

EAST BAY DISCHARGERS AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION

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**EAST BAY DISCHARGERS AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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East Bay Dischargers Authority

**Commission
June 30, 2020**

<u>Member Agency and Representatives</u>	<u>Office</u>
City of San Leandro: Pauline Russo Cutter Pete Ballew	Chair Alternate
Oro Loma Sanitary District: Dan Walters Bob Glaze	Vice-Chair Alternate
Castro Valley Sanitary District: Ralph Johnson Dave Sadoff	Commissioner Alternate
City of Hayward: Sara Lammin Al Mendall	Commissioner Alternate
Union Sanitary District Anjali Lathi Thomas Handley	Commissioner Alternate

Management Team

Jacqueline T. Zipkin
General Manager/Treasurer-Controller

Howard Cin
Operations and Maintenance Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the East Bay Dischargers Authority (Authority), California, as of and for the years ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority'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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority'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 Authority'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority as of June 30, 2020 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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2019 financial statements, and we expressed an unmodified audit opinions on those audited financial statements in our report dated November 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and other Required Supplementary Information, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and Supplementary Information Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
November 11, 2020

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East Bay Dischargers Authority

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

The management's discussion and analysis of the East Bay Dischargers Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended June 30, 2020. The intent of the management's discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

Key Financial Highlights

- The Authority had total net position of \$31,146,310 at June 30, 2020.
- The Authority's total operating revenues were \$5,767,363 at June 30, 2020 and were comprised 82% from Member assessments.
- The Authority's total operating expenses were \$5,364,073 at June 30, 2020 and were comprised 18% from depreciation and 82% from operations and maintenance costs (excluding depreciation expense).

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities of the Authority as a whole, which presents an aggregate view of the Authority's finances. Proprietary Funds financial statements provide the next level of detail.

Supplementary information included at the end of the financial statements includes the Authority's cumulative history of expenditures from its inception of the Capital Projects and Planning and Special Studies Funds. Additional schedules detail the cumulative history of Sole-Use projects of the Capital Projects Fund, Joint-Use projects of the Capital Projects Fund, and Sole-Use projects of the Planning and Special Studies Fund.

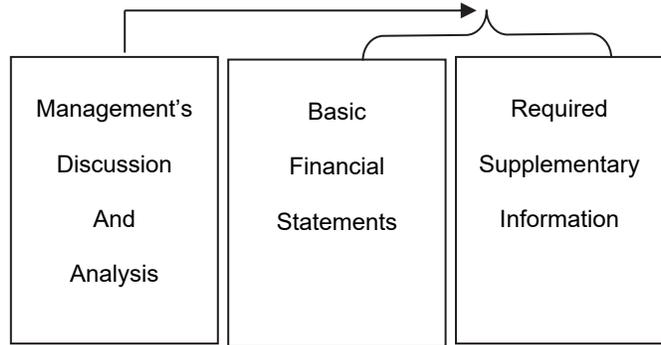
Statement of Net Position and Statement of Activities

While this report contains the funds used by the Authority to provide programs and activities, the view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies.

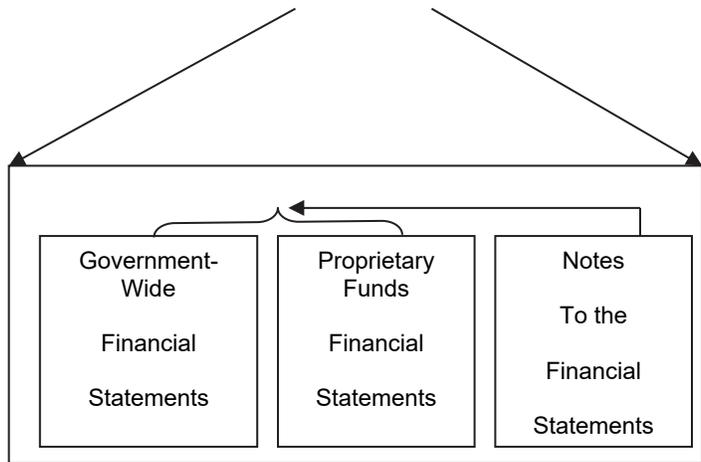
East Bay Dischargers Authority

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Authority's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.



The chart summarizes the major features of the Authority's financial statements, including the portion of the Authority's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



Summary \longleftrightarrow Detail

East Bay Dischargers Authority

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Major Features of the Government-Wide Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary	Fiduciary
Scope	Entire Authority activities	N/A	The activities of the Authority that are proprietary in nature	N/A
Required financial statements	Statement of Net Position Statement of Activities		Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position	
Accounting basis and measurement focus	Accrual accounting and economic resources focus		Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term		All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid		All revenues and expenses during the year, regardless of when cash is received or paid	

Fund Financial Statements

Fund financial reports provide detailed information about the Authority’s funds. The Authority uses Proprietary funds to account for its activities. Proprietary funds utilize the full accrual basis of accounting. The full accrual basis of accounting is similar to accounting utilized by the private sector. The following describes the activities of the funds reported by the Authority:

Fund 12 - Operation and Maintenance Effluent Disposal - This fund covers all costs directly associated with the operation, maintenance and repair of the Joint Facilities including labor, materials, supplies, power, chemicals, utilities, professional or contractual services, research and monitoring, tools and equipment, to keep the facilities in proper operating condition and maintain its useful life, plus general administrative expenses, including depreciation, attributable to operation and maintenance activities.

Fund 13 - Special Projects (Planning and Special Studies Costs) - This fund covers those costs associated with advanced planning, facilities planning, feasibility studies, research and development, environmental evaluations and studies as related to the overall Joint Facilities or of general interest or benefit to all agencies.

Fund 14 - Water Recycling (Reclamation/Reuse) - This fund covers "Reclamation/Reuse" as approved by the Commission, including the Skywest Golf Course.

East Bay Dischargers Authority

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Fund 31 - Renewal and Replacement Fund - This fund provides funding for the Capital Costs of rehabilitation and replacement of Authority Facilities. The Authority's asset management plan is maintained and updated annually.

Annual approval by the Commission authorizes replacement of specific items each year. Replacement costs include purchase, taxes, shipping, installation, programming, and design when applicable.

Fund 41 - Capital Projects/Grants – During the year ended June 30, 2020, the Authority transferred the remaining net position of the Capital Projects fund to the Renewal and Replacement fund.

Financial Analysis of the Authority as a Whole

The composition of the Authority's net position at June 30, 2020, is presented by category in the following table.

Table 1 - Summary of Net Position				
	2020	2019	Dollar Change	Percent Change
Assets				
Current Assets	3,769,080	4,515,791	(746,711)	-16.5%
Noncurrent Assets	28,856,838	28,818,876	37,962	0.1%
Total Assets	32,625,918	33,334,667	(708,749)	-2.1%
Deferred outflow of resources:				
Pension related	894,246	218,171	676,075	309.9%
OPEB related	548,842	57,097	491,745	861.2%
Liabilities				
Current Liabilities	1,323,393	1,359,672	(36,279)	-2.7%
Noncurrent Liabilities	1,417,458	1,372,246	45,212	3.3%
Total Liabilities	2,740,851	2,731,918	8,933	0.3%
Deferred inflow of resources:				
Pension related	117,732	85,477	32,255	37.7%
OPEB related	64,113	5,279	58,834	1114.5%
Net Position				
Net Investment in Capital Assets	28,856,838	28,818,876	37,962	0.1%
Unrestricted	2,289,472	1,968,385	321,087	16.3%
Total Net Position	31,146,310	30,787,261	359,049	1.2%

East Bay Dischargers Authority

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Table 2 shows the changes in net position for fiscal year 2020.

Table 2 - Changes in Net Position				
	2020	2019	Dollar Change	Percent Change
Revenues				
Program Revenues:				
Charges for Services	5,767,363	4,304,731	1,462,632	34.0%
General Revenues:				
Interest Income	70,036	93,374	(23,338)	-25.0%
City of San Leandro - Capital Reimbursement	(114,277)	-	(114,277)	
Total Revenues	5,723,122	4,398,105	1,325,017	30.1%
Expenses				
Program Expenses:				
Discharge Services	5,364,073	4,718,103	645,970	13.6%
General Expenses:				
LAVWMA Master Agreement	-	14,139	(14,139)	
Total Expenses	5,364,073	4,732,242	631,831	13.3%
Changes in Net Position	359,049	(334,137)	693,186	207.5%

Interest earnings from cash in banks, LAIF and certificates of deposit decreased by 25%. Discharge services increased by 13.6% in the Proprietary funds.

Financial Analysis of the Authority's Funds

The Authority's Proprietary funds statement reports a combined net position of \$31,146,310, which is an increase from last year's total of \$30,787,261. Table 3 provides an analysis of the Authority's net position by fund and the total change from the prior year.

Table 3 - Summary of Funds Net Position			
Funds	2020	2019	Increase (Decrease)
Operations and Maintenance	28,864,733	27,758,416	1,106,317
Water Recycling	297,550	270,615	26,935
Renewal and Replacement	1,848,811	2,718,244	(869,433)
Planning and Special Studies	135,216	28,216	107,000
Capital Projects	-	11,770	(11,770)
Total Proprietary Funds Net Position	31,146,310	30,787,261	359,049

East Bay Dischargers Authority

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Capital Assets

Capital assets in Table 4 are reflected at June 30, 2020, net of depreciation. Net capital assets increased by 0.1% from 2019. The Authority uses \$3,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

Capital Asset	2020	2019	Dollar Change	Percent Change
Land	10,161	10,161	-	0.0%
Permanent Easements	432,177	432,177	-	0.0%
Building and Structures	532,698	529,918	2,780	0.5%
Sewage and Disposal Facilities	20,557,780	19,627,756	930,024	4.7%
Data Acquisition System	578,522	552,039	26,483	4.8%
Water Recycling Facilities	766,680	766,680	-	0.0%
Subsurface Lines	40,144,496	40,111,305	33,191	0.1%
Office Equipment	214,580	213,425	1,155	0.5%
Field Equipment	71,054	71,054	-	0.0%
Automotive Equipment	19,718	19,718	-	0.0%
Accumulated Depreciation	(34,471,028)	(33,515,357)	(955,671)	2.9%
Total Capital Assets Net	28,856,838	28,818,876	37,962	0.1%

Factors Bearing on the Authority's Future

Significant economic factors affecting the Authority are as follows:

- An Amended and Restated Joint Powers Agreement (JPA) for the Authority was adopted in October 2019 and went into effect on July 1, 2020. The new JPA modified the allocation of costs among the Member Agencies. The new JPA also modified Member Agencies' financial responsibilities in the event of a failure of the transport system, for example as a result of an earthquake. Finally, under the new JPA, ownership of the San Leandro Effluent Pump Station, pipeline, and associated assets has been transferred to the City of San Leandro, and an alternate approach to funding and managing capital projects at the Union Effluent Pump Station (formerly Alvarado Effluent Pump Station) has taken effect.
- The Authority is currently in negotiations with the Livermore-Amador Valley Water Management Authority (LAVWMA) on a long-term extension or renewal of the Master Agreement permitting LAVWMA to discharge wastewater through the Authority's system. In FY 2019/2020, the Authority received a total of \$898,250 from LAVWMA, which offset costs for the Member Agencies. LAVWMA and the Authority are negotiating the pricing structure for the agreement going forward.
- The increasing age of the Authority's infrastructure will require increased capital spending from its Renewal and Replacement Fund. A recent study of EBDA's subsurface lines showed that their useful life is longer than expected, likely another 20-50 years barring an earthquake or other uncontrollable event. EBDA recently completed an update of its Asset Management Plan, which

East Bay Dischargers Authority

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

lays out required investments for the renewal of assets over the next 20 years. The estimated total investment cost over 20 years is approximately \$11.3 million.

- The difficult long-term issues affecting CalPERS' investment performance, particularly in light of the pandemic-induced economic downturn, will impact the Authority's long-term salary and benefit costs. EBDA mitigated some of that risk by making additional discretionary payments to its CERBT and pension funds in FY 2019/2020, but it is likely that additional payments will be necessary to achieve the Authority's target funding goals, given recent performance.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the revenue it receives and the expenses it incurs. If you have any questions regarding this report or need additional financial information, contact:

Jacqueline T. Zipkin, General Manager
East Bay Dischargers Authority
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San Lorenzo, CA 94580
(510) 278-5910
jzipkin@ebda.org

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East Bay Dischargers Authority
Statement of Net Position
June 30, 2020

	Business-type Activities
Assets	
Current Assets:	
Cash and investments (Note 3)	\$3,517,504
Interest receivable	9,289
Accounts receivable	2,500
Due from other governments:	
Other agencies	45,950
Inventory	32,203
Prepaid expenses	160,910
Deposits	724
Total Current Assets	3,769,080
Noncurrent Assets:	
Capital assets (Note 4):	
Land	10,161
Permanent easements	432,177
Buildings and structures	532,698
Sewage disposal facilities	20,557,780
Data acquisition system	578,522
Water recycling facilities	766,680
Subsurface lines	40,144,496
Office equipment	214,580
Field equipment	71,054
Automotive equipment	19,718
Less: accumulated depreciation	(34,471,028)
Total Capital Assets - Net	28,856,838
Total Noncurrent Assets - Net	28,856,838
Total Assets	32,625,918
Deferred Outflow of Resources:	
Pension related (Note 8)	894,246
OPEB related (Note 9)	548,842
Total Deferred Outflow of Resources	1,443,088
Liabilities	
Current Liabilities:	
Accrued claims payable	552,637
Due to other governments:	
Member agencies	706,300
Other agencies	64,456
Total Current Liabilities:	1,323,393
Noncurrent Liabilities:	
Net pension liability (Note 8)	790,191
Net OPEB liability (Note 9)	579,518
Compensated absences (Note 5)	47,749
Total Noncurrent Liabilities	1,417,458
Total Liabilities	2,740,851
Deferred Inflow of Resources:	
Pension related (Note 8)	117,732
OPEB related (Note 9)	64,113
Total Deferred Inflow of Resources	181,845
Net Position	
Net Investment in Capital Assets	28,856,838
Unrestricted	2,289,472
Total Net Position	\$31,146,310

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	
Business-type activities:			
Discharge services	\$5,364,073	\$5,767,363	\$403,290
Total business-type activities	\$5,364,073	\$5,767,363	403,290
General revenues (expenses):			
Interest and investment earnings			70,036
City of San Leandro - Capital Reimbursement			(114,277)
Total general revenues (expenses)			(44,241)
Change in net position			359,049
Net position beginning			30,787,261
Net position ending			\$31,146,310

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statements of Net Position
June 30, 2020
With Comparative Totals as of June, 30 2019

	Business-type Activities - Enterprise Funds					Total June 30, 2020	Total June 30, 2019
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects		
Assets							
Current Assets (Note 3):							
Cash and investments	\$996,393	\$148,164	\$2,129,726	\$243,221		\$3,517,504	\$4,230,567
Interest receivable			9,289			9,289	23,594
Accounts receivable			2,500			2,500	
Due from other governments:							
Other agencies			45,950			45,950	44,738
Inventory	32,203					32,203	32,127
Prepaid expenses	36,684			124,226		160,910	183,976
Deposits	724					724	789
Total Current Assets	1,066,004	148,164	2,187,465	367,447		3,769,080	4,515,791
Noncurrent Assets:							
Capital assets (Note 4):							
Land	10,161					10,161	10,161
Permanent easements	429,457	2,720				432,177	432,177
Buildings and structures	532,698					532,698	529,918
Sewage disposal facilities	20,557,780					20,557,780	19,627,756
Data acquisition system	578,522					578,522	552,039
Water recycling facilities		766,680				766,680	766,680
Subsurface lines	40,144,496					40,144,496	40,111,305
Office equipment	214,580					214,580	213,425
Field equipment	71,054					71,054	71,054
Automotive equipment	19,718					19,718	19,718
Less: accumulated depreciation	(33,854,546)	(616,482)				(34,471,028)	(33,515,357)
Total Capital Assets - Net	28,703,920	152,918				28,856,838	28,818,876
Total Noncurrent Assets - Net	28,703,920	152,918				28,856,838	28,818,876
Total Assets	29,769,924	301,082	2,187,465	367,447		32,625,918	33,334,667
Deferred Outflow of Resources							
Pension related (Note 8)	894,246					894,246	218,171
OPEB related (Note 9)	548,842					548,842	57,097
Total Deferred Outflow of Resources	1,443,088					1,443,088	275,268
Liabilities							
Current Liabilities:							
Accrued claims payable	321,583	3,532	224,377	3,145		552,637	374,713
Due to other governments:							
Member agencies	375,911		114,277	216,112		706,300	874,387
Other agencies	51,482			12,974		64,456	110,572
Total Current Liabilities:	748,976	3,532	338,654	232,231		1,323,393	1,359,672
Noncurrent Liabilities:							
Net pension liability (Note 8)	790,191					790,191	681,137
Net OPEB liability (Note 9)	579,518					579,518	667,283
Compensated absences	47,749					47,749	23,826
Total Noncurrent Liabilities	1,417,458					1,417,458	1,372,246
Total Liabilities	2,166,434	3,532	338,654	232,231		2,740,851	2,731,918
Deferred Inflow of Resources							
Pension related (Note 8)	117,732					117,732	85,477
OPEB related (Note 9)	64,113					64,113	5,279
Total Deferred Inflow of Resources	181,845					181,845	90,756
Net Position							
Net Investment in Capital Assets	28,703,920	152,918				28,856,838	28,818,876
Unrestricted	160,813	144,632	1,848,811	135,216		2,289,472	1,968,385
Total Net Position	\$28,864,733	\$297,550	\$1,848,811	\$135,216		\$31,146,310	\$30,787,261

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds					Total June 30, 2020	Total June 30, 2019
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects		
Operating Revenues:							
Member assessments	\$3,537,988		\$110,723	\$1,095,933		\$4,744,644	\$3,566,371
LAVWMA assessments	629,320		45,949	222,981		898,250	598,744
Sale of reclaimed water		\$100,000				100,000	120,000
Other operating revenues	24,469					24,469	19,616
Total Operating Revenues	4,191,777	100,000	156,672	1,318,914		5,767,363	4,304,731
Operating Expenses:							
Personnel services	831,107	9,624				840,731	718,203
Depreciation	942,759	12,912				955,671	938,811
Professional services	362,323	6,829		180,920		550,072	519,216
Monitoring	156,204	6,140				162,344	142,408
Contract services	51,420					51,420	51,099
Operating supplies	245,620					245,620	230,540
Utilities	611,823	3,218				615,041	564,625
Insurance	48,941					48,941	45,249
Commissioners' compensation	34,320					34,320	39,630
Rent and lease	23,002			1,007,037		1,030,039	692,253
Repairs and maintenance	634,488	34,342				668,830	623,847
Dues	126,710			23,957		150,667	143,678
Travel and meetings	8,532					8,532	5,803
Other general administrative	1,845					1,845	2,741
Total Operating Expenses	4,079,094	73,065	156,672	1,211,914		5,364,073	4,718,103
Operating Income (Loss)	112,683	26,935	156,672	107,000		403,290	(413,372)
Nonoperating Revenues (Expenses)							
Interest income			70,036			70,036	93,374
City of San Leandro - Capital Reimbursement			(114,277)			(114,277)	
LAVWMA master agreement revenue							4,558,909
LAVWMA master agreement expense							(4,573,048)
Total Nonoperating Revenues (Expenses)			(44,241)			(44,241)	79,235
Other Financing Sources (Uses)							
Transfers in (Note 7)	993,634		11,770			1,005,404	1,791,558
Transfers out (Note 7)			(993,634)		(\$11,770)	(1,005,404)	(1,791,558)
Total Other Financing Sources (Uses)	993,634		(981,864)		(11,770)		
Change in Net Position	1,106,317	26,935	(869,433)	107,000	(11,770)	359,049	(334,137)
Net Position Beginning	\$27,758,416	\$270,615	\$2,718,244	\$28,216	\$11,770	30,787,261	31,121,398
Net Position Ending	\$28,864,733	\$297,550	\$1,848,811	\$135,216		\$31,146,310	\$30,787,261

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds					Total June 30, 2020	Total June 30, 2019
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects		
Cash Flows from Operating Activities:							
Cash received from members	\$3,407,452		\$225,000	\$944,105		\$4,576,557	\$3,888,959
Cash received from LAVWMA	595,197		34,737	210,988		840,922	674,666
Cash received from others	24,469	\$110,000	(2,500)			131,969	129,616
Cash payments for personnel services	(1,862,626)	(9,624)				(1,872,250)	(695,483)
Cash payments to suppliers for goods and services	(2,238,033)	(54,449)	197,140	(1,271,350)		(3,366,692)	(3,528,350)
Net Cash Provided (Used) by Operating Activities	(73,541)	45,927	454,377	(116,257)		310,506	469,408
Cash Flows from Capital and Related Financing Activities:							
Acquisition of capital assets	(993,633)					(993,633)	1,810,529
Net Cash Provided (Used) by Capital and Related Financing Activities	(993,633)					(993,633)	1,810,529
Cash Flows from Investing Activities:							
Interest on investments			84,341			84,341	88,530
Net Cash Provided (Used) by Investing Activities			84,341			84,341	88,530
Cash Flows from Non Capital and Related Financing Activities:							
Cash paid for interfund loans							
Cash received from interfund loans							
LAVWMA master agreement interest							(14,139)
City of San Leandro - Capital Reimbursement			(114,277)			(114,277)	
Interfund transfers	993,634		(981,864)		(11,770)		
Net Cash Provided (Used) by Non Capital and Related Financing Activities	993,634		(1,096,141)		(11,770)	(114,277)	(14,139)
Net Increase (Decrease) in Cash and Cash Equivalents	(73,540)	45,927	(557,423)	(116,257)	(11,770)	(713,063)	
Cash and Cash Equivalents Beginning	1,069,933	102,237	2,687,149	359,478	\$11,770	4,230,567	5,497,297
Cash and Cash Equivalents Ending	\$996,393	\$148,164	\$2,129,726	\$243,221		\$3,517,504	\$4,230,567

(Continued)

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds					Total June 30, 2020	Total June 30, 2019
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects		
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$112,683	\$26,935	\$156,672	\$107,000		\$403,290	(\$413,372)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	942,759	12,912				955,671	938,811
(Increase) decrease in assets and deferred outflows of resources:							
Accounts receivable			(2,500)			(2,500)	
Due from other agencies		10,000	(11,212)			(1,212)	29,449
Inventory	(76)					(76)	(3,125)
Prepaid expenses	27,047			(\$3,981)		23,066	(135,928)
Deposits	65					65	563
Pension related deferred outflows of resources	(676,075)					(676,075)	184,614
OPEB related deferred outflows of resources	(491,745)					(491,745)	40,776
Increase (decrease) in liabilities and deferred inflows of resources:							
Accrued claims payable	40,159	(3,920)	197,140	(55,455)		177,924	(328,771)
Member agencies	(130,536)		114,277	(151,828)		(168,087)	322,588
Other agencies	(34,123)			(11,993)		(46,116)	36,473
Net pension liability	109,054					109,054	(117,974)
Net OPEB liability	(87,765)					(87,765)	(28,638)
Pension related deferred inflows of resources	32,255					32,255	(63,658)
OPEB related deferred inflows of resources	58,834					58,834	864
Compensated absences	23,923					23,923	6,736
Net Cash Provided (Used) by Operating Activities	<u>(\$73,541)</u>	<u>\$45,927</u>	<u>\$454,377</u>	<u>(\$116,257)</u>		<u>\$310,506</u>	<u>\$469,408</u>

The notes to the financial statements are an integral part of this statement.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – SUMMARY OF ORGANIZATION

East Bay Dischargers Authority (Authority) was formed on February 15, 1974, under a "joint exercise of powers agreement" entered into by the City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, City of Hayward and Union Sanitary District (the Agencies). An Amended and Restated Joint Exercise of Powers Agreement went into effect on July 1, 2020. The Authority operates under a Commission consisting of a representative from each agency.

The purpose of the agreement is to provide for the "more efficient disposal of wastewater produced in each Agency, all to the economic and financial advantage of each Agency and otherwise for the benefit of each Agency; and, each of the Agencies is willing to plan with the other Agencies for joint wastewater facilities which will protect all the Agencies."

Legal title and all pertinent grant documents and conditions for the Authority's facilities remain with the Authority. Each Agency owns an undivided portion of the facilities, equal to the percentage of capacity they use in the system. Percentages are as defined by the Joint Exercise of Powers Agreement. Operations and maintenance of the facilities is the responsibility of the Authority.

The Authority operates under a National Pollutant Discharge Elimination System (NPDES) Permit No. CA 0037869 from the San Francisco Bay Regional Water Quality Control Board to discharge up to 189.1 million gallons per day (MGD) of secondary treated wastewater to San Francisco Bay. It is the Authority's responsibility to ensure that all treated wastewater discharged is in compliance with the Federal Water Pollution Control Act (P.L. 92-500) and as amended by the Clean Water Act of 1986.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation and Accounting*

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is defined as an accounting entity with a self-balancing set of accounts recording 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. The Authority utilizes the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Proprietary fund types distinguish operating revenues and expenses from non-operating items. The operating expenses of the Authority are charged to the member agencies. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

B. *Statement of Net Position*

The statement of net position is designed to display the financial position of the Authority. The Authority's net position are classified into three categories as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Authority had no restrictions as of June 30, 2020.
- Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

C. *Statement of Revenues, Expenses, and Changes in Net Position*

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income (loss). Revenues are reported by major source with operating revenues classified from the Authority's primary operating resources and all other revenue reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The Authority must adopt a budget prior to June 1 of each year for the following fiscal year. The budget for the fiscal year beginning July 1, 2019, was adopted by the Commission on May 21, 2020. Formal budgetary integration is employed as a management control device during the year.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

F. Investments

If the difference between cost and fair value is deemed material and significant, investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income or loss reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Authority participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

G. Receivables

Receivables include amounts due from member agencies and other agency assessments, other assessments and other resources. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2020.

H. Funding

East Bay Dischargers Authority's capital projects and planning and special studies funds were funded by Federal, State, and Local agency grants and/or member agency contributions.

The eligible project's costs have been funded under the Clean Water Grants Program, which was administered by the Environmental Protection Agency (EPA) for the federal government and the State Water Resources Control Board (SWRCB) for the state government. The federal and state governments' share of the eligible projects costs were 75 percent and 12.5 percent, respectively.

The Authority's operations and maintenance is funded by the member agencies and other local agencies on the basis of formulas established in the Joint Powers Agreement and other service agreements.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

East Bay Dischargers Authority is also funded for the future replacement of certain joint-use facilities by the member agencies and local agencies. Each year the Authority calculates the annual contribution required for Renewal and Replacement based upon the method adopted by the Commission. Contributions for Renewal and Replacement are made in accordance with Resolution No. 90-11, dated May 17, 1990, and as amended annually by resolution.

I. Inventories

Inventories are valued at cost using a first in, first out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

J. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$3,000 or more and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Concrete and paving	40 years
Pavement	20 years
Structures	40 to 50 years
Mechanical and pump equipment	25 years
Electrical and plumbing	10 to 20 years
Piping-above ground	20 to 40 years
Subsurface lines	75 years
Motor control units	20 years
Heating, ventilating, and air-conditioning	20 years
Data acquisition system	5 years
Equipment and furnishings	5 to 20 years
Automotive equipment	8 years

K. Compensated Absences

Vacation Leave – All full-time regular employees other than temporary, provisional, or part-time employees shall earn vacation leave at the rate of 80 working hours per year from the date of employment. Employees shall not be permitted to take any vacation during the first six months of employment. Full-time employees shall earn an additional eight (8) hours vacation leave allowance for each full year of continuous employment thereafter, up to a maximum of 160 working hours per year.

All part-time employees shall earn vacation leave at the rate of 8 working hours for each 200 hours worked from the date of employment, up to a maximum of 40 working hours per year.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick Leave – Employees who work thirty (30) days or more within a year shall receive sick leave in accordance with the Healthy Workplace, Healthy Families Act of 2014. Regular full-time employees accrue sick leave at the rate of four (4) hours per payroll period, up to 96 hours per calendar year. Sick leave shall be cumulative without limit.

CalPERS' sick leave credit benefit is included in the Authority's pension contract. An employee whose effective date of retirement is within four months of separation from employment shall be credited with 0.004 year of service credit for each unused day of sick leave.

Upon the death of an employee prior to separation from employment, the employee's heir(s) or beneficiary(ies) shall receive compensation for sick leave earned but unused by the employee equal to 0.167% of the number of hours of sick leave, times the number of whole months of continuous employment, times the employee's hourly rate of pay at the time of death.

L. Allocation of Costs

Expenses are allocated to the various member agencies in accordance with the Joint Exercise of Powers Agreement.

M. Comparative Data

Comparative total data for the prior fiscal year has been presented in order to provide an understanding of the changes in the financial position, operations, and cash flows of the Authority.

N. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

O. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Q. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2020.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period – This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement had no material effect on the financial statements.

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance – This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Of course, many of the Statements could be early-implemented, as applicable.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 – CASH AND INVESTMENTS

A. Policies

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry system*.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority’s cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority’s cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the Authority’s name and places the Authority ahead of general creditors of the institution pledging the collateral.

The Authority’s investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the Authority’s case, fair value equals fair market value, since all Authority’s investments are readily marketable.

B. Classification

The Authority’s cash and investments consist of the following at June 30:

	2020	2019
Cash in banks	\$924,227	\$218,470
Local Agency Investment Fund (LAIF)	2,237,611	3,209,547
Certificates of Deposit	355,666	802,550
 Total Cash and Investments	 \$3,517,504	 \$4,230,567

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. *Investments Authorized by the California Government Code and the Authority’s Investment Policy*

The Authority’s Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Authority’s Investment Policy where it is more restrictive that address interest rate risk, credit risk and concentration of credit risk:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker’s Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
			\$40 million	
Local Agency Investment Fund	n/a		per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

D. *Local Agency Investment Fund*

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority 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 on 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. At June 30, 2020 and 2019, these investments matured in an average of 191 and 173 days, respectively.

E. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Authority’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investments by maturity or earliest call dates, at June 30:

Type	12 Months or less	2020	2019	Concentration
Cash in bank	\$924,227	\$924,227	\$218,470	26.28%
Local Agency Investment Fund (LAIF)	2,237,611	2,237,611	3,209,547	63.61%
Certificate of Deposit	355,666	355,666	802,550	10.11%
Total Cash and Investments	<u>\$3,517,504</u>	<u>\$3,517,504</u>	<u>\$4,230,567</u>	100.00%

F. Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Authority's investments were invested in specific securities. All monies in the LAIF and Wells Fargo Advisors are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

Bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). None of the Authority’s deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts.

G. Concentration Risk

The Authority’s investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. As of June 30, 2020, 64% of the Authority’s cash was invested in LAIF, 26% was deposited in banks and 10% was invested in certificates of deposit. LAIF, cash in banks and certificates of deposit do not have maximum portfolio requirements under the California Government code.

H. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Cash in bank and certificates of deposit are measured at cost. The California Local Agency Investment Fund are external investment pools measured at fair value, and exempt in the fair value hierarchy under GASB 72.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4 – CAPITAL ASSETS

The Authority's capital assets consisted of the following as of June 30, 2020:

Capital Assets - Cost	Balance at June 30, 2019	Additions	Balance at June 30, 2020
Capital assets not being depreciated:			
Land	\$10,161		\$10,161
Permanent Easements	432,177		432,177
Total capital assets not being depreciated	442,338		442,338
Capital assets being depreciated:			
Building and Structures:			
Operations center	529,918	\$2,780	532,698
Sewage Disposal Facilities:			
San Leandro pump station	2,356,906		2,356,906
Oro Loma pump station	8,319,618	81,252	8,400,870
Marina Dechlorination Facility	2,838,957		2,838,957
Hayward pump station	3,167,423	762,562	3,929,985
Alvarado pump station	2,944,852	86,210	3,031,062
Data acquisition system	552,039	26,483	578,522
Water Recycling Facilities:			
Skywest Golf Course irrigation facilities	766,680		766,680
Subsurface Lines:			
Bay outfall	19,662,313	33,191	19,695,504
San Leandro to Marina forcemain	3,707,991		3,707,991
Marina to Oro Loma forcemain	5,515,909		5,515,909
Oro Loma to Hayward forcemain	2,748,322		2,748,322
Hayward to Alvarado forcemain	8,465,123		8,465,123
Seismic design	11,647		11,647
Office equipment	213,425	1,155	214,580
Field equipment	71,054		71,054
Automotive equipment	19,718		19,718
Total capital assets being depreciated	61,891,895	993,633	62,885,528
Total Cost of Capital Assets	\$62,334,233	\$993,633	\$63,327,866

(Continued)

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4 – CAPITAL ASSETS (Continued)

Accumulated Depreciation	Balance at June 30, 2019	Additions	Balance at June 30, 2020
Building and Structures:			
Operations center	(\$453,946)	(\$11,371)	(\$465,317)
Sewage Disposal Facilities:			
San Leandro pump station	(1,148,142)	(55,844)	(1,203,986)
Oro Loma pump station	(5,331,011)	(159,941)	(5,490,952)
Marina Dechlorination Facility	(2,385,330)	(54,234)	(2,439,564)
Hayward pump station	(705,468)	(22,200)	(727,668)
Alvarado pump station	(1,989,934)	(57,060)	(2,046,994)
Data acquisition system	(417,347)	(24,613)	(441,960)
Water Recycling Facilities:			
Skywest Golf Course irrigation facilities	(603,570)	(12,912)	(616,482)
Subsurface Lines:			
Bay outfall	(9,942,523)	(261,892)	(10,204,415)
San Leandro to Marina forcemain	(1,882,422)	(49,616)	(1,932,038)
Marina to Oro Loma forcemain	(2,763,840)	(72,646)	(2,836,486)
Oro Loma to Hayward forcemain	(1,398,805)	(36,462)	(1,435,267)
Hayward to Alvarado forcemain	(4,287,853)	(116,861)	(4,404,714)
Seismic design	(10,252)	(466)	(10,718)
Office equipment	(104,142)	(19,553)	(123,695)
Field equipment	(71,054)		(71,054)
Automotive equipment	(19,718)		(19,718)
Total Accumulated Depreciation	<u>(33,515,357)</u>	<u>(955,671)</u>	<u>(34,471,028)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$28,818,876</u>	<u>\$37,962</u>	<u>\$28,856,838</u>

NOTE 5 – COMPENSATED ABSENCES

The Authority's compensated absences consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Beginning Balance	\$23,826	\$17,090
Additions	58,955	57,810
Payments	<u>(35,032)</u>	<u>(51,074)</u>
Ending Balance	<u>\$47,749</u>	<u>\$23,826</u>
Current Portion	<u>\$0</u>	<u>\$0</u>
Non Current Portion	<u>\$47,749</u>	<u>\$23,826</u>

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 – OPERATING LEASE COMMITMENTS

The Authority has a long-term operating lease on land, ending on June 30, 2025, with Oro Loma Sanitary District. Current payments on the lease are \$6,450 per year. Since the lease terms will be modified every 5th year, the future commitments are based on the land lease dated April 12, 1979 as amended on January 1, 2020. The total lease obligation as of June 30, 2020 was as follows:

Fiscal Year Ending June 30	Lease Obligation
2021	\$6,450
2022	6,450
2023	6,450
2024	6,450
2025	6,450
Total	\$32,250

NOTE 7 – INTERFUND TRANSACTIONS

A. General

Interfund transactions are reported as either services provided, reimbursements, or transfers. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

B. Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2020 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
Operations and Maintenance	Renewal and Replacement	\$993,634
Renewal and Replacement	Capital Projects	11,700

During the year ended June 30, 2020, the Authority transferred the remaining net position of the Capital Project fund to the Renewal and Replacement fund.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Authority contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Authority resolution. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report can be found on CalPERS’ website at www.calpers.ca.gov.

B. Benefits Provided

CalPERS provides service 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, age at retirement, and final compensation. Members are eligible to retire at an earlier age with statutorily reduced benefits. Disability retirement is available to vested members. The cost of living adjustments for each plan are applied as specified by Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

Plan Information	Tier 1	Tier 2 (PEPRA)
Date of Employment	Before 12/31/2012	On or after 01/01/2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.50%	1.0% to 2.50%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	11.432%	6.985%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the Authority reported net pension liabilities for its proportionate shares of the net pension liability in the amount of \$790,191.

The Authority's net pension liability for the Plan is measured as the proportionate share of the CalPERS' total pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30 is as follows:

	2020	2019	Change Increase/(Decrease)
Percentage of Risk Pool Net Pension Liability	0.026540%	0.025490%	0.001050%
Percentage of Plan (PERF C) Net Pension Liability	0.007710%	0.007070%	0.000640%

For the year ended June 30, 2020, the Authority recognized pension expense of \$205,866. At June 30, 2020, the Authority 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	\$740,632	
Differences between actual and expected experience	54,882	(\$4,252)
Change in employer's proportion	44,700	(5,525)
Differences between the employer's contributions and the employer's proportionate share of contribution	16,352	(80,783)
Changes in assumptions	37,680	(13,357)
Net differences between projected and actual earnings on plan investments		(13,815)
Total	\$894,246	(\$117,732)

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

The \$740,632 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2021	\$39,347
2022	(6,009)
2023	(248)
2024	2,792
Total	<u>\$35,882</u>

Actuarial Assumptions – For the measurement period ended June 30, 2019, the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	(A)
Investment Rate of Return	7.15% (B)
Mortality	Derived using CalPERS Membership Data (C)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(A) Depending on age, service and type of employment

(B) Net of pension plan investment expenses, including inflation

(C) The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the 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

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 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 table below reflects the expected real rate of return by asset class.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS CAFR, Fixed Income is included in the Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the 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:

	<u>Miscellaneous Plan</u>
1% Decrease	6.15%
Net Pension Liability	\$1,432,174
Current Discount Rate	7.15%
Net Pension Liability	\$790,191
1% Increase	8.15%
Net Pension Liability	\$260,278

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Subsequent Event – CalPERS Pension Contribution Rates – The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the Authority’s contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Authority’s Retiree Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees. As of June 30, 2020, the Authority has 4 active plan members, one plan member is not participating in the healthcare plan and 7 inactive plan members currently receiving benefits.

Full Retirement Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	For the two current retirees, payment of any PERS Kaiser Premium for retiree and eligible dependents. For others, payment of \$473 monthly toward premiums or PERS Minimum if greater.
Benefit End	Paid for life
PERS Minimum Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	\$136 in 2019, \$139 in 2020. Indexed to the medical component of the Consumer price Index.
Benefit End	Paid for life
Post-retirement Death Benefit	Payment of one-party or two party Kaiser premium for eligible dependents for life of spouse or, while eligible, for children. Pay \$473 for retirees with that cap.
Pre-retirement Death Benefit	Same as post-retirement death benefit.
Disability Benefit	Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

There is no statutory requirement for the Authority to prefund its OPEB obligation. The Authority has currently chosen to fund the entire Annual Required Contribution (ARC). There are no employee contributions. For fiscal year ending June 30, 2020, the Authority paid \$56,925 for retiree healthcare plan benefits. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

C. Net OPEB Liability

Actuarial Methods and Assumptions – The Authority’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward using standard update procedures to determine the net OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount rate	6.00%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	6.00%
Healthcare Trend Rate	
Mortality	CalPERS medical premiums are assumed to increase 5% per year after 2018. The PEMHCA minimum contributions is assumed to increase 4% per year after 2018. 2014 CalPERS OPEB Assumptions Model for "public agency miscellaneous"

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	57%	5.25%
Fixed income	27%	0.99%
Treasury securities	5%	0.45%
Real estate trusts	8%	4.50%
Commodities	3%	3.90%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that Authority’s 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.

D. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2018 (Measurement Date)	\$874,761	\$207,478	\$667,283
Changes in the year:			
Service Cost	16,166		16,166
Interest on the total OPEB liability	50,242		50,242
Diff. between actual and expected experience	(60,853)		(60,853)
Assumption Changes	(5,731)		(5,731)
Employer contributions		74,777	(74,777)
Net investment income		12,914	(12,914)
Administrative expenses		(102)	102
Benefits paid to retirees	(74,777)	(74,777)	-
Net changes	(74,953)	12,812	(87,765)
Balance at June 30, 2019 (Measurement Date)	\$799,808	\$220,290	\$579,518

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report. The benefit payments and refunds include implied subsidy benefit payments.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

E. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current discount rate:

	1% Decrease (5.00%)	Current Discount (6.00%)	1% Increase (7.00%)
Net OPEB Liability (Asset)	\$676,976	\$579,518	\$499,607
	\$676,976	\$579,518	\$499,607

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates Current Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability (Asset)	\$532,211	\$579,518	\$635,374
	\$532,211	\$579,518	\$635,374

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

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$45,846. At June 30, 2020, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contribution made subsequent to measurement date	\$548,842	
Difference between expected and actual experience	-	\$54,887
Changes of assumptions	-	5,169
Net difference between projected and actual earnings on OPEB plan investments	-	4,057
Total	\$548,842	\$64,113
	\$548,842	\$64,113

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The \$548,842 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2021	(\$8,218)
2022	(8,217)
2023	(7,114)
2024	(6,620)
2025	(6,528)
Thereafter	(27,416)
Total	(\$64,113)

NOTE 10 – JOINT POWERS ASSOCIATION

The Authority participates in a joint venture activity through a formally organized and separate entity, the Bay Area Clean Water Agencies (BACWA) established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, BACWA 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 the separate entity are not those of the Authority. BACWA was established by Central Contra Costa Sanitary District, East Bay Municipal Utility District, East Bay Dischargers Authority, the City and County of San Francisco, and the City of San Jose for the purpose of coordinating the water quality activities of the members, to jointly contract for consultant services that are of joint benefit and to interpret data collected by BACWA and by others, in order to assess the effects of pollution and other factors on the San Francisco Bay system. A summary of BACWA's June 30, 2020 and 2019 financial statements is as follows:

	2020	2019
Total Assets	\$4,277,411	\$4,814,772
Total Liabilities	360,911	774,871
Total Equity	3,916,420	4,039,901
Total Revenue	3,440,040	4,633,578
Total Expenditures	3,563,521	4,580,066

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 11 – SELF INSURANCE

The Authority has limited pollution legal liability insurance coverage as provided by the California Sanitation Risk Management Authority (CSRMA). As of the audit date, the Authority had no claims. The possibility of an incurred but not reported claim is remote, as the Authority only discharges disinfected secondarily treated effluent. The Authority is exposed to various other risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. There were no settled claims in any of the past five fiscal years.

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2020:

	<u>Limits</u>	<u>Deductibles</u>
Excess Liability	\$10,000,000	\$100,000
General Liability	15,500,000	100,000
Pollution	25,000,000	100,000
Storage Tank Pollution	1,000,000	5,000

NOTE 12 – LEASE OF ADDITIONAL CAPACITY

The Authority signed an agreement with Livermore-Amador Valley Water Management Agency (LAVWMA) dated February 1, 1978, and as amended on March 26, 1981, June 20, 1985, and February 18, 1993. The purpose of the agreement was to allow LAVWMA to use the facilities of the Authority to discharge wastewater. The agreement provided for a reasonable method of allocating costs to LAVWMA that would be incurred as a result of the discharge rights. The term was for thirty years, with the right of renewal or early termination. The Authority signed an Interim Agreement with LAVWMA on March 18, 1998, to provide additional system discharge services.

The 1998 Interim Agreement provided for a capital buy-in fee of \$7,000,000. LAVWMA elected to defer making payments until July 1, 2001. The Interim Agreement provided that buy-in fees accrue interest from October 1, 1997 through June 30, 2001. The final buy-in fee was \$7,921,966. During the year, LAVWMA made an annual principal and interest payment of \$265,255 and \$170,925, respectively, totaling \$436,180 towards the buy-in fee.

On April 26, 2007, the Authority and LAVWMA signed a new Master Agreement that supersedes all previous agreements. The purpose of the Master Agreement was to incorporate all applicable items from the previous agreements into a single document. All the financial terms and conditions for the lease of additional capacity from the Interim Agreement have been incorporated into the Master Agreement.

On August 3, 2018, LAVWMA paid off the outstanding capital buy-in fee in the amount of \$4,122,725 which included principal of \$4,117,432 and interest of \$5,293.

**EAST BAY DISCHARGERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Authority's new Amended and Restated Joint Powers Agreement (JPA) took effect on July 1, 2020. The new JPA has a term of 20 years, with a process for negotiating the next extension or renewal beginning in year 15. Key changes in the Amended and Restated JPA include the following:

- Four of the five Member Agencies have reduced their purchased capacity in the Authority's system, and their allocations of fixed O&M and certain capital costs decreased accordingly.
- The cost allocation structure for capital costs associated with Authority's Transport System has been changed, with costs allocated to users of each segment of pipe after certain thresholds are exceeded.
- San Leandro took ownership of the San Leandro Effluent Pump Station (SLEPS) and the pipeline from SLEPS to Marina Dechlorination Facility, and in exchange, they will not pay capital or O&M costs for the other pump stations or the Transport System.
- The Authority will pay Union Sanitary District (USD) \$420,000 per year for capital expenses associated with their pump station, and in exchange, USD will be responsible for all capital needs at the station. Over the next 5-10 years, USD plans to move the station, at which time the Authority will transfer ownership of it to USD.
- The governance of the Authority has changed, with actions now requiring a majority of members and a majority of capacity-weighted votes for approval.

The Authority is currently negotiating with the Livermore-Amador Valley Water Management Agency (LAVWMA) regarding extending their contract to discharge to the EBDA system. The Authority's Master Agreement with LAVWMA expired on January 1, 2020, and the current extension runs through the end of calendar year 2020. A new extension is likely to be approved through June 30, 2021, and the Authority and LAVWMA hope to have a new master agreement in place by that time. Current negotiations center around the fixed cost percentage that LAVWMA is responsible for as well as the term of the new agreement. All revenue resulting from the LAVWMA agreement is used to offset Member Agency costs.

REQUIRED SUPPLEMENTARY INFORMATION

EAST BAY DISCHARGERS AUTHORITY
 Cost-Sharing Multiple-Employer Defined Pension Plan
 Last 10 Years*
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE**

Measurement Date	Miscellaneous Plan					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.007710%	0.707000%	0.008058%	0.007595%	0.007341%	0.00416%
Plan's proportion share of the Net Pension Liability (Asset)	\$790,191	\$681,137	\$799,111	\$657,244	\$503,886	\$258,711
Plan's Covered Payroll	492,850	533,854	422,884	377,037	393,451	399,793
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	160.33%	127.59%	188.97%	174.32%	128.07%	64.71%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

*- Fiscal year 2015 was the 1st year of implementation

EAST BAY DISCHARGERS AUTHORITY
 Cost-Sharing Multiple Employer Defined Pension Plan
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	Miscellaneous Plan					
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$95,632	\$76,851	\$72,580	\$55,390	\$43,419	\$37,170
Contributions in relation to the actuarially determined contributions	(740,632)	(76,851)	(172,580)	(55,390)	(143,419)	(37,170)
Contribution deficiency (excess)	(\$645,000)	\$0	(\$100,000)	\$0	(\$100,000)	\$0
Covered payroll	\$504,651	\$492,850	\$533,854	\$422,884	\$377,037	\$393,451
Contributions as a percentage of covered-employee payroll	146.76%	15.59%	32.33%	13.10%	38.04%	9.45%

Notes to Schedule

Valuation date:

6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation

EAST BAY DISCHARGERS AUTHORITY

Other Post-Employment Benefits (OPEB) Plan
Last 10 Years*

Schedule of Changes in the Net OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB liability			
Service cost	\$16,166	\$15,695	\$15,238
Interest	50,242	49,626	48,858
Differences between expected and actual experience	(60,853)	-	-
Change in assumptions	(5,731)	-	-
Benefit payments, including refunds of employee contributions	(74,777)	(35,331)	(67,246)
Changes of benefit terms	-	-	-
Net change in total OPEB liability	(74,953)	29,990	(3,150)
Total OPEB liability - beginning	874,761	844,771	847,921
Total OPEB liability - ending (a)	<u>\$799,808</u>	<u>\$874,761</u>	<u>\$844,771</u>
OPEB fiduciary net position			
Contributions - employer	\$74,777	\$82,651	\$80,635
Contributions - employee	-	-	-
Net investment income	12,914	11,389	12,876
Benefit payments, including refunds of employee contributions	(74,777)	(35,331)	(67,246)
Administrative expense	(102)	(81)	(64)
Other changes	-	-	-
Net change in plan fiduciary net position	12,812	58,628	26,201
Plan fiduciary net position - beginning	207,478	148,850	122,649
Plan fiduciary net position - ending (b)	<u>220,290</u>	<u>207,478</u>	<u>148,850</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$579,518</u>	<u>\$667,283</u>	<u>\$695,921</u>
Plan fiduciary net position as a percentage of the total OPEB liability	27.54%	23.72%	17.62%
Covered payroll	<u>\$492,850</u>	<u>\$533,854</u>	<u>\$422,884</u>
Net OPEB liability as a percentage of covered payroll	<u>117.59%</u>	<u>124.99%</u>	<u>164.57%</u>

* Fiscal year 2018 was the first year of implementation.

EAST BAY DISCHARGERS AUTHORITY

Other Post-Employment Benefits (OPEB) Plan
Last 10 Years*

Schedule of Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarial determined contribution	\$74,777	\$66,000	\$66,000
Contributions in relation to the actuarial determined contribution	<u>548,842</u>	<u>57,097</u>	<u>97,873</u>
Contributions deficiency (excess)	<u>(\$474,065)</u>	<u>\$8,903</u>	<u>(\$31,873)</u>
Covered Payroll	\$492,850	\$533,854	\$422,884
Contributions as a percentage of covered payroll	111.4%	10.7%	23.1%

Methods and Assumptions used to determine contribution rates:

Valuation Date	June 30, 2019
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of return	6.00%
Healthcare Trend Rate	5.00%

*- Fiscal year 2018 was the first year of implementation

SUPPLEMENTARY INFORMATION

East Bay Dischargers Authority
Operations and Maintenance Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operations and Maintenance Programs:			
General and administration	\$1,204,602	\$1,152,235	\$52,367
Outfall and forcemains	181,181	135,166	46,015
San Leandro pump station	110,636	106,277	4,359
Marina Dechlorination Facility	479,771	391,889	87,882
Oro Loma pump station	480,726	449,319	31,407
Hayward pump station	142,181	130,362	11,819
Alvarado pump station	358,181	304,600	53,581
Bay and effluent monitoring	500,090	466,487	33,603
Subtotal	<u>\$3,457,368</u>	<u>3,136,335</u>	<u>\$321,033</u>
Depreciation Expense		<u>942,759</u>	
Total Expenses		<u>\$4,079,094</u>	

East Bay Dischargers Authority
Operations and Maintenance Fund
Schedule of General and Administrative Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
General and Administrative Expenses:			
Salaries	\$502,753	\$463,795	\$38,958
Employee benefits	271,330	313,560	(42,230)
Commissioners' compensation	45,000	34,320	10,680
Deferred compensation	14,319	13,845	474
Insurance	16,000	15,588	412
Memberships	44,550	25,355	19,195
Supplies	20,000	11,450	8,550
Contractual services	22,000	23,695	(1,695)
Professional services	208,750	208,420	330
Rental	7,400	5,571	1,829
Maintenance	19,500	14,857	4,643
Travel	18,000	8,532	9,468
Utilities	15,000	11,402	3,598
Other	1,845	1,845	(1,845)
Total Expenses	<u>\$1,204,602</u>	<u>\$1,152,235</u>	<u>\$52,367</u>

East Bay Dischargers Authority
 Water Recycling Fund
 Schedule of Expenses
 Budget vs. Actual
 For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Water Recycling Programs:			
Skywest Golf Course Irrigation	\$120,000	\$60,153	\$59,847
Subtotal	\$120,000	60,153	\$59,847
Depreciation Expense		12,912	
Total Expense		\$73,065	

East Bay Dischargers Authority
Planning and Special Studies Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Planning and Special Studies Fund:			
NPDES Permit Fees	\$500,000	\$492,846	\$7,154
Regional Monitoring Plan	280,000	240,730	39,270
Nutrient Surcharge	273,000	273,461	(461)
Water Research Foundation (WERF)	25,000	23,957	1,043
Transport System Evaluation	70,000	11,759	58,241
JPA Evaluation Studies	50,000		50,000
JPA Legal Support	150,000	101,160	48,840
Website Update	20,000	17,415	2,585
AQPI	29,000		29,000
Disaster Cost Recovery Plan Implementation	50,000	12,195	37,805
Operator Training Modules	32,000	16,000	16,000
NPDES Testing-Member Agencies	69,000	14,172	54,828
Brine Project Development		8,219	(8,219)
Total Expenses	\$1,548,000	\$1,211,914	\$336,086

East Bay Dischargers Authority
Schedule of Cumulative Expenditures
Capital Projects and Planning and Special Studies Funds
From inception to June 30, 2020

	Construction Fund					Planning and Special Studies Fund	Total
	Preliminary Engineering Step I	Final Design Step II	Construction Step III	Construction Preservation	Right-of-Way Acquisitions		
Cumulative Balance - June 30, 2019	\$1,793,555	\$6,446,495	\$131,368,161	\$108,686	\$1,428,899	\$30,240,716	\$171,386,512
Current year expenses						1,211,914	1,211,914
Cumulative Balance - June 30, 2020	1,793,555	6,446,495	131,368,161	108,686	1,428,899	31,452,630	172,598,426
Transfer of completed joint-use facilities to funds	(770,081)	(1,960,537)	(46,455,940)	(108,686)	(712,274)	(58,866)	(50,066,384)
Transfer of completed sole-use facilities to owner-agency	(901,554)	(3,844,269)	(84,746,231)		(716,625)		(90,208,679)
PreDischarge monitoring study expensed	(121,920)	(641,689)					(763,609)
Grants Close-Out Programs Expensed:							
Joint-use			(129,270)				(129,270)
Sole-use			(36,720)				(36,720)
Planning and Special Studies Programs Expensed:							
Joint-use						(28,971,083)	(28,971,083)
Sole-use						(2,422,681)	(2,422,681)
Total Construction In-Progress - June 30, 2020							

East Bay Dischargers Authority
Schedule of Sole-Use Projects
Capital Projects Fund
For the Fiscal Year Ended June 30, 2020

COMPLETED PROJECTS

City of San Leandro:	
Treatment plant improvements	\$1,480,369
Secondary treatment improvements	6,216,527
Data Acquisition system	1,195
Completion contract	23,717
Site improvements at Marina Dechlorination Facility	<u>15,466</u>
Total San Leandro	<u>7,737,274</u>
Oro Loma/Castro Valley Sanitary Districts:	
Treatment plant improvements	1,183,182
Incinerator modifications	404,780
Dechlorination Facilities	<u>76,321</u>
Total Oro Loma/Castro Valley Sanitary Districts	<u>1,664,283</u>
City of Hayward:	
Treatment plant improvements	2,039,560
Sand filter	216,875
Innovative/alternative pilot study	184,413
Secondary treatment facilities - unit 1, fixed film reactor	6,064,511
Sludge drying beds	64,319
Oxidation ponds	842
Secondary treatment facilities - unit 2, wastewater plant	<u>15,254,732</u>
Total City of Hayward	<u>23,825,252</u>
Union Sanitary District:	
Dechlorination Facilities	140,235
Treatment plant	26,918,937
Rotating biological contactors modification	16,386
Alvarado to Newark force main	10,059,045
Newark to Irvington force main	13,311,800
Newark gravity sewer	224,495
Completion contracts	44,566
Newark pump station	3,039,602
Irvington pump station	2,072,808
Cathodic protection	112,138
Miscellaneous improvements	59,089
Demolition of Irvington treatment plant and miscellaneous improvements	647,388
Treatment plant expansion	1,477
Treatment plant odor control	<u>283,904</u>
Total Union Sanitary District	<u>56,931,870</u>
Skywest Golf Course Irrigation	<u>50,000</u>
Grants Close-Out Programs Expenses:	
City of San Leandro	5,492
City of Hayward	14,930
Union Sanitary District	<u>16,298</u>
Total Grants Close-Out Programs Expenses	<u>36,720</u>
TOTAL CAPITAL PROJECTS	<u><u>\$90,245,399</u></u>

East Bay Dischargers Authority
Schedule of Joint-Use Projects
Capital Projects Fund
For the Fiscal Year Ended June 30, 2020

COMPLETED PROJECTS:

Operations Center	\$456,205
Data acquisition system	405,827
Bay Outfall	19,475,150
San Leandro to Marina Forcemain	3,775,940
Marina to Oro Loma Forcemain	5,410,434
Oro Loma to Hayward Forcemain	2,760,721
Hayward to Alvarado Forcemain	8,656,375
San Leandro pump station	408,316
Oro Loma pump station	4,878,889
Hayward pump station	473,018
Union Sanitary District pump station	1,215,335
Marina Dechlorination Facility	1,139,870
Completion contracts	70,230
Site improvements at Marina Dechlorination Facility	121,240
Miscellaneous improvements	3,035
Systems modification	67,026
Cathodic protection	68,211
Skywest Golf Course Irrigation	619,712
	50,005,534
Total	50,005,534
PreDischarge Monitoring Study Expensed	763,609
Grants Close-Out Programs Expensed	129,270
TOTAL	\$50,898,413

East Bay Dischargers Authority
Schedule of Sole-Use Projects
Planning and Special Studies Fund
For the Fiscal Year Ended June 30, 2020

City of San Leandro:	
NPDES testing	\$438,907
Oro Loma/Castro Valley Sanitary Districts:	
Energy optimization study	52,280
NPDES testing	416,203
OLSD project assistance	10,261
Total Oro Loma/Castro Valley Sanitary Districts	478,744
City of Hayward:	
Hayward project assistance	52,465
NPDES testing	439,946
Russell City Energy Center	3,211
Total City of Hayward	495,622
Union Sanitary District:	
NPDES testing	688,164
Treatment plant expansion	933
USD project assistance	203,483
Total Union Sanitary District	892,580
LAVWMA:	
LAVWMA project studies	84,141
DSRSD:	
DSRSD Antidegradation Analysis	106,524
TOTAL PLANNING AND SPECIAL STUDIES	\$2,496,518

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OTHER INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the East Bay Dischargers Authority (Authority), California, as of and for the year ended June 30, 2020 and the related notes to the financial statements, and have issued our report thereon dated November 11, 2020. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 11, 2020 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mazz + Associates

Pleasant Hill, California
November 11, 2020