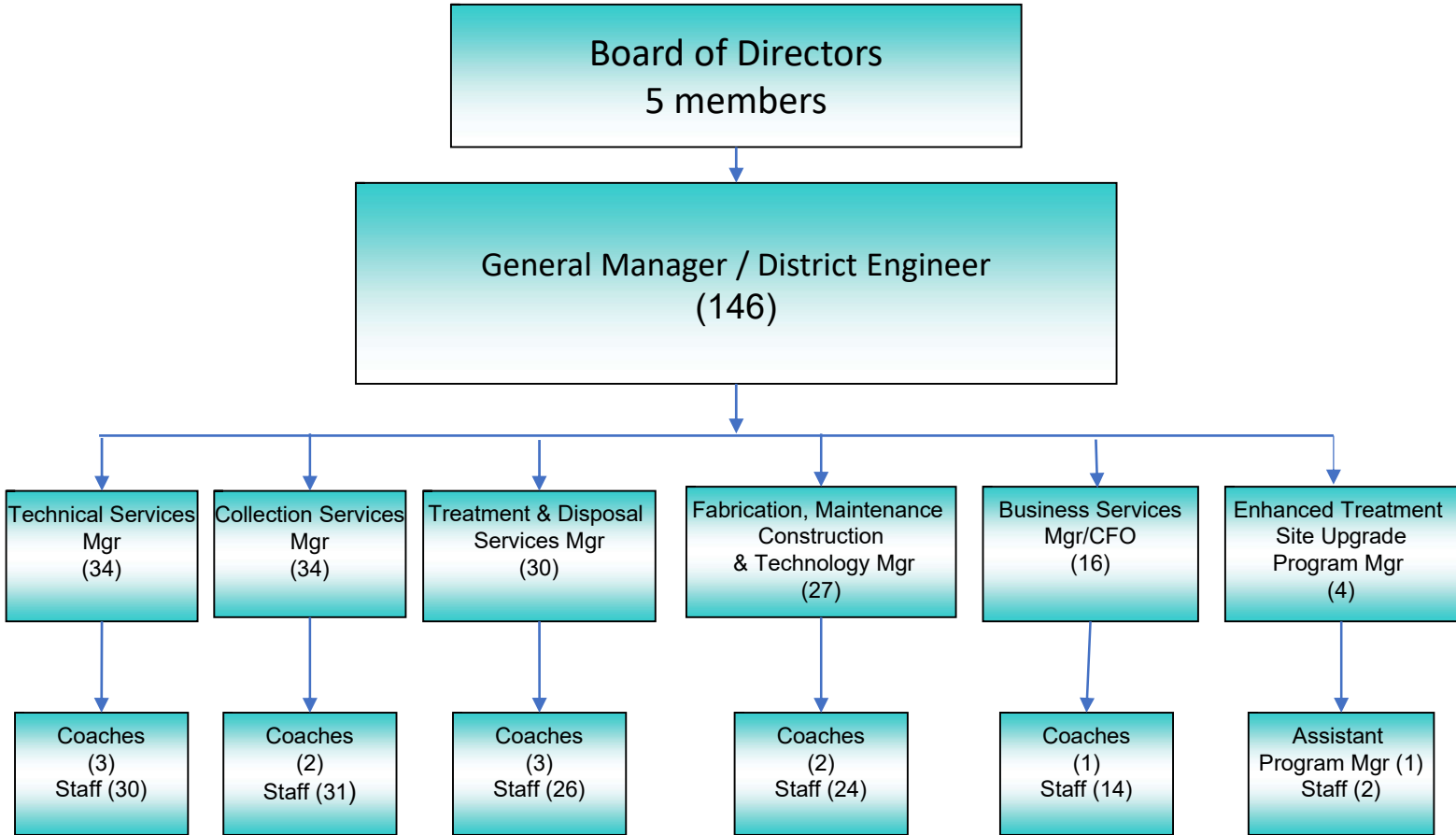
Business Services Manager/Chief Financial Officer

Raymond Chau

Technical Services Manager

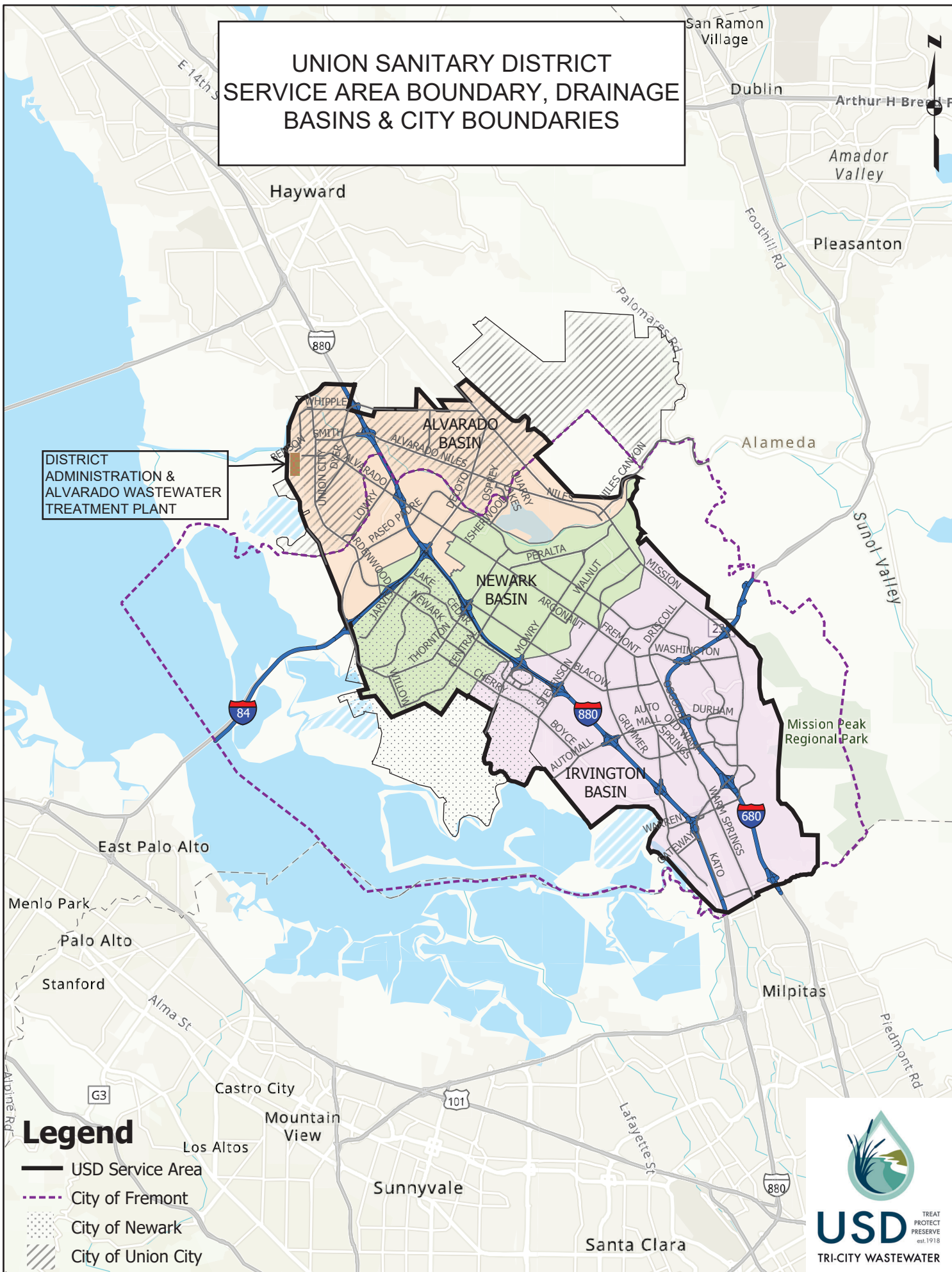
Jose Rodrigues

Collection Services Manager



*145.45 Positions allocated in FY2023
Full Time Equivalent positions in FY2023 is 140.45

UNION SANITARY DISTRICT SERVICE AREA BOUNDARY, DRAINAGE BASINS & CITY BOUNDARIES





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Union Sanitary District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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Financial Section



ETSU Phase 1A - Aeration Basin Modification Project, New Aeration Basin 8

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Union Sanitary District (the "District"), as of and for the year ended June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the East Bay Dischargers Authority, which represent 1.64 percent of the assets and 0.04 percent of the revenues of the District as of June 30, 2023. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the East Bay Dischargers Authority, are based solely on the report of the other auditors.

Basis for Opinion

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 Standards 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

The District's management is responsible for the preparation and fair presentation of the 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 financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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, 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 in 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and other post-employment benefit schedules on pages 5-10 and 54-61 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules 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. 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 basic 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

The basic financial statements of the District as of and for the year ended June 30, 2022, were audited by other auditors whose report dated November 7, 2022 expressed an unmodified opinion on those statements. We do not express any opinion on those financial statements or the summarized comparative information presented herein.

Other Information

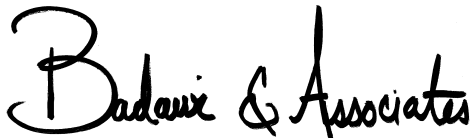
Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the

To the Board of Directors
of the Union Sanitary District
Union City, California
Page 4

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 November 3, 2023 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 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 black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
November 3, 2023

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2023. 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, 2023, by \$482.6 million (net position). Net position consists of \$302.1 million invested in capital assets, \$124.3 million restricted net position, and \$56.2 million in unrestricted net position.
- The District's total net position increased by \$27.4 million during the fiscal year ended June 30, 2023. Contributing factors include \$19.2 million in connection fees and contributed capital as well as marginal rate increases and other inspection and development fees.
- Non-current liabilities increased on the Statement of Net Position by \$18.4 million during the current fiscal year. Contributing factors included an increase in pension and other post-employment benefits liabilities of \$23.8 million and a decrease in long-term bonds payable of \$5.4 million.
- The District placed \$14.1 million in capital assets into service compared to \$11.1 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, 2023**

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 (62.6%) 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 2023	Fiscal Year 2022	Fiscal Year 2021	Dollar Change FY23 to FY22	Percent Change FY23 to FY22
Current and other assets	\$ 300,010,754	\$ 320,760,547	\$ 209,857,551	\$ (20,749,793)	-6.5%
Capital Assets	428,685,363	373,291,203	354,894,318	55,394,160	14.8%
Total Assets	728,696,117	694,051,750	564,751,869	34,644,367	5.0%
Deferred outflows of resources	20,493,442	10,195,637	10,436,854	10,297,805	101.0%
Current liabilities	31,596,743	19,475,072	14,875,349	12,121,671	62.2%
Long-term liabilities	234,159,135	215,731,139	127,471,056	18,427,996	8.5%
Total liabilities	265,755,878	235,206,211	142,346,405	30,549,667	13.0%
Deferred inflows of resources	820,013	13,797,976	1,368,453	(12,977,963)	-94.1%
Net Position:					
Net investment in capital assets	302,099,845	292,113,978	290,100,929	9,985,867	3.4%
Restricted	124,255,767	124,897,268	91,707,599	(641,501)	-0.5%
Unrestricted	56,258,056	38,231,954	49,665,337	18,026,102	47.1%
Total net position	\$ 482,613,668	\$ 455,243,200	\$ 431,473,865	\$ 27,370,468	6.0%

Net position of the District’s business type activities increased 6.0% to \$482.6 million, of which \$302.1 million is invested in capital assets such as equipment, buildings, and infrastructure. Of the remaining total, \$124.3 million is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. The remaining \$56.2 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, 2023

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

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Dollar Change FY23 to FY22	Percent Change FY23 to FY22
Operating Revenues:					
Sewer service charges (SSC)	\$ 77,986,322	\$ 73,822,317	\$ 62,142,806	\$ 4,164,005	5.6%
Other revenues	<u>2,016,561</u>	<u>2,904,824</u>	<u>1,318,109</u>	<u>(888,263)</u>	-30.6%
Total operating revenues	<u>80,002,883</u>	<u>76,727,141</u>	<u>63,460,915</u>	<u>3,275,742</u>	4.3%
Operating Expenses:					
Depreciation	16,133,324	16,411,378	16,514,431	(278,054)	-1.7%
Sewage treatment	28,978,541	20,862,815	21,742,446	8,115,726	38.9%
Sewage collection and engineering	20,869,937	14,258,113	16,426,192	6,611,824	46.4%
General and administration	<u>9,684,617</u>	<u>11,059,626</u>	<u>8,824,714</u>	<u>(1,375,009)</u>	-12.4%
Total operating expenses	<u>75,666,419</u>	<u>62,591,932</u>	<u>63,507,783</u>	<u>13,074,487</u>	20.9%
Non-operating Revenues (Expenses):					
Investment income and net gains (losses)	7,478,473	1,504,181	1,575,106	5,974,292	397.2%
Unrealized investment income (loss)	1,750,746	(4,899,280)	(1,336,734)	6,650,026	-135.7%
Gain/(loss) on retirement of capital assets	(12,711)	14,969	(5,840)	(27,680)	-184.9%
Investment in East Bay Dischargers Authority gain/(loss)	36,382	(1,219,804)	7,355,380	1,256,186	-103.0%
Interest and fiscal charges	(4,451,379)	(5,275,070)	(2,099,211)	823,691	-15.6%
Lease revenue	<u>12,239</u>	<u>12,728</u>	<u>13,197</u>	<u>(489)</u>	-3.8%
Total Net non-operating revenues (expenses)	<u>4,813,750</u>	<u>(9,862,276)</u>	<u>5,501,898</u>	<u>14,676,026</u>	-148.8%
Income Before Contributed Capital	9,150,214	4,272,933	5,455,030	4,877,281	114.1%
Capital Contributions					
Connection fees	7,371,192	11,145,152	9,358,209	(3,773,960)	-33.9%
Contributed capital	<u>11,836,917</u>	<u>8,374,513</u>	<u>12,360,959</u>	<u>3,462,404</u>	41.3%
Total Net Capital Contributions	<u>19,208,109</u>	<u>19,519,665</u>	<u>21,719,168</u>	<u>(311,556)</u>	-1.6%
Change in Net Position	<u>28,358,323</u>	<u>23,792,598</u>	<u>27,174,198</u>	<u>4,565,725</u>	19.2%
Beginning Net Position	455,243,200	431,473,865	405,190,374	23,769,335	5.5%
Prior period adjustment	<u>(987,855)</u>	<u>(23,263)</u>	<u>(890,707)</u>	<u>(964,592)</u>	4146.5%
Restated Net Position, Beginning of Year	<u>454,255,345</u>	<u>431,450,602</u>	<u>404,299,667</u>	<u>22,804,743</u>	5.3%
Ending Net Position	<u>\$ 482,613,668</u>	<u>\$ 455,243,200</u>	<u>\$ 431,473,865</u>	<u>\$ 27,370,468</u>	6.0%

The District's increase in net position of \$27.4 million is primarily due to the following:

- A marginal rate increase in sewer service charges and investment returns.
- The District received \$7.4 million in connection fees and \$11.8 million in contributed capital as a result of ongoing residential development activity within the service area.

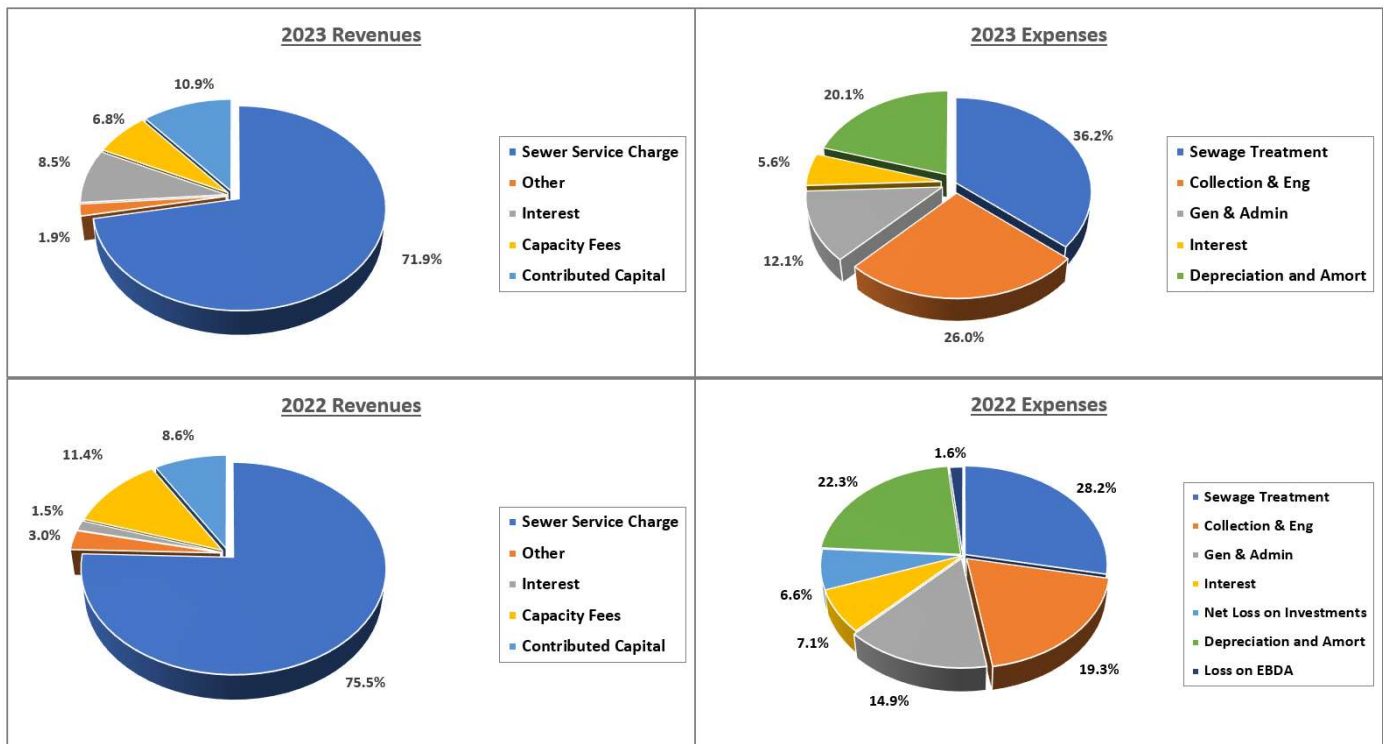
UNION SANITARY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2023

Overall, the District’s operating revenues increased 4.3% or \$3.3 million from FY 2022. Sewer service revenues for the year increased by 5.6% or \$4.2 million. Other operating revenues decreased by 30.6% or \$0.9 million from prior year as the result of a decrease in permits and compliance fees received from the service area. For both commercial and residential development, connection fee revenues decreased 33.9%, or \$3.8 million from prior year as a result. Contributed capital increased 41.3% or \$3.5 million.

The gain on equity investment in East Bay Dischargers Authority (EBDA) was \$.04 million. Investment income increased by \$12.6 million resulting in a \$9.2 million gain in FY 2023. Aside from unrealized gains and losses, the District had positive earned interest of \$7.5 million for FY 2023. Higher returns from LAIF, CAMP, and managed portfolio investments resulted in a weighted investment yield at June 30, 2023, of 4.13%, with a weighted average portfolio life of 261 days compared to a weighted investment yield at June 30, 2022, of 1.16%, with a weighted average portfolio life of 289 days.

The District’s operating expenses, before depreciation, increased from the prior year by \$13.4 million.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2023, the District had \$428.7 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 \$55.4 million compared to the prior year. The net change consisted of total additions of \$72.5 million, net deletions and adjustments of \$1.0 million and depreciation of \$16.1 million.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The District has outstanding construction contract commitments on capital projects approximating \$195.3 million at June 30, 2023. During the year ended June 30, 2023, major projects and related activity included:

Table 3 – Additions to CIP

Campus Building (Admin, FMC, Ops)	\$ 25,644,677
MP - Aeration Basin Modifications	14,262,571
Standby Power System Upgrade	10,041,309
Aeration Basin No. 8	4,638,273
ETSU 1A - Plant 12kV Switchgear	1,731,075
ETSU 1A - Blower 7-10 Replacement	1,272,622
ETSU Phase 1B Project	970,146
Alvarado Influent PS Pumps and VFDs	470,396
ETSU Phase 1A - Campus-Site Drainage Improvements	249,648
Aeration Blower 11 (High Speed)	223,893
ETSU 1A - Aeration Internal Lift Pumps	133,543
Pump Stations Chemical System Improvements	129,972
WAS Thickeners	126,647
Emergency Outfall Outlet Improvements	82,511
Centrifuge Building Improvements	70,088
Others	252,767
Total	<u>\$ 60,300,138</u>

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

Table 4 – Total CIP Placed into Service

Calcium Thiosulfate Chemical Tank	\$ 1,140,959
Cathodic Protection Improvements - Plant	734,477
Total	<u>\$ 1,875,436</u>

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

Debt Administration

At year-end, the District had \$173.1 million in debt outstanding versus \$178.4 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.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

NEW SIGNIFICANT ACCOUNTING STANDARDS IMPLEMENTED

In fiscal year 2023, the following Governmental Accounting Standards Board (GASB) pronouncements impacted the District:

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the FY 2024 Budget with total appropriations of \$162.9 million which is an increase over the prior year budget of \$25.0 million. Of that amount, \$84.6 million has been appropriated for capital projects (both for design and construction) such as the Enhanced Treatment & Site Upgrade (ETSU) program, series of prior Master Plan (MP) projects, Standby Power Generation System Upgrade, and Forcemain Corrosion Repairs to name a few. The budget also includes \$4.2 million in special projects (including some new and some continuing efforts) such as property acquisitions, Alvarado Basin capacity and condition assessment, digester efficiency, and various other project studies. To stay competitive with the market, the appropriations include a cost of living increase of 4.2% 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 2024 are \$110.8 million which is an increase of \$23.6 million over the prior year budget and includes \$12.3 million in projected state revolving fund loan proceeds. The balance of the increase is largely attributable to increases in Sewer Service Charges and investment earnings. Major revenue items are sewer service charges of \$84.2 million, capacity fee revenues of \$8.4 million, interest earnings of \$4.5 million, and other revenues of \$1.4 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.

BASIC FINANCIAL STATEMENTS

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Union Sanitary District

Statement of Net Position

June 30, 2023 (with comparative information for June 30, 2022)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,957,167	\$ 64,751,949
Investments	205,201,101	128,308,418
Receivables:		
Accounts, net	5,529,418	6,978,714
Accrued interest	248,351	491,838
Lease	46,883	59,363
Inventories	933,496	949,649
Prepaid expenses	38,576	42,690
Total current assets	<u>216,954,992</u>	<u>201,582,621</u>
Noncurrent assets:		
Nondepreciable capital assets		
Land and improvements	5,395,903	5,395,903
Construction in progress	145,520,007	88,083,164
Capacity permits and easements	6,415,898	6,415,898
Depreciable capital assets		
Utility plant in service	715,526,522	701,677,460
Less: accumulated depreciation	(444,193,363)	(428,325,087)
Intangible right-to-use assets, net	20,396	43,865
Net capital assets	<u>428,685,363</u>	<u>373,291,203</u>
Other assets:		
Restricted cash and cash equivalents	3,572,498	1,357,570
Restricted investments	67,554,090	105,927,563
Investment in East Bay Dischargers Authority	11,929,174	11,892,793
Total other assets	<u>83,055,762</u>	<u>119,177,926</u>
Total assets	<u>728,696,117</u>	<u>694,051,750</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	17,230,476	7,944,983
Deferred outflows of resources related to OPEB	3,262,966	2,250,654
Total deferred outflows of resources	<u>20,493,442</u>	<u>10,195,637</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expense	19,124,304	6,824,233
Accrued payroll and related expenses	1,144,234	1,144,262
Interest payable	1,670,897	1,724,362
Customer deposits	3,451,822	3,742,596
Accrued compensated absences	1,483,045	1,487,952
Bonds payable, current portion	4,705,000	4,530,000
Lease payable, current portion	17,441	21,667
Total current liabilities	<u>31,596,743</u>	<u>19,475,072</u>
Noncurrent liabilities:		
Bonds payable	168,440,790	173,821,348
Net pension liability	62,022,358	39,420,078
Net OPEB liability	3,692,996	2,469,281
Lease payable	2,991	20,432
Total noncurrent liabilities	<u>234,159,135</u>	<u>215,731,139</u>
Total liabilities	<u>265,755,878</u>	<u>235,206,211</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	345,982	12,055,141
Deferred inflows of resources related to OPEB	440,392	1,699,105
Deferred inflows of resources related to leases	33,639	43,730
Total deferred inflows of resources	<u>820,013</u>	<u>13,797,976</u>
NET POSITION		
Net investment in capital assets	302,099,845	292,113,978
Restricted for:		
Capacity purposes	116,391,069	119,247,498
Debt service	4,288,560	4,287,201
Funds held for faithful performance	3,576,138	1,362,569
Unrestricted	56,258,056	38,231,954
Total net position	<u>\$ 482,613,668</u>	<u>\$ 455,243,200</u>

See accompanying Notes to Basic Financial Statements.

Union Sanitary District

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2023 (with comparative information for the year ended June 30, 2022)

	2023	2022
OPERATING REVENUES:		
Sewer service charges (SSC)	\$ 77,986,322	\$ 73,822,317
Other operating revenues	2,016,561	2,904,824
Total operating revenues	<u>80,002,883</u>	<u>76,727,141</u>
OPERATING EXPENSES:		
Sewage treatment	28,978,541	20,862,815
Sewage collection and engineering	20,869,937	14,258,113
General and administrative	9,684,617	11,059,626
Total operating expenses before depreciation and amortization	<u>59,533,095</u>	<u>46,180,554</u>
Depreciation and amortization	16,133,324	16,411,378
Total operating expenses	<u>75,666,419</u>	<u>62,591,932</u>
OPERATING INCOME (LOSS)	<u>4,336,464</u>	<u>14,135,209</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income (loss) and realized gains and (losses)	7,478,473	1,504,181
Unrealized investment gain (loss)	1,750,746	(4,899,280)
Interest and fiscal charges	(4,451,379)	(5,275,070)
Lease revenue	12,239	12,728
Gain (loss) on equity investment in East Bay Dischargers Authority	36,382	(1,219,804)
Gain (loss) on disposal of capital assets	(12,711)	14,969
Total nonoperating revenues (expenses)	<u>4,813,750</u>	<u>(9,862,276)</u>
Income before contributed capital	9,150,214	4,272,933
Connection fees and other contributed capital	19,208,109	19,519,665
Change in net position	<u>28,358,323</u>	<u>23,792,598</u>
NET POSITION:		
Beginning of fiscal year	455,243,200	431,473,865
Restatements	(987,855)	(23,263)
Beginning of fiscal year, as restated	<u>454,255,345</u>	<u>431,450,602</u>
End of fiscal year	<u>\$ 482,613,668</u>	<u>\$ 455,243,200</u>

See accompanying Notes to Basic Financial Statements.

Union Sanitary District

Statement of Cash Flows

For the year ended June 30, 2023 (with comparative information for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers and users	\$ 81,452,179	\$ 76,323,701
Payments to suppliers for goods and services	(37,528,140)	(17,290,973)
Payments to employees for services	(9,129,234)	(31,771,274)
Receipts from (return of) customer deposits	(290,774)	(125,546)
Net cash provided by (used in) operating activities	34,504,031	27,135,908
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital debt	-	110,626,705
Capital contributions	7,371,192	11,145,152
Acquisition and construction of capital assets	(60,706,664)	(26,457,013)
Principal paid on capital debt	(4,530,000)	(2,575,000)
Interest and fiscal charges paid on capital debt	(5,180,401)	(4,916,914)
Principal paid on lease liability	(21,667)	(25,695)
Collections on lease receivable	12,480	14,628
Proceeds from sales of capital assets	15,532	14,969
Net cash provided by (used in) noncapital financing activities	(63,039,528)	87,826,832
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity (purchase) of investments	(36,768,464)	(55,044,934)
Interest received	7,724,107	1,253,911
Net cash provided by (used in) investing activities	(29,044,357)	(53,791,023)
Net cash flows	(57,579,854)	61,171,717
CASH AND CASH EQUIVALENTS - Beginning of year	66,109,519	4,937,802
CASH AND CASH EQUIVALENTS - End of year	\$ 8,529,665	\$ 66,109,519
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 4,336,464	\$ 14,135,209
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,133,324	16,411,378
Increase (decrease) in pension related items	1,607,628	(3,062,340)
Increase (decrease) in OPEB related items	(1,047,310)	(1,458,012)
(Increase) decrease in accounts receivable	1,449,296	(403,440)
(Increase) decrease in inventories and other	20,267	(163,711)
Increase (decrease) in accounts payable and accrued expenses	12,300,071	1,981,242
Increase (decrease) in accrued liabilities	(28)	(16,580)
Increase (decrease) in customer deposits	(290,774)	(125,546)
Increase (decrease) in compensated absences	(4,907)	(162,292)
Total adjustments	30,167,567	13,000,699
Net cash provided by (used in) operating activities	\$ 34,504,031	\$ 27,135,908
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Contributions of capital assets	11,836,917	8,374,513
Gain (loss) on disposal of capital assets	(12,711)	14,969
Increase (decrease) in equity in East Bay Dischargers Authority	36,382	(1,219,804)
Amortization of premiums on long-term debt	(675,557)	(613,771)
Restatement of equity due to CIP adjustment	(987,855)	(23,263)

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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Union Sanitary District

Notes to Basic Financial Statements

For the Year Ended June 30, 2023

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).

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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, 2023, 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, 2023, 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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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
Sewage collection facilities	50 - 115 years
Sewage treatment structures	10 - 50 years
Administrative facilities	10 - 35 years
General equipment	3 - 35 years

The aggregate provision for depreciation was 2.99 percent of average depreciable plant during the year ended June 30, 2023.

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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position, Continued

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.

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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources represent a consumption of net assets that applies to future reporting periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods. 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 leases and the net pension and net OPEB liabilities, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

L. *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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Recognition of Deferred Outflows and Deferred Inflows of Resources, Continued

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) (6.77 years at June 30, 2022)

O. Leases

Lessee: The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Intangible right-to-use assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Leases, Continued

Lessor: The District is a lessor for a noncancellable lease of a cell tower site. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

P. Implementation of New Accounting Standards

During the year ended June 30, 2023, the District implemented the following new accounting standards issues by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 91, Conduit Debt Obligation. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. The requirements of this statement did not apply to the District during current fiscal year.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Implementation of New Accounting Standards, Continued

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement did not apply to the District during current fiscal year.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a tight-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The requirements of this statement did not apply to the District during current fiscal year.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. 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.

2. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is summarized as follows:

	Balance June 30, 2022	Adjustment*	Adjusted Balance	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated:							
Land and improvements	\$ 5,395,903	\$ -	\$ 5,395,903	\$ -	\$ -	\$ -	\$ 5,395,903
Construction in progress	88,083,164	(987,859)	87,095,305	60,300,138	-	(1,875,436)	145,520,007
Capacity permits and easements	6,415,898	-	6,415,898	-	-	-	6,415,898
Total capital assets, not being depreciated	99,894,965	(987,859)	98,907,106	60,300,138	-	(1,875,436)	157,331,808
Capital assets, being depreciated:							
Sewage collection facilities	470,660,904	-	470,660,904	11,836,918	-	-	482,497,822
Sewage treatment facilities	135,805,474	-	135,805,474	-	(123,499)	1,875,436	137,557,411
District facilities	78,854,436	-	78,854,436	25,070	(18,384)	-	78,861,122
General equipment	8,694,203	-	8,694,203	193,501	(95,813)	-	8,791,891
Fleet	7,662,443	-	7,662,443	176,662	(20,829)	-	7,818,276
Intangible right-to-use assets	144,302	-	144,302	-	(45,520)	-	98,782
Total capital assets, being depreciated	701,821,762	-	701,821,762	12,232,151	(304,045)	1,875,436	715,625,304
Less accumulated depreciation for:			-				
Sewage collection facilities	(287,551,225)	-	(287,551,225)	(9,017,604)	-	-	(296,568,829)
Sewage treatment facilities	(87,117,421)	-	(87,117,421)	(4,237,728)	102,916	-	(91,252,233)
District facilities	(40,292,219)	-	(40,292,219)	(2,071,113)	10,723	-	(42,352,609)
General equipment	(7,606,613)	-	(7,606,613)	(298,415)	95,813	-	(7,809,215)
Fleet	(5,757,608)	-	(5,757,608)	(473,698)	20,829	-	(6,210,477)
Intangible right-to-use assets	(100,438)	-	(100,438)	-	22,052	-	(78,386)
Total accumulated depreciation	(428,425,524)	-	(428,425,524)	(16,098,558)	252,333	-	(444,271,749)
Total capital assets being depreciated, net	273,396,238	-	273,396,238	(3,866,407)	(51,712)	1,875,436	271,353,555
Total capital assets	\$ 373,291,203	\$ (987,859)	\$ 372,303,344	\$ 56,433,731	\$ (51,712)	\$ -	\$ 428,685,363

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 \$195.3 million at June 30, 2023.

* 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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

3. CASH AND INVESTMENTS

A. Summary of Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2023, are detailed as follows:

Cash and cash equivalents	\$ 4,957,167
Restricted cash and cash equivalents	3,572,498
Investments	205,201,101
Restricted Investments	67,554,090
	<u>67,554,090</u>
Total cash and cash equivalents and investments	<u>\$ 281,284,856</u>

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. Agencies Obligations (a)	5 years	N/A	None	None
Banker's Acceptances (b)	180 days	A-1	40%	5%
Certificates of Deposit	5 years	N/A	20%	5%
Negotiable Certificates of Deposit	5 years	N/A	30%	5%
Repurchase Agreements (c)	90 days	A-1 / A	10%	5%
Commercial Paper	270 days	A-1 / A	25%	5%
Local Agency Investment Fund (LAIF)- Unrestricted	N/A	N/A	70%	None
Corporate Notes (d)	5 years	A	30%	5%
Mortgage Pass-through and Asset- Backed Securities	5 years	AA	20%	5%
Money Market Funds	N/A	AAA _m	20%	5%

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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

3. CASH AND INVESTMENTS, Continued

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.

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, 2023:

	Maturities of			
	12 Months Or	12 to 24 Months	25 to 60 Months	Total
	Less			
U.S. Treasury Obligation	\$ 16,439,407	\$ 6,032,910	\$ 26,653,980	\$ 49,126,297
U.S. Treasury Obligation - Restricted	40,184,118	-	-	40,184,118
U.S. Agency Obligations:				
FFCB	1,605,615	-	-	1,605,615
FHLB	-	518,017	-	518,017
FHLB - Restricted	22,468,833	-	-	22,468,833
FHLMC	516,355	-	1,973,639	2,489,994
FNMA	1,045,185	3,234,213	2,264,470	6,543,868
FACM	-	-	479,902	479,902
Corporate Notes	-	1,682,637	5,146,608	6,829,245
Certificate of Deposit	5,000	686,641	-	691,641
Asset-Backed Securities	3,086	-	715,133	718,219
Commercial Paper	-	772,456	-	772,456
Investments Cash Balance	376,160	-	-	376,160
Investments Cash Balance - Restricted	461,453	-	-	461,453
LAIF - Unrestricted	1,612,876	-	-	1,612,876
LAIF - Restricted	140,622	-	-	140,622
California Asset Management Program Pool	137,735,877	-	-	137,735,877
Total Investments	222,594,587	12,926,874	37,233,732	272,755,193
Cash in bank	4,957,167	-	-	4,957,167
Restricted cash	3,572,496	-	-	3,572,496
Total Cash and Investments	\$ 231,124,250	\$ 12,926,874	\$ 37,233,732	\$ 281,284,856

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

3. CASH AND INVESTMENTS, Continued

D. Local Agency Investment Fund (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, 2023, the District had two accounts with LAIF, consisting of \$1,612,876 in unrestricted investments, and \$140,622 in restricted investments specific to the proceeds from the issuance of the Series 2020A Revenue Bonds, further discussed in footnote 6. At June 30, 2023, these investments mature in an average of 260 days.

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, 2023, the fair value was approximate to the District's cost. As of June 30, 2023, the District investment in CAMP is \$137,735,877.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

3. CASH AND INVESTMENTS, Continued

F. Credit Risk, Continued

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, 2023, for each investment type:

Investment Type	Aaa	A1	A2	A3	Total
U.S. Treasury Obligation	\$ 49,126,297	\$ -	\$ -	\$ -	\$ 49,126,297
US Treasury Obligations - Restricted	20,598,672	15,416,477	-	-	36,015,149
U.S. Agency Obligations					
FFCB	1,605,615	-	-	-	1,605,615
FHLB	518,017	-	-	-	518,017
FHLB - Restricted	-	22,468,833	-	-	22,468,833
FHLMC	2,489,994	-	-	-	2,489,994
FNMA	6,543,868	-	-	-	6,543,868
FACM	479,902	-	-	-	479,902
Commercial paper	772,456	-	-	-	772,456
Corporate Notes	684,901	3,603,602	2,272,830	267,912	6,829,245
Certificates of Deposit	-	686,641	-	-	686,641
Asset-Backed Securities	718,219	-	-	-	718,219
Totals	\$ 83,537,941	\$ 42,175,553	\$ 2,272,830	\$ 267,912	\$ 128,254,236

Exempt from credit rate disclosure

 U.S. Treasury Obligations

Not Rated

 Asset-Backed Securities

 Certificate of Deposits

 Investments Cash Balance

 Investments Cash Balance - Restricted

 US Treasury Obligations - Restricted

 California Local Agency Investment Fund (LAIF) - Unrestricted

 California Local Agency Investment Fund (LAIF) - Restricted

 California Asset Management Program (CAMP)

Cash and cash equivalents

 Cash in Bank

 Restricted Cash

Total Cash, Cash Equivalents and Investments

5,000
376,160
461,453
4,168,969
1,612,876
140,622
137,735,877
4,957,167
3,572,496
\$ 281,284,856

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

3. CASH AND INVESTMENTS, Continued

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, 2023, none of the District's investments had concentrations in any single issuer greater than 5 percent.

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, 2023, the District's total bank balance of \$6,229,423 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).

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:

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

4. FAIR VALUE MEASUREMENTS, Continued

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.

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, 2023:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Uncategorized
US Treasury Obligations	\$ 49,126,297	\$ 49,126,297	\$ -	\$ -
US Treasury Obligations - Restricted	40,184,118	40,184,118	-	-
US Agency Obligations				
FFCB	1,605,615	-	1,605,615	-
FHLB	518,017	-	518,017	-
FHLB - Restricted	22,468,833	-	22,468,833	-
FHLMC	2,489,994	-	2,489,994	-
FNMA	6,543,868	-	6,543,868	-
FACM	479,902	-	479,902	-
Corporate Notes	6,829,245	-	6,829,245	-
Certificate of Deposit	691,641	-	691,641	-
Asset-Backed Securities	718,219	-	718,219	-
Commercial Paper	772,456	-	772,456	-
LAIF - Unrestricted	1,612,876	-	-	1,612,876
LAIF - Restricted	140,622	-	-	140,622
California Assset Management Program Pool	137,735,877	-	-	137,735,877
Totals	\$ 271,917,580	\$ 89,310,415	\$ 43,117,790	\$ 139,489,375

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

5. JOINT VENTURES

A. 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.

B. 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.

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), Oro Loma Sanitary District (19.44 percent), and Castro Valley Sanitary District (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, 2022, and for the years then ended, the most recent audited information available, is as follows:

	<u>2022</u>
Total assets and deferred outputs	\$ 30,208,384
Total liabilities and deferred inflows	<u>(1,873,053)</u>
Net position value of EBDA	<u>\$ 28,335,331</u>
District's share at 42.1%	<u>\$ 11,929,174</u>
Net gain on equity investment in EBDA	<u>\$ 36,382</u>

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

5. JOINT VENTURES

B. Investment in East Bay Dischargers Authority, Continued

EBDA has no outstanding debt.

During fiscal year ended June 30, 2023, the District was charged \$1,455,384 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.

6. LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2023, are summarized as below:

	Maturity Date	Interest Rate	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Public Offerings:							
Series 2020A Revenue Bonds	9/1/2050	4.00%	\$ 59,295,000	\$ -	\$ 2,670,000	\$ 56,625,000	\$ 2,780,000
Premium - Series 2020A Revenue Bonds			8,738,580	-	304,835	8,433,745	-
Series 2021A Revenue Bonds	9/1/2051	2.25%	99,505,000	-	1,860,000	97,645,000	1,925,000
Premium - Series 2021A Revenue Bonds			10,812,768	-	370,723	10,442,045	-
			<u>\$178,351,348</u>	<u>\$ -</u>	<u>\$ 5,205,558</u>	<u>\$173,145,790</u>	<u>\$ 4,705,000</u>

A. 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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. LONG-TERM OBLIGATIONS, Continued

B. Series 2021A Revenue Bonds

During August 2021, the Union Sanitary District Financing Authority (USDFA) issued \$99,505,000 in revenue bonds. The interest rate on the loan is 2.25 percent and will be payable in thirty annual installments beginning September 1, 2022. The purpose of the bonds is to finance improvements to the wastewater system, specifically the District’s Enhanced Treatment and Site Upgrade Program (ETSU). 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.

C. Debt Service Requirements

Future annual repayment requirements as of June 30, 2023, are as follows:

Fiscal Year Ended				
	June 30,	Principal	Interest	Total
2024	\$ 4,705,000	\$ 4,987,638	\$ 9,692,638	
2025	4,015,000	4,813,238	8,828,238	
2026	4,175,000	4,649,438	8,824,438	
2027	4,345,000	4,479,038	8,824,038	
2028	4,530,000	4,290,188	8,820,188	
2029-2033	25,430,000	18,373,662	43,803,662	
2034-2038	25,540,000	13,117,938	38,657,938	
2039-2043	26,345,000	8,878,988	35,223,988	
Thereafter	55,185,000	6,081,581	61,266,581	
Totals	<u>\$154,270,000</u>	<u>\$ 69,671,709</u>	<u>\$223,941,709</u>	

7. COMPENSATED ABSENCES

A summary of the changes in compensated absences for the year ended June 30, 2023, is as follows:

Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amount due within one year
\$ 1,487,952	\$ 1,444,281	\$ 1,449,188	\$ 1,483,045	\$ 1,483,045

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. PENSION PLAN

A. 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-resources/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 rate	8%	6.25%
Required employer normal contribution rate	10.200%	12.500%
Required employer payment of the Unfunded Liability	\$4,830,090	-

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. PENSION PLAN, Continued

A. General Information about the Pension Plans, Continued

Employees Covered

As of the June 30, 2022 measurement date, the following employees were covered by the benefit terms of the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	208
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>137</u>
Totals	<u><u>410</u></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 10.2 percent of annual payroll. As of the measurement date for PEPRA 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 \$6,758,524 for the year ended June 30, 2023.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. PENSION PLAN, Continued

A. General Information about the Pension Plans, Continued

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 Plans is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022.

A summary of principal assumptions used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions.

	Miscellaneous
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Projected Salary increases	Varies of Entry Age and Service
Mortality rate table (1)	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate generational mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022, was 6.90%. 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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. PENSION PLAN, Continued

A. General Information about the Pension Plans, Continued

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.

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 20 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, 2022, measurement date was as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return (a,b)
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

(a) An expected inflation of 2.3% used for this period

(b) Figures are based on the 2021-22 asset liability management study

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. PENSION PLAN, Continued

A. General Information about the Pension Plans, Continued

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, 2021 (Measurement Date)	\$ 168,888,590	\$ 129,468,512	\$ 39,420,078
Change in the year:			
Service cost	3,739,424	-	3,739,424
Interest on total pension liability	11,807,804	-	11,807,804
Changes of assumptions	5,344,555	-	5,344,555
Differences between expected and actual experience	(469,547)	-	(469,547)
Contribution-employer	-	6,168,380	(6,168,380)
Contribution-employee	-	1,535,529	(1,535,529)
Net investment income	-	(9,803,302)	9,803,302
Administrative expenses	-	(80,651)	80,651
Benefit payments, including refunds of employee contributions	(9,011,428)	(9,011,428)	-
Net changes	11,410,808	(11,191,472)	22,602,280
Balance at June 30, 2022 (Measurement Date)	\$ 180,299,398	\$ 118,277,040	\$ 62,022,358

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	5.90%
Net Pension Liability	\$ 85,050,750
Current Discount Rate	6.90%
Net Pension Liability	\$ 62,022,358
1% Increase	7.90%
Net Pension Liability	\$ 42,855,846

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. PENSION PLAN, Continued

A. General Information about the Pension Plans, Continued

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, 2023, the District recognized pension expense of \$8,331,313. At June 30, 2023, 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
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 6,758,524	\$ -
Differences between expected and actual experience	597,318	(345,982)
Changes in assumptions	3,938,093	-
Net differences between projected and actual earnings on plan investments	5,936,541	-
	<u>\$ 17,230,476</u>	<u>\$ (345,982)</u>

The amount of \$6,758,524 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, 2024. 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
	<u> </u>
2024	\$ 2,693,700
2025	2,256,605
2026	1,440,375
2027	3,735,290
Total	<u>\$ 10,125,970</u>

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. OTHER RETIREMENT BENEFITS

A. *Post-Employment Healthcare Benefit (OPEB)*

Plan Description

The District's defined benefit post-employment 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 Annual Comprehensive 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, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	145
Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	33
	<hr/>
	284
	<hr/>

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, 2022, the District's contributions were \$1,585,134 in total payments, which were recognized as a reduction to the OPEB liability.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. OTHER RETIREMENT BENEFITS, Continued

A. Post-Employment Healthcare Benefit (OPEB), Continued

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, that was used to determine the June 30, 2023, total OPEB liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate	5.60%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocated to costs of benefits between service years
Investment rate of return	5.60%
Mortality rate*	MacLeod Watts Scale 2020, applied generationally from 2015
Pre-retirement turnover*	MacLeod Watts Scale 2020, applied generationally from 2015
Healthcare trend rate	Medical plan premiums are assumed to increase once each year, with the assumed medical inflation of 5.70% and ultimate trend of 4.00% per year

Notes:

Healthcare trend was developed using the Getzen Model 2021_b published by the Society of Actuaries.

*MacLeod Watts Scale 2020 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2019 Report, published in October 2019 and (2) the demographic assumptions used in the 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published in April 2019. Scale MP-2019 can be found at the SOA website and the projection scales used in the 2019 Social Security Administrations Trustees Report at the Social Security Administration

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. OTHER RETIREMENT BENEFITS, Continued

A. Post-Employment Healthcare Benefit (OPEB), Continued

Net OPEB Liability, 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 1-5*	Expected Real Return Years 6 -20**
Global equity	34.00%	4.40%	4.50%
Fixed income	41.00%	-1.00%	2.20%
Treasury inflation protected securities	5.00%	-1.80%	1.30%
Global real estate (REITs)	17.00%	3.00%	3.90%
Commodities	3.00%	0.80%	1.20%
Total	100.00%		

* A general inflation rate of 2.40% were used for these periods.

** A general inflation rate of 2.30% were used for these periods.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.60 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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. OTHER RETIREMENT BENEFITS, Continued

A. Post-Employment Healthcare Benefit (OPEB), Continued

Changes in the OPEB Liability, Continued

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021 (Measurement Date)	\$ 13,337,073	\$ 10,867,792	\$ 2,469,281
Change in the year:			
Service cost	474,042	-	474,042
Interest on total OPEB liability	761,255	-	761,255
Changes due to investment experience	-	(2,132,339)	2,132,339
Changes in assumptions	77,922		77,922
Contribution-employer	-	1,585,134	(1,585,134)
Net investment income	-	639,655	(639,655)
Administrative expenses	-	(2,946)	2,946
Benefit payments, including refunds of employee contribution	(675,134)	(675,134)	-
Net changes	638,085	(585,630)	1,223,715
Balance at June 30, 2022 (Measurement Date)	\$ 13,975,158	\$ 10,282,162	\$ 3,692,996

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, 2022:

	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Net OPEB Liability	\$ 5,402,617	\$ 3,692,996	\$ 2,254,650

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. OTHER RETIREMENT BENEFITS, Continued

A. Post-Employment Healthcare Benefit (OPEB), Continued

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, 2022:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 2,798,990	\$ 3,692,996	\$ 4,805,363

OPEB Plan Fiduciary Net Position

CalPERS issues a separate Annual Comprehensive 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, 2023, the District recognized OPEB expense of \$573,724. As of fiscal year ended June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,621,034	\$ -
Changes of assumptions	616,590	204,594
Differences between expected and actual experience	-	235,798
Net difference between projected and actual earnings on OPEB plan investments	1,025,342	-
Total	<u>\$ 3,262,966</u>	<u>\$ 440,392</u>

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. OTHER RETIREMENT BENEFITS, Continued

A. Post-Employment Healthcare Benefit (OPEB), Continued

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

The \$1,621,034 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30,	Deferred Inflows of Resources
2024	\$ 102,308
2025	206,679
2026	241,017
2027	547,124
2028	95,550
Thereafter	8,862
Total	<u>\$ 1,201,540</u>

B. 401(a) Plans

The District sponsors two internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the MissionSquare 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 \$6,000 and \$12,665 to the plans for the year ended June 30, 2023.

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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

10. LEASES

A. Lease Receivable

The District is reporting a lease receivable of \$46,883 at June 30, 2023. For 2023, the District recognized lease revenue of \$10,092 and interest revenue of \$2,147 related to lease payments received. This lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Cell Site	\$ 46,883	\$ 10,092	\$ 2,147

Cell Site Lease - In November 2006, the District entered into a five-year renewable lease agreement with AT&T for the use of land for a cellular signal broadcast tower. The lease was renewed three times in 2011, 2016, and 2021 increasing the term to a total of 20 years. Based on these agreements, the District is receiving monthly payments through October 2026. The District is in negotiations regarding whether the lease will be extended. There is no additional renewal lease agreement, nor a reasonable basis upon which to estimate future payments, at this time.

The future lease revenue and related interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 12,989	\$ 1,639	\$ 14,628
2025	13,518	1,110	14,628
2026	14,069	559	14,628
2027	6,307	59	6,366
Totals	\$ 46,883	\$ 3,367	\$ 50,250

B. Lease Payable

The District is reporting lease payables of \$20,432 at June 30, 2023. For 2023, the District recognized lease principal expense of \$21,667 and interest expense of \$363 related to lease payments paid. Lease agreements are summarized as follows:

Lease	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance as of June 30, 2023
ETSU Trailer	12/9/2019	3 years	\$ 976	4.00%	\$ 33,165	\$ -
FMC Trailer	9/20/2018	3 years	1,135	4.00%	87,078	20,432
Total lease agreements						\$ 20,432

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

10. LEASES, Continued

B. Lease Payable, Continued

The Enhanced Treatment Site Upgrade (ETSU) Trailer was leased to provide a temporary workspace during the ETSU process starting in 2019. The lease did not include terms for renewal. There is no explicit interest rate on the agreement, so an implicit rate was used. The lease was repaid during the year ended June 30, 2023 and there was no amount payable at June 30, 2023.

The FMC Trailer was leased for work being performed to expand the Fabrication, Maintenance, and Construction department. The lease began in August 2018 for a term of three years with no explicit interest rate, so an implicit rate of 4.00% was used. This lease was renewable for up to three years and the District reasonably expects to exercise all 3 years of extensions. The District will not acquire the equipment at the end of the lease term.

Annual requirements to amortize long-term obligations and related interest are as follows:

Fiscal Year Ended				
June 30,	Principal	Interest	Total	
2024	\$ 17,441	\$ 325	\$	17,766
2025	2,991	15	\$	3,006
Totals	<u>\$ 20,432</u>	<u>\$ 340</u>	<u>\$</u>	<u>20,772</u>

11. 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.

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.

Union Sanitary District
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

12. 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, 2023:

Project Name	Total Committed Amount	Expenses to Date as of June 30, 2023	Remaining Commitment
MP - Aeration Basin Modifications	\$ 104,221,939	\$ 26,731,023	\$ 77,490,916
Campus Buildings (Admin, FMC, Ops)	83,048,444	31,389,665	51,658,779
Primary Digester No. 7	28,495,356	27,595,513	899,843
Standby Power System Upgrade	27,623,992	13,635,663	13,988,329
Aeration Basin No. 8	18,099,932	4,882,327	13,217,604
Cogeneration Project	15,080,010	12,019,034	3,060,976
Alvarado Influent PS Pumps and VFDS	11,499,812	10,484,958	1,014,854
ETSU 1A - Plant 12kV Switchgear	8,993,129	1,813,738	7,179,391
ETSU Phase 1B Project	8,158,030	3,740,359	4,417,671
Plant Miscellaneous Improvements	6,625,043	293,011	6,332,032
ETSU Phase 1A - Campus Site Drainage Improvements	6,588,769	262,787	6,325,982
Irvington Basin RCP Rehabilitation	6,423,869	5,809,091	614,778
ETSU 1A - Blower 7-10 Replacement	4,429,880	2,181,694	2,248,186
ETSU 1A - Aeration Internal Lift Pumps	3,915,079	140,572	3,774,507
Primary Digester No. 2 Rehabilitation	3,599,816	3,588,311	11,505
Emergency Outfall Outlet Improvements	2,469,675	2,467,213	2,462
Aeration Blower 11 (High Speed)	2,205,030	2,200,255	4,775
Force Main Corrosion Repairs Project Phase 3	1,723,097	1,380,955	342,142
Centrifuge Building Improvements	1,612,580	1,609,668	2,912
WAS Thickeners	1,378,988	1,254,565	124,423
Pump Stations Chemical System Improvements	1,049,664	765,869	283,795

13. 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	\$ 455,243,200
Restatement (1)	(987,855)
Beginning Net Position, as Restated	<u>\$ 454,255,345</u>

(1) Beginning net position of the District was restated 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.

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REQUIRED SUPPLEMENTARY INFORMATION

Union Sanitary District
Required Supplementary Information
For the year ended June 30, 2023

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

Measurement Period	6/30/2022	6/30/2021	6/30/2020	6/30/2019
TOTAL PENSION LIABILITY				
Service cost	\$ 3,739,424	\$ 3,214,913	\$ 3,048,341	\$ 2,910,836
Interest on total pension liability	11,807,804	11,444,368	10,992,856	10,488,921
Differences between expected and actual experience	(469,547)		1,629,169	2,872,889
Changes in assumptions	5,344,555	610,315	-	-
Benefit payments, including refunds of employee contributions	(9,011,428)	(8,448,628)	(8,391,292)	(7,707,967)
Net change in the total pension liability	11,410,808	6,820,968	7,279,074	8,564,679
Total pension liability - beginning	168,888,590	162,067,622	154,788,548	146,223,869
Total pension liability - ending (a)	\$ 180,299,398	\$ 168,888,590	\$ 162,067,622	\$ 154,788,548
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 6,168,380	\$ 5,490,414	\$ 4,859,547	\$ 4,156,261
Contributions - employee	1,535,529	1,746,543	1,405,189	1,343,915
Net investment income	(9,803,302)	24,166,100	5,160,715	6,526,074
Benefit payments	(9,011,428)	(8,448,628)	(8,391,292)	(7,707,967)
Net Plan to Plan Resource Movement	-	-	-	231
Administrative expense	(80,651)	(106,507)	(146,238)	(70,995)
Net change in plan fiduciary net position	(11,191,472)	22,847,922	2,887,921	4,247,519
Plan fiduciary net position - beginning	129,468,512	106,620,590	103,732,669	99,485,150
Plan fiduciary net position - ending (b)	\$ 118,277,040	\$ 129,468,512	\$ 106,620,590	\$ 103,732,669
Net pension liability - ending (a) - (b)	\$ 62,022,358	\$ 39,420,078	\$ 55,447,032	\$ 51,055,879
Plan fiduciary net position as a percentage of the total pension liability	65.60%	76.66%	65.79%	67.02%
Covered payroll	\$ 19,629,523	\$ 18,669,646	\$ 17,429,049	\$ 16,612,465
Net pension liability as a percentage of covered payroll	315.96%	211.15%	318.13%	307.33%

Notes to the Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

**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 nine years are shown.

<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
\$ 2,751,248	\$ 2,818,370	\$ 2,413,856	\$ 2,285,511	\$ 2,338,837
9,904,222	9,548,343	9,157,444	8,707,550	8,205,194
810,456	900,525	621,331	1,118,325	-
(1,225,530)	7,589,483	-	(2,041,756)	-
(7,153,133)	(6,728,358)	(6,122,564)	(5,472,643)	(4,871,998)
5,087,263	14,128,363	6,070,067	4,596,987	5,672,033
141,136,606	127,008,243	120,938,176	116,341,189	110,669,156
<u>\$ 146,223,869</u>	<u>\$ 141,136,606</u>	<u>\$ 127,008,243</u>	<u>\$ 120,938,176</u>	<u>\$ 116,341,189</u>
\$ 3,473,052	\$ 3,203,124	\$ 2,770,226	\$ 2,536,676	\$ 2,428,874
1,296,037	1,256,350	1,206,505	1,187,621	1,356,767
7,910,460	9,631,126	490,693	2,002,533	13,223,974
(7,153,133)	(6,728,358)	(6,122,564)	(5,472,643)	(4,871,998)
(231)	-	-	(8,501)	-
(426,382)	(128,674)	(54,156)	(100,081)	-
5,099,803	7,233,568	(1,709,296)	145,605	12,137,617
94,385,347	87,151,779	88,861,075	88,715,470	76,577,853
<u>\$ 99,485,150</u>	<u>\$ 94,385,347</u>	<u>\$ 87,151,779</u>	<u>\$ 88,861,075</u>	<u>\$ 88,715,470</u>
<u>\$ 46,738,719</u>	<u>\$ 46,751,259</u>	<u>\$ 39,856,464</u>	<u>\$ 32,077,101</u>	<u>\$ 27,625,719</u>
68.04%	66.88%	68.62%	73.48%	76.25%
\$ 15,527,984	\$ 15,609,052	\$ 14,930,759	\$ 14,256,824	\$ 14,003,333
301.00%	299.51%	266.94%	224.99%	197.28%

Union Sanitary District
Required Supplementary Information
For the year ended June 30, 2023

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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Actuarial Determined Contribution	\$ 6,168,380	\$ 5,490,414	\$ 4,859,547	\$ 4,156,261
Contribution in relation to the Actuarially Determined Contribution	(6,168,380)	(5,490,414)	(4,859,547)	(4,156,261)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 19,629,523	\$ 18,669,646	\$ 17,429,049	\$ 16,612,465
Contributions as a percentage of covered payroll	31.42%	29.41%	27.88%	25.02%

Notes to Schedule:

Valuation date June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method :	Entry Age Actuarial Cost Method
Amortization method:	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

**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 nine years are shown.

<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
\$ 3,473,052	\$ 3,203,124	\$ 2,770,226	\$ 2,536,676	\$ 2,428,874
<u>(3,473,052)</u>	<u>(3,203,124)</u>	<u>(2,770,226)</u>	<u>(2,536,676)</u>	<u>(2,428,874)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,527,984	\$ 15,609,052	\$ 14,930,759	\$ 14,256,824	\$ 14,003,333
22.37%	20.52%	18.55%	17.79%	17.34%

Union Sanitary District
Required Supplementary Information
For the year ended June 30, 2023

Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years ⁽¹⁾

Measurement Period	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Total OPEB Liability				
Service cost	\$ 474,042	\$ 382,999	\$ 371,844	\$ 401,584
Interest on the total OPEB liability	761,255	765,839	738,140	808,836
Differences between expected and actual experience	-	(41,940)	-	(401,695)
Changes of assumptions	77,922	780,862	-	(390,123)
Benefit payments	(675,134)	(647,717)	(715,232)	(666,223)
Net change in the total OPEB liability	638,085	1,240,043	394,752	(247,621)
Total OPEB liability - beginning	13,337,073	12,097,030	11,702,278	11,949,899
Total OPEB liability - ending (a)	\$ 13,975,158	\$ 13,337,073	\$ 12,097,030	\$ 11,702,278
Plan Fiduciary Net Position				
Contribution - employer	\$ 1,585,134	\$ 1,356,071	\$ 1,623,254	\$ 1,546,756
Net investment income	(1,492,684)	1,709,097	427,895	457,085
Benefit payments	(675,134)	(647,717)	(715,232)	(666,223)
Administrative expense	(2,946)	(3,178)	(3,694)	(1,324)
Other expenses	-	-	-	-
Net change in plan fiduciary net position	(585,630)	2,414,273	1,332,223	1,336,294
Plan fiduciary net position - beginning	10,867,792	8,453,519	7,121,296	5,785,002
Plan fiduciary net position - ending (b)	\$ 10,282,162	\$ 10,867,792	\$ 8,453,519	\$ 7,121,296
Net OPEB Liability - ending (a) - (b)	\$ 3,692,996	\$ 2,469,281	\$ 3,643,511	\$ 4,580,982
Plan fiduciary net position as a percentage of the total OPEB liability	73.57%	81.49%	69.88%	60.85%
Covered-employee payroll	\$ 18,485,078	\$ 18,283,088	\$ 17,128,676	\$ 16,144,722
Net OPEB liability as a percentage of covered-employee payroll	19.98%	13.51%	21.27%	28.37%

Notes to Schedule:

(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.

<u>6/30/2018</u>	<u>6/30/2017</u>
\$ 388,943	\$ 420,836
773,775	832,649
-	(716,909)
-	(761,859)
<u>(642,551)</u>	<u>(592,698)</u>
520,167	(817,981)
<u>11,429,732</u>	<u>12,247,713</u>
<u>\$ 11,949,899</u>	<u>\$ 11,429,732</u>

\$ 920,935	\$ 767,866
326,192	355,878
(642,551)	(592,698)
(2,789)	(2,557)
<u>(6,865)</u>	-
594,922	528,489
<u>5,190,080</u>	<u>4,661,591</u>
<u>\$ 5,785,002</u>	<u>\$ 5,190,080</u>
<u>\$ 6,164,897</u>	<u>\$ 6,239,652</u>

48.41%	45.41%
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\$ 15,199,914	\$ 15,018,359
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40.56%	41.55%
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Union Sanitary District
Required Supplementary Information
For the year ended June 30, 2023

*Schedule of OPEB Contributions - Last 10 Fiscal Years**

Fiscal Year Ended	2023	2022	2021	2020
Actuarially determined contribution	\$ 518,359	\$ 581,223	\$ 708,354	\$ 908,022
Contributions in relation to actuarially determined contributions	(1,621,034)	(1,585,134)	(1,356,071)	(1,623,254)
Contribution deficiency (excess)	<u>\$ (1,102,675)</u>	<u>\$ (1,003,911)</u>	<u>\$ (647,717)</u>	<u>\$ (715,232)</u>
Covered employee payroll	\$ 18,918,859	\$ 18,485,078	\$ 18,283,088	\$ 17,128,676
Contributions as a percentage of covered employee payroll	8.57%	8.58%	7.42%	9.48%
Percent of ADC contributed	312.72%	272.72%	191.44%	178.77%

(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

Methods and assumptions used to determine contributions:

Valuation date used	6/30/2021	6/30/2021	6/30/2019	6/30/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Amortization period	30 yr closed 16 remaining	30 yr closed 17 remaining	30 yr closed 18 remaining	30 yr closed 19 remaining
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Inflation	2.50%	2.50%	2.50%	2.75%
Healthcare cost trend rates	5.8% in 2021 to 4% in 2076 or later	5.8% in 2021 to 4% in 2076 or later	6.5% in 2021 to 4% in 2076 or later	7.5% in 2018 to 5%, step 0.5%
Salary increases	3.00%	3.00%	3.00%	3.25%
Investment rate of return	6.20%	6.20%	6.30%	6.73%
Retirement age	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75
Mortality	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014
Mortality improvement	MW Scale 2020 generational	MW Scale 2020 generational	MW Scale 2020 generational	MW Scale 2017 generational



<u>2019</u>	<u>2018</u>
\$ 880,553	\$ 988,550
<u>(1,546,756)</u>	<u>(923,656)</u>
<u>\$ (666,203)</u>	<u>\$ 64,894</u>
\$ 16,144,722	\$ 15,506,456
9.58%	5.96%
175.66%	93.44%

6/30/2017	6/30/2017
Entry Age	Entry Age
Normal	Normal
Level % of	Level % of
Pay	Pay
30 yr closed	30 yr closed
20 remaining	21 remaining
Market Value	Market Value
2.75%	2.75%

7.5% in 2018	7.5% in 2018
to 5%, step	to 5%, step
0.5%	0.5%
3.25%	3.25%
6.73%	6.73%
From 50 to 75	From 50 to 75
CalPERS 2014	CalPERS 2014
MW Scale	MW Scale
2017	2017
generational	generational

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SUPPLEMENTARY INFORMATION

Union Sanitary District
Schedule of Operating Expenses before Depreciation
For the years ended June 30, 2023 and 2022

	2023			Total
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	
Salaries and wages	\$ 7,796,968	\$ 9,213,522	\$ 3,682,366	\$ 20,692,856
Employee Benefits	4,746,271	5,685,495	2,411,453	12,843,219
Recruitment and development	98,665	105,847	237,826	442,338
Temporary help	41,654	80,283	79,580	201,517
Repairs and maintenance	2,191,523	741,485	12,285	2,945,293
Operating supplies	3,752,143	355,678	-	4,107,821
Office and safety supplies	182,092	260,582	441,271	883,945
Insurance	-	-	705,518	705,518
Contractual services	1,593,786	64,300	-	1,658,086
Professional services	196,247	92,052	1,556,357	1,844,656
Utilities	2,733,730	87,044	140,768	2,961,542
East Bay Dischargers Authority	-	-	-	-
operating charges	1,455,384	-	-	1,455,384
Non-capital projects	4,109,312	4,109,312	379,689	8,598,313
Sewer Service charge	-	-	-	-
administrative fee	37,504	37,504	37,504	112,512
Rents/Leases	43,262	36,833	-	80,095
Total	\$ 28,978,541	\$ 20,869,937	\$ 9,684,617	\$ 59,533,095

2022

	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
\$	7,380,684	\$ 8,981,611	\$ 3,768,638	\$ 20,130,933
	2,603,093	3,169,361	4,245,300	10,017,754
	39,864	62,773	212,797	315,433
	9,405	21,735	56,171	87,311
	1,810,502	643,967	14,562	2,469,031
	2,687,832	250,015	-	2,937,847
	150,710	186,405	269,018	606,133
	-	-	627,134	627,134
	1,422,015	86,172	-	1,508,187
	185,569	102,986	1,345,985	1,634,540
	2,412,289	91,768	146,352	2,650,410
	-	-	-	-
	1,485,410	-	-	1,485,410
	595,934	595,934	336,427	1,528,295
	-	-	-	-
	37,242	37,242	37,242	111,726
	42,266	28,144	-	70,410
\$	20,862,815	\$ 14,258,113	\$ 11,059,626	\$ 46,180,554

Union Sanitary District
Schedule of Insurance Coverage
For the years ended June 30, 2023 and 2022

The District's insurance policies and coverages in effect at June 30, 2023 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)	\$ 3,014,700
Workers' compensation	1,750,000
Group health and life	Contract
Employee disability and salary continuance	Contract
Property insurance, all property	\$ 296,245,318
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

Statistical Section



ETSU Phase 1A - Campus Project

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

UNION SANITARY DISTRICT

Changes in Net Position and Statement of Net Position by Component
Fiscal Years 2023 - 2019

Changes in Net Position	2023	2022	2021	2020	2019
Operating revenues					
Sewer service charges (SSC)	\$ 77,986,322	\$ 73,822,317	\$ 62,142,806	\$ 60,216,149	\$ 57,330,651
Other operating revenues	2,016,561	2,904,824	1,318,109	1,460,111	2,188,027
Total operating revenues	<u>80,002,883</u>	<u>76,727,141</u>	<u>63,460,915</u>	<u>61,676,260</u>	<u>59,518,678</u>
Operating expenses					
Sewage treatment	28,978,541	20,862,815	21,742,446	21,815,870	19,339,187
Sewage collection and engineering	20,869,937	14,258,113	16,426,192	16,596,589	14,519,186
General and administration	9,684,617	11,059,626	8,824,714	8,858,612	8,044,226
Total operating expenses before depreciation	<u>59,533,095</u>	<u>46,180,554</u>	<u>46,993,352</u>	<u>47,271,071</u>	<u>41,902,599</u>
Depreciation and amortization	<u>16,133,324</u>	<u>16,411,378</u>	<u>16,514,431</u>	<u>16,819,345</u>	<u>17,857,275</u>
Total operating expenses	<u>75,666,419</u>	<u>62,591,932</u>	<u>63,507,783</u>	<u>64,090,416</u>	<u>59,759,874</u>
Operating income (loss)	<u>4,336,464</u>	<u>14,135,209</u>	<u>(46,868)</u>	<u>(2,414,156)</u>	<u>(241,196)</u>
Nonoperating Revenues (Expenses)					
Investment income (loss)	7,478,473	1,504,181	1,575,105	3,369,382	2,657,356
Unrealized investment income (loss)	1,750,746	(4,899,280)	(1,336,731)	1,699,925	1,439,902
Interest and fiscal charges	(4,451,379)	(5,275,070)	(2,099,211)	(1,841,089)	(992,721)
Lease revenue	12,239	12,728	13,197	-	-
Gain (Loss) on disposal of capital assets	(12,711)	14,969	(5,840)	(45,982)	(6,606,751)
Gain (Loss) on equity investment in EBDA	36,382	(1,219,804)	7,355,380	(62,484)	(170,591)
Net Non-Operating Revenues (Expenses)	<u>4,813,750</u>	<u>(9,862,276)</u>	<u>5,501,900</u>	<u>3,119,752</u>	<u>(3,672,805)</u>
Income (Loss) before contributed capital	9,150,214	4,272,933	5,455,032	705,596	(3,914,001)
Connection fees and other contributed capital	19,208,109	19,519,665	21,719,168	19,761,607	17,896,415
Change in Net Position	28,358,323	23,792,598	27,174,200	20,467,203	13,982,414
Net Position, Beginning of fiscal year	455,243,200	431,473,865	405,190,372	385,331,061	371,508,117
Prior period adjustment - non-CIP project cost	(987,855)	(23,263)	(890,707)	(607,890)	(159,470)
Net Position, End of fiscal year	<u>\$482,613,668</u>	<u>\$455,243,200</u>	<u>\$431,473,865</u>	<u>\$405,190,374</u>	<u>\$385,331,061</u>
Statement of Net Position by Component					
Net investment in capital assets	\$302,099,845	\$292,113,978	\$290,100,929	\$283,568,402	\$284,632,017
Restricted	124,255,767	124,897,268	91,707,599	66,590,701	69,264,549
Unrestricted	<u>56,258,056</u>	<u>38,231,954</u>	<u>49,665,337</u>	<u>55,031,271</u>	<u>31,434,495</u>
Total USD Net Position	<u>\$482,613,668</u>	<u>\$455,243,200</u>	<u>\$431,473,865</u>	<u>\$405,190,374</u>	<u>\$385,331,061</u>

UNION SANITARY DISTRICT

Changes in Net Position and Statement of Net Position by Component
Fiscal Years 2018 - 2014

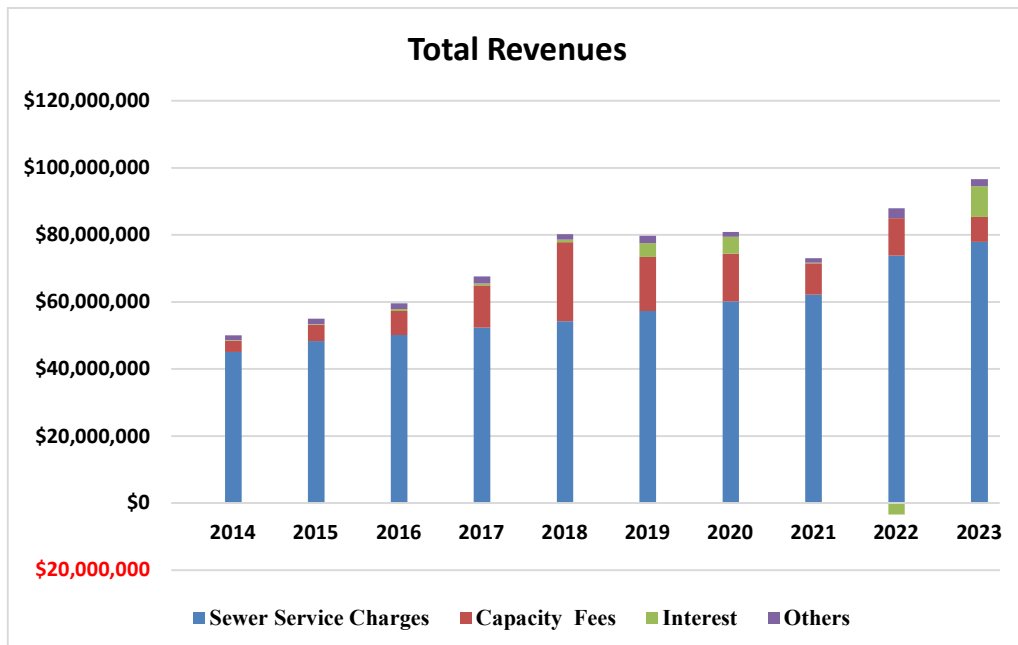
Changes in Net Position	2018	2017	2016	2015	2014
Operating revenues					
Sewer service charges (SSC)	\$ 54,260,096	\$ 52,384,709	\$ 50,112,564	\$ 48,379,254	\$ 45,139,420
Other operating revenues	1,631,870	2,154,364	1,791,782	1,581,031	1,370,017
Total operating revenues	<u>55,891,966</u>	<u>54,539,073</u>	<u>51,904,346</u>	<u>49,960,285</u>	<u>46,509,437</u>
Operating expenses					
Sewage treatment	18,657,355	16,964,901	15,464,775	14,956,369	15,410,523
Sewage collection and engineering	14,173,382	12,101,081	11,296,680	10,763,530	10,869,755
General and administration	7,611,460	6,844,559	6,848,244	6,910,857	6,634,688
Total operating expenses before depreciation	<u>40,442,197</u>	<u>35,910,541</u>	<u>33,609,699</u>	<u>32,630,756</u>	<u>32,914,966</u>
Depreciation and amortization	<u>17,003,398</u>	<u>17,036,880</u>	<u>17,379,112</u>	<u>17,899,765</u>	<u>17,219,109</u>
Total operating expenses	<u>57,445,595</u>	<u>52,947,421</u>	<u>50,988,811</u>	<u>50,530,521</u>	<u>50,134,075</u>
Operating income (loss)	<u>(1,553,629)</u>	<u>1,591,652</u>	<u>915,535</u>	<u>(570,236)</u>	<u>(3,624,638)</u>
Nonoperating Revenues (Expenses)					
Investment income (loss)	1,436,216	720,067	441,426	130,369	159,661
Unrealized investment income (loss)	(735,360)	(237,725)	55,013	30,421	20,380
Interest and fiscal charges	(1,479,413)	(860,316)	(916,968)	(971,695)	(1,106,609)
Lease revenue	-	-	-	-	-
Gain (Loss) on disposal of capital assets	-	(432,674)	(30,472)	(1,165,160)	(796,735)
Gain (Loss) on equity investment in EBDA	(90,325)	(52,458)	(160,540)	(86,652)	(92,180)
Net Non-Operating Revenues (Expenses)	<u>(868,882)</u>	<u>(863,106)</u>	<u>(611,541)</u>	<u>(2,062,717)</u>	<u>(1,815,483)</u>
Income (Loss) before contributed capital	(2,422,511)	728,546	303,994	(2,632,953)	(5,440,121)
Connection fees and other contributed capital	31,338,298	16,560,652	9,096,373	9,595,219	4,201,932
Change in Net Position	28,915,787	17,289,198	9,400,367	6,962,266	(1,238,189)
Net Position, Beginning of fiscal year	351,734,929	334,445,731	325,045,364	349,745,533	350,983,722
Prior period adjustment - non-CIP project cost	(9,142,599)	-	-	(31,662,435)	-
Net Position, End of fiscal year	<u>\$ 371,508,117</u>	<u>\$ 351,734,929</u>	<u>\$ 334,445,731</u>	<u>\$ 325,045,364</u>	<u>\$ 349,745,533</u>
Statement of Net Position by Component					
Net investment in capital assets	\$ 296,442,688	\$ 294,906,308	\$ 295,355,262	\$ 297,462,404	\$ 299,269,526
Restricted	55,373,688	34,360,257	25,075,327	19,808,500	17,622,778
Unrestricted	<u>19,691,741</u>	<u>22,468,364</u>	<u>14,015,142</u>	<u>7,774,460</u>	<u>32,853,229</u>
Total USD Net Position	<u>\$ 371,508,117</u>	<u>\$ 351,734,929</u>	<u>\$ 334,445,731</u>	<u>\$ 325,045,364</u>	<u>\$ 349,745,533</u>

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>
2023	\$77,986,322	\$7,371,192	\$9,229,219	\$2,016,561	\$96,603,294
2022	73,822,317	11,145,152	(3,395,093)	2,904,824	84,477,200
2021	62,142,806	9,358,209	238,374	1,318,109	73,057,498
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

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

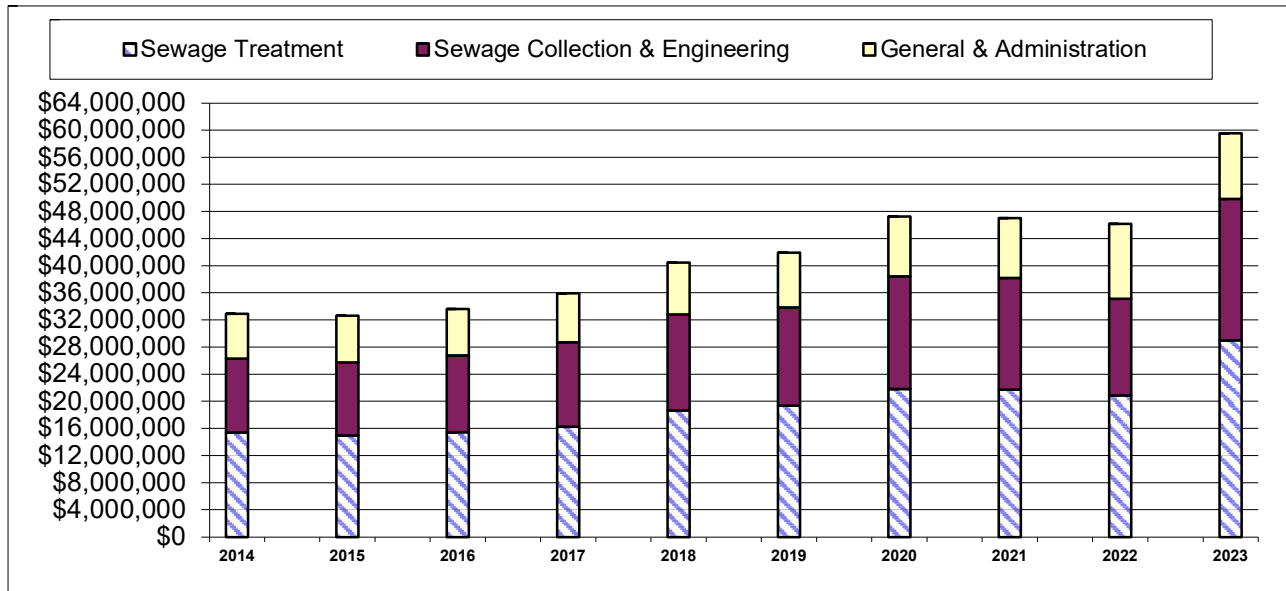


The District's main source of revenue is sewer service charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

UNION SANITARY DISTRICT

Operating Expenses By Major Function

<u>Fiscal Year</u>	<u>Sewage Treatment</u>	<u>Sewage Collection & Engineering</u>	<u>General & Administration</u>	<u>Total Operating Expenses</u>
2023	\$28,978,541	\$20,869,937	\$9,684,617	\$59,533,095
2022	20,862,815	14,258,113	11,059,626	46,180,554
2021	21,742,446	16,426,192	8,824,714	46,993,352
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



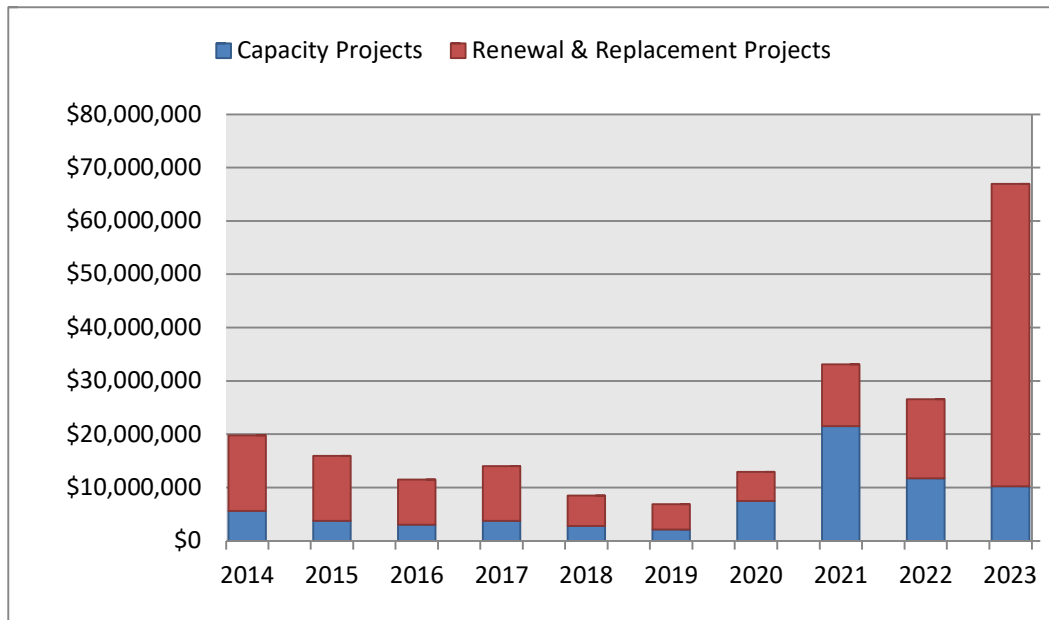
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

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>
2023	\$10,249,515	\$56,652,197	\$66,901,712
2022	11,721,479	14,840,229	26,561,708
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



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.

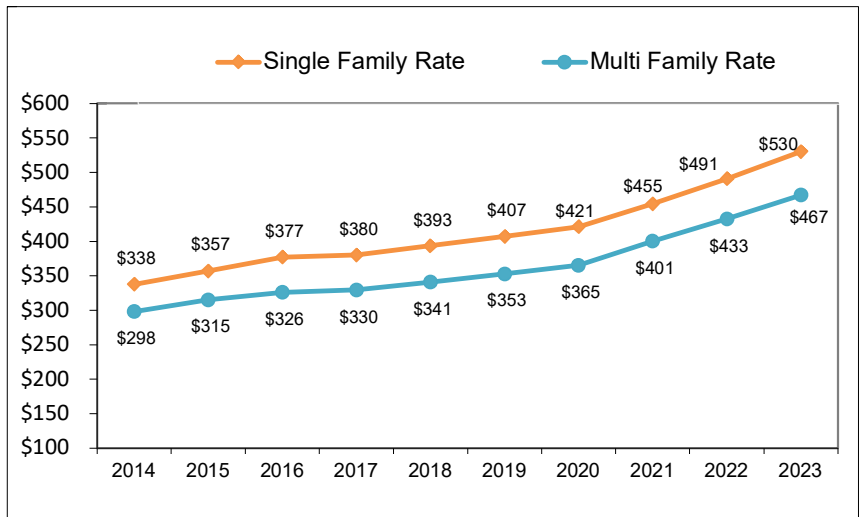
Structural renewal & replacement projects provide rehabilitation, replacement, or upgrade of existing facilities to prolong the useful life of the assets and to maintain the current service level of the facilities.

UNION SANITARY DISTRICT

Current and Historical Fees As of June 30, 2023 Last Ten Years

Sewer Service Charge Rates

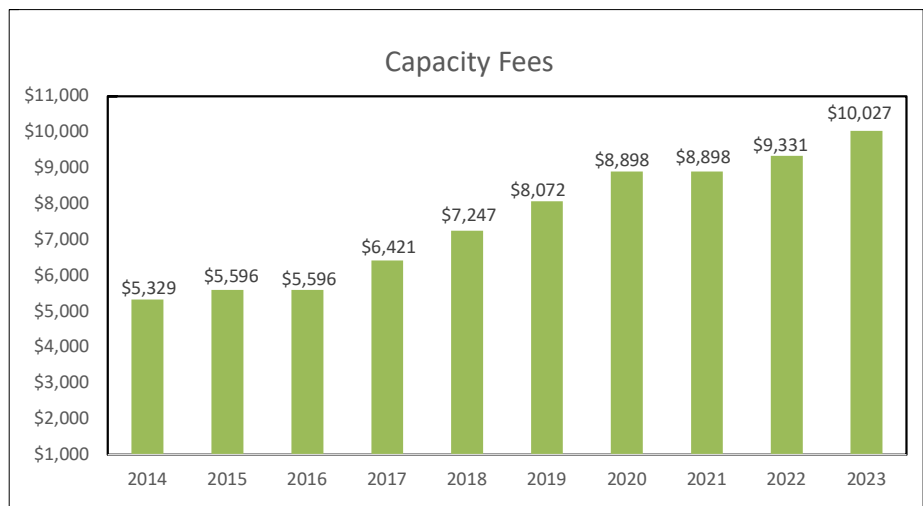
	Single Family Rate	Multi - Family Rate	Single Family Rate Percentage Change
FY 2023	\$530.21	\$467.24	8.0%
FY 2022	490.93	432.63	8.0%
FY 2021	454.57	400.58	7.9%
FY 2020	421.37	365.32	3.5%
FY 2019	407.12	352.97	3.5%
FY 2018	393.35	341.03	3.5%
FY 2017	380.05	329.50	0.8%
FY 2016	377.00	326.00	5.6%
FY 2015	357.02	315.25	5.7%
FY 2014	337.76	298.25	5.7%



The fees above are for Single and Multi-Family units. A property with multiple housing units such as an apartment complex is charged \$467.24 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

	Capacity Fee	Percentage Change
FY 2023	\$10,027.00	7.5%
FY 2022	9,331.00	4.9%
FY 2021	8,897.71	0.0%
FY 2020	8,897.71	10.2%
FY 2019	8,072.20	11.4%
FY 2018	7,246.69	12.9%
FY 2017	6,421.17	14.8%
FY 2016	5,595.66	0.0%
FY 2015	5,595.66	5.0%
FY 2014	5,329.20	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 Current Year and Nine Years Ago

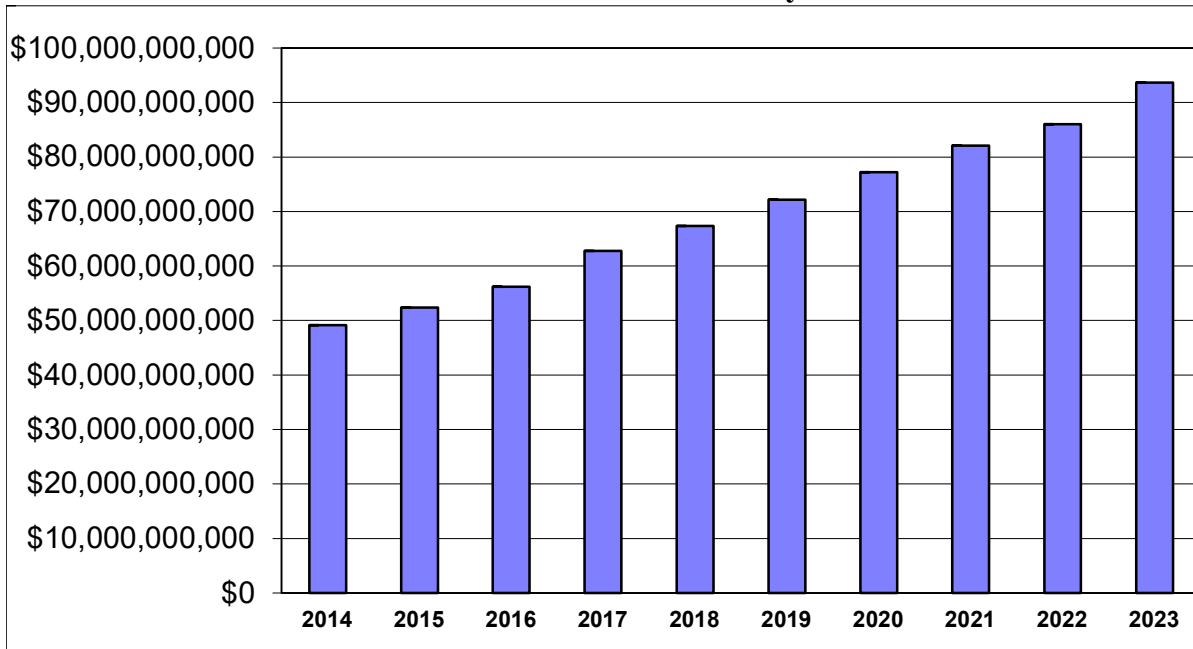
Rate Payer	2022-23			2013-14		
	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings
Tesla	\$ 1,865,719	1	2.39%	\$ 137,788	4	0.31%
Mission Linen Supply	366,094	2	0.47%	-	-	-
Lam Research	346,268	3	0.44%	-	-	-
Western Digital	305,721	4	0.39%	260,023	1	0.58%
Boehringer Ingeheim	245,876	5	0.32%	-	-	-
Washington Hospital	227,849	6	0.29%	148,743	2	0.33%
Fairfield Apartments / Mixed Use	197,643	7	0.25%	-	-	-
Union Square Shopping Center	183,368	8	0.24%	-	-	-
US Pipe	181,897	9	0.23%	-	-	-
Ranch 99/Newark	154,337	10	0.20%	-	-	-
Seagate Technology	-	-	-	140,016	3	0.31%
Ranch 99 Warm Springs Shopping	-	-	-	112,329	5	0.25%
Gateway Plaza	-	-	-	101,416	6	0.22%
Kaiser Hospital	-	-	-	99,174	7	0.22%
Pacific Commons (Area 4)	-	-	-	99,159	8	0.22%
The Benton in Fremont	-	-	-	96,037	9	0.21%
Pacific Commons (Kohls/Old Navy Area)	-	-	-	90,880	10	0.20%
 Total annual billing largest ten	\$ 4,074,771		5.22%	\$ 1,285,566		2.85%
 Total ALL annual billings	\$77,986,322			\$45,139,420		

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
2023	\$93,624,333,851	8.85%
2022	86,011,306,367	4.77%
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%

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
2023	\$0	\$173,145,790	\$173,145,790	102,392	\$1,691
2022	0	178,351,348	178,351,348	101,931	1,750
2021	0	70,913,414	70,913,414	101,456	699
2020	0	73,508,249	73,508,249	101,056	727
2019	39,055,508	0	39,055,508	97,870	399
2018	41,925,514	0	41,925,514	97,183	431
2017	44,272,413	0	44,272,413	95,997	461
2016	43,070,909	0	43,070,909	95,254	452
2015	41,861,476	0	41,861,476	94,768	442
2014	39,488,115	0	39,488,115	94,877	416

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⁾
2023	\$96,603,294	\$59,533,095	\$37,070,199	\$4,288,560	864%
2022	84,477,200	46,180,554	38,296,646	4,287,201	893%
2021	73,057,498	46,993,352	26,064,146	3,887,201	671%
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%

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

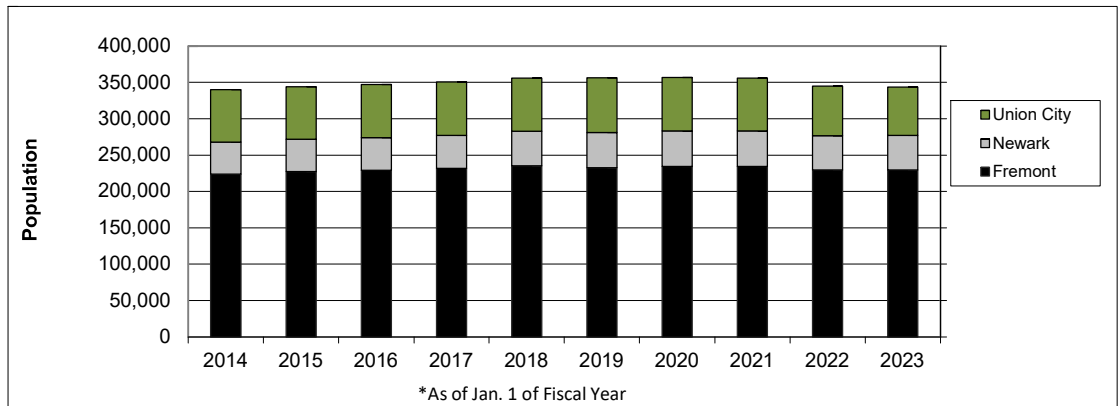
(2) Excludes depreciation; operating expenses do not include capital project expenditures.

(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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fremont	229,467	229,476	234,239	234,220	232,532	235,439	231,664	229,324	227,582	223,972
Newark	47,459	47,229	48,859	48,966	48,712	47,467	45,422	44,733	44,284	43,856
Union City	66,754	68,150	72,779	73,637	74,916	72,991	73,452	72,952	72,412	72,155
Total	343,680	344,855	355,877	356,823	356,160	355,897	350,538	347,009	344,278	339,983
Total % Change	-0.34%	-3.10%	-0.27%	0.19%	0.07%	1.53%	1.02%	0.79%	1.26%	1.61%



UNION SANITARY DISTRICT

Demographics
Per Capita Income and Unemployment Rate
(Calendar Year)

	Per Capita Income	Unemployment Rate
2022 Fremont	\$64,320	2.6%
Newark	N/A	3.1%
Union City	N/A	3.2%
2021 Fremont	64,320	4.9%
Newark	48,053	5.5%
Union City	N/A	6.0%
2020 Fremont	55,950	7.0%
Newark	40,790	8.2%
Union City	84,418	8.8%
2019 Fremont	57,850	2.6%
Newark	36,958	2.7%
Union City	81,171	2.9%
2018 Fremont	55,521	2.7%
Newark	33,591	2.8%
Union City	77,233	2.9%
2017 Fremont	49,740	3.3%
Newark	32,301	2.9%
Union City	71,947	3.4%
2016 Fremont	46,899	3.9%
Newark	31,358	3.6%
Union City	67,798	4.3%
2015 Fremont	43,563	3.7%
Newark	31,043	4.1%
Union City	62,926	4.4%
2014 Fremont	40,562	4.6%
Newark	30,572	5.0%
Union City	58,175	5.9%
2013 Fremont	43,504	5.8%
Newark	29,390	5.3%
Union City	56,365	7.4%

Number of Persons in Household:	1	2	3	4	5	6	7	8	
Alameda County Area Median Income: \$142,800	Acutely Low	15000	17100	19250	21400	23100	24800	26550	28250
	Extremely Low	30000	34300	38600	42850	46300	49750	53150	56600
	Very Low Income	50000	57150	64300	71400	77150	82850	88550	94250
	Low Income	76750	87700	98650	109600	118400	127150	135950	144700
	Median Income	99950	114250	128500	142800	154200	165650	177050	188500
	Moderate Income	119950	137100	154200	171350	185050	198750	212450	226200

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,*									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fremont											
Tesla Motors	Auto Manufacturer	N/A	20.07%	13.68%	12.12%	12.31%	3.17%	3.12%	3.12%	2.68%	2.75%
Lam Research	Technology	N/A	2.74%	2.37%	2.33%	2.46%	2.72%	2.68%	2.68%	2.68%	2.75%
Washington Hospital	Healthcare	N/A	2.19%	2.14%	2.05%	2.46%	2.72%	2.68%	2.68%	2.68%	2.75%
Kaiser Permanente Medical Group	Healthcare	N/A	1.46%	1.46%	1.58%	2.46%	0.68%	0.67%	0.67%	0.67%	0.69%
Synnex Corporation	Information Technology	N/A	1.23%	1.23%	1.17%	N/A	0.66%	0.67%	N/A	N/A	N/A
Newark											
Logitech	Computer Accessories	N/A	2.49%	2.66%	2.54%	2.36%	2.40%	2.70%	3.00%	3.00%	3.10%
Amazon Fulfillment Center	Warehousing	N/A	2.21%	1.70%	0.84%	0.80%	0.80%	1.00%	1.00%	N/A	N/A
WorldPac Inc	Wholesale Distributor	N/A	1.78%	1.78%	1.05%	1.18%	0.90%	0.90%	0.90%	N/A	N/A
Newark Unified School District	Education	N/A	1.55%	1.64%	3.72%	3.46%	3.70%	4.00%	4.20%	3.10%	3.20%
KNT Manufacturing	Manufacturing	N/A	1.44%	1.62%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Union City											
New Haven Unified School District	Education	N/A	N/A	N/A	3.58%	3.23%	3.19%	3.30%	3.10%	3.01%	3.01%
Abaxis Inc	Biotech	N/A	N/A	N/A	1.55%	1.08%	1.07%	1.10%	1.20%	1.11%	1.11%
Walmart Inc	Retailer	N/A	N/A	N/A	1.09%	1.44%	1.43%	1.10%	1.20%	2.34%	2.34%
Masonic Home for Adults	Continuing Care Retirement Community	N/A	N/A	N/A	1.02%	1.35%	1.33%	1.26%	N/A	N/A	N/A
City of Union City	Government	N/A	N/A	N/A	0.95%	0.85%	0.83%	0.92%	1.27%	0.98%	0.96%

* Some employers report as of December 31.

N/A = More statistics will be added as the data becomes available.

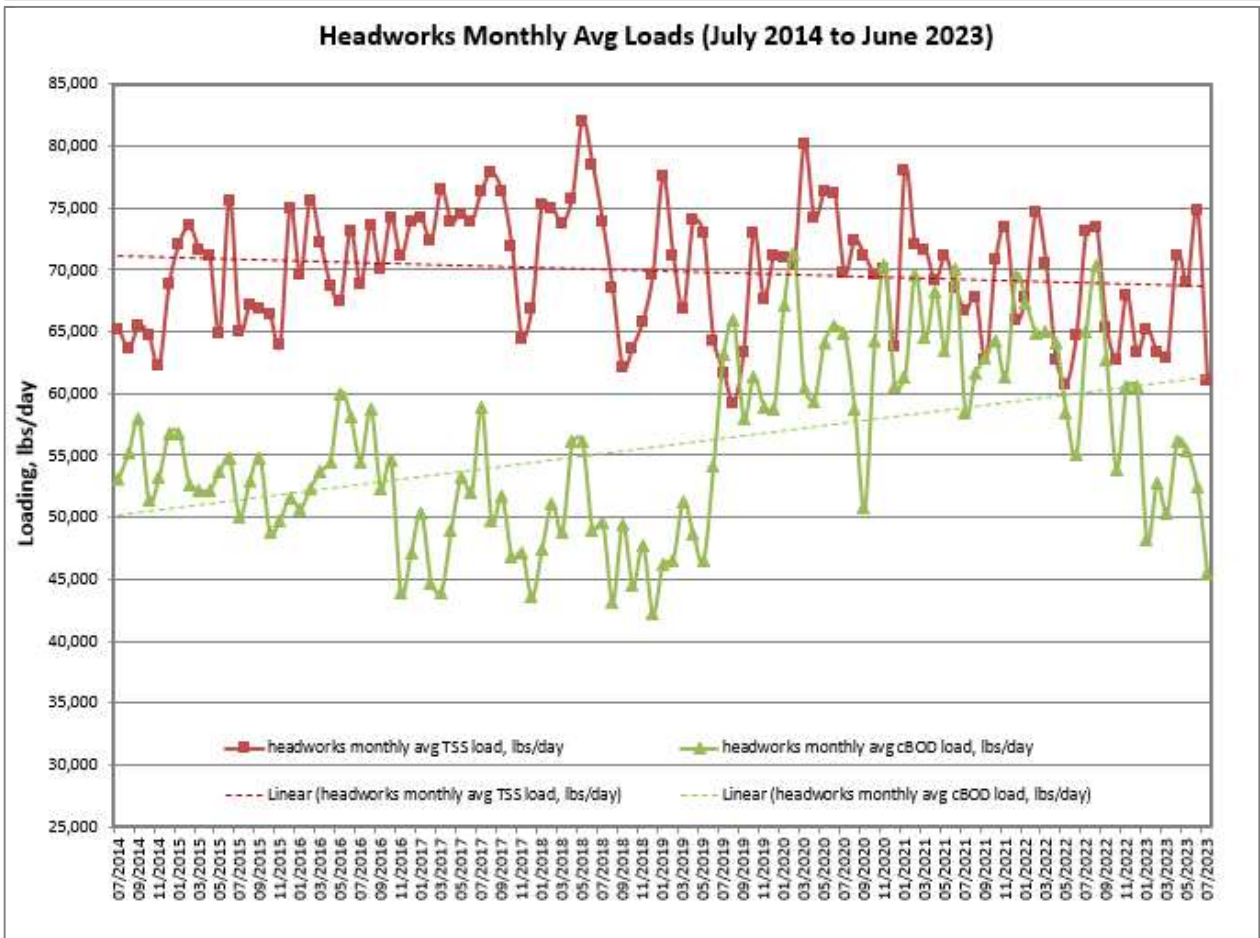
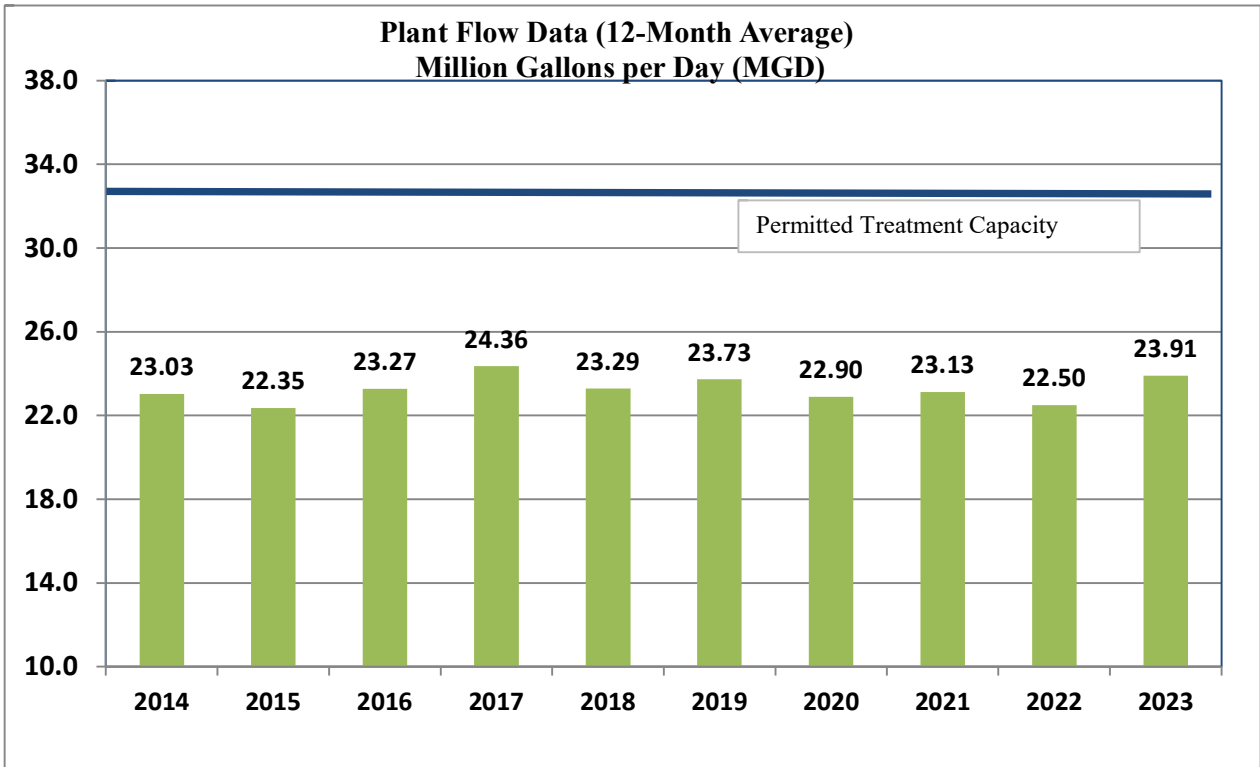
UNION SANITARY DISTRICT

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
System operations and maintenance (CS Support, FMC, T&D, Warehouse	56.45	53.45	54.45	53.45	54.45	55.45	52.45	53.45	53.45	50.45
Engineering and construction (CIP, ETSU)	13.00	12.00	13.00	11.00	9.00	8.00	9.00	10.00	8.00	8.00
Collections System Maintenance (CS)	25.00	23.00	25.00	26.00	25.00	25.00	25.00	25.00	23.00	23.00
Office of the General Manager (GM)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	1.00
Finance (FAST)	5.00	5.00	5.00	5.00	6.00	5.00	3.00	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	14.00	14.00	15.00	12.00	13.00	13.00	14.00	13.00	14.00
Customer and community services (Rest of TS)	18.00	20.00	20.00	20.00	21.00	21.00	20.00	20.00	18.00	19.00
Human resources (HR)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Total # of Employees	140.45	136.45	140.45	139.45	136.45	136.45	131.45	136.45	131.45	128.45
Average years of service of employees as of June 30:	10.33	10.39	10.76	10.20	10.20	10.41	10.60	10.54	11.25	11.97

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

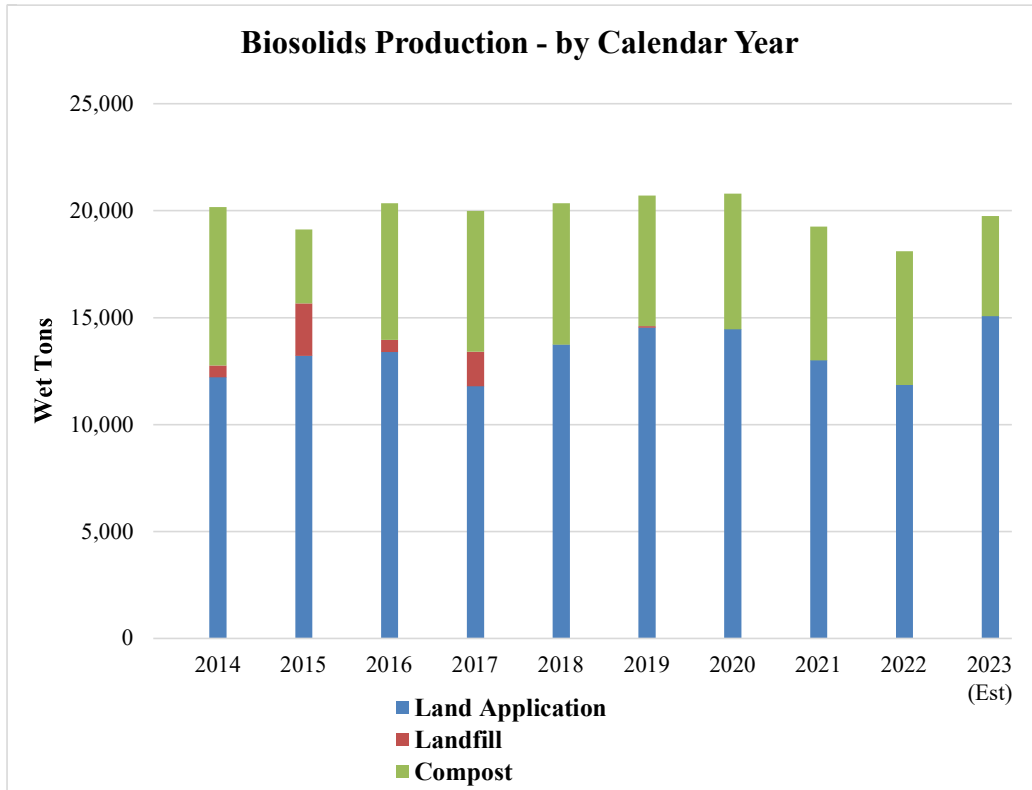
UNION SANITARY DISTRICT

Operating Indicators - Biosolids
Last Ten Calendar Years

Function/Program

Biosolids

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (Est)
Land Application	12,212	13,212	13,395	11,784	13,733	14,529	14,452	12,995	11,847	15,060
Landfill	545	2,450	563	1,624	0	72	0	0	0	0
Compost	7,414	3,470	6,399	6,584	6,615	6,103	6,342	6,262	6,271	4,691
Total (in Wet Tons)	20,171	19,132	20,357	19,992	20,347	20,704	20,793	19,257	18,117	19,752



Source: USD Treatment Disposal Work Group

UNION SANITARY DISTRICT

Miscellaneous Statistics

6/30/2023

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:	343,680
Number of Parcels	102,392 (91,692 Residential; 3,113 Non-Residential; 7,587 Other (vacant land))
Collection & Transport System:	Total miles of pipeline - 839, including the force main and all gravity sewers (including trunk mains) Number of pumping stations - 7 Pump Stations: Irvington, Newark, Alvarado Lift Stations: Fremont, Boyce, Paseo Padre, Cherry Street 17,300 manholes
Permitted Plant Treatment Capacity (ADWF)	33 million gallons per day (mgd)
Type of Treatment:	Secondary
Sewer Service Charge:	\$530.21 annually per single family residential dwelling unit