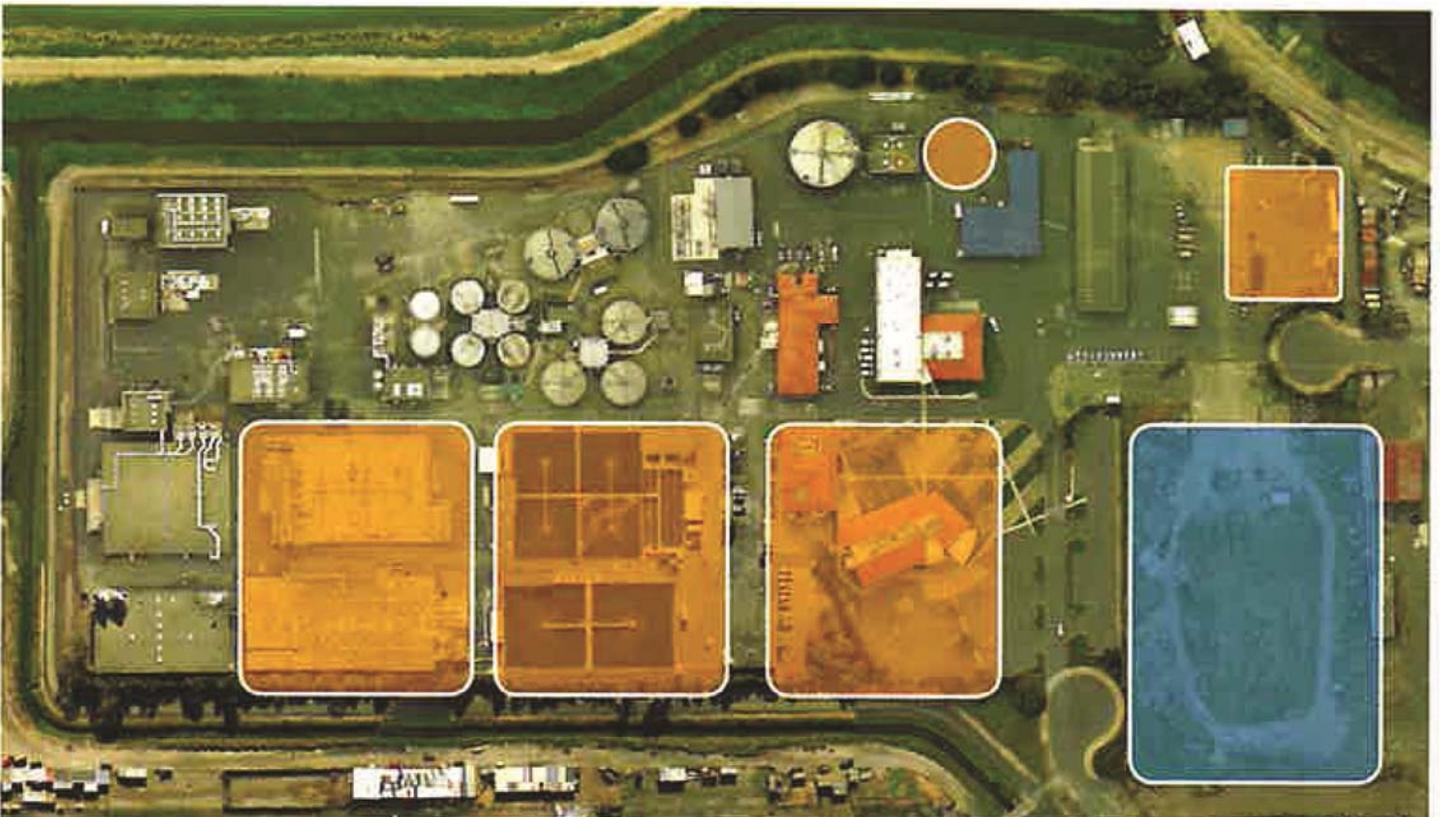




Union Sanitary District

Union City, California

# Comprehensive Annual Financial Report



Ushering in a New Era of Change

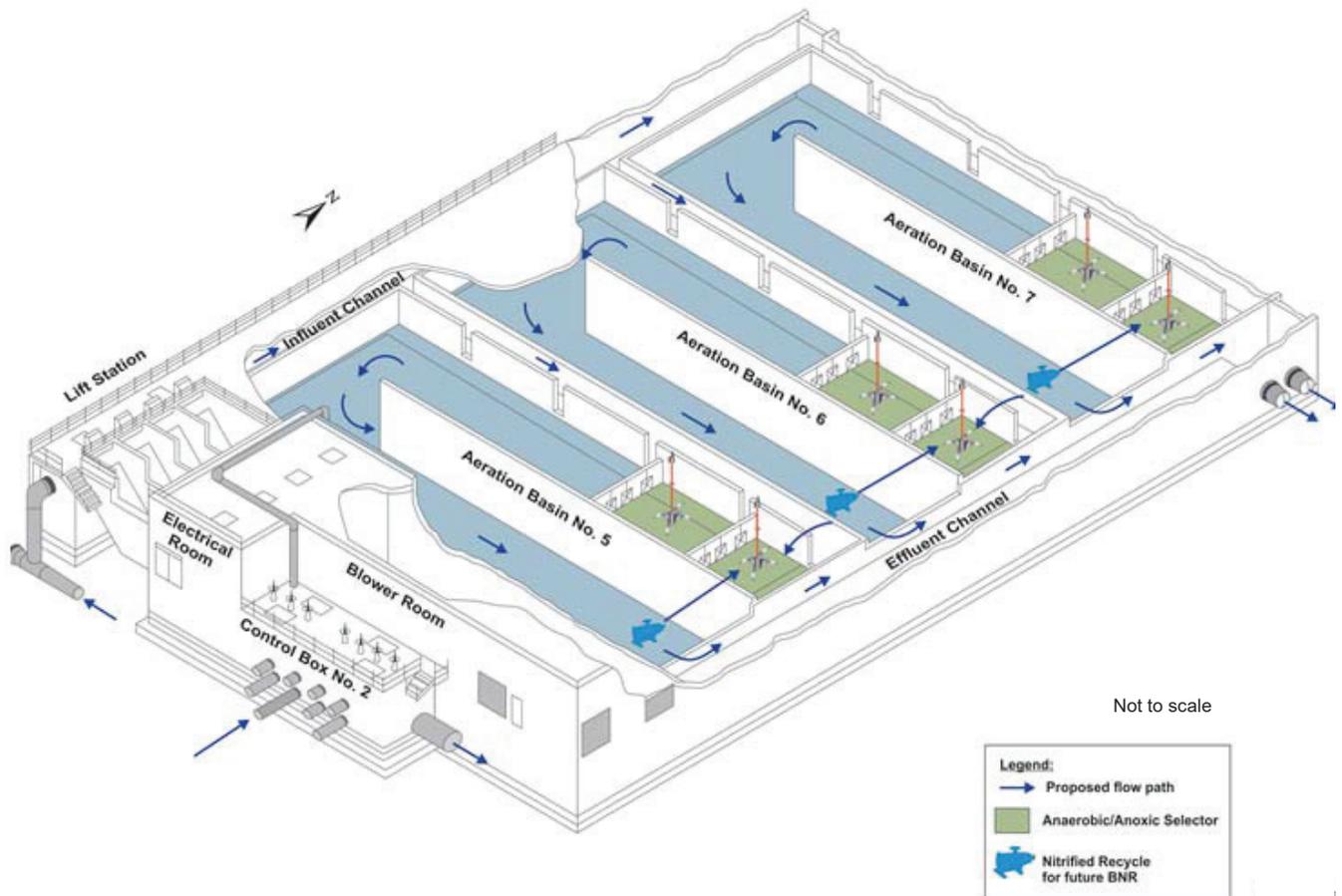
Fiscal Year Ended June 30, 2019 with Comparative  
Information for Fiscal Year Ended June 30, 2018

# Union Sanitary District

Union City, California

## Comprehensive Annual

## Financial Report



Fiscal Year Ended June 30, 2019 with  
Comparative Information for Fiscal Year Ended  
June 30, 2018

Prepared by Business Services Work Group

**THIS PAGE INTENTIONALLY LEFT BLANK**

# Table of Contents

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i
Vision/Mission Statement.....	ix
District Board of Directors and Principal Officials .....	xi
Organizational Chart .....	xiii
Service Area Location Map .....	xiv
Certificate of Achievement for Excellence in Financial Reporting .....	xv
<b>FINANCIAL SECTION</b>	
INDEPENDENT AUDITORS' REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	13
Statement of Revenues, Expenses, and Changes in Net Position.....	14
Statement of Cash Flows .....	15
Notes to Financial Statements .....	17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in the Net Pension Liability and Related Ratios .....	46
Schedule of Plan Contributions.....	47
Schedule of Changes in the Net OPEB Liability and Related Ratios .....	48
Schedule of Contributions .....	49
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Operating Expenses before Depreciation.....	52
Schedule of Insurance Coverage.....	53
<b>STATISTICAL SECTION</b>	
Financial Trends.....	56
Revenue Capacity.....	60
Debt Capacity.....	64
Demographic and Economic Information.....	66
Operating and General Information .....	69

**THIS PAGE INTENTIONALLY LEFT BLANK**

# Introductory Section



USD Treatment Plant 2019 Facing North

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Directors**  
Manny  
Fernandez  
Tom Handley  
Pat Kite  
Anjali Lathi  
Jennifer Toy

**Officers**  
Paul R. Eldredge  
*General  
Manager/  
District Engineer*

Karen W.  
Murphy  
*Attorney*

November 4, 2019

Board of Directors  
Union Sanitary District  
Union City, California

Subject: Comprehensive Annual Financial Report for the Year Ended June 30, 2019

We are pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended June 30, 2019. 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 CAFR 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 Union Sanitary District (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 has no component units.

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 years ended June 30, 2019 and 2018 are 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 356,160. The Cities are located along Interstates 680 and 880, between Oakland and San Jose in southern Alameda County.

The District is governed by a five-member Board of Directors, which is independently and directly elected by voters to staggered four-year terms. The Board appoints the General Manager to manage and oversee the day-to-day operations. The District, which employs 136.45 Full Time Equivalent (FTE) staff, operates in a team-based environment and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

### **Local Economic Condition and Outlook**

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

#### **The City of Fremont\***

Located on the southeast side of the San Francisco Bay, Fremont is a city of over 232,000 people and 76,000 households, with an area of 92-square miles. Fremont remains the fourth most populous city in the Bay Area and California's 15th largest city. With its moderate climate and its proximity to major universities, shopping areas, recreation and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

Fremont is conveniently served by Interstates 680 and 880, as well as rail transport lines including Altamont Commuter Express (ACE), Amtrak Capitol Corridor, and the Bay Area Rapid Transit

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

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

#### The City of Newark\*

Newark has an area of 13 square miles, a population of over 48,000. Newark was incorporated in 1955 and is located 35 miles south of San Francisco and next to many high-tech hubs, including easy access to highways 880, 580, 680, and the Dumbarton Corridor. This makes Newark an ideal location to live or do business. Newark has evolved throughout the years 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 which is what citizens say they love about the city.

Newark is currently in the midst of some very exciting projects, including new housing developments and many retail and commercial business projects that will enhance the community. 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 despite being in the center of the Bay Area, with San Francisco and Silicon Valley just minutes away. Union City has grown into an ethnically diverse community of over 74,000 residents, and the highly regarded New Haven Unified School District serves about 13,000 K-12 students. The community offers a variety of housing, with affordable and upscale homes available in many charming neighborhoods throughout the city. The transit-oriented Station District, located around the Union City BART station, boasts housing and business development opportunities with easy, convenient access to major public transit running throughout the Bay Area. Union City also offers 33 wonderful parks, sports fields, community centers, and a variety of recreation programs and social services for residents of all ages.

Region-wide, the Tri-City area is continuing to experience significant residential and commercial development due to the healthy economy. Annual average unemployment rates for the cities of Fremont, Newark and Union City were 2.7%, 2.9%, and 3.2% (preliminary) respectively, compared with 2.7%, 3.0%, and 3.4% one year earlier.

\*Sources: Fremont and Newark State of the City addresses and websites 2019; [www.fremont.gov](http://www.fremont.gov), [www.unioncity.org](http://www.unioncity.org), <https://www.labormarketinfo.edd.ca.gov/data/labor-force-and-unemployment-for-cities-and-census-areas.html>

## **Major Projects or Initiatives**

During fiscal year 2019, the District continued, completed or initiated several significant projects:

**Enhanced Treatment & Site Upgrade (ETSU) Program** - The ETSU program study focused on reviewing and assessing the District's critical projects and recommending the sequence of design and construction implementation based on priorities and schedules; existing and future space needs; process adjacencies; economic feasibility; and other planned capital improvement projects. This major initiative started in FY 2017 and the report was completed in FY 2019, due to a time extension to evaluate additional technologies and solutions. This effort will encompass multiple smaller projects intended to position the treatment plant to continue to meet both current and future treatment and capacity needs. Core process data has been reviewed and analyzed by management, and this project will address aeration, clarification, filtration, equalization (storage), and many other critical elements in our treatment process, including the potential for new technologies to ensure that the District can continue to meet or exceed our National Pollutant Discharge Elimination System (NPDES) permit limits in the future, with a focus on long-term system expansion availability.

**Digester 7** - An additional anaerobic digester will be built and placed into service with this project. The pre-design phase was completed in FY 2017, but the decision has been made to increase the size of the digester, and the updated design was completed and advertised for bid in FY 2019. Construction is scheduled to begin in FY 2020.

**Force Main Relocation Project, Phase II** - This project continued work done previously to relocate sections of the force main to allow for development and construction of new residential housing, in conjunction with local area developers and was completed in FY 2019.

**Standby Power Generation System Upgrade** - The District's current emergency power facilities are beyond their useful life and have questionable reliability when the District loses commercial power. Final design is anticipated in the middle of FY 2021.

**East Bay Discharge Authority (EBDA) Joint Powers Agreement (JPA) contract negotiations** - This involves negotiation and formal documentation of a new contractual relationship between the members of the existing JPA, which includes Union Sanitary District, the City of Hayward, City of San Leandro, Oro Loma Sanitary District, and the Castro Valley Sanitary District. Negotiations continued through FY 2019 and are expected to culminate prior to the end of the existing agreement in FY 2020.

**Emergency Response** - Over the next several years FMC will develop specific emergency response procedures for each remote pump station. This will include writing SOPs, procuring equipment, creating inventory sheets, identifying staging areas, and communicating new information with staff. Progress continues to be made on this important endeavor and the necessary equipment to ensure reliable operations is currently being acquired, with a project completion in FY 2021.

**Rebranding Initiative** - This project was initiated in late FY 2017 to explore options for rebranding and updating the District's logo to increase customer awareness of the services the District provides to our constituent communities and increase brand recognition for the District. The effort is based on feedback from staff and customers received over time. The multi-disciplinary project team assembled is expected to provide actionable suggestions to management in FY 2021.

### **Future Projects or Initiatives**

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

### **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 and investment purchases, 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 2019 was \$407.12 for a single-family dwelling and \$352.97 for a multi-family dwelling.

### Connection Fees

In 2019 the District charged a sewer connection fee of \$8,072.20 for an equivalent dwelling unit (EDU). The charges for commercial, industrial, and office use are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that preserve or increase the system's capacity. Collected capacity fee revenues may not fund ongoing operating costs.

### Interest Income

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

### **Other Information**

**Independent Financial Audit** – California state statutes require an annual independent audit of the books of accounts and financial records of the District. The firm of Lance, Soll & Lunghard, LLP was contracted to conduct this year's audit (third year). 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** – In fiscal year 2019, the District reviewed and/or updated the following important financial policies:

Investment, Grant, Credit Card Security Procedures, and the Reserves, Allocations & Fund Balance policy.

**East Bay Dischargers Authority** – USD is a member of EBDA. Founded in 1974, EBDA is a five-member Joint Powers Agency 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.

### **Awards Received**

**During the past year, the District received the following awards:**

- ❖ National Association of Clean Water Agencies (NACWA) - Peak Performance Awards 1993 – 2018; USD's Alvarado Treatment Plant in Union City has been recognized for 26 consecutive years by NACWA (and its predecessor, AMSA) for outstanding performance.
- ❖ National Institute for Government Purchasing (NIGP) – Achievement of Excellence in Procurement
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Union Sanitary District for its comprehensive financial report for the fiscal year ended June 30, 2018. To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual 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,

*Laurie Brenner*

Laurie Brenner, M.B.A  
Finance and Acquisition Services Coach  
Business Services Work Group

**THIS PAGE INTENTIONALLY LEFT BLANK**



## VISION/MISSION STATEMENT

Revised April 10, 2017

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

How we continue to accomplish our Vision:

Commitment to safety:

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

Responsibility:

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

Collect, treat, and recover/reuse wastewater:

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

Human health and environmental stewardship

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



## VISION/MISSION STATEMENT

Revised April 10, 2017

We benefit our stakeholders by:

- Community**
  - 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**
  - 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**
  - 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



Jennifer Toy



Tom Handley



Pat Kite



Manny Fernandez



Anjali Lathi

# Principal Officials

As of June 30, 2019

		City Represented	Year Elected	Term Expires
Jennifer Toy	President	Fremont (Ward 3)	1998	2022
Tom Handley	Vice President	Fremont (Ward 3)	2007	2022
Pat Kite	Secretary	Newark (Ward 2)	1991	2020
Manny Fernandez	Board Member	Union City (Ward 1)	2011 (Appointed)	2020
Anjali Lathi	Board Member	Fremont (Ward 3)	2002	2020

Karen W. Murphy

General Counsel

## Staff

Paul Eldredge

General Manager/District Engineer

Armando Lopez

Treatment & Disposal Services Manager

Robert Simonich

Fabrication Maintenance & Construction  
Manager

Vacant/TBD

Business Services Manager/Chief Financial  
Officer

Sami Ghossain

Technical Services Manager

James Schofield

Collection Services Manager



**Board of Directors (5)**

**General Manager (142)**

**Technical Services Manager (35)**

**Collection Services Manager (32)**

**Treatment & Disposal Services Manager (27)**

**Fabrication, Maintenance, and Construction Manager (28)**

**Business Services Manager/CFO (19)**

Coach

Coach

Coach

Coach

Coach

Coach

Coach (Day)

Coach (Night)

Coach

Coach/HR Mgr

Coach

Capital Improvements Projects Team (8)

Customer Service Team (12)

Environmental Compliance Team (11)

Maintenance/TV Team (12)

Support Team (8)

Research & Support Team (6)

Total Productive Operations (10)

Total Productive Operations (7)

Electrical/Support Team (8)

Information Technology Team (5)

Mechanical Team (12)

Organizational Support Team (5)

Finance & Acquisition Services Team (11)

- Administrative Specialist I (1)
- Assistant Engineer (2)
- Associate Engineer (3)
- Engineering Technician III (1)
- Senior Engineer (1)
- Administrative Specialist I (1)
- EC Inspector II (3)
- EC Inspector III (3)
- EC Inspector IV (1)
- EC Outreach Rep (1)
- Environmental Program Coordinator (1)
- Administrative Specialist I (1)
- Customer Service Fee Analyst (2)
- Engineer Technician II (1)
- Receptionist (1)
- Limited-term Construction Inspector (1)
- As-needed Receptionist (1)
- Engineer Technician I (1)
- Exec. Assistant to the GM/Board Clerk (1)
- Associate Engineer (1)
- C&IG Coordinator (1)
- Construction Inspector II (2)
- Customer Service Fee Analyst (2)
- Engineer Technician II (1)
- Receptionist (1)
- Limited-term Construction Inspector (1)
- Administrative Specialist II (1)
- EC Inspector II (3)
- EC Inspector III (3)
- EC Inspector IV (1)
- EC Outreach Rep (1)
- Environmental Program Coordinator (1)
- Administrative Specialist I (1)
- Collection Services Trainer (1)
- Collection System Worker I (4)
- Collection System Worker II (4)
- Lead Collection System Worker (3)
- Administrative Specialist II (1)
- Fleet Mechanic II (2)
- Janitor (2)
- Maintenance Assistant (1)
- Mechanic II (1)
- Planner/Scheduler (1)
- Administrative Specialist II (1)
- PO/III Trainee (1)
- Plant Operations Trainer (1)
- Administrative Specialist II (1)
- Chemist II (3)
- Lab Director (1)
- Sr. Process Engineer (1)
- Administrative Specialist II (1)
- Plant Operator III (7)
- Plant Operations Trainee (1)
- Administrative Specialist II (1)
- Plant Operator III (6)
- Plant Operator III Trainee (1)
- Adm. Specialist I (1)
- Instrument Technician Electrician (4)
- Painter (2)
- Planner/Scheduler II (1)
- Sr. GIS DBA (1)
- IT Administrator (1)
- Sr. Network Administrator (1)
- Sr. Developer DBA (1)
- Sr. IT Analyst (1)
- Administrative Specialist II (1)
- Environmental Health & Safety Program Manager (1)
- Human Resources Analyst II (1)
- Administrative Specialist I (1)
- Buyer II (1)
- Purchasing Agent (1)
- Storekeeper I (1)
- Storekeeper II (1)
- Accounting & Financial Analyst II (2)
- Accounting Technical Specialist (2)
- Accounting Technician II (2)
- Administrative Specialist I (1)
- Organizational Support Team (5)
- Finance & Acquisition Services Team (11)

**Vacancy**

\*142 positions allocated in FY 2019  
Full Time Equivalent positions in FY 2019 is 136.45.



## Union Sanitary District Service Area Location Map



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Union Sanitary District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

**THIS PAGE INTENTIONALLY LEFT BLANK**



Financial Section



**THIS PAGE INTENTIONALLY LEFT BLANK**



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Union Sanitary District, (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of Plan contributions, the schedule of changes in net OPEB liability and related ratios, and schedule of contributions be presented to supplement the basic financial statements. Such information, 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.

#### *Prior Year Audited Financial Statements*

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial information was derived.

#### *Other Information*

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

The supplementary schedule of operating expenses before depreciation and schedule of insurance coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 schedule of operating expenses before depreciation and schedule of insurance coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.



CPAs AND ADVISORS

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 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 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 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 "Lance, Solt &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
November 4, 2019

**THIS PAGE INTENTIONALLY LEFT BLANK**

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

---

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, 2019. 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, 2019, by \$385.3 million (net position). Net position consists of \$284.6 million invested in capital assets, \$69.3 million restricted net position, and \$31.4 million in unrestricted net position.
- The District's total net position increased by \$13.8 million during the fiscal year ended June 30, 2019. Contributing factors include \$16.2 million in connection fees, \$1.7 million in contributed capital, marginal rate increases, inspections and other area development.
- Long-term liabilities decreased on the Statement of Net Position by just over \$3 million during the current fiscal year, compared to a \$10.7 million increase last year, largely due to payments on State Revolving Fund (SRF) loans.
- The District placed \$26.8 million in capital assets into service compared to \$11.6 million last 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 longer-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, 2019

### 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 (73.9%) 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

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Dollar Change FY19 to FY18</u>	<u>Percent Change FY19 to FY18</u>
Current and other assets	\$ 153,635,984	\$ 125,839,386	\$ 94,382,924	\$ 27,796,598	22.1%
Capital Assets	<u>323,687,525</u>	<u>338,368,202</u>	<u>339,178,722</u>	<u>(14,680,677)</u>	-4.3%
Total Assets	<u>477,323,509</u>	<u>464,207,588</u>	<u>433,561,646</u>	<u>13,115,921</u>	2.8%
Deferred outflows of resources	<u>9,982,982</u>	<u>11,884,867</u>	<u>8,937,492</u>	<u>(1,901,885)</u>	-16.0%
Current liabilities	11,054,282	11,074,799	8,622,149	(20,517)	-0.2%
Long-term liabilities	<u>89,017,951</u>	<u>92,046,419</u>	<u>81,337,732</u>	<u>(3,028,468)</u>	-3.3%
Total liabilities	<u>100,072,233</u>	<u>103,121,218</u>	<u>89,959,881</u>	<u>(3,048,985)</u>	-3.0%
Deferred inflows of resources	<u>1,903,197</u>	<u>1,463,120</u>	<u>804,328</u>	<u>440,077</u>	30.1%
Net Position:					
Net investment in capital assets	284,632,017	296,442,688	294,906,308	(11,810,671)	-4.0%
Restricted	69,264,549	55,373,688	34,360,257	13,890,861	25.1%
Unrestricted	<u>31,434,495</u>	<u>19,691,741</u>	<u>22,468,364</u>	<u>11,742,754</u>	59.6%
Total net position	<u>\$ 385,331,061</u>	<u>\$ 371,508,117</u>	<u>\$ 351,734,929</u>	<u>\$ 13,822,944</u>	3.7%

Net position of the District's business type activities increased 3.7% to \$385.3 million, of which \$284.6 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$69.3 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$31.4 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, 2019

Table 2 – 7Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year	Fiscal Year	Fiscal Year	Dollar Change	Percent Change
	2019	2018	2017	FY19 to FY18	FY19 to FY18
Operating Revenues:					
Sewer service charges (SSC)	\$ 57,330,651	\$ 54,260,096	\$ 52,384,709	\$ 3,070,555	5.7%
Other revenues	2,188,027	1,631,870	2,154,364	556,157	34.1%
Total operating revenues	<u>59,518,678</u>	<u>55,891,966</u>	<u>54,539,073</u>	<u>3,626,712</u>	6.5%
Operating Expenses:					
Depreciation	17,857,275	17,003,398	17,036,880	853,877	5.0%
Sewage treatment	21,155,840	18,657,355	16,252,881	2,498,485	13.4%
Sewage collection and engineering	14,519,187	14,173,382	12,462,391	345,805	2.4%
General and administration	6,227,572	7,611,460	7,195,269	(1,383,888)	-18.2%
Total operating expenses	<u>59,759,874</u>	<u>57,445,595</u>	<u>52,947,421</u>	<u>2,314,279</u>	4.0%
Non-operating Revenues (Expenses):					
Investment income and net gains	4,097,258	700,856	482,342	3,396,402	484.6%
Loss on retirement of capital assets	(6,606,751)	-	(432,674)	(6,606,751)	100.0%
East Bay Dischargers Authority loss	(170,591)	(90,325)	(52,458)	(80,266)	88.9%
Interest	(992,721)	(1,479,413)	(860,316)	486,692	-32.9%
Total Net non-operating revenues (expenses)	<u>(3,672,805)</u>	<u>(868,882)</u>	<u>(863,106)</u>	<u>(2,803,923)</u>	322.7%
Income (Loss) Before Contributed Capital	(3,914,001)	(2,422,511)	728,546	(1,491,490)	61.6%
Capital Contributions					
Connection fees	16,158,027	23,623,947	12,595,637	(7,465,920)	-31.6%
Contributed capital	1,738,388	7,714,351	3,965,015	(5,975,963)	-77.5%
Total Net Capital Contributions	<u>17,896,415</u>	<u>31,338,298</u>	<u>16,560,652</u>	<u>(13,441,883)</u>	-42.9%
Change in Net Position	13,982,414	28,915,787	17,289,198	(14,933,373)	-51.6%
Beginning Net Position	371,508,117	351,734,929	334,445,731	19,773,188	5.6%
Prior period adjustment	(159,470)	(9,142,599)	-	8,983,129	-98.3%
Restated Net Position, Beginning of Year	<u>371,348,647</u>	<u>342,592,330</u>	<u>334,445,731</u>	<u>28,756,317</u>	8.4%
Ending Net Position	<u>\$ 385,331,061</u>	<u>\$ 371,508,117</u>	<u>\$ 351,734,929</u>	<u>\$ 13,822,944</u>	3.7%

The District's increase in net position of \$13.8 million is primarily due to the following:

- A marginal rate increase in sewer service charge and the increase in other revenues, such as permit fees.
- The District received \$16.2 million in connection fees and \$1.7 million in contributed capital due to the ongoing residential development activity within the service area.

# UNION SANITARY DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

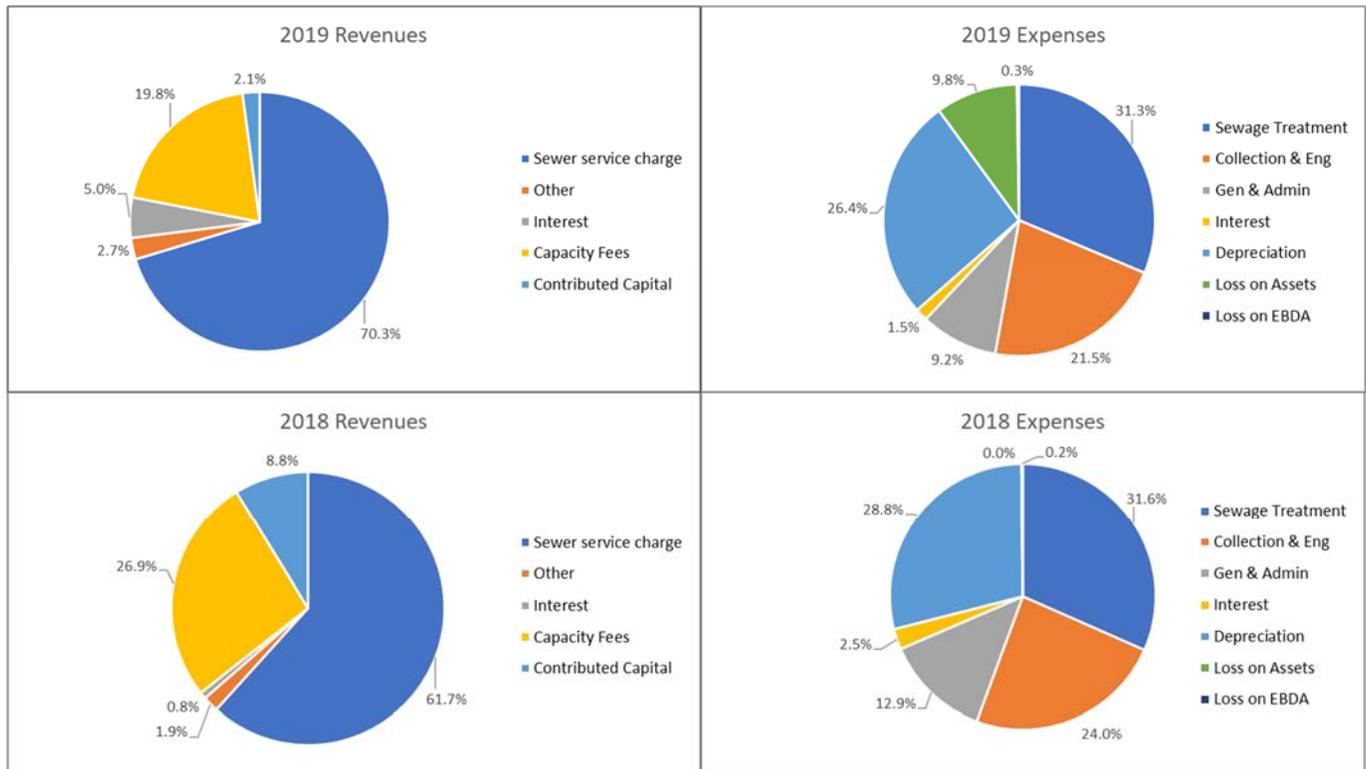
### JUNE 30, 2019

Overall the District’s revenues increased 6.5% or \$3.6 million from FY 2018. The District’s sewer service charge rate increased 3.5%. Sewer service revenues for the year increased by 5.7% or \$3 million overall. Other operating revenues increased by 34.1% or \$0.56 million from prior year as the result of an increase in permits and compliance fees received from the service area. However, both commercial and residential development slowed and connection fee revenues decreased 31.6%, or \$7.5 million from prior year as a result. Contributed capital decreased 77.5% or \$6 million.

Investment income increased by \$3.4 million to \$4.1 million in FY 2019 over FY 2018. The loss on equity investment in East Bay Dischargers Authority (EBDA) was \$0.17 million. Investment income remained strong in FY 2019. High returns from LAIF, CAMP, and managed portfolio investments resulted in a higher weighted investment yield at June 30, 2019, of 2.36%, with a weighted average portfolio life of 353 days compared to a weighted investment yield at June 30, 2018, of 1.80%, with a weighted average portfolio life of 280 days.

The District’s operating expenses increased from prior year \$2.3 million or 4.0%. The increase is primarily due to increases in the contribution percentage for employee retirement plans; cost of living salary adjustments; and an increase in expenses for treatment plant chemicals and other services.

In FY 2018, the District's total operating revenues increased by \$1.4 million, or 2.5%. The increase was mainly due to a 3.5% increase in the sewer service charge rate. Contributed capital was \$7.7 million, an increase of \$3.7 million over FY 2017. Most major cost categories increased from FY 2017 resulting in an increase of 8.5% in the total cost of all programs and services, including depreciation.



**UNION SANITARY DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

---

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of FY 2019, the District had approximately \$323.7 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 decrease of \$14.7 million compared to last year. Additions to CIP were \$7 million in FY 2019 versus \$7.6 million in FY 2018.

Total CIP placed into service was \$23.8 million in FY 2019 versus \$3 million in FY 2018.

The District has outstanding construction contract commitments on capital projects approximating \$29.9 million at June 30, 2019. Major projects and related activity included:

**Table 3 – Additions to CIP**

Digester No. 3 Insp & Rehab	\$ 1,362,777
Standby Power System Upgrade	1,033,718
Primary Digester No. 7	946,711
Secondary Treatment Cap Improv – Design	587,941
Alvarado Influent PS Pumps and VFDs	496,607
Force Main Corrosion Repairs - Plant	395,760
Cast Iron Pipe Lining Phase VII	297,666
Fremont & Paseo Padre LS Improvements	243,773
Control Box No. 1 Improvements	220,806
Emergency Outfall Outlet Improvements	207,355
Odor Scrubber System Improvements	203,327
Headworks 3 <sup>rd</sup> Bar Screen	197,540
Centrifuge Building Improvements	183,911
Equalization Storage @ Newark	162,962
Hypo Tanks and Piping Replacement	150,314
WAS Thickeners	123,059
Others	198,598
Total	<u>\$ 7,012,825</u>

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

---

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

Table 4 – Total CIP Placed into Service

Thickener Control Building Improvements	\$ 13,279,662
Fremont & Paseo Padre LS Improvements	3,530,663
Hypo Tanks and Piping Replacement	2,564,994
Newark Backyard SS Relocation – Phase 3	2,500,496
Force Main Corrosion Repairs - Plant	1,049,020
Newark PS Mod Valve & Boost Line Mods	824,197
Newark Plant Site Security	11,849
Total	<u>\$ 23,760,881</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 \$39.1 million in loans outstanding versus \$41.9 million last year. This debt consists of nine State Revolving Fund loans.

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

### New Significant Accounting Standards Implemented

In fiscal year 2019, the following Governmental Accounting Standards Board (GASB) pronouncements impacted the District:

**GASB Statement No. 88 – *Certain Disclosure Related to Debt, Including Direct Borrowings and Direct Placements.*** The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt;

## **UNION SANITARY DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

---

and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

## **NEXT YEAR'S BUDGET AND RATES**

The Board of Directors adopted the FY 2020 Budget with total appropriations of \$72.9 million. Of that amount, \$19.7 million is appropriated for capital projects (both for design and construction) such as the Enhanced Treatment & Site Upgrade (ETSU) program (a series of prior Master Plan (MP) projects), Digester No. 7, Standby Power Generation System Upgrade and Headworks Screens Replacement. The budget also includes \$4.4 million in special projects (including some new and some continuing efforts) such as the Financial Master Plan, Treatment Plant Master Plan, Newark Basin Master Plan, Odor Control Pilot Study and Cogen Options Evaluation.

This budget includes the fourth year of a five-year sewer service charge rate increase that became effective on July 1, 2016. The FY 2019 rate increase for residential sewer service charges was 3.5%. Total estimated revenues for FY 2020 are \$76.8 million which includes \$60 million in sewer service charges. Connection fee revenues are estimated at \$13.6 million. To stay competitive with the market, the appropriations include a cost of living increase of 4.0% for union employees and an overall cost of living increase for exempt employees of 5.2%. All other appropriations are consistent with FY 2019, with notable increases in chemical and energy costs for the treatment plant.

## **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.

**THIS PAGE INTENTIONALLY LEFT BLANK**

UNION SANITARY DISTRICT

STATEMENT OF NET POSITION  
 JUNE 30, 2019 (with comparative information for June 30, 2018)

	2019	2018
<b>Assets:</b>		
Current Assets:		
Cash, cash equivalents	\$ 2,166,219	\$ 7,223,399
Investments	136,142,175	104,340,800
Receivables:		
Accounts, net	3,869,461	3,179,550
Accrued interest	582,158	405,866
Inventories	1,117,980	753,419
Prepaid expenses	31,210	33,979
<b>Total Current Assets</b>	<b>143,909,203</b>	<b>115,937,013</b>
Noncurrent Assets:		
Capital assets		
Non depreciable capital assets		
Land and improvements	5,395,903	5,395,903
Construction in progress	24,702,553	41,610,079
Capacity permits and easements	6,415,898	6,415,898
Depreciable capital assets		
Utility plant in service	666,198,623	680,731,835
Less: Accumulated depreciation	(379,025,452)	(395,785,513)
Net capital assets	323,687,525	338,368,202
Other Assets		
Restricted investments	3,907,080	3,912,080
Investment in East Bay Dischargers Authority	5,819,701	5,990,293
Total other assets	9,726,781	9,902,373
<b>Total Noncurrent Assets</b>	<b>333,414,306</b>	<b>348,270,575</b>
<b>Total Assets</b>	<b>\$ 477,323,509</b>	<b>\$ 464,207,588</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pensions	\$ 8,645,659	\$ 11,176,830
Deferred outflows related to OPEB	1,337,323	708,037
<b>Total Deferred Outflows of Resources</b>	<b>\$ 9,982,982</b>	<b>\$ 11,884,867</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,404,460	\$ 2,567,168
Accrued payroll and related expenses	621,055	697,807
Interest payable	465,312	504,689
Customer deposits	3,572,790	3,428,951
Accrued compensated absences	1,049,492	1,006,178
State revolving fund loans	2,941,173	2,870,006
<b>Total Current Liabilities</b>	<b>11,054,282</b>	<b>11,074,799</b>
Long-term liabilities:		
State revolving fund loans	36,114,335	39,055,508
Net pension liability	46,738,719	46,751,259
Net OPEB liability	6,164,897	6,239,652
<b>Total Long-Term Liabilities</b>	<b>89,017,951</b>	<b>92,046,419</b>
<b>Total Liabilities</b>	<b>\$ 100,072,233</b>	<b>\$ 103,121,218</b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows related to pensions	\$ 885,105	\$ 185,614
Deferred inflows related to OPEB	1,018,092	1,277,506
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,903,197</b>	<b>\$ 1,463,120</b>
<b>Net Position:</b>		
Net investment in capital assets	\$ 284,632,017	\$ 296,442,688
Restricted for:		
Capacity purposes	65,362,469	51,471,608
SRF loan contingency reserve	3,902,080	3,902,080
Unrestricted	31,434,495	19,691,741
<b>Total Net Position</b>	<b>\$ 385,331,061</b>	<b>\$ 371,508,117</b>

UNION SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019 (with comparative information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues:</b>		
Sewer service charges (SSC)	\$ 57,330,651	\$ 54,260,096
Other operating revenues	2,188,027	1,631,870
<b>Total Operating Revenues</b>	<b><u>59,518,678</u></b>	<b><u>55,891,966</u></b>
<b>Operating Expenses:</b>		
Sewage treatment	21,155,840	18,657,355
Sewage collection and engineering	14,519,187	14,173,382
General and administration	6,227,572	7,611,460
<b>Total Operating Expenses Before Depreciation</b>	<b><u>41,902,599</u></b>	<b><u>40,442,197</u></b>
Depreciation	17,857,275	17,003,398
<b>Total Operating Expenses</b>	<b><u>59,759,874</u></b>	<b><u>57,445,595</u></b>
Operating (Loss)	(241,196)	(1,553,629)
<b>Nonoperating Revenues (Expenses):</b>		
Net investment income and net realized gains and losses	4,097,258	700,856
Interest expense	(992,721)	(1,479,413)
Loss on equity investment in East Bay Dischargers Authority	(170,591)	(90,325)
Loss on disposal of capital assets	(6,606,751)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b><u>(3,672,805)</u></b>	<b><u>(868,882)</u></b>
(Loss) Before Contributed Capital	(3,914,001)	(2,422,511)
Connection fees and other contributed capital	17,896,415	31,338,298
Changes in Net Position	13,982,414	28,915,787
<b>Net Position:</b>		
Beginning of Fiscal Year	371,508,117	351,734,929
Restatements	(159,470)	(9,142,599)
Beginning of Fiscal Year, as restated	371,348,647	342,592,330
<b>End of Fiscal Year</b>	<b><u>\$ 385,331,061</u></b>	<b><u>\$ 371,508,117</u></b>

UNION SANITARY DISTRICT

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019 (with comparative information for the year ended June 30, 2018)

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers and users	\$ 58,828,767	\$ 56,113,703
Payments to suppliers for goods and services	(13,694,977)	(19,428,342)
Payments to employees for services	(25,252,321)	(16,926,210)
Receipts from customer deposits	143,839	2,087,695
<b>Net Cash Provided by Operating Activities</b>	<b>20,025,308</b>	<b>21,846,846</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from capital debt	-	455,642
Capital contributions	16,158,027	23,623,947
Acquisition and construction of capital assets	(8,294,413)	(9,467,412)
Principal paid on capital debt	(2,870,006)	(2,802,542)
Interest paid on capital debt	(1,032,098)	(1,451,941)
Proceeds from sales of capital assets	89,982	-
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>4,051,492</b>	<b>10,357,694</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(31,796,375)	(30,294,476)
Interest received	2,662,395	540,288
<b>Net Cash (Used) in Investing Activities</b>	<b>(29,133,980)</b>	<b>(29,754,188)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(5,057,180)</b>	<b>2,450,352</b>
Cash and Cash Equivalents at Beginning of Year	7,223,399	4,773,047
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,166,219</b>	<b>\$ 7,223,399</b>
<b>Reconciliation of Operating Income to Net Cash (Used) by Operating Activities:</b>		
Operating (loss)	\$ (241,196)	\$ (1,553,629)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	17,857,275	17,003,398
Increase (decrease) in Pension related items	3,218,122	4,036,743
Increase (decrease) in OPEB related items	295,117	(193,230)
(Increase) decrease in accounts receivable	(689,911)	221,737
(Increase) decrease in inventories and other	(361,792)	(14,492)
Increase (decrease) in accounts payable and accrued expenses	(162,708)	40,133
Increase (decrease) in accrued liabilities	(76,752)	114,218
Increase (decrease) in customer deposits	143,839	2,087,695
Increase (decrease) in compensated absences	43,314	104,273
<b>Total Adjustments</b>	<b>20,266,504</b>	<b>23,400,475</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 20,025,308</b>	<b>\$ 21,846,846</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Contributions of capital assets	\$ 1,738,388	\$ 7,714,351
Loss on disposal of capital assets	(6,606,751)	-
Decrease in equity in East Bay Dischargers Authority	(170,591)	(90,325)
Unrealized gain on investments	1,439,902	-

**THIS PAGE INTENTIONALLY LEFT BLANK**

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

---

**Note 1: Organization and Summary of Significant Accounting Policies**

**The Organization**

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

The District is governed by a five-member Board of Directors elected by wards for four-year overlapping 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: invested 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 has determined that there are no component units that meet these criteria as of, and for the year ended June 30, 2019. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District.

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).

**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.

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

---

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

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, 2019, 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, 2019, 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.

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

**f. Depreciation**

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

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

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

Useful Lives

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

The aggregate provision for depreciation was 3.21 percent of average depreciable plant during the year ended June 30, 2019.

**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. New Accounting Pronouncements**

**GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.** The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

---

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

**i. Net Position**

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

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

- Net Position Restricted for Capacity Purposes – restricted for activities related to increases in the capacity of the collection and/or treatment systems.
- Net Position Restricted for Debt Purposes – the State requires a contingency reserve for State Revolving Fund loan balances.

**j. 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.

**k. 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.

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

**I. Deferred Outflows/Inflows of Resources**

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

**m. 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.

**n. 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, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

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

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

Net difference between projected and actual earning on OPEB plan investments	5 years
All other Amounts	Expected average remaining service lifetime (EARSL) (6.42 years at June 30, 2018)

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

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

**o. Comparative Data**

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

**Note 2: Capital Assets**

Capital asset activity for the year ended June 30, 2019, is summarized as follows:

	Balance June 30, 2018	Adjustments*	Adjusted Balance	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets, not being depreciated:							
Land and improvements	\$ 5,395,903	\$ -	\$ 5,395,903	\$ -	\$ -	\$ -	\$ 5,395,903
Construction in progress	41,610,079	(159,470)	41,450,609	7,012,825		(23,760,881)	24,702,553
Capacity permits and easements	6,415,898	-	6,415,898	-	-	-	6,415,898
Total capital assets, not being depreciated	53,421,880	(159,470)	53,262,410	7,012,825	-	(23,760,881)	36,514,354
Capital assets, being depreciated:							
Sewage collection facilities	433,976,694	-	433,976,694	1,957,695	(265,214)	7,913,207	443,582,382
Sewage treatment facilities	158,297,148	-	158,297,148	26,616	(31,502,953)	1,732,910	128,553,721
District facilities	73,534,626	-	73,534,626	16,342	(8,788,550)	14,114,764	78,877,182
General equipment	7,667,813	-	7,667,813	333,348	(13,536)	-	7,987,625
Fleet	7,255,554	-	7,255,554	685,975	(743,816)	-	7,197,713
Total capital assets, being depreciated	680,731,835	-	680,731,835	3,019,976	(41,314,069)	23,760,881	666,198,623
Less accumulated depreciation for:							
Sewage collection facilities	(251,259,151)	-	(251,259,151)	(9,317,127)	55,638	-	(260,520,640)
Sewage treatment facilities	(94,110,322)	-	(94,110,322)	(5,115,690)	25,125,823	-	(74,100,189)
District facilities	(39,995,278)	-	(39,995,278)	(2,379,680)	8,678,693	-	(33,696,265)
General equipment	(5,887,319)	-	(5,887,319)	(516,982)	13,536	-	(6,390,765)
Fleet	(4,533,443)	-	(4,533,443)	(527,796)	743,646	-	(4,317,593)
Total accumulated depreciation	(395,785,513)	-	(395,785,513)	(17,857,275)	34,617,336	-	(379,025,452)
Total capital assets being depreciated, net	284,946,322	-	284,946,322	(14,837,299)	(6,696,733)	23,760,881	287,173,171
Total Capital Assets, net	\$ 338,368,202	\$ (159,470)	\$ 338,208,732	\$ (7,824,474)	\$ (6,696,733)	\$ -	\$ 323,687,525

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 \$29.9 million at June 30, 2019.

\* 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 FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

**Note 3: Cash and Investments**

**a. Summary of Cash and Cash Equivalents and Investments**

Cash and cash equivalents and investments at June 30, 2019, are detailed as follows:

Cash and cash equivalents	\$ 2,166,219
Restricted investments	3,907,080
Investments	<u>136,142,175</u>
Total cash and cash equivalents and investments	<u>\$ 142,215,474</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. Agency Obligations (a)	5 years	N/A	None	None
Banker's Acceptances (b)	180 days	A1/P1 (ST) A (LT)	40%	10%
Certificates of Deposit	5 years	N/A	20%	10%
Negotiable Certificates of Deposit	5 years	A1 (ST) A (LT)	30%	10%
Repurchase Agreements (c)	90 days	A1/A	10%	10%
Commercial Paper	270 days	"Prime" quality	25%	10%
Local Agency Investment Fund (LAIF)	N/A	N/A	70%	None
Corporate Notes (d)	5 years	A	30%	None
Mortgage Pass-through and Asset Backed Securities	5 years	A/AA	20%	10%
Money Market Funds	N/A	AAAm	20%	10%

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

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

Note 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, 2019:

	Maturities of			Total
	12 Months Or Less	12 to 24 Months	25 to 60 Months	
U.S. Treasury Obligations	\$ 489,441	\$ -	\$ 19,247,072	\$ 19,736,513
U.S. Agency Obligations:				
FFCB	1,991,840	997,790	-	2,989,630
FHLB	999,880	2,997,050	3,330,535	7,327,465
FHLMC	6,486,810	1,000,290	-	7,487,100
FNMA	-	989,430	-	989,430
Corporate Notes	2,489,496	5,079,542	6,395,455	13,964,493
Certificates of Deposit	2,737,672	1,317,937	1,482,635	5,538,244
LAIF	50,574,448	-	-	50,574,448
Local Government Investment Pool (CAMP)	31,441,932	-	-	31,441,932
Total Investments	<u>97,211,519</u>	<u>12,382,039</u>	<u>30,455,697</u>	<u>140,049,255</u>
Cash in bank	2,166,219	-	-	2,166,219
Total Cash and Investments	<u>\$ 99,377,738</u>	<u>\$ 12,382,039</u>	<u>\$ 30,455,697</u>	<u>\$ 142,215,474</u>

d. LAIF Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The 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. 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, 2019, these investments mature in an average of 173 days.

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**Note 3: Cash and Investments (Continued)**

**e. Credit Risk**

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

Presented below is the actual rating as of June 30, 2019, for each investment type:

Investment Type	Aaa	Aa3	Aa2	A1	A2	A3	Baa1	Total
U.S. Agency Obligations								
FFCB	\$ 2,989,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,989,630
FHLB	7,327,465	-	-	-	-	-	-	7,327,465
FHLMC	7,487,100	-	-	-	-	-	-	7,487,100
FNMA	989,430	-	-	-	-	-	-	989,430
Corporate Notes	1,005,961	1,011,560	4,488,271	3,170,990	2,610,913	681,548	995,250	13,964,493
<b>Totals</b>	<b>\$ 19,799,586</b>	<b>\$ 1,011,560</b>	<b>\$ 4,488,271</b>	<b>\$ 3,170,990</b>	<b>\$ 2,610,913</b>	<b>\$ 681,548</b>	<b>\$ 995,250</b>	<b>32,758,118</b>
Exempt from credit rate disclosure								
U.S. Treasury Obligations								19,736,513
Not rated								
Certificates of deposit								5,538,244
California Local Agency Investment Fund								50,574,448
Local Government Investment Pool (CAMP)								31,441,932
Cash and cash equivalents								2,166,219
<b>Total Cash, Cash Equivalents and Investments</b>								<b>\$ 142,215,474</b>

**f. 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, 2019, more than 5 percent of the District's investments were in FHLB, and FHLMC. These investments were 5.2 percent and 5.3 percent, respectively, of the District's total investments.

**g. 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, 2019, the District's total bank balance of \$3,061,857 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC). Certificates of Deposit were also collateralized.

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

---

**Note 3: Cash and Investments (Continued)**

Investments

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

**Note 4: Fair Value Measurements**

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

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

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

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

Uncategorized - Investments in the Local Agency Investment Funds/State Investment Pools (LAIF) and Local Government Investment Pools (CAMP) 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 and CAMP are available for withdrawal on demand.

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

**Note 4: Fair Value Measurements (Continued)**

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
U.S. Agency Obligations					
FFCB	\$ 2,989,630	\$ -	\$ 2,989,630	\$ -	\$ -
FHLB	7,327,465	-	7,327,465	-	-
FHLMC	7,487,100	-	7,487,100	-	-
FNMA	989,430	-	989,430	-	-
Corporate Notes	13,964,493	-	13,964,493	-	-
Local Government Investment Pool (CAMP)	31,441,932	-	-	-	31,441,932
U.S. Treasury Obligations	19,736,513	19,736,513	-	-	-
Certificates of Deposits	5,538,244	-	5,538,244	-	-
California Local Agency Investment Fund (LAIF)	50,574,448	-	-	-	50,574,448
Totals	\$ 140,049,255	\$ 19,736,513	\$ 38,296,362	\$ -	\$ 82,016,380

**Note 5: Joint Ventures**

***Alameda County Water District Financing Authority***

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

***Investment in East Bay Dischargers Authority***

The District has an 18.7 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 (33 percent), the City of San Leandro (18.6 percent), and the Oro Loma and Castro Valley Sanitary Districts (collectively, 29.7 percent). The District has rights to 18.7 percent of EBDA's capacity.

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

**Note 5: Joint Ventures (Continued)**

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 the 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 (18.7 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, 2018, and for the years then ended, the most recent audited information available, is as follows:

	<u>2018</u>
Total assets and deferred outflows	\$ 34,116,452
Total liabilities and deferred inflows	<u>2,995,054</u>
Net position value of EBDA	<u>\$ 31,121,398</u>
District's share at 18.7%	<u>\$ 5,819,701</u>
Net loss on equity investment in EBDA	<u>\$ 170,591</u>

EBDA has no outstanding debt.

During fiscal year ended June 30, 2019, the District was charged \$1,231,219 by EBDA primarily for operating costs. Such costs are included in the wastewater treatment expenses by the District for financial reporting purposes.

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

**Note 6: Long-Term Obligations**

Long-term obligations at June 30, 2019, are summarized as below:

Direct Placements	Maturity Date	Interest Rate	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	\$ 5,019,054	\$ -	\$ 787,707	\$ 4,231,347	\$ 806,612
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	953,511	-	85,500	868,011	87,552
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	6,946,332	-	497,854	6,448,478	511,296
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	1,313,713	-	104,163	1,209,550	106,976
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,306,317	-	94,691	1,211,626	97,058
2011 State Revolving Fund Loan - Primary Cl.	01/15/33	2.7%	7,196,031	-	395,490	6,800,541	406,168
2011 State Revolving Fund Loan - Substation 1	02/28/32	2.6%	1,826,623	-	109,835	1,716,788	112,691
2011 State Revolving Fund Loan - Boyce Rd. Lift Station	07/31/33	2.6%	5,324,908	-	272,616	5,052,292	279,704
2014 State Revolving Fund Loan - Thickner Improvement	03/31/37	2.1%	12,039,025	-	522,150	11,516,875	533,116
			<u>\$ 41,925,514</u>	<u>\$ -</u>	<u>\$ 2,870,006</u>	<u>\$ 39,055,508</u>	<u>\$ 2,941,173</u>

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

---

**Note 6: Long-Term Obligations (Continued)**

***2003 State Revolving Fund Loan – Irvington***

During 2003, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. As of March 26, 2004, \$14,301,057, the maximum loan amount, had been drawn. The interest rate on the loan is 2.4 percent and is payable in twenty annual installments, beginning on year after initial loan disbursement. The purpose of this loan was to finance the Irvington Equalization Storage Facilities project.

***2008 State Revolving Fund Loan – Willow***

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.4 percent and is payable in twenty annual installments, beginning one year after initial loan disbursement. The purpose of this loan was to finance the Willow/Central Avenue Sanitary Sewer Rehabilitation project. The maximum amount of this agreement is \$1,749,329 based upon projected costs to be incurred. As of June 30, 2019, \$1,710,471 has been advanced under this agreement.

***2008 State Revolving Fund Loan – Newark Pump Station***

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and is payable in twenty annual installments, beginning in 2011. The purpose of this loan was to finance the Newark Pump Station project. The maximum amount of this agreement is \$10,283,322 based upon projected costs to be incurred. As of June 30, 2019, \$10,283,322, the maximum loan amount, has been advanced under this agreement.

***2008 State Revolving Fund Loan – Hetch Hetchy***

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after initial loan disbursements. The purpose of this loan is to finance the lower Hetch Hetchy Sewer Rehabilitation project. The maximum amount of this agreement is \$2,212,432 based upon projected costs to be incurred. As of June 30, 2019, \$2,113,379 has been advanced under this agreement.

***2009 State Revolving Fund Loan – Cedar Boulevard***

During 2009, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.5 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the Cedar Boulevard Sanitary Sewer Rehabilitation project. The maximum amount of this agreement is \$2,052,841 based upon projected costs to be incurred. As of June 30, 2019, \$1,998,384 has been advanced under this agreement.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

---

**Note 6: Long-Term Obligations (Continued)**

***2011 State Revolving Fund Loan – Primary Clarifier***

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the rehabilitation of primary clarifiers (Nos. 1 through 4) at the Alvarado Wastewater Treatment Plant. The maximum amount of this agreement is \$8,821,860 based upon projected costs to be incurred. As of June 30, 2019, \$8,821,860, the maximum loan amount, has been advanced under this agreement.

***2011 State Revolving Fund Loan – Substation 1***

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Substation 1 to ensure its continual operation. The maximum amount of this agreement is \$2,676,485 based upon projected costs to be incurred. As of June 30, 2019, \$2,412,908 has been advanced under this agreement.

***2011 State Revolving Fund Loan – Boyce Rd. Lift Station***

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Boyce Road Lift Station to ensure its continual operation. The maximum amount of this agreement is \$6,196,671 based upon projected costs to be incurred. As of June 30, 2019, \$6,196,671, the maximum loan amount, has been advanced under this agreement.

***2014 State Revolving Fund Loan –Thickener Control Building***

During December 2013, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.1 percent and will be payable in twenty annual installments beginning March 2018. The purpose of this loan is to finance the Thickener Control Building Improvements Project to ensure its continual operation. The maximum amount of this agreement is \$12,200,000 based upon projected costs to be incurred. As of June 30, 2019, \$12,200,000, the maximum loan amount, has been advanced under this agreement.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

---

**Note 6: Long-Term Obligations (Continued)**

***Debt Service Requirements***

Future annual repayment requirements as of June 30, 2019, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ 2,941,173	\$ 960,907	\$ 3,902,080
2021	3,014,117	887,963	3,902,080
2022	3,088,884	813,196	3,902,080
2023	3,165,519	736,560	3,902,079
2024	3,244,071	658,009	3,902,080
2025-2029	12,596,664	2,264,528	14,861,192
2030-2034	8,774,500	799,534	9,574,034
2035-2037	2,230,580	94,333	2,324,913
Totals	<u>\$ 39,055,508</u>	<u>\$ 7,215,030</u>	<u>\$ 46,270,538</u>

***Compensated Absences***

A summary of the changes in compensated absences for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due in One Year
\$ 1,006,178	\$ 1,178,199	\$ (1,134,885)	\$ 1,049,492	\$ 1,049,492

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

---

Note 7: Pension Plan

**General Information about the Pension Plans**

***Plan Descriptions***

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

***Benefits Provided***

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

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

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50+	52+
Monthly benefits, as a % of annual salary	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	22.299%	11.835%

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

---

Note 7: Pension Plan (Continued)

***Employees Covered***

As of the June 30, 2019, the following employees were covered by the benefit terms of the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	172
Inactive employees entitled to but not yet receiving benefits	68
Active employees	137
Totals	<u>377</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 22.299 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 11.835 percent of annual payroll. The total contribution to the plan was \$4,221,019 for the year ended June 30, 2019.

***Net Pension Liability***

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018.

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

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

---

Note 7: Pension Plan (Continued)

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2017, actuarial valuation were determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected Salary increases	Varies by Entry Age and Service
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

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

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

**Change in Assumptions**

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2018.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

Note 7: Pension Plan (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability at June 30, 2019 was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-term Expected Rate of Return**

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

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

The target allocation for the June 30, 2018, measurement date was as follows:

<b>Asset Class</b>	<b>Target Allocation</b>		
	<b>2017</b>	<b>Years 1-10*</b>	<b>Real Return Years 11+ **</b>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%

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

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

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

Note 7: Pension Plan (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
<b>Balance at June 30, 2017</b>	<b>\$ 141,136,606</b>	<b>\$ 94,385,347</b>	<b>\$ 46,751,259</b>
<b>Change in the year:</b>			
Service Cost	2,751,248	-	2,751,248
Interest on total pension liability	9,904,222	-	9,904,222
Differences between expected and actual experience	810,456	-	810,456
Changes in assumptions	(1,225,530)	-	(1,225,530)
Plan to plan resource movement	-	(231)	231
Contribution-employer	-	3,473,052	(3,473,052)
Contribution-employee	-	1,296,037	(1,296,037)
Net investment income	-	7,910,460	(7,910,460)
Administrative Expenses	-	(426,382)	426,382
Benefit payments, including refunds of employee contributions	(7,153,133)	(7,153,133)	-
<b>Net changes</b>	<b>5,087,263</b>	<b>5,099,803</b>	<b>(12,540)</b>
<b>Balance at June 30, 2018</b>	<b>\$ 146,223,869</b>	<b>\$ 99,485,150</b>	<b>\$ 46,738,719</b>

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

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 65,307,321
Current Discount Rate	7.15%
Net Pension Liability	46,738,719
1% Increase	8.15%
Net Pension Liability	31,249,800

**Pension Plan Fiduciary Net Position**

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

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

Note 7: Pension Plan (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$7,340,061. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,221,019	\$ -
Differences between actual and expected experience	1,029,233	-
Changes in assumptions	3,125,081	(885,105)
Net differences between projected and actual earnings on plan investments	270,326	-
<b>Totals</b>	<b>\$ 8,645,659</b>	<b>\$ (885,105)</b>

The amount of \$4,221,019 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, 2020. 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/Inflows of Resources
2020	\$ 3,665,764
2021	1,160,391
2022	(1,029,415)
2023	(257,205)
<b>Total</b>	<b>\$ 3,539,535</b>

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

---

**Note 8: Other Retirement Benefits**

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

**Plan Description**

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

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

**Employees Covered**

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	137
Inactive employees or beneficiaries currently receiving benefits	133
<b>Totals</b>	<u>270</u>

**Contributions**

The Plan and its contribution requirements are established by Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2018, the District's cash contributions were \$708,037 in total payments, which were recognized as a reduction to the OPEB liability.

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was used to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 8: Other Retirement Benefits (Continued)**

Actuarial funding method	Entry age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Actuarial assumptions:	
Discount rate	6.73%
Inflation	2.75%
Salary increases	3.25% per year, used only to allocated to cost of benefits between service years
Investment rate of return	6.73%
Mortality Rate*	Derived using CalPERS' membership data for all funds
Pre-Retirement Turnover**	Derived using CalPERS' membership data for all funds
Healthcare Trend Rate	Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the assumed medical inflation of 7.5% and ultimate trend of 5.0% per year

Notes:

\* Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

\*\* The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	40.00%	8.71%
Fixed Income	39.00%	5.40%
Treasury Inflation Protected Securities	10.00%	5.25%
REITs	8.00%	10.88%
Commodities	3.00%	7.95%
<b>Total</b>	<b>100.00%</b>	

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

Note 8: Other Retirement Benefits (Continued)

**Change in Assumptions**

Mortality improvements were utilized for future rates, healthcare trend increase changed from 4.5% per year to 5.0% per year. Spouse Coverage assumption is 70% for new married retirees who will cover their spouse and Participation Rate assumption changed from an assumed elect benefit of 70% and 100% to 50% and 90% for MEC only and MOU Benefit, respectively.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.73 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at June 30, 2017</b>	\$ 11,429,732	\$ 5,190,080	\$ 6,239,652
<b>Change in the year:</b>			
Service Cost	388,943	-	388,943
Interest on total OPEB liability	773,775	-	773,775
Expected investment income	-	358,335	(358,335)
Contribution-employer	-	920,935	(920,935)
Investment experience	-	(32,143)	32,143
Administrative Expenses	-	(9,654)	9,654
Benefit payments, including refunds of employee contributions	(642,551)	(642,551)	-
<b>Net changes</b>	<b>520,167</b>	<b>594,922</b>	<b>(74,755)</b>
<b>Balance at June 30, 2018</b>	<b>\$ 11,949,899</b>	<b>\$ 5,785,002</b>	<b>\$ 6,164,897</b>

**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, 2018:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Liability	\$ 7,574,894	\$ 6,164,897	\$ 4,980,335

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

Note 8: Other Retirement Benefits (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, 2018:

	<b>1% Decrease</b> (6.00%HMO/6.50%PPO decreasing to 3.50%HMO/3.50%PPO)	<b>Current Healthcare Cost Trend Rates</b> (7.00%HMO/7.50%PPO decreasing to 4.50%HMO/4.50%PPO)	<b>1% Increase</b> (8.00%HMO/8.50%PPO decreasing to 5.50%/5.50%PPO)
Net OPEB Liability	\$ 5,263,440	\$ 6,164,897	\$ 7,474,150

**OPEB Plan Fiduciary Net Position**

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

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$369,961. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB contributions subsequent to measurement date	\$ 1,333,416	\$ -
Changes of assumptions	-	524,519
Differences between expected and actual experience	-	493,573
Net difference between projected and actual earnings on OPEB plan investments	3,907	-
<b>Total</b>	<b>\$ 1,337,323</b>	<b>\$ 1,018,092</b>

The \$1,333,416 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<b>Fiscal Year Ended June 30:</b>	<b>Deferred Outflows/Inflows of Resources</b>
2020	\$ (231,178)
2021	(231,178)
2022	(231,178)
2023	(223,911)
2024	(96,740)
<b>Total</b>	<b>\$ (1,014,185)</b>

**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

---

**Note 8: Other Retirement Benefits (Continued)**

**b. 401(a) Plans**

The District sponsors two internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the ICMA Retirement Corporation. The plans were established and can be amended by Board resolution and, for certain terms, by participant agreement. Eligibility for participation in a particular plan is dependent on job classification. Within each plan, participating employees contribute the same dollar amount of \$3,000 per year for employees under the management plan, and \$1,850 for employees under the professional plan, and the District makes matching contributions on their behalf. The District and the participants each contributed a total of \$16,874 and \$16,874 to the plans for the year ended June 30, 2019.

**c. Deferred Compensation Plan**

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

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

**Note 9: 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 FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

---

**Note 10: 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.

The following material construction commitments existed at June 30, 2019:

Project Name	Total Committed Amount	Expenses to Date as of June 30, 2019	Remaning Commitment
Cogeneration Project	\$ 15,080,010	\$ 12,260,142	\$ 2,819,868

**Note 11: 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	\$ 371,508,117
Restatement (1)	<u>(159,470)</u>
Beginning Net Position, as Restated	<u>\$ 371,348,647</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.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**REQUIRED SUPPLEMENTARY INFORMATION**

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019

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

Measurement Period	2019	2018	2017	2016	2015
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service Cost	\$ 2,751,248	\$ 2,818,370	\$ 2,413,856	\$ 2,285,511	\$ 2,338,837
Interest on total pension liability	9,904,222	9,548,343	9,157,444	8,707,550	8,205,194
Differences between expected and actual experience	810,456	900,525	621,331	1,118,325	-
Changes in assumptions	(1,225,530)	7,589,483	-	(2,041,756)	-
Benefit payments, including refunds of employee contributions	(7,153,133)	(6,728,358)	(6,122,564)	(5,472,643)	(4,871,998)
<b>Net change in total pension liability</b>	<b>5,087,263</b>	<b>14,128,363</b>	<b>6,070,067</b>	<b>4,596,987</b>	<b>5,672,033</b>
<b>Total Pension Liability-beginning</b>	<b>141,136,606</b>	<b>127,008,243</b>	<b>120,938,176</b>	<b>116,341,189</b>	<b>110,669,156</b>
<b>Total Pension Liability-ending (a)</b>	<b>\$ 146,223,869</b>	<b>\$ 141,136,606</b>	<b>\$ 127,008,243</b>	<b>\$ 120,938,176</b>	<b>\$ 116,341,189</b>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 3,473,052	\$ 3,203,124	\$ 2,770,226	\$ 2,536,676	\$ 2,428,874
Contributions-employee	1,296,037	1,256,350	1,206,505	1,187,621	1,356,767
Net investment income	7,910,460	9,631,126	490,693	2,002,533	13,223,974
Benefit payments	(7,153,133)	(6,728,358)	(6,122,564)	(5,472,643)	(4,871,998)
Plan to plan resource movement	(231)	-	-	(8,501)	-
Administrative expense	(426,382)	(128,674)	(54,156)	(100,081)	-
<b>Net change in plan fiduciary net position</b>	<b>5,099,803</b>	<b>7,233,568</b>	<b>(1,709,296)</b>	<b>145,605</b>	<b>12,137,617</b>
<b>Plan Fiduciary Net Position-beginning</b>	<b>94,385,347</b>	<b>87,151,779</b>	<b>88,861,075</b>	<b>88,715,470</b>	<b>76,577,853</b>
<b>Plan Fiduciary Net Position-ending (b)</b>	<b>\$ 99,485,150</b>	<b>\$ 94,385,347</b>	<b>\$ 87,151,779</b>	<b>\$ 88,861,075</b>	<b>\$ 88,715,470</b>
<b>Net pension liability-ending (a) - (b)</b>	<b>\$ 46,738,719</b>	<b>\$ 46,751,259</b>	<b>\$ 39,856,464</b>	<b>\$ 32,077,101</b>	<b>\$ 27,625,719</b>
Plan fiduciary net position as a percentage of the total pension liability	68.04%	66.88%	68.62%	73.48%	76.25%
Covered payroll	\$ 15,174,379	\$ 15,017,486	\$ 14,229,298	\$ 13,896,353	\$ 13,453,476
Net pension liability as a percentage of covered payroll	308.01%	311.31%	280.10%	230.83%	205.34%

**Notes to Schedule:**

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

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

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

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

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

	2019	2018	2017	2016	2015
<b>Actuarial Determined Contribution</b>	\$ 4,221,019	\$ 3,572,132	\$ 3,333,889	\$ 3,034,082	\$ 2,973,280
Contribution in relation to the Actuarially Determined Contribution	(4,221,019)	(3,572,132)	(3,333,889)	(3,034,082)	(2,973,280)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered payroll	\$ 17,036,713	\$ 15,174,379	\$ 15,017,486	\$ 14,229,298	\$ 13,896,353
Contributions as a percentage of covered payroll	24.78%	23.54%	22.20%	21.32%	21.40%
<b>Notes to Schedule</b>					
Valuation date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Direct rate smoothing
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.

Mortality  
The probabilities of Mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using scale AA 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 five years are shown.

UNION SANITARY DISTRICT

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 388,943	\$ 420,836
Interest on the total OPEB liability	773,775	832,649
Differences between expected and actual experiences	-	(716,909)
Changes in assumptions	-	(761,859)
Benefit payments	(642,551)	(592,698)
<b>Net change in total OPEB liability</b>	<b>520,167</b>	<b>(817,981)</b>
<b>Total OPEB liability - beginning</b>	<b>11,429,732</b>	<b>12,247,713</b>
<b>Total OPEB liability - ending (a)</b>	<b>11,949,899</b>	<b>11,429,732</b>
<b>Plan Fiduciary Net Position</b>		
Contribution - employer	920,935	767,866
Net investment income	326,192	355,878
Benefit payments	(642,551)	(592,698)
Administrative expense	(9,654)	(2,557)
<b>Net change in plan fiduciary net position</b>	<b>594,922</b>	<b>528,489</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,190,080</b>	<b>4,661,591</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,785,002</b>	<b>\$ 5,190,080</b>
<b>Net OPEB Liability/(Assets) - ending (a) - (b)</b>	<b>\$ 6,164,897</b>	<b>\$ 6,239,652</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	48.41%	45.41%
<b>Covered-employee payroll</b>	\$ 16,384,101	\$ 15,715,654
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	37.63%	39.70%

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

UNION SANITARY DISTRICT

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

SCHEDULE OF CONTRIBUTIONS

	2019	2018
Actuarially Determined Contribution	\$ 880,553	\$ 708,037
Contribution in Relation to the Actuarially Determined Contributions	(1,333,416)	(324,982)
Contribution Deficiency (Excess)	<u>\$ (452,863)</u>	<u>\$ 383,055</u>
Covered-employee payroll	\$ 17,245,563	\$ 16,384,101
Contributions as a percentage of covered-employee payroll	-7.73%	4.32%

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

Notes to Schedule: N/A

\*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal, level percent of pay
Asset Valuation Method	Market value of assets
Discount rate	6.73%
Inflation	2.75%
Salary increases	3.25% per year, used only to allocated to cost of benefits between service years
Investment rate of return	6.73%
Mortality Rate*	Derived using CalPERS' membership data for all funds
Pre-Retirement Turnover**	Derived using CalPERS' membership data for all funds
Healthcare Trend Rate	Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the ultimate trend of 5.0% per year.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**SUPPLEMENTARY INFORMATION**

UNION SANITARY DISTRICT

SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION  
FOR THE YEAR ENDED JUNE 30, 2019

	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	\$ 7,228,348	\$ 7,696,667	\$ 2,554,929	\$ 17,479,944
Employee benefits	4,569,218	4,851,197	1,904,797	11,325,212
Recruitment and development	137,852	94,188	228,779	460,819
Temporary help	22,175	18,411	5,118	45,704
Repairs and maintenance	1,555,192	840,358	7,781	2,403,331
Operating supplies	2,108,018	223,880	-	2,331,898
Office and safety supplies	179,893	169,018	265,422	614,333
Insurance	-	-	282,443	282,443
Contractual services	895,962	55,182	-	951,144
Professional services	707,285	116,441	457,475	1,281,201
Utilities	2,141,612	84,520	160,426	2,386,558
East Bay Dischargers Authority	1,231,219	-	-	1,231,219
Non-capital projects	287,486	287,486	324,287	899,259
Sewer Service charge administrative fee	36,115	36,115	36,115	108,345
Rents/Leases	55,465	45,724	-	101,189
<b>Total</b>	<b>\$ 21,155,840</b>	<b>\$ 14,519,187</b>	<b>\$ 6,227,572</b>	<b>\$ 41,902,599</b>

**UNION SANITARY DISTRICT**

**SCHEDULE OF INSURANCE COVERAGE  
FOR THE YEAR ENDED JUNE 30, 2019**

---

The District's insurance policies and coverages in effect at June 30, 2019, are as follows:

General liability (pooled liability program)		
Bodily injury, property damage, and personal injury	\$	25,500,000
Public entity errors and omissions and other related practices		25,500,000
Employment related practices		25,500,000
		<b><u>Insured Value</u></b>
Auto physical damage (primary insurance program)	\$	4,022,870
Workers' Compensation		1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	\$	261,820,601
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

**THIS PAGE INTENTIONALLY LEFT BLANK**



**THIS PAGE INTENTIONALLY LEFT BLANK**

# Table of Contents

The Statistical Section of Union Sanitary District’s comprehensive annual 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.

<u>Table of Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Changes in Net Position and Statement of Net Position by Component.....	56
District-Wide Revenues and Other Financing Sources.....	57
Operating Expenses by Major Function.....	58
Capital Expenditures.....	59
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the District’s most significant revenue sources.	
Current and Historical Fees, last ten years.....	60
Ten Principal Industrial Rate Payers by Levy.....	61-62
Fiscal Year Assessed Valuation (of Service Area).....	63
<b>Debt Capacity</b>	
These schedules contain information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type.....	64
Pledged Revenue Coverage.....	65
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the local environment within which the District’s financial activities take place.	
Population of Service Area Served.....	66
Per Capita Income and Unemployment Rate.....	67
Major Employers in District Service Area.....	68
<b>Operating and General Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.	
Full-time Equivalent Employees by Function/Program.....	69
Operating Indicators by Function/Program.....	70
Operating Indicators - Biosolids.....	71
Miscellaneous Statistics.....	72

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

**UNION SANITARY DISTRICT**

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

Changes in Net Position	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues	\$37,217,073	\$38,486,824	\$40,630,578	\$42,339,311	\$45,139,420	\$48,379,254	\$50,112,564	\$52,384,709	\$54,260,096	\$57,330,651
Sewer Service Charges	968,475	987,948	1,027,357	1,163,802	1,370,017	1,581,031	1,791,782	2,154,364	1,631,870	2,188,027
Other Operating Revenues	38,185,548	39,474,772	41,657,935	43,503,113	46,509,437	49,960,285	51,904,346	54,539,073	55,891,966	59,518,678
<b>Total Operating Revenues</b>	<b>38,185,548</b>	<b>39,474,772</b>	<b>41,657,935</b>	<b>43,503,113</b>	<b>46,509,437</b>	<b>49,960,285</b>	<b>51,904,346</b>	<b>54,539,073</b>	<b>55,891,966</b>	<b>59,518,678</b>
Operating Expenses										
Treatment	13,995,781	14,342,352	14,255,266	16,088,929	15,410,523	14,956,369	15,464,775	16,964,901	18,657,355	21,155,840
Collection and Engineering	9,338,919	10,532,692	9,712,645	11,954,345	10,869,755	10,763,530	11,296,680	12,101,081	14,173,382	14,519,187
General and Administration	5,322,085	5,574,251	5,951,818	6,111,468	6,634,688	6,910,857	6,848,244	6,844,559	7,611,460	6,227,572
<b>Total Operating Expenses Before Depr.</b>	<b>28,656,785</b>	<b>30,449,295</b>	<b>29,919,729</b>	<b>34,154,742</b>	<b>32,914,966</b>	<b>32,630,756</b>	<b>33,609,699</b>	<b>35,910,541</b>	<b>40,442,197</b>	<b>41,902,599</b>
Depreciation	16,243,535	16,323,858	16,790,277	16,776,307	17,219,109	17,899,765	17,379,112	17,036,880	17,003,398	17,857,275
<b>Total Operating Expenses</b>	<b>44,900,320</b>	<b>46,773,153</b>	<b>46,710,006</b>	<b>50,931,049</b>	<b>50,134,075</b>	<b>50,530,521</b>	<b>50,988,811</b>	<b>52,947,421</b>	<b>57,445,595</b>	<b>59,759,874</b>
Operating Loss	(6,714,772)	(7,298,381)	(5,052,071)	(7,427,936)	(3,624,638)	(570,236)	915,535	1,591,652	(1,553,629)	(241,196)
Non-operating Revenues (Expenses)										
Investment Income	349,012	274,328	248,337	178,690	180,041	160,790	496,439	482,342	700,856	4,097,258
Interest Expense	(867,781)	(1,114,313)	(858,162)	(1,138,677)	(1,106,609)	(971,695)	(916,968)	(860,316)	(1,479,413)	(992,721)
Loss on Retirement of Utility in Capital Assets	(95,110)	(751,601)	(127,430)	(1,479,254)	(796,735)	(1,165,160)	(30,472)	(432,674)	0	(6,606,751)
Gain (loss) on Equity Investment in EBDA	(76,498)	(95,011)	(100,827)	(89,170)	(92,180)	(86,652)	(160,540)	(52,458)	(90,325)	(170,591)
Other Non-operating Expenses	0	0	0	0	0	0	0	0	0	0
<b>Net Non-operating Revenues</b>	<b>(690,377)</b>	<b>(1,686,597)</b>	<b>(838,082)</b>	<b>(2,528,411)</b>	<b>(1,815,483)</b>	<b>(2,062,717)</b>	<b>(611,541)</b>	<b>(863,106)</b>	<b>(868,882)</b>	<b>(3,672,805)</b>
<b>5</b> Loss Before Contributions	<b>(7,405,149)</b>	<b>(8,984,978)</b>	<b>(5,890,153)</b>	<b>(9,956,347)</b>	<b>(5,440,121)</b>	<b>(2,632,955)</b>	<b>303,994</b>	<b>728,546</b>	<b>(2,422,511)</b>	<b>(3,914,001)</b>
Connection Fees and Other Contrib. Capital	3,196,347	7,850,769	4,386,772	7,072,821	4,201,932	9,595,219	9,096,373	16,560,652	31,338,298	17,896,415
Change in Net Position	(4,208,802)	(1,134,209)	(1,503,381)	(2,883,526)	(1,238,189)	6,962,266	9,400,367	17,289,198	28,915,787	13,982,414
Net Position, Beginning of Year	360,713,640	356,504,838	355,370,629	353,867,248	350,983,722	349,745,533	325,045,364	334,445,731	351,734,929	371,508,117
Prior period adjustment	0	0	0	0	0	(31,662,435)	0	0	(9,142,599)	(159,470)
<b>Net Position, End of Year</b>	<b>\$356,504,838</b>	<b>\$355,370,629</b>	<b>\$353,867,248</b>	<b>\$350,983,722</b>	<b>\$349,745,533</b>	<b>\$325,045,364</b>	<b>\$334,445,731</b>	<b>\$351,734,929</b>	<b>\$371,508,117</b>	<b>\$385,331,061</b>
<b>Statement of Net Position by Component</b>										
Net investment in capital assets	\$302,407,235	\$300,489,831	\$296,939,157	\$294,393,392	\$299,269,526	\$297,462,404	\$295,355,262	\$294,906,308	\$296,442,688	\$284,632,017
Restricted	14,840,623	16,877,836	19,346,378	20,297,820	17,622,778	19,808,500	25,075,327	34,360,257	55,373,688	69,264,549
Unrestricted	39,256,980	38,002,962	37,581,713	36,292,510	32,853,229	7,774,460	14,015,142	22,468,364	19,691,741	31,434,495
Restricted-Retiree medical benefit plan	0	0	0	0	0	0	0	0	0	0
Unrestricted	0	0	0	0	0	0	0	0	0	0
<b>Total USD net position</b>	<b>\$356,504,838</b>	<b>\$355,370,629</b>	<b>\$353,867,248</b>	<b>\$350,983,722</b>	<b>\$349,745,533</b>	<b>\$325,045,364</b>	<b>\$334,445,731</b>	<b>\$351,734,929</b>	<b>\$371,508,117</b>	<b>\$385,331,061</b>

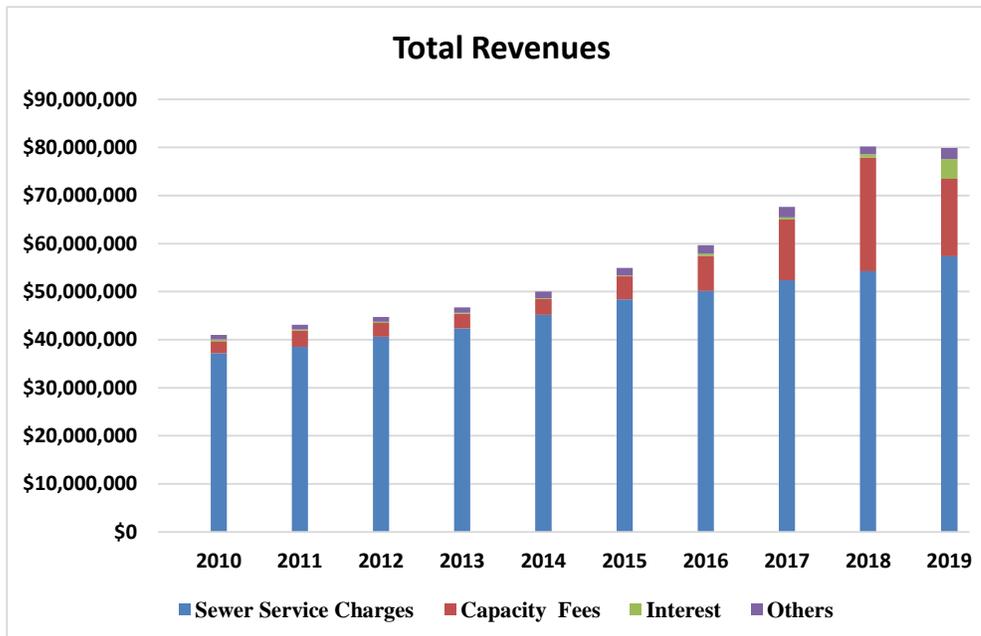
\*Non-CIP Project Cost Adjustments

## UNION SANITARY DISTRICT

### District-Wide Revenues and Other Financing Sources

<u>Fiscal Year</u>	<u>Sewer Service Charges</u>	<u>Capacity Fees</u>	<u>Interest</u>	<u>Others*</u>	<u>Total Revenues</u>
2019	\$57,330,651	\$16,158,027	\$4,097,258	\$2,188,027	\$79,773,963
2018	54,260,096	23,623,947	700,856	1,631,870	80,216,769
2017	52,384,709	12,595,637	482,342	2,154,364	67,617,052
2016	50,112,564	7,233,338	496,439	1,791,782	59,634,123
2015	48,379,254	4,820,637	160,790	1,581,031	54,941,712
2014	45,139,420	3,315,007	180,071	1,370,017	50,004,515
2013	42,339,311	3,062,836	178,690	1,163,802	46,744,639
2012	40,630,578	2,848,488	248,337	1,027,357	44,754,760
2011	38,486,824	3,381,963	274,328	987,948	43,131,063
2010	37,217,073	2,467,083	349,012	968,475	41,001,643

\*Others includes inspection fees, permits, external work orders, discounts, and misc.

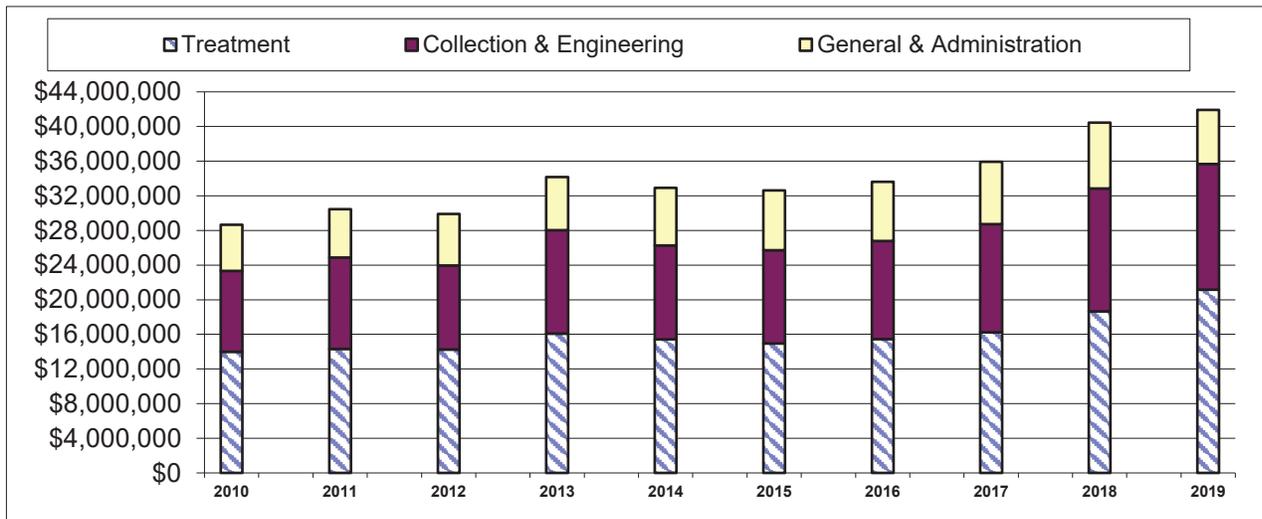


The District's main source of revenue is sewer service charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

## UNION SANITARY DISTRICT

### Operating Expenses By Major Function

<u>Fiscal Year</u>	<u>Treatment</u>	<u>Collection &amp; Engineering</u>	<u>General &amp; Administration</u>	<u>Total Operating Expenses</u>
2019	\$21,155,840	\$14,519,186	\$6,227,572	\$41,902,599
2018	18,657,355	14,173,382	7,611,460	40,442,197
2017	16,252,881	12,462,391	7,195,269	35,910,541
2016	15,464,775	11,296,680	6,848,244	33,609,699
2015	14,956,369	10,763,530	6,910,857	32,630,756
2014	15,410,523	10,869,755	6,634,688	32,914,966
2013	16,088,929	11,954,345	6,111,468	34,154,742
2012	14,255,266	9,712,645	5,951,818	29,919,729
2011	14,342,352	10,532,692	5,574,251	30,449,295
2010	13,995,781	9,338,919	5,322,085	28,656,785



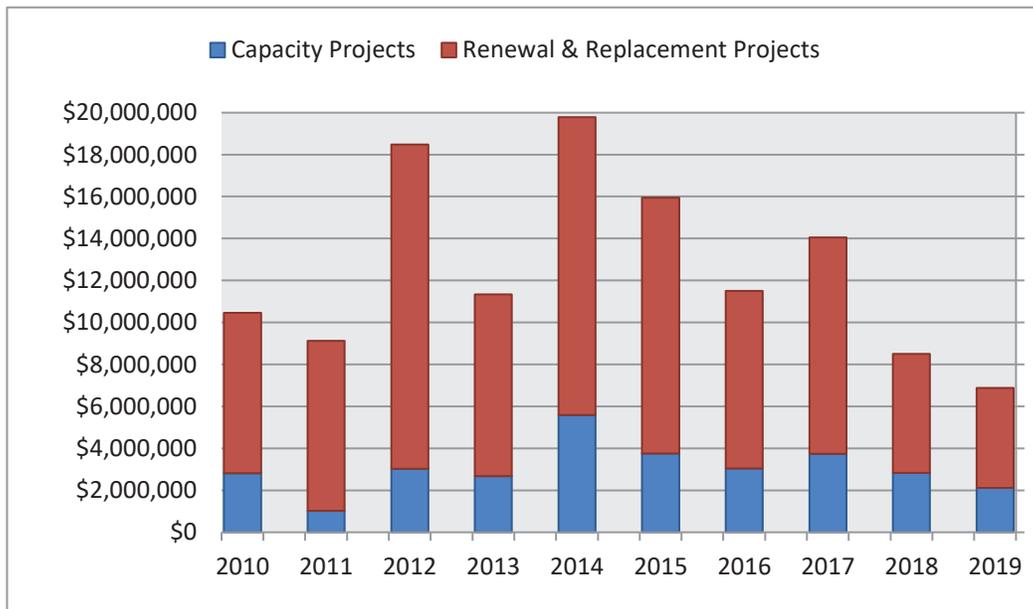
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

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

# UNION SANITARY DISTRICT

## Capital Expenditures

<u>Fiscal Year</u>	<u>Capacity Projects</u>	<u>Renewal &amp; Replacement Projects</u>	<u>Total Capital Expenditures</u>
2019	\$2,116,500	\$4,763,583	\$6,880,082 *
2018	2,828,376	5,666,366	8,494,742
2017	3,734,780	10,310,989	14,045,769
2016	3,037,012	8,466,899	11,503,911
2015	3,755,472	12,194,927	15,950,399
2014	5,592,023	14,195,068	19,787,091
2013	2,673,173	8,663,485	11,336,658
2012	3,032,556	15,453,790	18,486,346
2011	1,030,689	8,099,110	9,129,799
2010	2,809,723	7,641,018	10,450,741



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.

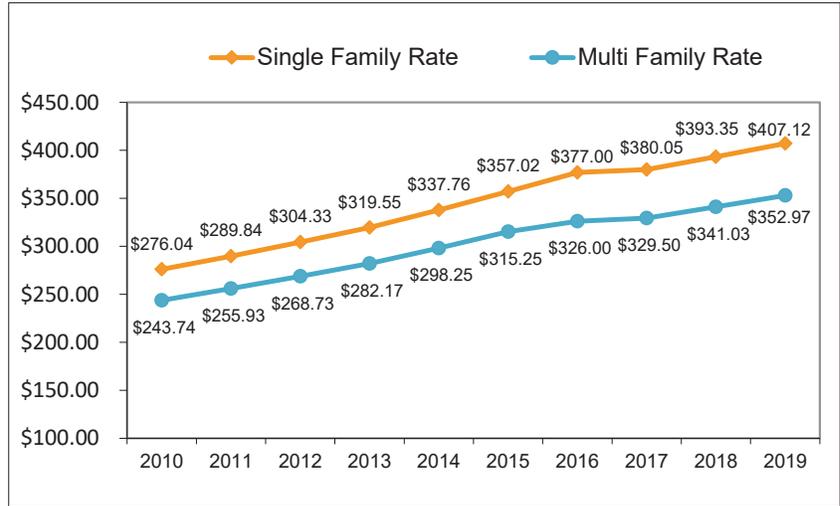
\*Does not include Self Generation Incentive Program (SGIP) credit of \$286,167 for the Co-generation project.

UNION SANITARY DISTRICT

**Current and Historical Fees**  
As of June 30, 2019  
Last Ten Years

**Sewer Service Charge Rates**

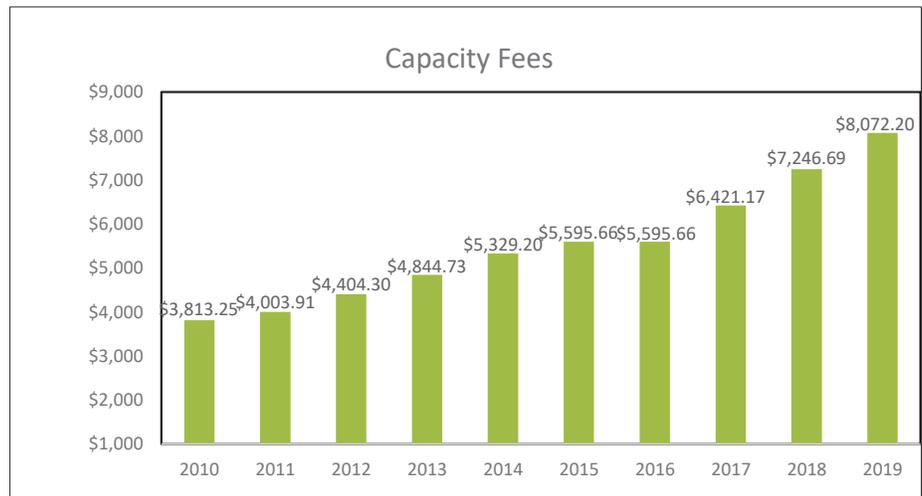
	Single Family Rate	Multi - Family Rate	Single Family Rate Percentage Change
2019	\$407.12	\$352.97	3.5%
2018	393.35	341.03	3.5%
2017	380.05	329.50	1.0%
2016	377.00	326.00	5.6%
2015	357.02	315.25	5.7%
2014	337.76	298.25	5.7%
2013	319.55	282.17	5.0%
2012	304.33	268.73	5.0%
2011	289.84	255.93	5.0%
2010	276.04	243.74	6.5%



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$352.97 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
2019	\$8,072.20	11.4%
2018	7,246.69	12.9%
2017	6,421.17	14.8%
2016	5,595.66	0.0%
2015	5,595.66	5.0%
2014	5,329.20	10.0%
2013	4,844.73	10.0%
2012	4,404.30	10.0%
2011	4,003.91	5.0%
2010	3,813.25	5.0%



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

# UNION SANITARY DISTRICT

## Ten Principal Industrial Rate Payers by Levy

### June 30, 2019

2018-19				2017-18				2016-17			
Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings	Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings	Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Tesla	\$1,228,862	1	2.14%	Tesla	\$817,848	1	1.51%	Tesla	\$1,141,868	1	2.18%
Washington Hospital	221,799	2	0.39%	Western Digital	141,806	2	0.26%	Washington Hospital	206,132	2	0.39%
U S Pipe	216,296	3	0.38%	Solar City	172,276	3	0.32%	Western Digital	176,435	3	0.34%
Western Digital	174,219	4	0.30%	U S Pipe	155,774	4	0.25%	Ranch 99/Warm Springs Shc	161,772	4	0.31%
Ranch 99/Warm Springs Shopping	157,421	5	0.27%	Seagate Magnetics	156,718	5	0.29%	Marriott Hotel	142,229	5	0.27%
Ranch 99/Newark	152,401	6	0.27%	Lam Research	122,934	6	0.23%	Ranch 99/Newark	133,807	6	0.26%
Marriott Hotel	141,572	7	0.25%	Washington Hospital	173,057	7	0.32%	U S Pipe	130,685	7	0.25%
Union Square Shopping Center	138,482	8	0.24%	Kaiser Hospital	106,337	8	0.20%	Kaiser Hospital	125,907	8	0.24%
Lam Research	125,330	9	0.22%	Boehringer Ingeheim	87,678	9	0.16%	Gateway Plaza	124,269	9	0.24%
Gateway Plaza Shopping Center	125,202	10	0.22%	Seagate Technology #3	69,384	10	0.13%	Pacific Commons (Area 4-As	119,920	10	0.23%
Total annual billing largest ten:	<u>\$2,681,584</u>		<u>4.68%</u>	Total annual billing largest ten:	<u>\$1,983,813</u>		<u>3.66%</u>	Total annual billing largest ten:	<u>\$2,463,022</u>		<u>4.70%</u>
Total ALL annual billings	<u>\$57,330,651</u>			Total ALL annual billings	<u>\$54,260,096</u>			Total ALL annual billings	<u>\$52,384,709</u>		

01

2015-16				2014-15				2013-14			
Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings	Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings	Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Tesla	\$469,466	1	0.94%	Tesla	\$324,934	1	0.67%	Western Digital	\$260,023	1	0.58%
Western Digital	218,616	2	0.44%	Western Digital	235,844	2	0.49%	Washington Hospital	148,743	2	0.33%
Seagate Technology #3	152,100	3	0.30%	Washington Hospital	153,645	3	0.32%	Seagate Technology	140,016	3	0.31%
Washington Hospital	147,910	4	0.30%	Seagate Technology	116,332	4	0.24%	Tesla	137,788	4	0.31%
U S Pipe	123,218	5	0.25%	Lido Faire Shopping Center	114,536	5	0.24%	Ranch 99 Warm Springs Sh	112,329	5	0.25%
Marriott Hotel	119,716	6	0.24%	Pacific Commons (Kohls/Old Nav	113,472	6	0.23%	Gateway Plaza	101,416	6	0.22%
Kaiser Hospital	118,369	7	0.24%	Pacific Commons (Area 4-Asian f	108,292	7	0.22%	Kaiser Hospital	99,174	7	0.22%
Ranch 99/Warm Springs Shopping	115,458	8	0.23%	Ranch 99/Warm Springs Shoppin	108,163	8	0.22%	Pacific Commons (Area 4)	99,159	8	0.22%
Pacific Commons (Area 4-Asian P	112,498	9	0.22%	Full Bloom	105,805	9	0.22%	The Benton in Fremont	96,037	9	0.21%
Pacific Commons (Kohls/Old Navy	108,357	10	0.22%	Kaiser Hospital	102,771	10	0.21%	Pacific Commons (Kohls/Old	90,880	10	0.20%
Total annual billing largest ten:	<u>\$1,685,708</u>		<u>3.36%</u>	Total annual billing largest ten:	<u>\$1,483,794</u>		<u>3.07%</u>	Total annual billing largest ten:	<u>\$1,285,565</u>		<u>2.85%</u>
Total ALL annual billings	<u>\$50,112,564</u>			Total ALL annual billings	<u>\$48,379,254</u>			Total ALL annual billings	<u>\$45,139,420</u>		

**UNION SANITARY DISTRICT**  
 Ten Principal Industrial Rate Payers by Levy (continued)  
 June 30, 2019

2012-13			2011-12			2010-11		
Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings
Western Digital	\$216,919	0.51%	Western Digital	\$269,619	0.66%	NUMMI	\$391,105	1.02%
Seagate Technology	114,131	0.27%	Solyndra	210,366	0.52%	Western Digital	215,190	0.56%
Washington Hospital	105,407	0.25%	NUMMI/Tesla	148,978	0.37%	Washington Hospital	136,804	0.36%
Pacific Commons (Kohls/Old Navy)	95,188	0.22%	Evergreen Oil	133,925	0.33%	Evergreen Oil	124,684	0.32%
Ranch 99 Warms Springs Shoppir	90,954	0.21%	Washington Hospital	112,361	0.28%	Solyndra	120,712	0.31%
The Benton in Fremont	90,859	0.21%	Caravan Trading Co. & Bakery	103,048	0.25%	Full Bloom	109,681	0.28%
U S Pipe	90,780	0.21%	The Benton in Fremont	86,531	0.21%	The Benton in Fremont	82,409	0.21%
Solyndra	89,164	0.21%	Kaiser Hospital	84,813	0.21%	Seagate Technology	82,333	0.21%
Lam Research	88,904	0.21%	Gateway Plaza	81,681	0.20%	Kaiser Hospital	78,993	0.21%
Kaiser Hospital	83,879	0.20%	U S Pipe	76,091	0.19%	Amgen	75,741	0.20%
Total annual billing largest ten:	<u>\$1,066,186</u>	<u>2.52%</u>	Total annual billing largest ten:	<u>\$1,307,413</u>	<u>3.22%</u>	Total annual billing largest ten:	<u>\$1,417,652</u>	<u>3.68%</u>
Total ALL annual billings	<u>\$42,339,311</u>		Total ALL annual billings	<u>\$40,630,578</u>		Total ALL annual billings	<u>\$38,486,824</u>	

2009-10		
Rate Payer	Total Annual Billing	% of Total Annual Billings
NUMMI	\$549,041	1.48%
Western Digital	227,410	0.61%
Evergreen Oil	136,078	0.37%
Washington Hospital	128,056	0.34%
Full Bloom	122,577	0.33%
The Benton in Fremont	78,484	0.21%
The Tropics Trailer Park	77,194	0.21%
Solyndra	73,694	0.20%
Lam Research	73,316	0.20%
Union Square	71,960	0.19%
Total annual billing largest ten:	<u>\$1,537,810</u>	<u>4.13%</u>
Total ALL annual billings	<u>\$37,217,073</u>	

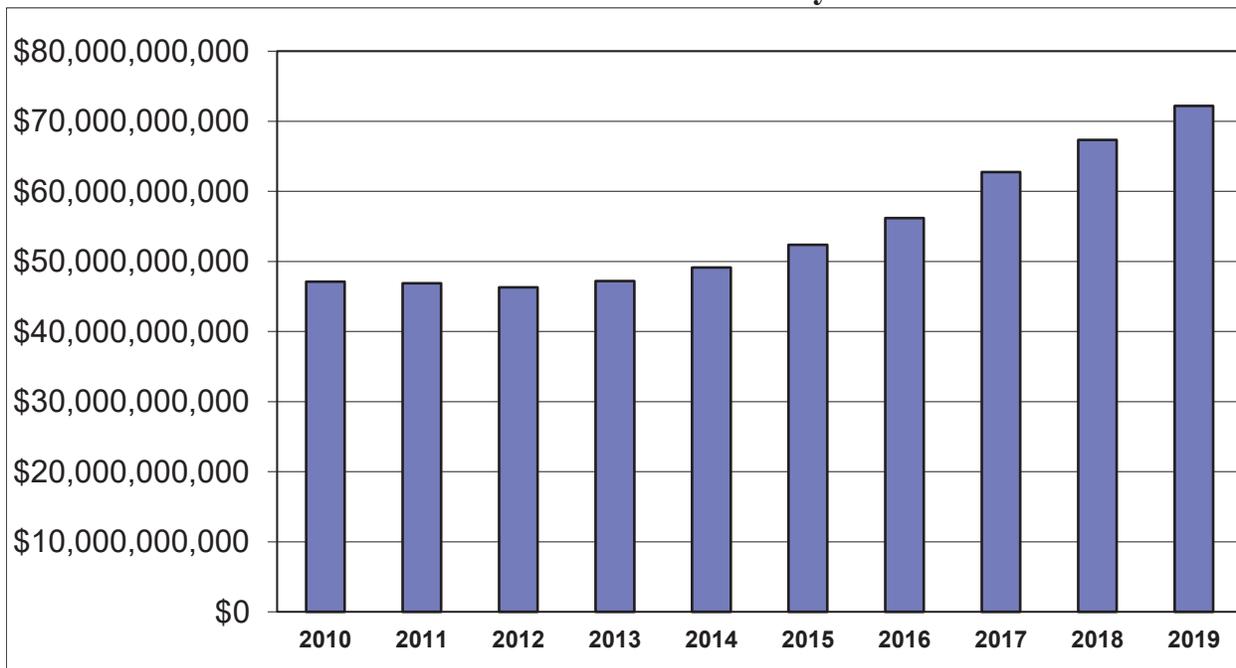
## UNION SANITARY DISTRICT

### 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
2019	\$72,179,061,738	7.21%
2018	67,322,355,237	7.29%
2017	62,748,855,394	11.69%
2016	56,180,082,061	7.25%
2015	52,380,183,178	6.64%
2014	49,120,298,326	4.06%
2013	47,205,182,529	1.95%
2012	46,301,581,317	-1.22%
2011	46,871,083,762	-0.54%
2010	47,125,012,456	-1.57%

**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

<u>Fiscal Year</u>	<u>Use Permit (1)</u>	<u>State Revolving Fund Loans</u>	<u>Principal Total</u>	<u># of Parcels</u>	<u>Total Debt/ Parcel</u>
2019	\$0	\$39,055,508	\$39,055,508	97,870	\$399
2018	0	41,925,514	41,925,514	97,183	431
2017	0	44,272,413	44,272,413	95,997	461
2016	0	43,070,909	43,070,909	95,254	452
2015	0	41,861,476	41,861,476	94,768	442
2014	0	39,488,115	39,488,115	94,877	416
2013	0	40,648,328	40,648,328	94,640	430
2012	0	39,630,289	39,630,289	94,351	420
2011	471,698	31,985,449	32,457,147	94,231	344
2010	916,696	33,594,457	34,511,153	93,962	367

(1) Union City Use Permit to increase capacity to maximum of 38 mg/d

## UNION SANITARY DISTRICT

### Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage % <sup>(3)</sup>
2019	\$79,773,963	\$41,902,599	\$37,871,364	\$3,902,080	971%
2018	80,216,769	40,442,197	39,774,572	3,902,080	1019%
2017	67,617,052	35,910,541	31,706,511	3,127,110	1014%
2016	59,634,122	33,609,699	26,024,423	3,127,110	832%
2015	54,941,712	32,630,756	22,310,956	3,127,110	713%
2014	50,004,485	32,914,966	17,089,519	4,086,647	418%
2013	46,744,639	34,154,742	12,589,897	4,429,320	284%
2012	44,754,760	29,919,730	14,835,030	4,429,320	335%
2011	43,131,063	30,449,295	12,681,768	3,584,000	354%
2010	41,001,643	28,656,785	12,344,858	3,476,933	355%

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

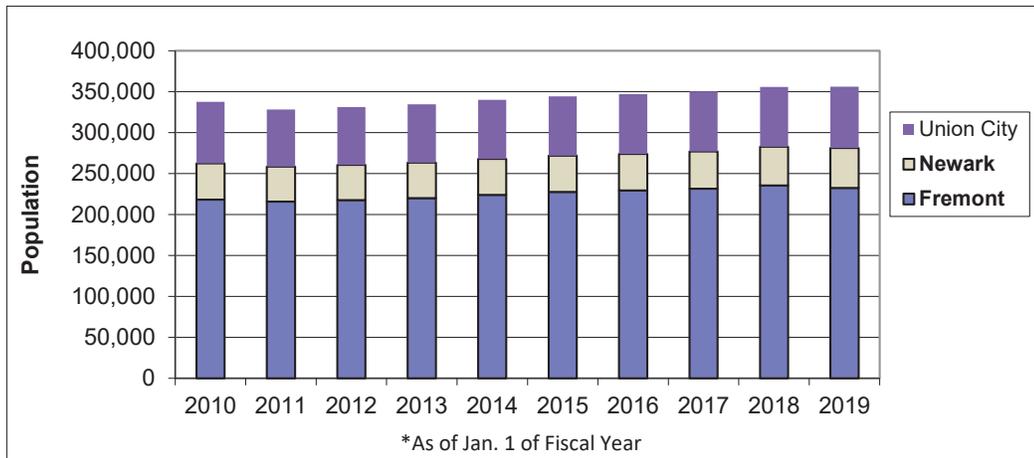
(2) Excludes depreciation; operating expenses do not include capital project expenditures.

(3) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 130%, which is higher than the standard 120% typically used to secure revenue bonds.

**UNION SANITARY DISTRICT**

Demographics  
Population of Service Area Served\*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fremont	218,128	215,711	217,700	219,926	223,972	227,582	229,324	231,664	235,439	232,532
Newark	44,380	42,764	43,041	43,342	43,856	44,284	44,733	45,422	47,467	48,712
Union City	75,054	69,850	70,646	71,329	72,155	72,412	72,952	73,452	72,991	74,916
<b>Total</b>	<b>337,562</b>	<b>328,325</b>	<b>331,387</b>	<b>334,597</b>	<b>339,983</b>	<b>344,278</b>	<b>347,009</b>	<b>350,538</b>	<b>355,897</b>	<b>356,160</b>
Total % Change	1.17%	-2.74%	0.93%	0.97%	1.61%	1.26%	0.79%	1.02%	1.53%	0.07%



## UNION SANITARY DISTRICT

### Demographics Per Capita Income and Unemployment Rate (Calendar Year)

	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
2018 Fremont	\$49,740	2.7%
Newark	N/A	2.9%
Union City	\$71,282	2.9%
2017 Fremont	\$49,740	2.7%
Newark	\$32,301	2.9%
Union City	\$68,519	3.4%
2016 Fremont	\$46,899	3.3%
Newark	\$31,358	3.6%
Union City	\$65,884	4.3%
2015 Fremont	\$43,563	3.7%
Newark	\$31,043	4.1%
Union City	\$62,926	4.4%
2014 Fremont	\$40,562	4.5%
Newark	\$30,572	5.0%
Union City	\$58,175	5.9%
2013 Fremont	\$43,504	5.7%
Newark	\$29,390	5.3%
Union City	\$56,365	7.4%
2012 Fremont	\$38,095	6.9%
Newark	\$28,683	6.5%
Union City	\$55,224	9.0%

County	Income Category	Number of Persons in Household							
		1	2	3	4	5	6	7	8
Alameda County  Area Median Income: <b>\$111,700</b>	Extremely Low	26050	29750	33450	37150	40150	43100	46100	49050
	Very Low Income	43400	49600	55800	61950	66950	71900	76850	81800
	Low Income	69000	78850	88700	98550	106450	114350	122250	130100
	<b>Median Income</b>	78200	89350	100550	<b>111700</b>	120650	129550	138500	147450
	Moderate Income	93850	107250	120650	134050	144750	155500	166200	176950

Sources: CAFR Reports - Fremont, Newark, Union City; Employment Development Department State of California Department of Housing and Community Development ([www.hcd.ca.gov](http://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,*										
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
<b>Fremont</b>												
Tesla	Auto Manufacturer	N/A	3.17%	3.12%	3.12%	2.68%	2.75%	2.81%	1.45%	N/A	N/A	N/A
Fremont Unified School District	Education	N/A	2.67%	2.61%	2.47%	2.38%	2.75%	2.81%	2.90%	3.27%	3.02%	3.02%
Washington Hospital	Healthcare	N/A	2.72%	2.68%	2.68%	2.68%	2.75%	1.70%	1.76%	1.98%	1.81%	1.81%
Western Digital	Hard Drives and Electronics	N/A	2.72%	2.68%	2.68%	2.68%	2.75%	1.22%	1.26%	1.20%	1.81%	1.81%
Lam Research	Technology	N/A	2.72%	2.68%	2.68%	2.68%	2.75%	1.41%	1.45%	1.00%	0.96%	0.96%
<b>Newark</b>												
Newark Unified School District	Education	N/A	3.70%	4.00%	4.20%	3.10%	3.20%	3.30%	3.40%	3.40%	3.40%	3.40%
Logitech	Computer Accessories	N/A	2.40%	2.70%	3.00%	3.00%	3.10%	3.20%	3.00%	N/A	N/A	N/A
Risk Management Solutions	Catastrophe Risk Management	N/A	1.20%	1.20%	1.40%	1.20%	1.20%	1.30%	1.30%	1.30%	1.30%	1.30%
VM Services Inc	Technology	N/A	1.10%	1.10%	1.00%	N/A						
WorldPac	Wholesale Distributor	N/A	0.90%	0.90%	0.90%	N/A	N/A	N/A	N/A	1.40%	N/A	N/A
<b>Union City</b>												
New Haven Unified School District	Education	N/A	3.19%	3.30%	3.10%	3.01%	3.01%	3.07%	3.22%	3.69%	3.76%	3.76%
Southern Glazer's Wine & Spirits	Beverages	N/A	2.00%	2.06%	3.67%	3.44%	3.44%	3.54%	3.71%	1.13%	1.16%	1.16%
Wal Mart	Retailer	N/A	1.43%	1.10%	1.20%	2.34%	2.34%	2.40%	2.52%	1.62%	1.65%	1.65%
Masonic Home for Adults	Continuing Care Retirement Community	N/A	1.33%	1.26%	N/A							
Abaxis, Inc.	Biotech	N/A	1.07%	1.10%	1.20%	1.11%	1.11%	1.14%	1.19%	N/A	N/A	N/A

\* Some employers report as of December 31.

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

**UNION SANTARY DISTRICT**

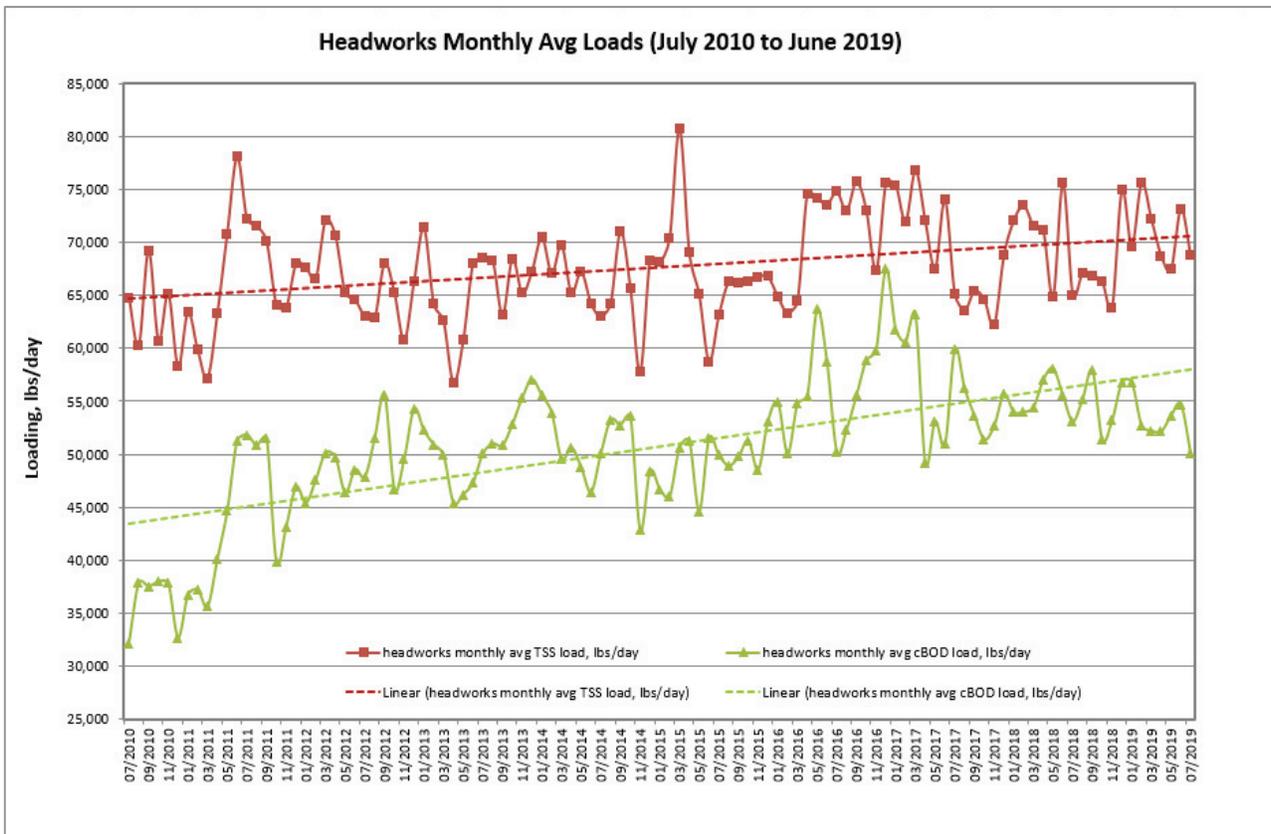
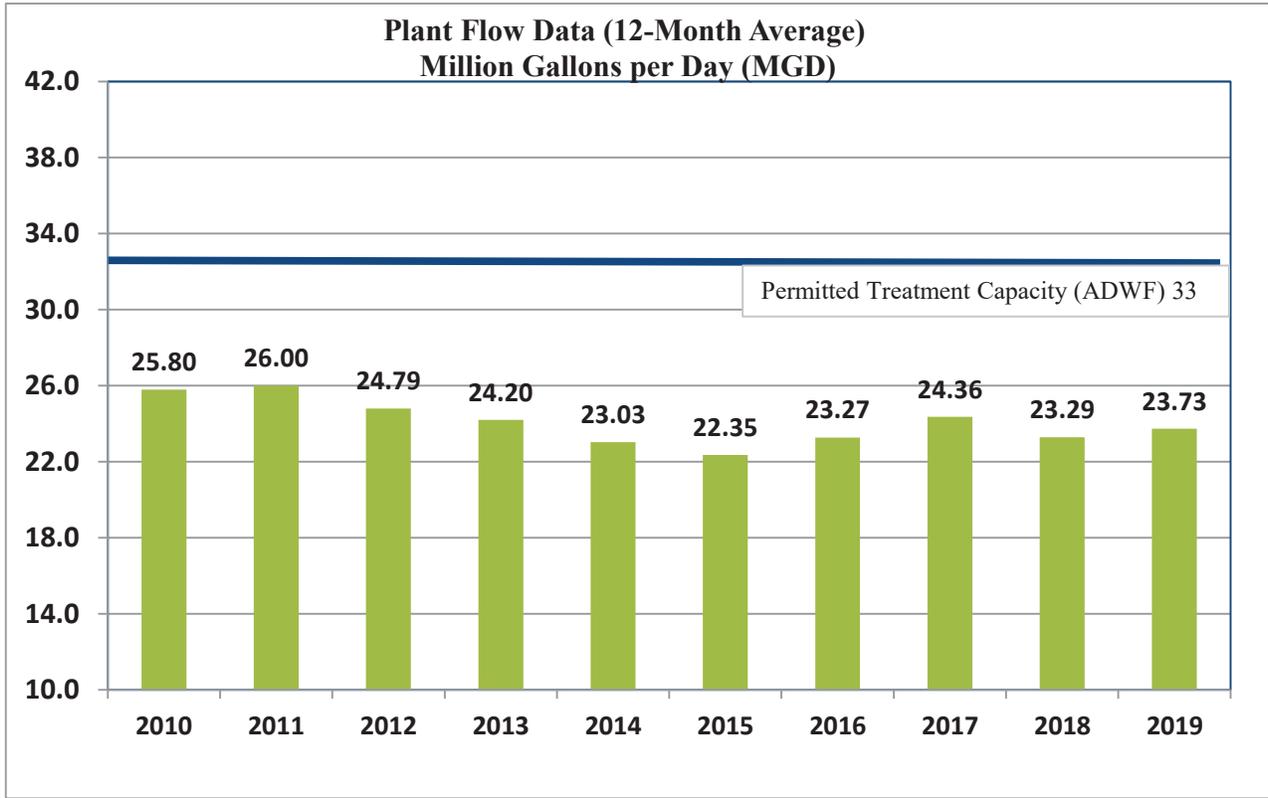
Full-time Equivalent District Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
System operations and maintenance (CS Support, FMC, T&D, Warehouse)	54.45	55.45	52.45	53.45	53.45	50.45	51.45	13.45	11.45	8.45
Engineering and construction (CIP)	9.00	8.00	9.00	10.00	8.00	8.00	7.00	8.00	8.00	6.00
Collections System Maintenance (CS)	25.00	25.00	25.00	25.00	23.00	23.00	24.00	22.00	22.00	22.00
Office of the General Manager (GM)	2.00	2.00	2.00	2.00	3.00	1.00	2.00	3.00	2.00	2.00
Finance (FIST)	6.00	5.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Information systems (IT)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	5.00
Administration department (Adm Specialist, MMT, non-HR OST)	12.00	13.00	13.00	14.00	13.00	14.00	15.00	14.00	16.00	15.00
Customer and community services (Rest of TS)	21.00	21.00	20.00	20.00	18.00	19.00	19.00	19.00	19.00	19.00
Human resources (HR)	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Total # of Employees</b>	<b>136.45</b>	<b>136.45</b>	<b>131.45</b>	<b>136.45</b>	<b>131.45</b>	<b>128.45</b>	<b>131.45</b>	<b>92.45</b>	<b>90.45</b>	<b>85.45</b>

Average years of service of employees as of 6/30/19:

- CIP = Capital Improvements Projects Team
- FAST = Finance & Acquisition Services Team
- FIST = Finance & Internal Support Team
- FMC = Fabrication, Maintenance and Construction
- MMT = Materials Management Team
- 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

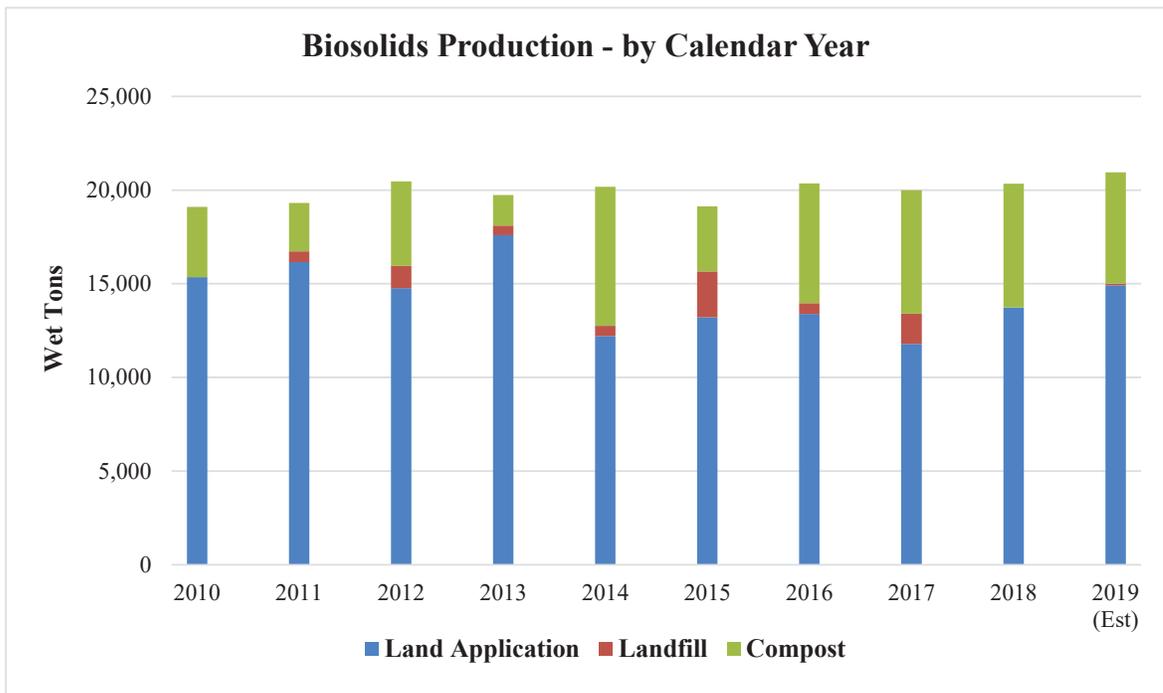
**UNION SANITARY DISTRICT**

Operating Indicators - Biosolids  
Last Ten Calendar Years

**Function/Program**

**Biosolids**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u> (Est)
Land Application	15,348	16,160	14,770	17,597	12,212	13,212	13,395	11,784	13,733	14,914
Landfill	0	571	1,187	501	545	2,450	563	1,624	0	95
Compost	3,751	2,585	4,501	1,642	7,414	3,470	6,399	6,584	6,615	5,937
<b>Total (in Wet Tons)</b>	<b>19,099</b>	<b>19,316</b>	<b>20,458</b>	<b>19,740</b>	<b>20,171</b>	<b>19,132</b>	<b>20,357</b>	<b>19,992</b>	<b>20,348</b>	<b>20,946</b>



## UNION SANITARY DISTRICT

### Miscellaneous Statistics

6/30/2019

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:	136.45 full-time equivalent employees
CEO:	General Manager
CFO:	Business Services Manager (Vacant)
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:	356,160
Number of Parcels	97,870 (87,750 Residential; 3,115 Non-Residential; 7,005 Other vacant land)
Operations:	Total miles of pipeline - 834, including the force main and all gravity sewers (including trunk mains) Number of pumping stations - 7 Larger: Irvington, Newark, Alvarado Smaller: Fremont, Boyce, Paseo Padre, Cherry Street
Permitted Plant Treatment Capacity (ADWF)	33 million gallons per day (mgd)
Type of Treatment:	Secondary
Sewer Service Charge:	\$407.12 annually per single family residential dwelling unit