Union Sanitary District

Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Union Sanitary District

Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION



Introductory Section

USD's Alvarado Treatment Plant

November 30, 2012

Board of Directors
Union Sanitary District
Union City, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

I am pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

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

District Profile

The Reporting Entity

The Union Sanitary District (The District) is an independent Special District, and is accounted for as an enterprise fund type (proprietary fund category). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. As an enterprise fund, the District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. The District has no component units.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations. District policy requires that its financial statements be audited on an annual basis by an independent certified public accounting firm approved by the Board of Directors. The independent auditor's report for the Fiscal Years ended June 30, 2012 and 2011 are presented in the Financial Section of this report. Please refer to the Management's Discussion and Analysis immediately following the independent auditor's report in the Financial Section for additional information about the financial statements.

District Formation and Organization

The Union Sanitary District was formed in 1918 to serve Newark and the Centerville area of what is now Fremont. Between 1949 and 1962, Niles, Decoto, Irvington, and Alvarado Sanitary Districts joined the Union Sanitary District. The District now provides wastewater collection treatment and disposal services to the residents and businesses of the cities of Fremont, Newark, and Union City, commonly referred to as the Tri-City Area. The cities are located along Interstate 880, between Oakland and San Jose in southern Alameda County.

The District is governed by a five-member Board of Directors, which is elected by voters for staggered four-year terms. USD, which employs 130 staff, operates in a Team-based environment and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

Local Economic Condition and Outlook

Located at the northern end of Silicon Valley, the Tri-City area of Fremont, Newark and Union City has a diverse population, as well as a varied mix of employers from bio-tech to education to manufacturing and retail. Following are economic conditions in the Tri-City area and the District as a whole.

Fremont is the 4th largest city in the Bay Area in population and 2nd largest in size with an area of 93 square miles. Of its 40 schools, 35 are considered high performing by the State. The City of Fremont is seeing modest recovery and considers itself in sound financial condition. The Tesla motors plant has begun production of the Model S, an electric premium sedan, and has plans to produce the Model X sport utility vehicle. Other major employers include Western Digital, Lam Research, Boston Scientific, and Washington Township Hospital. Fremont is focusing on new developments in the Pacific Commons retail area, including a new Target store, a movie theater, and restaurants in The Block area, with more development planned, which will bring more sales tax to the City. They are also planning development of the downtown area, featuring mixed-use retail and residential projects. The City is looking forward to the expansion of BART to Warm Springs, and eventually to San Jose, a project with VTA. Fremont is still behind on street maintenance and desires to add police staff.

The City of Newark is also seeing some bright spots. While some large retail establishments such as Target, Toys R Us and Staples left Newark (the former two for

Fremont's Pacific Commons Center), hi-tech and bio-tech companies such as Logitech, United Logistic Solutions and Theranos have moved into Newark's Pacific Research Center, occupying over 700,000 square feet. Through community meetings, Newark is developing a new Master Plan for development and a General Plan for the city. Newark is in better shape than a year ago, but they still have more "belt tightening" to do. They have already reduced staff, instituted furloughs, and had to cut services and close facilities. However, they have recently reopened the Senior Center, added two police officers, and reinstated a few programs.

The City of Union City has been able to restore some services and staff, mainly because of Measure AA, the ½ cent sales tax increase. Some of those services include Special Needs and Sports Center staffing, addition of staff for the Police department; restoration of a Maintenance position for parks and grounds, and creation of a full time permanent Environmental Programs Manager, and Environmental Inspector (to replace contract personnel). While some services and positions were restored, the City is mindful that retirement and healthcare costs continue to increase.

Region-wide, the tri-city area is working through the recession. Unemployment rates for the cities of Fremont, Newark and Union City as of June were 6.8%, 8.8%, and 8.9% respectively, compared with 7.8%, 10.0%, and 10.1% a year ago.

Source: Fremont and Newark State of the City addresses 2012; www.fremont.gov, www.newark.org, www.ci.union-city.ca.us, www.edd.ca.gov.

Major Initiatives

During fiscal year 2012, the District completed or initiated a number of significant projects:

IT Master Plan – USD recently completed a study that included consultant recommendations of technology projects for the next five to seven years and presented findings to the Board for adoption. This study updated the last IT Master Plan completed in 2002. In addition to recommending projects, the effort also addressed SCADA system administration, performance of an IT security audit, and created a request for proposals for a new computerized maintenance management system (CMMS).

Boyce Road Lift Station – The existing Boyce Road Lift Station was constructed over 50 years ago in 1959 and is at the end of its useful life. In 2009, the District completed the design of a new Lift Station to replace the existing one. The State Water Resources Control Board approved the SRF Loan for the project in 2010 and the construction contract was awarded by the Board in early, 2011. Currently, the construction of the lift station is under way and is expected to be completed in February, 2013.

Competency Assessments – USD staff continued training and performing competency assessments on the new job competency requirements (JCRs) to verify that employees understand the training they have received. Major areas included plugging, winch truck operations, and sanitary sewer overflow (SSO) response.

Plant and Pump Station Equipment Renewal and Replacement – There were numerous plant shutdowns to accommodate significant projects. The major capital projects were 1) replacement of corroded flange coupling adaptors on both barrels of the influent forcemains at the Newark and Irvington Pump Stations, 2) rehabilitation of primary clarifiers 1-4, and 3) replacement of approximately half of the motor control centers in the plant.

Overhead Rate Study – A study was recently completed to update overhead rates used at the District. The study followed Generally Accepted Accounting Principles using a full cost allocation methodology. It provides a defensible basis for allocation of the District's indirect overhead costs. The results were adopted by the Board of Directors.

Permit Renewal – The EBDA NPDES Permit was reissued for a period of five years. USD was successful in being removed from the Title V air permit reporting program and is now classified as a minor facility. Changes in the State and Federal Greenhouse Gas regulations allowed the District to cease reporting for the foreseeable future.

Upgrade #6 Boiler – In order to meet new Air Board requirements, the District upgraded the controls, burner, and other components of the #6 Boiler used for digester heating.

Portfolio Tracking Software – Implemented investment tracking software called Tracker. This hosted system replaces multiple spreadsheets and allows for easier Board reporting.

Thickeners 3 and 4 Rehabilitation Project – In early 2011, the District did a condition assessment of Thickeners 3 and 4 and found that the steel mechanism and the rake arms were badly corroded along with the concrete above the liquid levels inside the concrete tanks. Therefore, we have started the design of a project to rehabilitate Thickeners 3 and 4. This design is expected to be completed in December, 2011 and the project will be advertised for bids. Construction on this project will start in April/May, 2012 and will be completed in February, 2013.

OPEB Actuarial Study – Completed an actuarial study of other post-employment benefits to synchronize with CalPERS's biennial schedule. The study will provide information on the three asset allocations recently announced by CalPERS, in order to assist with the selection of the one best suited for the District.

I-680 Crossing at Sabercat Project – The District has an existing 12-inch sewer pipe that crosses under I680 near Sabercat Road in Fremont. The existing sewer crossing is also close to the existing Hayward Fault. Due to the movement of the Hayward Fault over the past many years, the existing sewer pipe has developed off-set joints under the freeway. The District has started a pre-design of a project to construct a new parallel sewer crossing to replace the existing sewer pipe. The new sewer pipe will be placed inside a steel casing to provide additional protection. The design is expected to be completed in May, 2013 and the project will be advertised for bids in June, 2013 with construction expected before the end of 2013.

Future Initiatives

CMMS – USD will implement a new computerized maintenance management system to replace the current Hansen 7 system. This project will include developing interfaces with other District systems such as SCADA, Eden, and GIS. In addition the new system should provide projections for long-term equipment replacement, which is a key part of the District's asset management strategy.

Cogeneration Replacement Project – Currently the District has two generators that run on treated digester gas and produce energy for the wastewater plant. One of the generators has outlived its useful life and has been taken out of service. The excess digester gas is being flared to the atmosphere. The District has started the predesign for the replacement of the existing Cogen System with a new system designed to utilize 90% of the gas being produced, thus minimizing flaring. The design of the new Cogen Replacement Project is expected to be completed in May/June, 2013 and the new Facility will come on-line towards the end of 2014.

Collections Services Safety – Continue our focus on improving our safety culture by revising Team Safety Strategies, conducting another safety summit, conducting a site visit to learn from another agency, and continue the practice of daily briefings at the beginning of the shift.

Headworks Conveyor and Screening Compactor Project – The conveyor system in the District's Headworks Building needs to be replaced. Carollo Engineers completed a study that evaluated several replacement options. Staff has selected a shaft-less screw conveyor system to replace the existing belt conveyor system. A screening compactor will also be added. The design of these two major improvements, along with other miscellaneous improvements at the plant, will be completed before December, 2012. The project will be awarded for construction in early 2013.

Plant Process Optimization – An optimization study will be conducted to: 1) Evaluate the use of online instrumentation to measure suspended solids concentrations in the mixed liquor and return activated sludge; 2) Evaluate the use of automatic sludge blanket depth indicators in the gravity thickeners for use in future automation of the thickened sludge pumps for feeding the digesters; 3) Investigate the options available to prevent the formation of struvite in the anaerobic digesters; 4) Investigate the feasibility of bringing FOG (fats, oils and grease) to the plant for increased digester gas production and subsequent energy production with a new cogeneration facility to be constructed in 2014; and 5) Complete the one year evaluation of the zeolite-anammox process for ammonia removal.

ECMS – Implement a new Environmental Compliance Management System to replace a legacy program. The new system will combine elements of industrial, urban run-off, dental, and groundwater databases into one application.

New MOU – Negotiate a new memorandum of understanding with represented employees of SEIU Local 1021. The District and Union use an interest-based bargaining approach to labor negotiations.

Thickener Control Building Project – This building controls the distribution of the thickened sludge from various locations at the plant in to the 6 primary digesters. Over the years all the thickened sludge and scum pumps have outlived their useful life and need to be replaced along with the replacement of the electrical control system in the existing building to bring it up to the latest code. The design of this improvement project will be completed by June 30, 2013. Thereafter, the District will apply for a SRF Loan to pay for the design and construction of this project. After the SRF Loan approval is received, this project will be advertised for bids in FY 15 and construction is expected to be completed in FY 16.

Phase 3 LED Lighting Conversion – The electrical staff will continue with their effort of upgrading District facilities with LED lighting. This year, the florescent lighting in the warehouse and Boardroom will be replaced.

Financial Information

Accounting System

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

Internal Controls

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

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

Budgetary Controls

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

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

Sewer Service Charge
The sewer service charge is collected on the annual property tax bill. The District prepares the budget and the projections of needed revenue during the annual budget process, which is concluded by June 30th of each year. Sewer service charges to be collected are provided to the County of Alameda in August of each fiscal year. The District receives its primary payments of funds in December (50%) and April (45%), and the remainder around August, and receives all amounts billed as part of the County's "Teeter" plan.

The sewer service charge is divided into three primary categories of customers: residential, commercial and institutional, and industrial. The calculation of the sewer service charge for the various categories of customers is based upon their average flow, as well as contribution of their projected suspended solids (SS) and chemical oxygen demand (COD). The District does experience substantial variability in the type of effluent produced by industrial users, and the SS and COD can vary significantly. The District has a sampling program to periodically test the effluent from its industrial customers. Flow for industrial users is based on water use records from the Alameda County Water District.

The annual residential fee for 2012 was $304.33 for a single family dwelling.

Capacity Fees
The District charges a sewer connection fee of $4,404.30 for an equivalent dwelling unit (EDU). This is a flat rate. The charges for commercial, industrial, and office use are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that increase capacity or that are closely related to the system's capacity. The collected revenues may be used to fund certain renewal and replacement CIP projects, but not operating and maintenance costs.

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

Other Information

Debt Administration – The District has outstanding debt of $39,630,289 as of June 30, 2012. This is comprised of nine State Revolving Fund Loans with an average interest rate of 2.6%. The District anticipates applying for State Revolving Fund loans in the next fiscal year for upcoming capital projects.

Independent Financial Audit – California state statutes require an annual independent audit of the books of accounts and financial records of the District. The firm of Vavrinek, Trine, Day Inc. was contracted to conduct this year's audit. The Board Audit Committee participated in the selection of the auditor. The audit opinion is included in the Financial Section of this report.

Financial Policies – In fiscal year 2012, the District reviewed and/or updated the following finance-related policies: Financial Audit, A/R Write-Off, Surplus Property Disposal, Project Expenditures, Grant, Information Systems Security, and Purchasing.

East Bay Dischargers Authority – USD is a member of the East Bay Dischargers Authority (EBDA). Founded in 1974, EBDA is a five-member Joint Powers Agency formed to plan, design, construct, and operate regional facilities to collect, transport and discharge treated effluent to deep waters of San Francisco Bay. Treated effluent from USD's Alvarado Wastewater Treatment Plant is pumped to the EBDA System and discharged into the Bay west of Oakland International Airport. Frequent testing of treated wastewater confirms compliance with regional permit standards.

District Financing Authority – During FY 2012, the District became a member of the Alameda County Water District Financing Authority. The Authority was organized to provide assistance to the water district in anticipation of financing capital projects over the next several years. USD will have one Board member on the governing body of the Authority.

Awards & Acknowledgements

Awards/Recognition

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

- National Purchasing Institute (NPI) – Achievement of Excellence in Procurement
- National Association of Clean Water Agencies (NACWA) – Gold Peak Performance Award
- Government Finance Officers Association (GFOA) – Excellence in Financial Reporting
- CWEA SF Bay Section Collection System of the Year

Acknowledgements

I would like to express sincere appreciation to The Executive Team, the Finance Department, and Customer Service Team for their assistance in completing this report.

Respectfully submitted,

Maria Scott

Maria Scott
Principal Financial Analyst

MISSION STATEMENT

To safely and responsibly collect and treat wastewater for the Tri-cities while protecting human health and improving the environment in a way that benefits our customers, employees and the community.

How we accomplish our Mission:

We demonstrate our commitment to safety by:
- Having an effective safety program
- Protecting employees and the community
- Committing resources (equipment, training, staff)
- Planning to work safely
- Looking out for each other while we work

We demonstrate responsibility by:
- Being fiscally responsible
- Being accountable for our actions and decisions
- Anticipating and meeting future needs and demonstrating stewardship
- Maintaining compliance with laws and regulations
- Effectively managing our assets
- Continuously improving our processes

We collect and treat wastewater, including:
- Maintaining our infrastructure
- Providing capacity in the collection system and plant
- Regulating connections
- Disposing of treated wastewater and biosolids
- Effectively using technology
- Having effective pretreatment and pollution prevention programs
- Testing for compliance

We protect human health by:
- Preventing sewer spills and back-ups
- Reducing health risks through treatment of wastewater
- Responding to emergencies

We improve the environment by:
- Enhancing the San Francisco Bay and Hayward Marsh ecosystems
- Maintaining compliance with effluent and air quality regulations
- Promoting pollution prevention
- Recycling biosolids
- Co-generating electric power

(Continued on next page)

MISSION STATEMENT

We benefit our customers by:

- Providing reliable service
- Being fiscally responsible and cost effective, and providing value
- Promptly responding to customers' needs
- Being professional and courteous
- Proactively and creatively meeting customer needs
- Supporting businesses through permitting, education and by providing capacity

We benefit our employees by:

- Providing competitive wages and benefits in a stable work environment
- Providing a safe work environment
- Demonstrating equality and fairness
- Valuing employee input, and offering opportunities for involvement and creativity
- Recognizing employee contributions
- Providing training and resources
- Communicating and sharing information openly and honestly
- Encouraging cooperation and collaboration

We benefit the community by:

- Protecting the environment and controlling odors
- Communicating with the public and educating them on wastewater issues
- Responding to emergencies and providing mutual aid
- Participating in community outreach activities and charity events
- Contributing to the wastewater treatment profession by participating in professional associations, partnering with other agencies and organizations, and sharing best practices
- Working cooperatively with cities and other government agencies

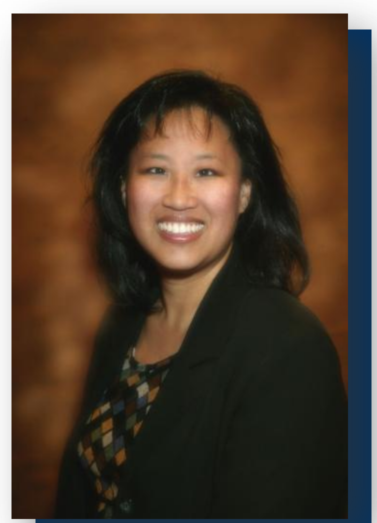
Board of Directors

Anjali Lathi

Manny Fernandez

Tom Handley

Pat Kite



Jennifer Toy

Principal Officials

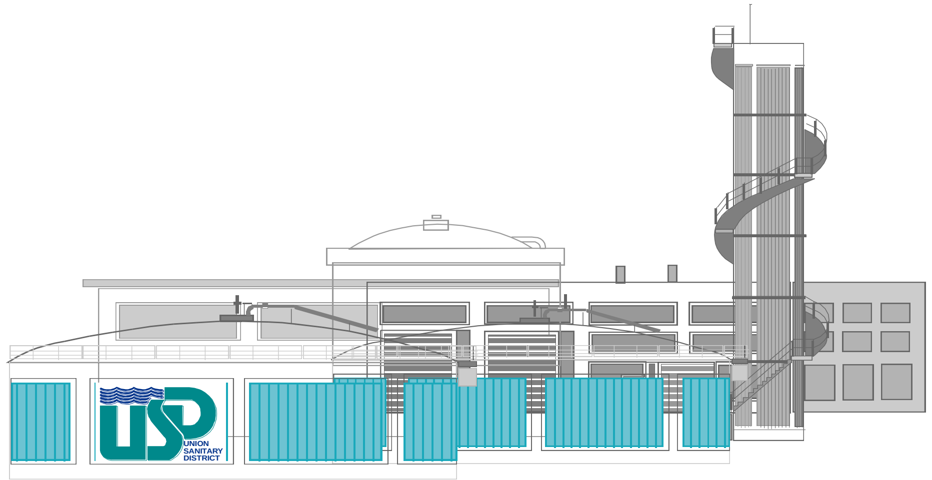
		City Represented	Year Elected	Term Expires
Tom Handley	President	Fremont (Ward 3)	2007	2014
Pat Kite	Vice President	Newark (Ward 2)	1992	2016
Anjali Lathi	Secretary	Fremont (Ward 3)	2002	2016
Manny Fernandez	Board Member	Union City (Ward 1)	2011 (Appointed)	2016
Jennifer Toy	Board Member	Fremont (Ward 3)	1998	2014

David M. O'Hara — General Counsel

Staff

Richard Currie	General Manager/District Engineer
Dave Livingston	Treatment & Disposal Services Manager
Robert Simonich	Fabrication Maintenance & Construction Manager
Richard Cortes	Business Services Manager/District Administrative Officer
Jesse Gill	Technical Support & Customer Service Manager
Andy Morrison	Collection Services Manager

UNION SANITARY DISTRICT



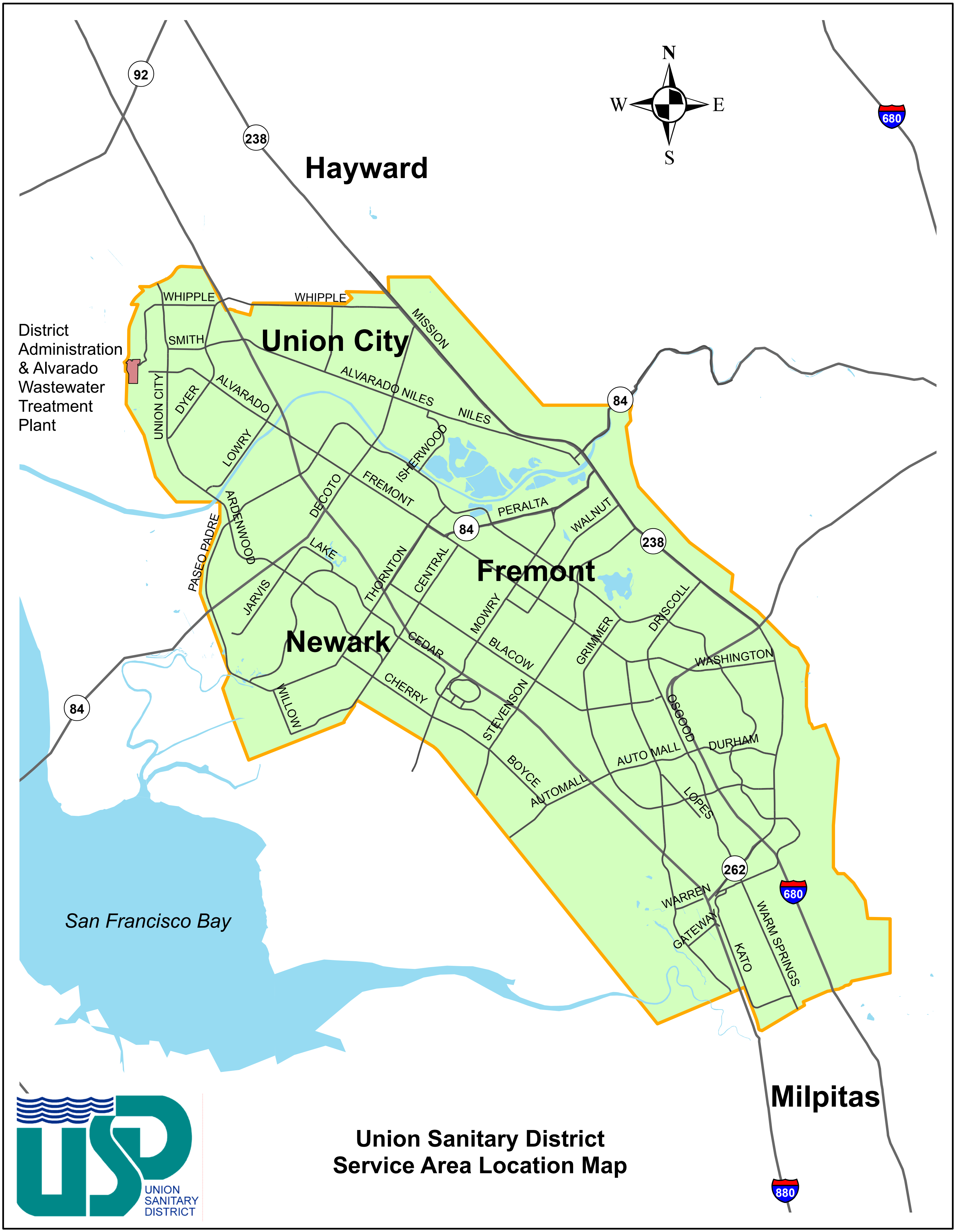
Summary
- 5 Work Group Managers
- 12 Coaches
- 13 Teams
- 132 Total Positions

Board of Directors (5)

General Manager — Steering Committee

- **Technical Support & Customer Services** Manager (34)
  - Coach
    - Capital Improvements Projects Team (8)
      - Administrative Specialist II (1)
      - Assistant Engineer (2)
      - Associate Engineer (3)
      - Engineering Technician I (1)
      - Principal Engineer (1)
  - Coach
    - Customer Service Team (10)
      - Assistant to the General Manager(2)
      - Associate Engineer (1)
      - Communication Coordinator (1)
      - Construction Inspector I (1)
      - Customer Service Fee Analyst (2)
      - Engineer Technician II (1)
      - Engineer Technician III (1)
      - Office Assistant II (1)
      - Office Assistant III (1)
  - Coach
    - Environmental Compliance Team (11)
      - Administrative Specialist II (2)
      - EC Inspector II (4)
      - EC Inspector III (2)
      - EC Inspector IV (1)
      - Environmental Program Coordinator (1)
      - Environmental Outreach Representative (1)
- **Collection Services** Manager (30)
  - Coach
    - Maintenance/TV Team (9)
      - Collection System Worker II (6)
      - Lead Collection System Worker (3)
  - Coach
    - Support Team (8)
      - Administrative Specialist II (1)
      - Fleet Mechanic II (2)
      - Janitor (2)
      - Maintenance Assistant (1)
      - Mechanic II (1)
      - Planner /Scheduler II (1)
    - Construction Team (10)
      - Collection System Worker II (7)
      - Lead Collection System Worker (3)
- **Treatment & Disposal Services** Manager (24)
  - Coach
    - Research & Support Team (5)
      - Administrative Specialist II (1)
      - Chemist II (3)
      - Lab Director(1)
  - Coach (Nights)
  - Coach (Days)
    - Total Productive Operations (15)
      - Plant Operator I (1)
      - Plant Operator II (2)
      - Plant Operator III (8)
      - Plant Operator III Trainee (3)
      - Plant Operations Trainer (1)
- **Fabrication, Maintenance, and Construction** Manager (20)
  - Coach
  - Coach
    - Fabrication Maintenance & Construction Team (17)
      - Instrument Technician/ Electrician (4)
      - Mechanic I (3)
      - Mechanic II (7)
      - Painter (1)
      - Sr. Planner/ Scheduler(1)
      - Utility Worker (1)
- **Business Services** Manager (23)
  - Information Technology Team (5)
    - Sr. GIS DBA(1)
    - IT Administrator (1)
    - Sr. Network Administrator (1)
    - Sr. Developer/DBA (1)
    - Sr. IT Analyst (1)
  - Coach
    - Organizational Support Team (6)
      - Administrative Specialist II (1)
      - Environmental Health & Safety Program Manager (1)
      - Human Resources Administrator (1)
      - Human Resources Analyst (1)
      - Quality Coordinator (1)
      - Technical Training Coordinator (1)
    - Financial Internal Support Team (5)
      - Accounting Technical Specialist (3)
      - Principal Financial Analyst (1)
      - Sr. Accountant (1)
    - Materials Management Team (5)
      - Administrative Specialist II (1)
      - Buyer II (1)
      - Purchasing Agent (1)
      - Stock Clerk (1)
      - Storekeeper II (1)

April 16, 2012



Union Sanitary District
Service Area Location Map

Certificate of Achievement for Excellence in Financial Reporting

Presented to

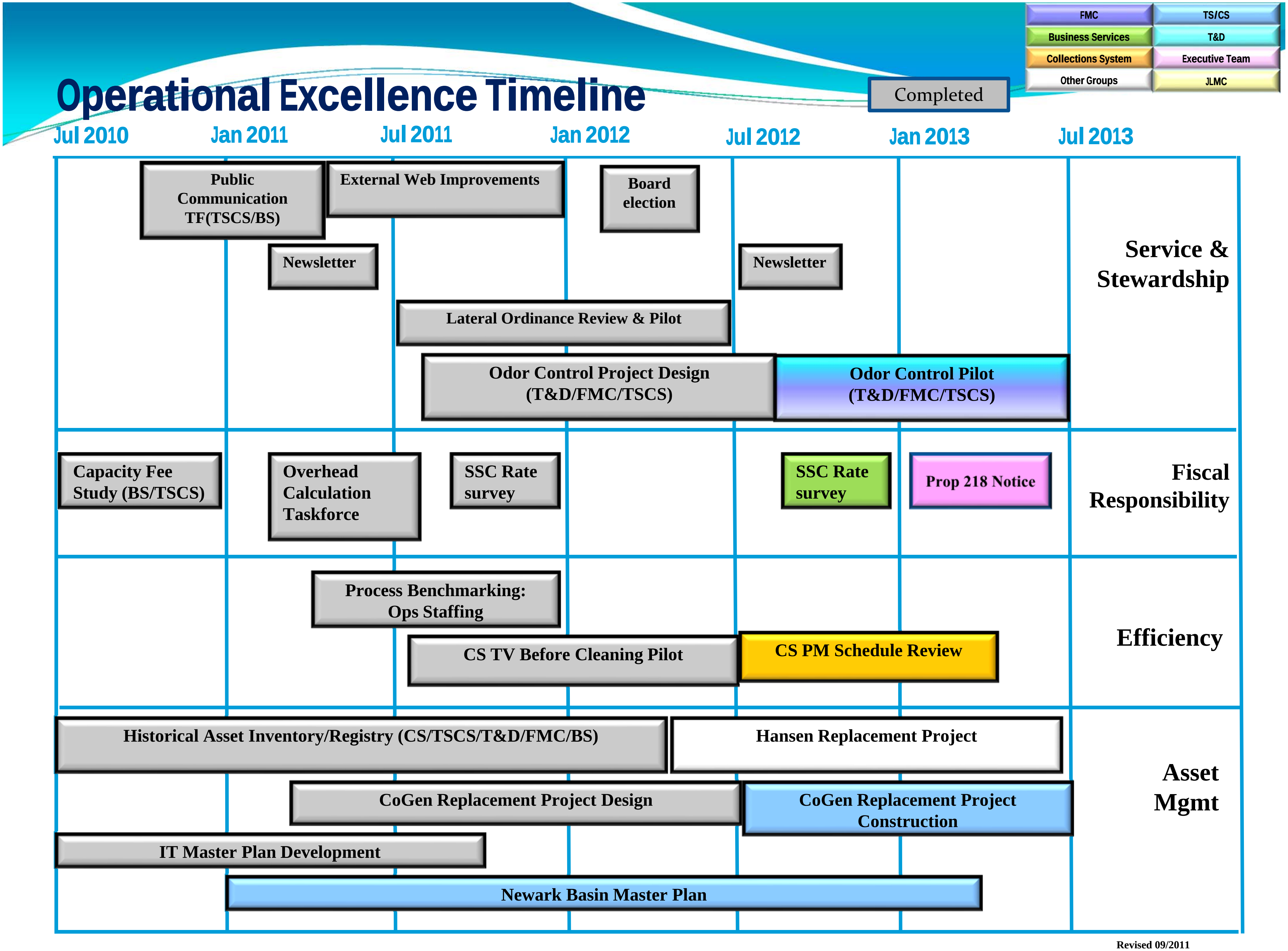
Union Sanitary District California

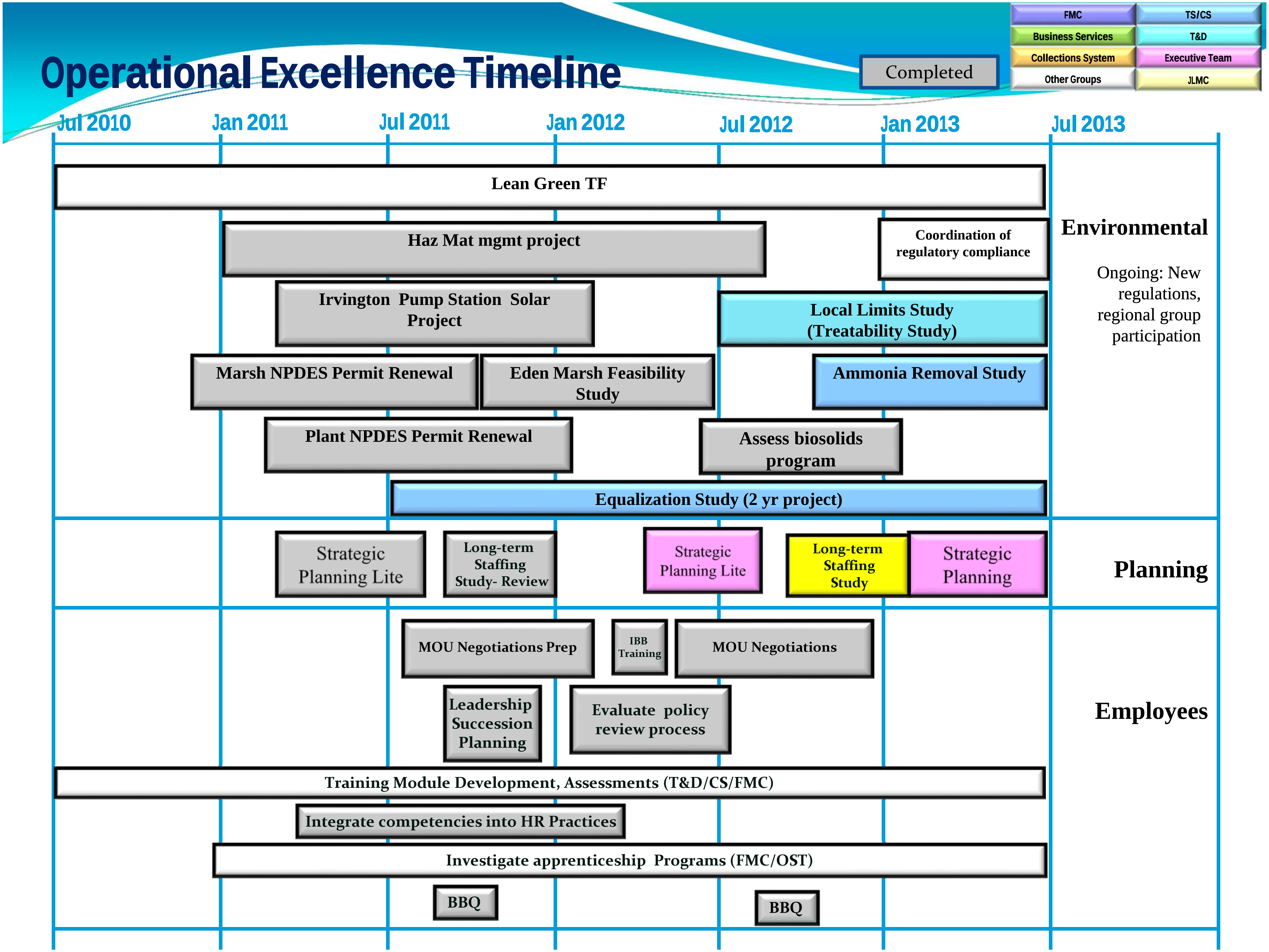
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

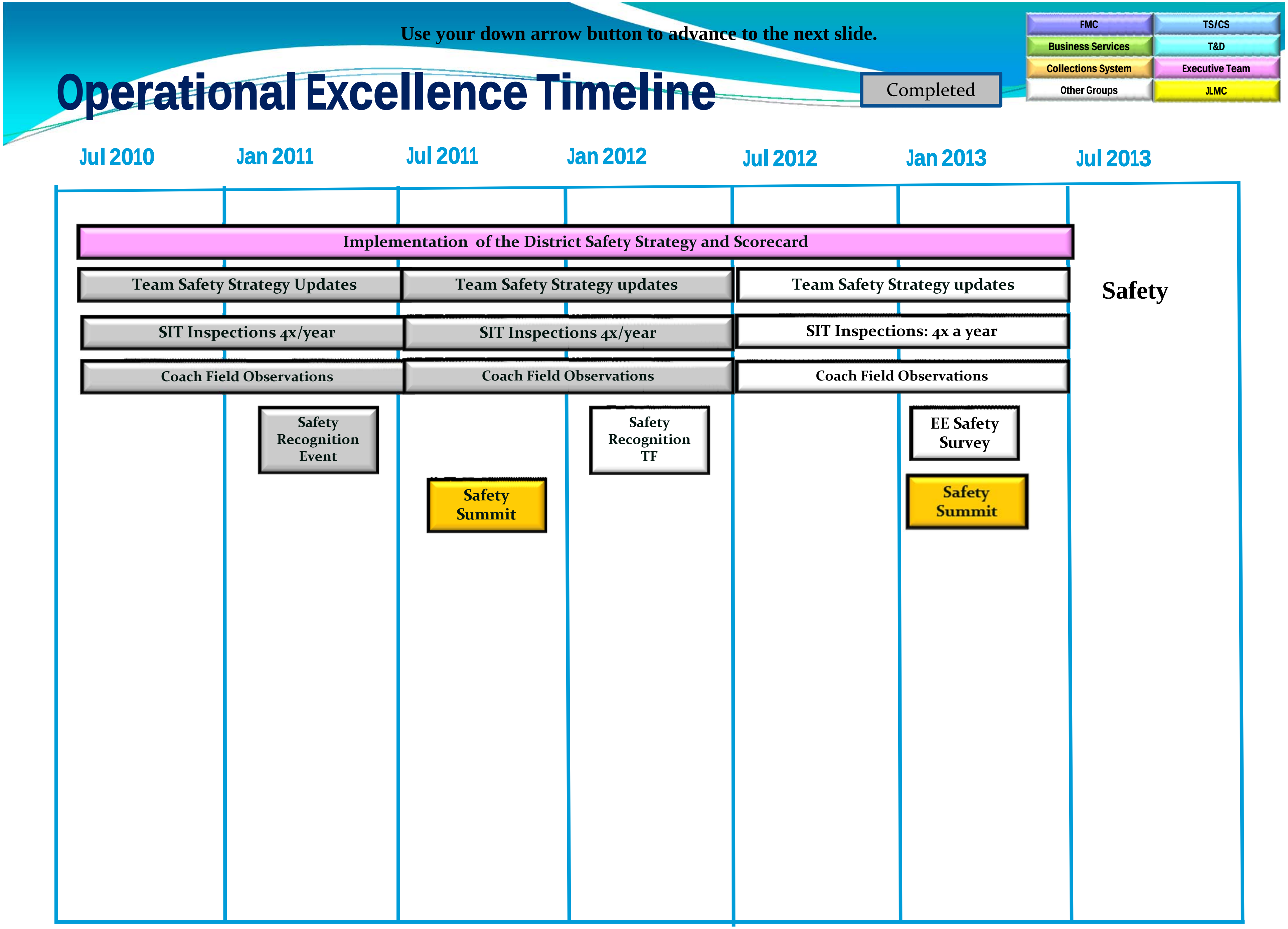
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

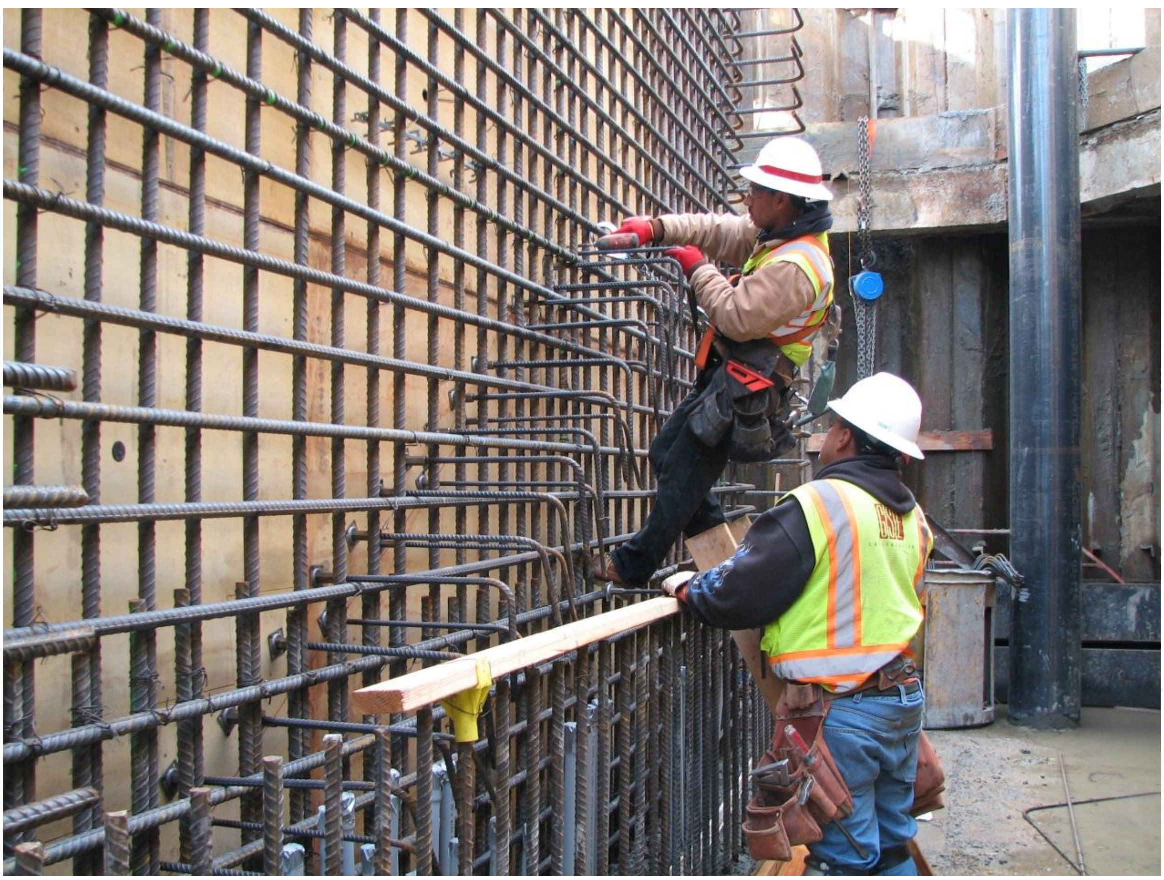
Executive Director


Operational Excellence Timeline
FMC
TS/CS
Business Services
T&D
Collections System
Executive Team
Other Groups
JLMC
Completed
Jul 2010
Jan 2011
Jul 2011
Jan 2012
Jul 2012
Jan 2013
Jul 2013
Public Communication TF(TSCS/BS)
External Web Improvements
Board election
Newsletter
Newsletter
Lateral Ordinance Review & Pilot
Odor Control Project Design (T&D/FMC/TSCS)
Odor Control Pilot (T&D/FMC/TSCS)
Service & Stewardship
Capacity Fee Study (BS/TSCS)
Overhead Calculation Taskforce
SSC Rate survey
SSC Rate survey
Prop 218 Notice
Fiscal Responsibility
Process Benchmarking: Ops Staffing
CS TV Before Cleaning Pilot
CS PM Schedule Review
Efficiency
Historical Asset Inventory/Registry (CS/TSCS/T&D/FMC/BS)
Hansen Replacement Project
CoGen Replacement Project Design
CoGen Replacement Project Construction
IT Master Plan Development
Newark Basin Master Plan
Asset Mgmt
Revised 09/2011


Operational Excellence Timeline
FMC
TS/CS
Business Services
T&D
Collections System
Executive Team
Other Groups
JLMC
Completed
Jul 2010
Jan 2011
Jul 2011
Jan 2012
Jul 2012
Jan 2013
Jul 2013
Lean Green TF
Environmental
Haz Mat mgmt project
Coordination of regulatory compliance
Ongoing: New regulations, regional group participation
Irvington Pump Station Solar Project
Local Limits Study (Treatability Study)
Marsh NPDES Permit Renewal
Eden Marsh Feasibility Study
Ammonia Removal Study
Plant NPDES Permit Renewal
Assess biosolids program
Equalization Study (2 yr project)
Planning
Strategic Planning Lite
Long-term Staffing Study- Review
Strategic Planning Lite
Long-term Staffing Study
Strategic Planning
Employees
MOU Negotiations Prep
IBB Training
MOU Negotiations
Leadership Succession Planning
Evaluate policy review process
Training Module Development, Assessments (T&D/CS/FMC)
Integrate competencies into HR Practices
Investigate apprenticeship Programs (FMC/OST)
BBQ
BBQ


Use your down arrow button to advance to the next slide.
Operational Excellence Timeline
Completed
FMC
TS/CS
Business Services
T&D
Collections System
Executive Team
Other Groups
JLMC
Jul 2010
Jan 2011
Jul 2011
Jan 2012
Jul 2012
Jan 2013
Jul 2013
Implementation of the District Safety Strategy and Scorecard
Team Safety Strategy Updates
Team Safety Strategy updates
Team Safety Strategy updates
Safety
SIT Inspections 4x/year
SIT Inspections 4x/year
SIT Inspections: 4x a year
Coach Field Observations
Coach Field Observations
Coach Field Observations
Safety Recognition Event
Safety Recognition TF
EE Safety Survey
Safety Summit
Safety Summit

Financial Section



Boyce Road Lift Station Replacement

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Sanitary District
Union City, California

We have audited the accompanying statements of net assets of Union Sanitary District as of June 30, 2012 and 2011, and the related statements of revenue and expenses and changes in net assets, and cash flows for the years then ended, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Sanitary District as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems provided by the State Comptroller's Office for Special Districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2012, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, 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

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
October 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2012. This information is presented in conjunction with the audited financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- The District's total ending net assets decreased by $1.5 million as a result of this year's operations. At June 30, 2012 net assets totaled $353.9 million. That is, the District's total assets exceeded liabilities by $353.9 million.

- During the year, the District had expenses, including depreciation of $16.8 million, which exceeded sewer service charges, contributed capital, interest, and other operating revenues by $1.5 million. This compares to last year when expenses exceeded revenues by $1.1 million.

- Long-term liabilities increased by $7.3 million during the current fiscal year due to the addition of three State Revolving Fund loans.

- The District placed $3.9 million in assets into service compared to $26.4 million last year.

USING THIS ANNUAL REPORT

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

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

- **Statement of Net Assets** – Includes all District assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return; evaluating the capital structure of the District; and assessing the liquidity and financial flexibility of the District.

- **Statement of Revenues, Expenses, and Changes in Net Assets** – All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of District operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

- **Statement of Cash Flows** – The primary purpose of this statement is to provide information about District cash receipts, cash disbursements and net changes in cash resulting from operations, investments, and capital and non-capital financing activities. It illustrates the source of revenue, purposes for which it was used, and change in cash balance during the reporting period.

Reporting the District as a Whole

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

DISTRICT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's business-type activities decreased from $355.4 million to $353.9 million. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were $37.6 million at June 30, 2012. The decrease in total net assets was the result of an increase in total current assets of $3.3 million, mainly investments, an increase in total capital assets of $3.6 million, due to increased construction in progress and depreciation, an increase in current liabilities of approximately $1.1 million, and an increase in long term obligations of $7.3 million.

Table 1 – Condensed Statement of Net Assets

	Fiscal Year 2011-12	Fiscal Year 2010-11	Fiscal Year 2009-10	Dollar Change	Percent Change
Current and other assets	$ 63,661,824	$ 60,345,735	$ 58,103,609	$ 3,316,089	5.5%
Capital assets	336,569,446	332,946,978	336,918,388	3,622,468	1.1%
Total assets	400,231,270	393,292,713	395,021,997	6,938,557	1.8%
Long-term liabilities	36,329,139	29,013,000	31,254,548	7,316,139	25.2%
Current liabilities	10,034,883	8,909,084	7,262,611	1,125,799	12.6%
Total liabilities	46,364,022	37,922,084	38,517,159	8,441,938	22.3%
Net Assets:					
Invested in capital assets, net of related debt	296,939,157	300,489,831	302,407,235	(3,550,674)	-1.2%
Restricted	19,346,378	16,877,836	14,818,413	2,468,542	14.6%
Unrestricted	37,581,713	38,002,962	39,279,190	(421,249)	-1.1%
Total net assets	$ 353,867,248	$ 355,370,629	$ 356,504,838	$ (1,503,381)	-0.4%

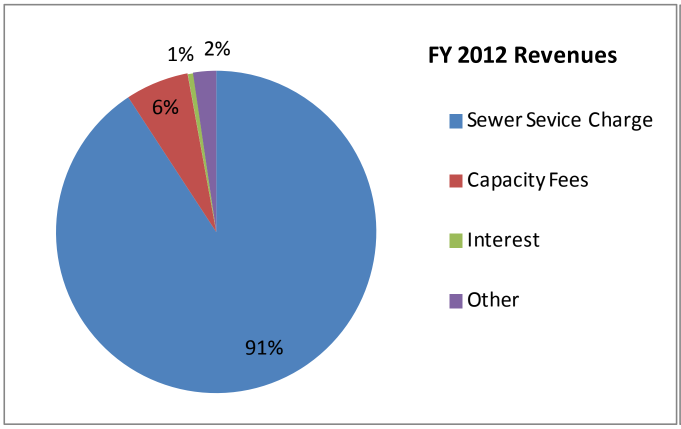
In the prior year, Net Assets decreased from $356.5 million to $355.4 million, due mainly to an increase in total current and other assets of $2.3 million, mainly cash in bank, a decrease in total capital assets of $3.9 million, due to increased depreciation, an increase in current liabilities of approximately $1.6 million, and a decrease in long term debt of $2.2 million.

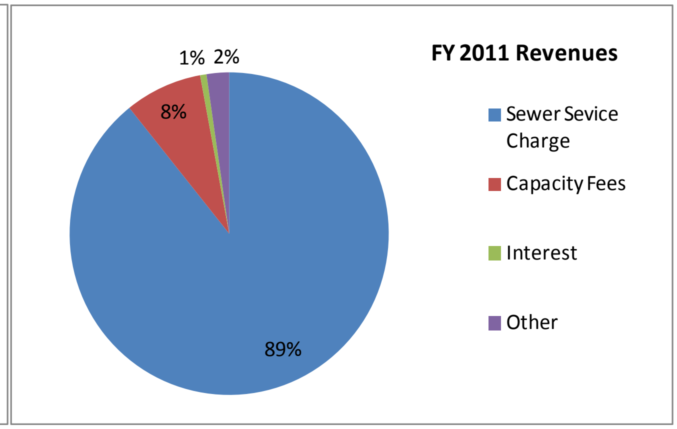
Table 2 – Condensed Statement of Revenues, Expenses, and Changes in Net Assets

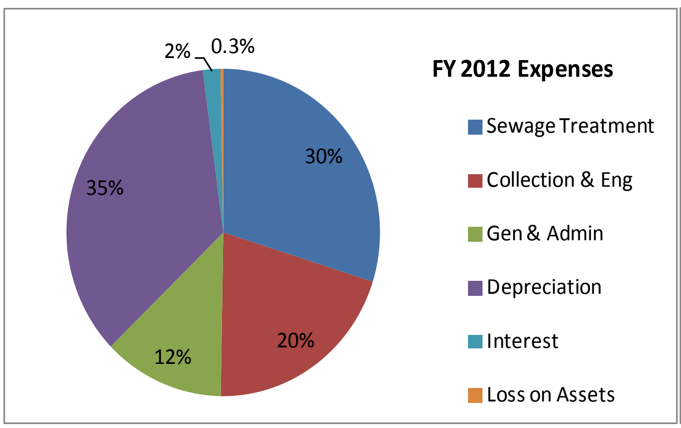
	Fiscal Year 2011-12	Fiscal Year 2010-11	Fiscal Year 2009-10	Dollar Change	Percent Change
Revenues:					
Sewer service charges (SSC)	$ 40,630,578	$ 38,486,824	$ 37,217,073	$ 2,143,754	5.6%
Other revenues	1,027,357	987,948	968,475	39,409	4.0%
Investment income and net gains	248,337	274,328	349,012	(25,991)	-9.5%
Connection fees	2,848,488	3,381,963	2,467,083	(533,475)	-15.8%
Total revenues with connection fees	44,754,760	43,131,063	41,001,643	1,623,697	3.8%
Expenses:					
Sewage treatment	14,255,266	14,342,352	13,995,781	(87,086)	-0.6%
Sewage collection and engineering	9,712,645	10,532,692	9,338,919	(820,047)	-7.8%
General and administration	5,951,818	5,574,251	5,322,085	377,567	6.8%
Interest	858,162	1,114,313	867,781	(256,151)	-23.0%
Depreciation	16,790,277	16,323,858	16,243,535	466,419	2.9%
Loss on retirement of capital assets	127,430	751,601	95,110	(624,171)	-83.0%
Total expenses	47,695,598	48,639,067	45,863,211	(943,469)	-1.9%
Decrease in net assets before contributions and special items	(2,940,838)	(5,508,004)	(4,861,568)	2,567,166	-46.6%
Contributed capital and EBDA loss	1,437,457	4,373,795	652,766	(2,936,338)	-67.1%
Change in Net Assets	(1,503,381)	(1,134,209)	(4,208,802)	(369,172)	32.5%
Beginning Net Assets	355,370,629	356,504,838	360,713,640	(1,134,209)	-0.3%
Ending Net Assets	$ 353,867,248	$ 355,370,629	$ 356,504,838	$ (1,503,381)	-0.4%

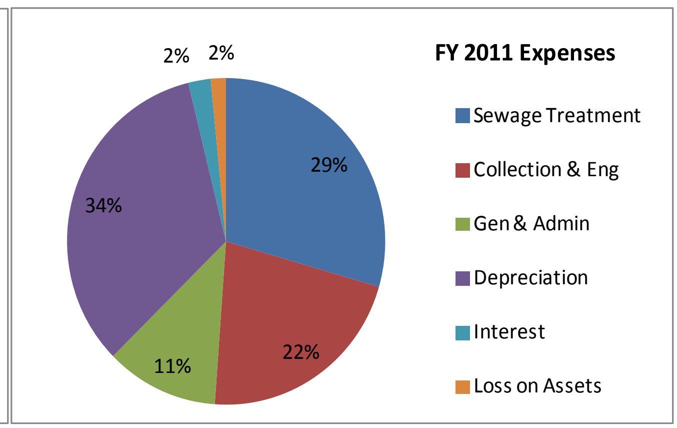
The District's total revenues such as capacity fees and sewer service charges increased by $1.6 million, or 3.8% for the year ended June 30, 2012. This is due mainly to a 5.0% increase in the sewer service charge rate, an increase in other revenue, and a decrease in interest. The total cost of all programs and services, including depreciation, was 1.9% lower than last year. Most major cost categories increased over 2011 costs except for non-capital project expense, insurance, office supplies, repairs and maintenance, and operating supplies.

In the prior year, total revenues such as capacity fees and sewer services charges increased by $2.1 million. This was due mainly to a 5% increase in the sewer service charge rate, an increase in capacity fee revenue and a decrease in interest. The total cost of all programs and services, including depreciation, was 6% higher than FY 2010, or $2.8 million. Most major cost categories increased except for benefits, contractual services and operating supplies.









The District took actions this year to compensate for increases in costs, and to avoid the loss of revenue due to changes in the economy.

- The District increased sewer service fees 5%.
- The District increased capacity fees 10%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had approximately $337 million invested in a broad range of capital assets, including facilities and equipment for the plant, collections, and administrative facilities. This amount represents a net increase of $3.6 million, or 1.1%, compared to last year. Total assets placed into service were $3.9 million in FY 2012 vs. $26.4 million in FY 2011 and $8.8 in FY 2010. Additions to Construction in Progress were $18.6 million in FY 2012 vs. $9.5 million in FY 2011 and $13.6 million in FY 2010.

Additions to Construction in Progress totaled $18.6 million. Major projects included:

Table 3 – Additions to Construction in Progress

Primary Clarifiers 1-4	$	5,453,394
Boyce Road Lift Station		2,819,547
Irvington Pump Station Solar Panels		2,632,605
Substation No. 1 Replacement		1,912,576
Force Main Improvement Project		1,592,631
Headworks & Emergency Outfall Improvements		1,352,096
Secondary Digester #1 Dome Replacement		733,297
Irvington PS Surface Stabilization		335,516
Thickener No. 3 & 4 Rehabilitation		332,355
Others		1,433,261
Total	$	18,597,278

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

Table 4 – Total Assets Placed into Service

MCC Replacement	$	390,443
Irvington Pump Station Surface Stabilization		335,516
Misc. Spot Repairs - Phase II		333,353
Warren Avenue Sewer Relocation		274,179
Cast Iron Lining - Phase II		237,518
Cast Iron Lining - Phase III		166,276
Primary Digester #1 Condition Assessment		124,021
2011 Backhoe		106,445
Contributed Capital (pipes and manholes)		1,538,284
Others		383,006
Total	$	3,889,041

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

Debt Administration

At year-end, the District had $39.6 million in notes outstanding versus $32.5 million last year. This debt consists of nine State Revolving Fund loans.

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in *Note 5* to the financial statements.

ECONOMIC AND OTHER FACTORS

The District's elected and appointed officials considered many factors when setting the fiscal year 2012 budget. One of those factors was the economy. Increased salary and benefit costs, as well as increased Capital Improvement Program (CIP) projects, were taken into consideration. In addition, the Board considered increasing construction costs when reviewing the CIP. Sewer service charge rates increased 5% and Capacity fee rates increased 10%. The net Operating budget was increased 2.8%, using a projected staff vacancy factor of 2%.

The District's fiscal year 2012 capital budget called for expenditures of $18.0 million for Solar Panels at Irvington Pump Station, Boyce Road Lift Station Replacement, Substation No. 1 Replacement, Secondary Digester No. 1 Dome Replacement, and Primary Clarifier Rehabilitation among others. The Engineering group prioritized and rescheduled CIP projects in order to help achieve our goal of positive fund balances. The CIP budget increased by $5.7 million from fiscal year 2011.

The District's fiscal year 2013 budget includes a 3.5% increase in the operating budget with a 2% staff vacancy factor, and a capital budget which calls for expenditures of $13.6 million for Boyce Road Lift Station Replacement, Primary Clarifier Rehabilitation, Thickener Mechanism 3 & 4 Replacement, and INKA Structure Demolition projects. Sewer service charges will increase 5% and Capacity fee rates will increase 10%.

The District will use its revenues to finance current projects, although applications will continue to be submitted to the State Water Resources Control Board for State Revolving Fund loans for upcoming projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

UNION SANITARY DISTRICT

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012	2011
CURRENT ASSETS		
Cash, cash equivalents	$ 1,508,810	$ 963,372
Investments	50,335,929	47,723,978
Accounts receivable, net	2,961,626	2,835,878
Interest receivable	192,858	166,452
Inventory	522,515	482,914
Other	19,609	26,626
Total current assets	55,541,347	52,199,220
NONCURRENT ASSETS		
Capital Assets		
Non depreciable capital assets:		
Land	5,395,903	5,395,902
Construction in progress	25,094,235	8,443,102
Capacity Permit	6,043,632	6,043,632
Depreciable assets		
Utility plant in service	604,087,703	601,762,157
Less: Accumulated depreciation	(304,052,027)	(288,697,815)
Net capital assets	336,569,446	332,946,978
OTHER ASSETS		
Restricted cash and cash equivalents	113,296	50,000
Restricted investments	20,000	25,000
OPEB asset	1,425,564	1,409,071
Investment in East Bay Dischargers Authority	6,561,617	6,662,444
Total other assets	8,120,477	8,146,515
Total non-current assets	344,689,923	341,093,493
TOTAL ASSETS	400,231,270	393,292,713
CURRENT LIABILITIES		
Accounts payable and accrued expenses	4,566,395	3,309,747
Customer deposits	263,021	362,212
Accrued payroll and related expenses	660,306	566,685
Interest payable	405,430	394,482
Current portion of compensated absences	838,581	675,549
Current portion of long-term debt	3,301,150	3,600,409
Total current liabilities	10,034,883	8,909,084
LONG-TERM LIABILITIES		
Compensated absences, net of current portion	-	156,262
Long-term debt, net of current portion	36,329,139	28,856,738
Total long-term liabilities	36,329,139	29,013,000
TOTAL LIABILITIES	46,364,022	37,922,084
NET ASSETS		
Invested in capital assets, net of related debt	296,939,157	300,489,831
Restricted for:		
Capacity purposes, expendable	15,123,448	13,237,951
SRF loan contingency reserve, non-expendable	4,222,930	3,639,885
Unrestricted	37,581,713	38,002,962
TOTAL NET ASSETS	$ 353,867,248	$ 355,370,629

The accompanying notes are an integral part of these financial statements.

UNION SANITARY DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUE		
Sewer service charges	$ 40,630,578	$ 38,486,824
Other operating revenues	1,027,357	987,948
Total operating revenue	41,657,935	39,474,772
OPERATING EXPENSES		
Sewage treatment	14,255,266	14,342,352
Sewage collection and engineering	9,712,645	10,532,692
General and administration	5,951,818	5,574,251
Total operating expenses before depreciation	29,919,729	30,449,295
DEPRECIATION	16,790,277	16,323,858
Total operating expenses	46,710,006	46,773,153
OPERATING LOSS	(5,052,071)	(7,298,381)
NON-OPERATING REVENUES (EXPENSES)		
Net investment income and net realized gains and losses	248,337	274,328
Interest Expense	(858,162)	(1,114,313)
Loss on retirement of capital assets	(127,430)	(751,601)
Gain (loss) on equity investment in East Bay Dischargers Authority	(100,827)	(95,011)
Net non-operating revenue (expense)	(838,082)	(1,686,597)
LOSS BEFORE CONTRIBUTED CAPITAL	(5,890,153)	(8,984,978)
Connection fees and other contributed capital	4,386,772	7,850,769
CHANGE IN NET ASSETS	(1,503,381)	(1,134,209)
NET ASSETS, BEGINNING OF YEAR	355,370,629	356,504,838
NET ASSETS, END OF YEAR	$ 353,867,248	$ 355,370,629

The accompanying notes are an integral part of these financial statements.

UNION SANITARY DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 41,532,187	$ 39,206,120
Payments to suppliers	(9,848,358)	(10,970,857)
Payments to employees	(13,255,728)	(12,958,539)
Payments for benefits on behalf of employees	(5,151,590)	(4,729,961)
Receipts (disbursements) for deposits	(99,191)	(100,424)
Payments related to postemployment benefits	(363,108)	(351,680)
Other operating receipts (disbursements)	7,017	2,370
Cash flows provided by (used in) operating activities	12,821,229	10,097,029
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Principal payments on long-term debt	(3,600,409)	(3,519,457)
Proceeds from state revolving loan funds	10,773,551	1,347,804
Interest paid on long-term debt	(847,214)	(909,861)
Acquisition and construction of capital assets	(19,001,891)	(8,635,243)
Connection fees and other related revenues from developers	2,848,488	3,381,963
Cash flows provided by (used in) capital and related financing activities	(9,827,475)	(8,334,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	221,931	197,226
Purchase of investments	(81,361,951)	(62,484,437)
Proceeds from sales and maturities of investments	78,755,000	60,650,000
Cash flows provided by (used in) investing activities	(2,385,020)	(1,637,211)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	608,734	125,024
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,013,372	888,348
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,622,106	$ 1,013,372
RECONCILIATION OF CASH AND EQUIVALENTS		
Unrestricted cash and cash equivalents	$ 1,508,810	$ 963,372
Restricted cash and cash equivalents	113,296	50,000
Total cash and cash equivalents	$ 1,622,106	$ 1,013,372
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITES		
Operating loss	$ (5,052,071)	$ (7,298,381)
Adjustments to reconcile operating loss to cash flows provided by operating activities		
Depreciation	16,790,277	16,323,858
(Increase) decrease in accounts receivable and other assets	(125,748)	(268,652)
Increase (decrease) in accounts payable and accrued expenses	1,256,648	1,492,206
(Increase) decrease in inventory and other	51,314	(51,578)
Increase (decrease) in customer deposits	(99,191)	(100,424)
Cash flows provided by operating activities	$ 12,821,229	$ 10,097,029
NONCASH TRANSACTIONS		
Contributions of capital assets	$ 1,538,284	$ 4,468,806
Decrease in equity in East Bay Dischargers Authority	100,827	95,011

UNION SANITARY DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

The accompanying notes are an integral part of these financial statements.

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

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

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

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

The Financial Reporting Entity

For financial reporting purposes component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District has determined that there are no component units that meet these criteria as of, and for the year ended June 30, 2012. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District.

In addition, the District's share of a Joint Powers Authority (East Bay Dischargers Authority) is reflected based upon the District's proportionate share of its investment in the discharge facilities in the Authority (see Note 4).

Measurement Focus and Basis of Accounting

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

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

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations, as well as the following pronouncements issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

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

Cash and Cash Equivalents

The District considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of June 30, 2012 and 2011, cash equivalents consist of U.S. Treasury funds in a sweep account.

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

Investments

Investments, which consist of short-term, fixed-income securities at June 30, 2012 and 2011, are recorded at fair value using quoted market prices. The related net realized and unrealized gains (losses) on investments are recognized in the accompanying statement of revenues expenses, and changes in net assets.

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

Inventory

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

Capital Assets

Capital assets, including costs of addition to utility plant and major replacements of property, are capitalized and stated at cost. The District capitalizes all capital asset additions greater than $5,000. Such capital costs include materials, direct labor, transportation, and such indirect costs as interest, engineering, supervision, and employee fringe benefits. Contributed property is recorded as fair value as of the date of donation. Repairs, maintenance, and minor replacements of property are charges to expense.

Depreciation

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

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

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

Useful Lives	
Sewage collection facilities	50 – 115 years
Sewage treatment facilities	10 – 50 years
District facilities	10 – 35 years
General equipment	3 – 35 years

The aggregate provision for depreciation was 3.01% and 2.98% of average depreciable plant during the years ended June 30, 2012 and 2011, respectively.

Compensated Absences

Vacation can be accumulated and is fairly vested. These compensated absences are recorded as an expense when earned and are carried as a liability until taken. The liability is computed using current employee pay rates.

Net Assets

Net assets are measured on the full accrual basis and are the excess of all the District's assets over all its liabilities. Net assets are classified into the following components: invested in capital assets, net of related debt; restricted and unrestricted.

Restricted net assets describes the portion of net assets which are restricted as to use by the terms and conditions of agreement with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. It is the District's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

- *Net Assets Restricted for Debt Purposes* – the State requires a contingency reserve for State Revolving Fund loan balances

Classification of Revenues and Expenses

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

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

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

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

Use of Estimates

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

Subsequent Events

Management has considered subsequent events through October 16, 2012, the date which the financial statements were available to be issued.

Change in Accounting Principles

In December 2009, the GASB issued GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions related to the use and reporting of the alternative measurement method are effective on the date of issuance. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. The District implemented the provisions of this Statement in fiscal year ending June 30, 2012, with no significant impact on the financial statements.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The District implemented the provisions of this Statement in fiscal year ending June 30, 2012, with no significant impact on the financial statements.

New Governmental Accounting and Reporting Standards

In November 2010, the GASB issued GASB Statement No. 60*, Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This Statement also requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and does not believe it will have a significant impact on the financial statements.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity by clarifying the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and does not believe it will have a significant impact on the financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2014, and is currently evaluating the impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2014, and is currently evaluating the impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2015, and is currently evaluating the impact on the financial statements.

NOTE #2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is summarized as follows:

	Balance June 30, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	$ 5,395,902	$ 1	$ -	$ -	$ 5,395,903
Construction in progress	8,443,102	18,597,278	-	(1,946,145)	25,094,235
Capacity Permit	6,043,632	-	-	-	6,043,632
Total Capital assets, not being depreciated:	19,882,636	18,597,279	-	(1,946,145)	36,533,770
Capital assets, being depreciated:					
Sewage collection facilities	396,499,517	1,558,715	(1,447,172)	1,030,446	397,641,506
Sewage treatment facilities	160,060,088	-	-	483,744	160,543,832
District facilities	39,302,388	322,501	(62,618)	370,508	39,932,779
General equipment	5,900,164	61,680	(53,705)	61,447	5,969,586
Total Capital assets, being depreciated:	601,762,157	1,942,896	(1,563,495)	1,946,145	604,087,703
Less: Accumulated depreciation					
Sewage collection facilities	(191,520,043)	(9,816,916)	1,322,744	-	(200,014,215)
Sewage treatment facilities	(79,538,387)	(4,507,353)	-	-	(84,045,740)
District facilities	(13,897,198)	(1,923,482)	59,616	-	(15,761,064)
General equipment	(3,742,187)	(542,526)	53,705	-	(4,231,008)
Total Accumulated depreciation:	(288,697,815)	(16,790,277)	1,436,065	-	(304,052,027)
Total capital assets, being depreciated , net	313,064,342	(14,847,381)	(127,430)	1,946,145	300,035,676
Total Capital Assets, net	$ 332,946,978	$ 3,749,898	$ (127,430)	$ -	$ 336,569,446

Construction work in progress consists primarily of the direct construction costs associated with numerous District projects plus related construction overhead. The District has outstanding construction contract commitments on capital projects approximating $12,063,000 at June 30, 2012.

Capital asset activity for the year ended June 30, 2011 is summarized as follows:

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Capital assets, not being depreciated:					
Land	$ 4,624,417	$ -	$ -	$ 771,485	$ 5,395,902
Construction in progress	21,699,726	9,487,077	(1,730,499)	(21,013,202)	8,443,102
Capacity Permit	6,043,632	-	-	-	6,043,632
Total Capital assets, not being depreciated:	32,367,775	9,487,077	(1,730,499)	(20,241,717)	19,882,636
Capital assets, being depreciated:					
Sewage collection facilities	380,343,238	4,468,806	(3,952,645)	15,640,118	396,499,517
Sewage treatment facilities	157,809,895	-	-	2,250,193	160,060,088
District facilities	37,677,107	631,661	(225,708)	1,219,328	39,302,388
General equipment	4,607,464	247,003	(86,381)	1,132,078	5,900,164
Total Capital assets, being depreciated:	580,437,704	5,347,470	(4,264,734)	20,241,717	601,762,157
Less: Accumulated depreciation					
Sewage collection facilities	(185,134,012)	(9,592,957)	3,206,926	-	(191,520,043)
Sewage treatment facilities	(74,380,437)	(4,692,403)	-	(465,547)	(79,538,387)
District facilities	(13,175,677)	(1,412,776)	225,708	465,547	(13,897,198)
General equipment	(3,196,965)	(631,604)	86,382	-	(3,742,187)
Total Accumulated depreciation:	(275,887,091)	(16,329,740)	3,519,016	-	(288,697,815)
Total capital assets, being depreciated , net	304,550,613	(10,982,270)	(745,718)	20,241,717	313,064,342
Total Capital Assets, net	$ 336,918,388	$ (1,495,193)	$ (2,476,217)	$ -	$ 332,946,978

NOTE #3 – CASH AND INVESTMENTS

A. Summary of Cash and Cash Equivalents and Investments

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

	2012	2011
Cash and cash equivalents	$ 1,508,810	$ 963,372
Restricted cash and cash equivalents	113,296	50,000
Investments	50,335,929	47,723,978
Restricted investments	20,000	25,000
Total Cash and Cash Equivalents and Investments	$ 51,978,035	$ 48,762,350

B. Authorized Investments by the District

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

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

a) Securities issued by agencies sponsored by the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

b) Bankers Acceptances issued by institutions the short term obligations of which are rated at a minimum of "P1" by Moody's Investor Services (Moody's) and A1 by Standard & Poor's, Inc. (S&P); or if the short term obligations are unrated, the long-term obligations of which are rated a minimum of "A" by S&P.

c) Repurchase agreements must be collateralized with U.S. Treasury Obligation or U.S. Agency Securities, which must maintain a market value of at least 102% of the principal of the repurchase agreement.

d) Securities shall be issued by corporations rated a minimum of "A" by S&P.

C. Interest Rate Risk

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

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

2012	Maturities of			
	12 months or less	12-24 months	25 - 60 months	Total
U.S. Treasury Obligations	$ 1,500,885	$ 2,024,688	$ 2,001,100	$ 5,526,673
U.S. Agency Obligations:				
FHLB	-	4,068,120	-	4,068,120
FNMA	-	1,937,833	1,995,980	3,933,813
International Bank for Reconstruction & Development (IBRD)	-	2,001,180	-	2,001,180
Corporate Notes	10,527,454	2,732,752	-	13,260,206
Certificates of Deposit	2,043,760	495,759	-	2,539,519
LAIF	18,992,835	-	-	18,992,835
Local Government Investment Pool (CAMP)	33,583	-	-	33,583
Total Investments	33,098,517	13,260,332	3,997,080	50,355,929
Cash in bank and money market funds	1,622,106	-	-	1,622,106
Total Cash and Investments	$ 34,720,623	$ 13,260,332	$ 3,997,080	$ 51,978,035

2011	Maturities of			
	12 months or less	12-24 months	25 - 60 months	Total
U.S. Treasury Obligations	$ 6,016,168	$ 1,501,695	$ -	$ 7,517,863
U.S. Agency Obligations:				
FHLB	2,011,440	2,008,000	-	4,019,440
FNMA	2,074,688	2,001,640	-	4,076,328
FHLMC	-	-	1,002,320	1,002,320
Corporate Notes	8,589,035	3,677,250	-	12,266,285
Certificates of Deposit	25,000	-	-	25,000
LAIF	18,808,221	-	-	18,808,221
Local Government Investment Pool (CAMP)	33,521	-	-	33,521
Total Investments	37,558,073	9,188,585	1,002,320	47,748,978
Cash in bank and money market funds	1,013,372	-	-	1,013,372
Total Cash and Investments	$ 38,571,445	$ 9,188,585	$ 1,002,320	$ 48,762,350

D. LAIF Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills and corporations. The carrying value of LAIF approximates fair value. At June 30, 2012, these investments mature in an average of 268 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012 for each investment type:

	Aaa	Aa2	Aa3	A1	P-1	Total
U.S. Agency Obligations						
FHLB	$ 4,068,120	$ -	$ -	$ -	$ -	$ 4,068,120
FNMA	3,933,813	-	-	-	-	3,933,813
International Bank for Reconstruction & Development (IBRD)	2,001,180	-	-	-	-	2,001,180
Corporate Notes	-	904,138	5,777,813	4,078,655	2,499,600	13,260,206
Local Government Investment Pool (CAMP)	33,583	-	-	-	-	33,583
Totals	$ 10,036,696	$ 904,138	$ 5,777,813	$ 4,078,655	$ 2,499,600	23,296,902
Exempt from credit rate disclosure						
U.S. Treasury Obligations						5,526,673
Certificates of deposit						2,539,519
Not rated						
California Local Agency Investment Fund						18,992,835
Cash and cash equivalents						1,622,106
Total Cash, Cash Equivalents and Investments						$ 51,978,035

Presented below is the actual rating as of June 30, 2011 for each investment type:

	Aaa	Aa1	Aa2	Aa3	P-1	Total
U.S. Agency Obligations						
FHLB	$ 4,019,440	$ -	$ -	$ -	$ -	$ 4,019,440
FNMA	4,076,328	-	-	-	-	4,076,328
FHLMC	1,002,320	-	-	-	-	1,002,320
Corporate Notes	-	2,555,160	4,658,685	1,055,530	3,996,910	12,266,285
Local Government Investment Pool (CAMP)	33,521	-	-	-	-	33,521
Totals	$ 9,131,609	$ 2,555,160	$ 4,658,685	$ 1,055,530	$ 3,996,910	21,397,894
Exempt from credit rate disclosure						
U.S. Treasury Obligations						7,517,863
Certificates of deposit						25,000
Not rated						
California Local Agency Investment Fund						18,808,221
Cash and cash equivalents						1,013,372
Total Cash, Cash Equivalents and Investments						$ 48,762,350

F. Concentration of Credit Risk

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

As of fiscal year ended June 30, 2012, more than 5% of the District's investments were held in UBS commercial paper and in General Electric and Principal Life corporate notes. Investment in UBS, General Electric, and Principal Life amounted to $2,499,600, $5,117,010, and $2,524,991, respectively. Such concentrations are permitted by the District's investment policy.

G. Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2012, the District's total bank balance of $2,828,438 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

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

H. Investment Policy Violations

As of June 30, 2012, the District held an International Bank for Reconstruction and Development (IBRD) security with a market value of $2,001,180 maturing on March 5, 2014. This security is not an allowed investment for a local government agency under the State of California Government Code Section 53601 and the District's Investment Policy. The District sold the IBRD security on September 28th, 2012.

NOTE #4 – JOINT VENTURES

Alameda County Water District Financing Authority

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

Investment in East Bay Dischargers Authority

The District has an 18.7% interest in East Bay Discharges Authority (EBDA), a Joint Powers Authority established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, EBDA exercises full power and authority within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of EBDA are not those of the District and the other participating entities.

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

EBDA constructed and operates an export pumping facility through which all treated sewage in the area is discharged. The other participants (and their ownership percentages) are the City of Hayward (33%), the City of San Leandro (18.6%), and the Oro Loma and Castro Valley Sanitary Districts (collectively, 29.7%). The District has rights to 18.7% of EBDA's capacity.

Because the District has the ability to exercise influence over operating and financial policies of the EBDA, the District's proportionate share of EBDA's net assets, excluding sole use of facilities, and the District's share of its undivided ownership (18.7%) in EBDA's total net equity, have been recorded as an investment in EBDA accounted for under the equity method.

Summary financial information for EBDA, as of June 30, 2011 and 2010 and for the years then ended, the most recent audited information available, is as follows:

	2011	2010
Total Assets	$ 35,438,503	$ 36,021,695
Total liabilities	349,642	393,652
Net asset value of EBDA	35,088,861	35,628,043
District's share at 18.7%	6,561,617	6,662,444
Net loss on equity investment in EBDA	$ 100,827	$ 95,011

EBDA has no outstanding debt.

During fiscal year ended June 30, 2012 and 2011, the District was charged $1,100,381 and $969,969, respectively, by EBDA primarily for operating costs. Such costs are included in the sewage treatment expenses by the District for financial reporting purposes.

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

NOTE #5 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2012 are summarized as below:

	Maturity Date	Interest Rate	Balance 7/1/11	Additions	Retirements	Balance 6/30/12	Current Portion
1994 State Revolving Fund Loan - Plant Upgrade	06/17/14	2.7%	$ 5,576,315	$ -	$ 1,809,823	$ 3,766,492	$ 1,858,688
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	10,039,603	-	667,213	9,372,390	683,227
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	1,498,459	-	72,422	1,426,037	74,160
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	10,083,474	-	413,150	9,670,324	424,306
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	1,970,082	-	86,442	1,883,640	88,775
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,907,548	-	79,661	1,827,887	81,652
2011 State Revolving Fund Loan - Primary Cl.	01/15/33	2.7%	909,968	5,528,601	-	6,438,569	-
2011 State Revolving Fund Loan - Substation 1	02/28/32	2.6%	-	2,321,332	-	2,321,332	90,342
2011 State Revolving Fund Loan - Boyce Rd. Lift Station	03/31/33	2.6%	-	2,923,618	-	2,923,618	-
Use Permit	06/01/12	6.0%	471,698	-	471,698	-	-
Compensated absences	n/a	n/a	831,811	926,875	920,105	838,581	838,581
			$ 33,288,958	$ 11,700,426	$ 4,520,514	$ 40,468,870	$ 4,139,731

A. 1994 State Revolving Fund Loan – Plant Upgrade

During 1994, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. As of June 20, 1997, $30,000,000, the maximum loan amount, had been drawn. The interest rate on the loan is 2.7% and is payable in twenty annual installments, beginning one year after the initial loan disbursement. The purpose of this loan was to finance the Alvarado Wastewater Treatment Plant Upgrade project.

B. 2003 State Revolving Fund Loan – Irvington

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

C. 2008 State Revolving Fund Loan – Willow

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.4% and is payable in twenty annual installments, beginning one year after initial loan disbursement. The purpose of this loan was to finance the Willow/Central Avenue sanitary sewer rehabilitation project. The maximum amount of this agreement is $1,749,329 based upon projected costs to be incurred. As of June 30, 2012, $1,710,471 has been advanced under this agreement.

D. 2008 State Revolving Fund Loan – Newark Pump Station

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7% and is payable in twenty annual installments, beginning in 2011. The purpose of this loan was to finance the Newark Pump Station project. The maximum amount of this agreement is $10,283,321 based upon projected costs to be incurred. As of June 30, 2012, $10,283,321, the maximum loan amount, has been advanced under this agreement.

E. 2008 State Revolving Fund Loan – Hetch Hetchy

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7% and will be payable in twenty annual installments beginning one year after initial loan disbursements. The purpose of this loan is to finance the lower Hetch Hetchy sewer rehabilitation project. The maximum amount of this agreement is $2,212,432 based upon projected costs to be incurred. As of June 30, 2012, $2,113,379 has been advanced under this agreement.

F. 2009 State Revolving Fund Loan – Cedar Boulevard

During 2009, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.5% and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the Cedar Boulevard Sanitary Sewer Rehabilitation Project. The maximum amount of this agreement is $2,052,841 based upon projected costs to be incurred. As of June 30, 2012, $1,998,384 has been advanced under this agreement.

G. 2011 State Revolving Fund Loan – Primary Clarifier

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7% and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the rehabilitation of primary clarifiers (Nos. 1 through 4) at the Alvarado Wastewater Treatment Plant. The maximum amount of this agreement is $8,821,860 based upon projected costs to be incurred. As of June 30, 2012, $6,438,569 has been advanced under this agreement.

H. 2011 State Revolving Fund Loan – Substation 1

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6% and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Substation 1 to ensure its continual operation. The maximum amount of this agreement is $2,676,485 based upon projected costs to be incurred. As of June 30, 2012, $2,303,029 has been advanced under this agreement.

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

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6% and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Boyce Road Lift Station to ensure its continual operation. The maximum amount of this agreement is $6,196,671 based upon projected costs to be incurred. As of June 30, 2012, $2,923,618 has been advanced under this agreement.

J. Use Permit

During 1995, the District entered into an agreement with the City of Union City (City) that allows the District to increase the District's Wastewater Treatment capacity to a maximum of 38 million gallons per day. Under the terms of the agreement, the District paid the City $250,000 at the time of the agreement was entered into and $500,000 per year for eighteen years. The liability has been recorded at the net present value of the future payments at a discount rate of 6%. As of June 30, 2012, the obligation has been paid off.

K. Debt Service Requirements

Future annual repayment requirements as of June 30, 2012 are as follows:

Year Ended June 30		Principal	Interest	Total
2013		$ 3,301,150	$ 390,541	$ 3,691,691
2014		3,502,190	827,390	4,329,580
2015		1,884,376	744,199	2,628,575
2016		1,932,489	704,965	2,637,454
2017		1,981,831	664,716	2,646,547
2018-2022		10,694,693	2,682,386	13,377,079
2023-2027		9,341,868	1,546,166	10,888,034
2028-2032		6,524,702	525,101	7,049,803
2033		466,991	16,086	483,077
	Totals	$ 39,630,289	$ 8,101,550	$ 47,731,839

NOTE #6 - PENSION PLAN

Substantially all District employees are eligible to participate in a pension plan offered by California Public Employees Retirement System (CALPERS) to the District, an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The benefit provisions and all other requirements have been established and may be amended by State statute and District resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually based on an actuarial study as of June 30 by CALPERS. The Plan's provisions and benefits in effect at June 30, 2012 are summarized as follows.

Benefit vesting schedule	5 years service
Benefit payment	Monthly for life
Minimum retirement age	50
Benefit factor per year of service	2.0 - 2.5%
Required employee contribution rate	8%
Required employer contribution rate	15.839%

CALPERS determines contribution requirements using a modification of the Entry Age Actuarial Cost Method. Under this method, the District's total normal benefit cost for each employee for date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the District must pay annually to fund and employee's projected retirement benefit. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The District uses the actuarially determined percentages of payroll to calculate and pay contribution to CALPERS. This results in no net pension obligations or unpaid contributions. Annual pension costs, representing the payment of employer contributions required by CALPERS, for the years ended June 30, 2012 and 2011 were $2,053,047 and $1,509,890 respectively. In addition, the District is currently obligated to pay 6% of the employee's 8% contribution as per collective bargaining agreements. That obligation is not reflected within the actuarial accrued liability disclosed in the required supplementary information section. The annual pension costs, including both the employer and employee portion paid by the District, for the years ended June 30, 2012 and 2011 were $2,869,537 and $2,268,175, respectively.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$ 2,869,537	100%	$ -
6/30/2011	2,268,175	100%	-
6/30/2010	2,252,529	100%	-

CALPERS uses the Entry-age normal cost method to value Plan obligations and the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are tracked and amortized over 30 years. Salaries are projected to increase from 3.85% to 14.45% depending on age, service, and type of employment.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE #7 - OTHER RETIREMENT BENEFITS

A. Postemployment Healthcare Plan (OPEB)

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

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

Funding Policy. The District's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a closed basis. The current ARC rate is 3.6% of the annual covered payroll, based on the most recent actuarial report dated July 1, 2011. The plan members receiving benefits currently do not make contributions.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution (ARC)	$ 363,108
Interest on net OPEB obligation (asset)	(109,203)
Adjustment to ARC	92,710
Annual OPEB cost	346,615
Contributions made	363,108
Change in net OPEB obligation (asset)	(16,493)
OPEB obligation (asset) - beginning of year	(1,409,071)
OPEB obligation (asset) - end of year	$ (1,425,564)

Trend Information. The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) is as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2012	$ 346,615	$ 363,108	105%	$ (1,425,564)
6/30/2011	333,663	351,679	105%	(1,409,071)
6/30/2010	521,414	1,321,414	253%	(1,391,055)

Funded Status. The schedule of funded status of the plan as of July 1, 2011 was as follows:

Actuarial accrued liability (AAL)	$ 6,557,147
Actuarial value of plan assets	2,849,311
Unfunded actuarial accrued liability (UAAL)	$ 3,707,836
Funded ratio (actuarial value of plan assets/ AAL)	43.5%
Covered payroll (active plan members)	$ 12,094,561
UAAL as a percentage of covered payroll	30.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2011
Actuarial cost method	Entry age, Normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return (funded)	6.75%
Salary increase	3.25%
Healthcare cost trend rate	9.0% initial; 4.5% ultimate
Inflation Rate	3.25%

B. 401(a) Plans

The District sponsors three internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the ICMA Retirement Corporation. The plans were established and can be amended by Board resolution and, for certain terms, by participant agreement. Eligibility for participation in a particular plan is dependent on job classification. Within each plan, participating employees contribute the same dollar amount, and the District makes matching contributions on their behalf. The District and the participants both contributed a total of $36,690 and $37,105 to the plans for the years ended June 30, 2012, and 2011, respectively.

C. Deferred Compensation Plan

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

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

NOTE #8 - RISK MANAGEMENT

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

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The District's liability for uninsured claims is limited to general liability claims, as discussed above.

NOTE #9 - COMMITMENTS AND CONTINGENT LIABILITIES

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

Supplementary Information

Pump Station Solar Facility and Solar Covered Storage Unit

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress for Pension Plan

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	$ 73,970,831	$ 88,741,572	$ 14,770,741	83.4%	$ 12,301,216	120.1%
2009	70,490,768	83,558,837	13,068,069	84.4%	12,177,190	107.3%
2008	67,804,209	74,379,293	6,575,084	91.2%	11,514,701	57.1%

Schedule of Funding Progress for Retiree Health Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	$ 2,849,311	$ 6,557,147	$ 3,707,836	43%	$ 12,094,561	30.7%
July 1, 2010	2,202,422	5,120,503	2,918,081	43%	11,590,155	25.2%
July 1, 2008	-	5,201,583	5,201,583	0%	12,429,787	41.8%

SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

SCHEDULES OF COMPONENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
NET INVESTMENT IN CAPITAL ASSETS		
Net capital assets	$ 336,569,446	$ 332,946,978
Less long term debt:		
State revolving fund	(39,630,289)	(31,985,449)
Union City use permit	-	(471,698)
Net investment in capital assets	296,939,157	300,489,831
RESTRICTED NET ASSETS		
Expendable:		
Capacity purposes	15,123,448	13,237,951
Nonexpendable:		
State revolving fund loan contingency requirement	4,222,930	3,639,885
Total restricted net assets	19,346,378	16,877,836
UNRESTRICTED		
Renewal and replacement:		
Structural	10,704,257	12,438,800
Vehicle and equipment	1,173,450	902,267
Information system	1,269,037	888,894
Plant and pump station	110,992	69,307
Non-capital project expense (NECB)	306,956	260,420
Investment in East Bay Dischargers Authority	6,561,617	6,662,444
Risk management	1,500,000	1,500,000
Cash flow	14,595,065	14,182,230
Emergency	1,250,000	1,000,000
Pretreatment	110,339	98,600
Total unrestricted	37,581,713	38,002,962
NET ASSETS	$ 353,867,248	$ 355,370,629

Note A – Restricted Net Assets

The amounts have legal restrictions as to their uses. Those amounts restricted for capacity purposes can be used only for acquisition of capacity related capital assets. Those amounts restricted as bond reserve can be used only for debt service.

Note B – Unrestricted Assets

These amounts have been designated by Board resolution for various purposes including renewal and replacement and a reserve for economic uncertainty.

UNION SANITARY DISTRICT

SCHEDULES OF OPERATING EXPENSES BEFORE DEPRECIATION FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	$ 4,517,109	$ 5,862,154	$ 2,945,441	$ 13,324,704
Employee benefits	1,707,279	2,382,945	1,439,396	5,529,620
Recruitment and development	79,764	84,957	212,550	377,271
Temporary help	-	15,170	-	15,170
Repairs and maintenance	1,570,105	546,929	12,459	2,129,493
Operating supplies	1,626,589	215,601	-	1,842,190
Office and safety supplies	140,006	152,172	216,153	508,331
Insurance	-	-	176,275	176,275
Contractual services	673,834	40,278	10,334	724,446
Professional services	181,917	51,187	471,113	704,217
Utilities	2,355,404	49,554	58,129	2,463,087
East Bay Dischargers Authority - operating charges	1,100,381	-	-	1,100,381
Non-capital projects	248,476	254,805	369,573	872,854
Sewer Service charge administrative fee	34,983	34,983	34,982	104,948
Rents/Leases	19,419	21,910	5,413	46,742
Total	$ 14,255,266	$ 9,712,645	$ 5,951,818	$ 29,919,729

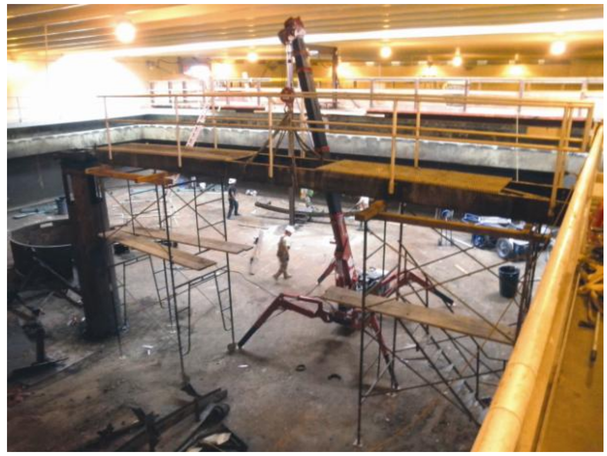
	2011			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	$ 4,400,401	$ 5,761,486	$ 2,865,404	$ 13,027,291
Employee benefits	1,587,692	2,123,326	1,264,199	4,975,217
Recruitment and development	56,239	60,518	197,620	314,377
Temporary help	-	7,959	-	7,959
Repairs and maintenance	1,596,455	567,047	11,534	2,175,036
Operating supplies	1,826,366	201,437	-	2,027,803
Office and safety supplies	122,237	212,484	223,801	558,522
Insurance	-	-	225,434	225,434
Contractual services	670,922	40,291	10,079	721,292
Professional services	212,723	40,895	419,765	673,383
Utilities	2,224,416	47,250	56,285	2,327,951
East Bay Dischargers Authority - operating charges	969,969	-	-	969,969
Non-capital projects	632,015	1,415,567	257,127	2,304,709
Sewer Service charge administrative fee	34,967	34,967	34,967	104,901
Rents/Leases	7,950	19,465	8,036	35,451
Total	$ 14,342,352	$ 10,532,692	$ 5,574,251	$ 30,449,295

UNION SANITARY DISTRICT

SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2012

The District's insurance policies and coverages in effect at June 30, 2012 are as follows:

General liability (pooled liability program)		
Bodily injury, property damage, and personal injury	$	25,500,000
Public entity errors and omissions and other related practices	$	25,500,000
Employment related practices	$	25,500,000
	Insured Value	
Auto physical damage (primary insurance program)	$	2,817,689
Workers' Compensation	$	1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	$	213,400,471
Accounts receivable		No sublimit
Employee Dishonesty Bond Coverages:		
Public Employee Dishonesty Bond	$	1,000,000
Forgery and alteration	$	1,000,000
Computer Fraud	$	1,000,000

Statistical Section

Primary Clarifier Rehabilitation

Union Sanitary District
Statistical Section

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

Table of Contents **Page**

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader asses the District's most significant revenue sources.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the local environment within which the District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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

UNION SANITARY DISTRICT

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

	Fiscal Year									
Changes in Net Assets	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Operating Revenues										
Sewer Service Charges	$40,630,578	$38,486,824	$37,217,073	$35,103,885	$32,851,938	$30,951,916	$29,257,270	$27,592,013	$27,075,598	$25,146,104
Other Operating Revenues	1,027,357	987,948	968,475	809,171	922,013	1,099,925	1,118,247	1,097,871	1,247,850	1,034,706
Total Operating Revenues	41,657,935	39,474,772	38,185,548	35,913,056	33,773,951	32,051,841	30,375,517	28,689,884	28,323,448	26,180,810
Operating Expenses										
Sewage Treatment	14,255,266	14,342,352	13,995,781	12,938,404	11,881,805	11,250,875	11,688,666	11,166,304	10,300,254	10,093,698
Sewage Collection and Engineering	9,712,645	10,532,692	9,338,919	8,658,679	7,998,961	8,160,123	7,188,088	6,719,421	6,739,434	6,452,533
General and Administration	5,951,818	5,574,251	5,322,085	5,200,792	4,757,630	4,442,638	4,223,584	3,958,644	3,780,914	3,860,606
Total Operating Expenses Before Depr.	29,919,729	30,449,295	28,656,785	26,797,875	24,638,396	23,853,636	23,100,338	21,844,369	20,820,602	20,406,837
Depreciation	16,790,277	16,323,858	16,243,535	16,380,510	15,829,000	17,127,661	16,093,787	27,669,976 *	14,299,037	13,549,570
Total Operating Expeneses	46,710,006	46,773,153	44,900,320	43,178,385	40,467,396	40,981,297	39,194,125	49,514,345	35,119,639	33,956,407
Operating Loss	(5,052,071)	(7,298,381)	(6,714,772)	(7,265,329)	(6,693,445)	(8,929,456)	(8,818,608)	(20,824,461)	(6,796,191)	(7,775,597)
Non-operating Revenues (Expenses)										
Investment Income	248,337	274,328	349,012	1,136,138	1,746,157	1,902,866	1,527,372	926,543	552,623	2,933,175
Interest Expense	(858,162)	(1,114,313)	(867,781)	(647,171)	(775,179)	(839,808)	(897,698)	(1,240,075)	(699,776)	(773,806)
Loss on Retirement of Utility in Capital Asse	(127,430)	(751,601)	(95,110)	(134,787)	(384,325)	(97,969)	(168,026)	(2,077,193)	(1,273,464)	0
Gain (loss) on Equity Investment in EBDA	(100,827)	(95,011)	(76,498)	(12,946)	(46,886)	(142,783)	(150,303)	(153,173)	(158,172)	(151,923)
Other Non-operating Expenses	0	0	0	0	0 **	0 **	(1,098,450)	(629,216)	(677,448)	(804,980)
Net Non-operating Revenues	(838,082)	(1,686,597)	(690,377)	341,234	539,767	822,306	(787,105)	(3,173,114)	(2,256,237)	1,202,466
Loss Before Contributions	(5,890,153)	(8,984,978)	(7,405,149)	(6,924,095)	(6,153,678)	(8,107,150)	(9,605,713)	(23,997,575)	(9,052,428)	(6,573,131)
Connection Fees and Other Contrib. Capital	4,386,772	7,850,769	3,196,347	2,648,784	6,231,701	3,503,054	6,519,344	6,737,679	4,988,881	3,443,981
Change in Net Assets	(1,503,381)	(1,134,209)	(4,208,802)	(4,275,311)	78,023	(4,604,096)	(3,086,369)	(17,259,896)	(4,063,547)	(3,129,150)
Net Assets, Beginning of Year	355,370,629	356,504,838	360,713,640	364,988,951	363,022,293	367,626,389	370,712,758	387,972,654	392,036,201	395,165,351
Net Assets, End of Year	$353,867,248	$355,370,629	$356,504,838	$360,713,640	$363,100,316	$363,022,293	$367,626,389	$370,712,758	$387,972,654	$392,036,201
Statement of Net Assets by Component										
Net investment in capital assets	$296,939,157	$300,489,831	$302,407,235	$308,753,429	$312,722,057	$321,621,932	$328,262,088	$331,070,729	$336,649,401	$335,733,296
Restricted	19,346,378	16,877,836	14,840,623	14,290,870	10,166,261	6,700,960	4,218,141	2,287,987	4,981,966	11,509,057
Unrestricted	37,581,713	38,002,962	39,256,980	37,669,341	2,927,822	2,215,053	2,215,053	2,215,053	2,215,053	1,500,000
Restricted-Retiree medical benefit plan	0	0	0	0	1,457,853	938,263	853,752	770,356	749,830	706,017
Unrestricted	0	0	0	0	35,826,323	31,546,085	32,077,355	34,368,633	43,376,404	42,587,831
Total USD net assets	$353,867,248	$355,370,629	$356,504,838	$360,713,640	$363,100,316	$363,022,293	$367,626,389	$370,712,758	$387,972,654	$392,036,201

Additional years will be added until ten years' worth of information is available.

* Includes a correction to pre-1980 assets depreciated by a method other than straight-line.
** Non-ECB Other Expenses are classified under Operating Expenses and restated for FY 2007 per auditor recommendation.

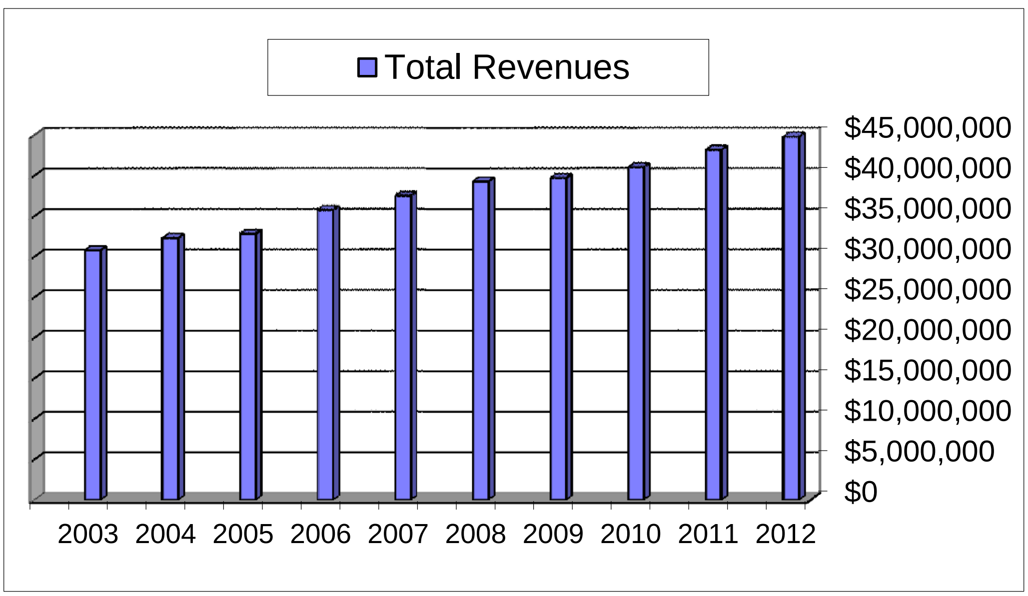
Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

District-Wide Revenues and Other Financing Sources

Fiscal Year	Sewer Service Charges	Capacity Fees	Interest	Others*	Total Revenues
2012	$40,630,578	$2,848,488	$248,337	$1,027,357	$44,754,760
2011	38,486,824	3,381,963	274,328	987,948	43,131,063
2010	37,217,073	2,467,083	349,012	968,475	41,001,643
2009	35,103,885	2,621,801	1,136,138	809,171	39,670,995
2008	32,851,938	3,746,046	1,746,157	922,013	39,266,154
2007	30,951,916	3,503,054	1,902,866	1,099,925	37,457,761
2006	29,257,270	3,819,854	1,527,372	1,118,247	35,722,743
2005	27,592,013	3,173,183	926,543	1,097,871	32,789,610
2004	27,075,598	3,411,559	552,623	1,247,850	32,287,630
2003	25,146,104	1,665,970	2,933,175	1,034,706	30,779,955

*Others includes Inspection Fees, Permits, External Work Orders, Discounts, and Misc.



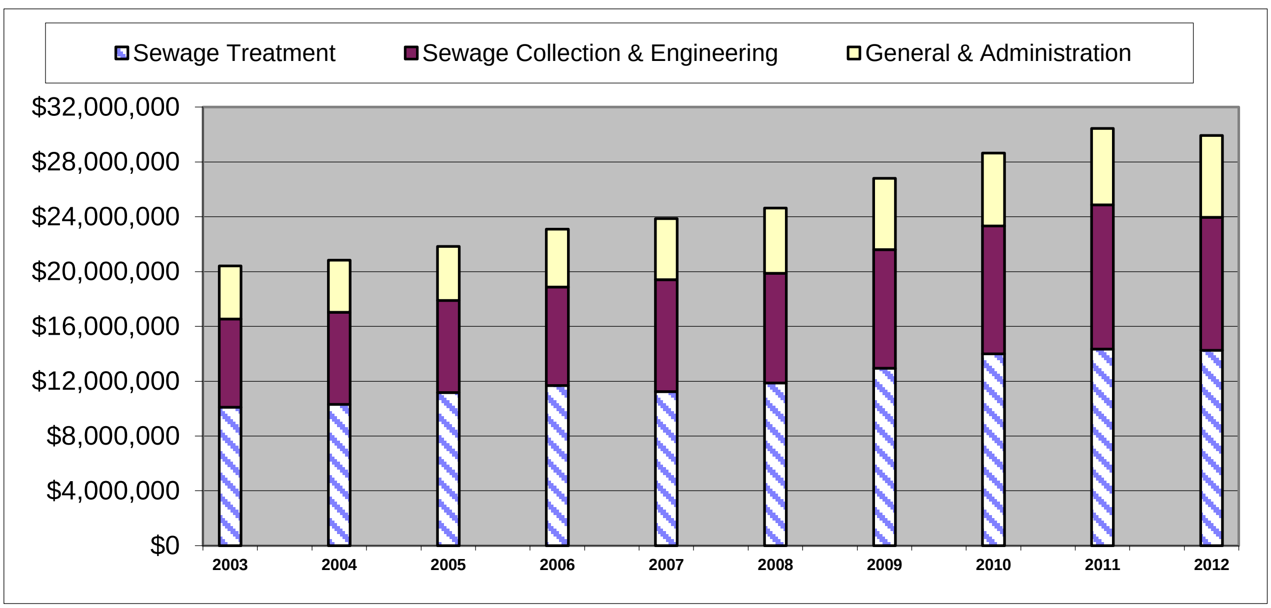
The District's main source of revenue is Sewer Service Charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

Total of Capacity Fees received is closely tied to economic conditions in the tri-city area.

Source: USD Audited Financial Statements

Operating Expenses By Major Function

Fiscal Year	Sewage Treatment	Sewage Collection & Engineering	General & Administration	Total Expenses
2012	$14,255,266	$9,712,645	$5,951,818	$29,919,729
2011	14,342,352	10,532,692	5,574,251	30,449,295
2010	13,995,781	9,338,919	5,322,085	28,656,785
2009	12,938,404	8,658,679	5,200,792	26,797,875
2008	11,881,805	7,998,961	4,757,630	24,638,396
2007	11,250,875	8,160,123	4,442,638	23,853,636
2006	11,688,666	7,188,088	4,223,584	23,100,338
2005	11,166,304	6,719,421	3,958,644	21,844,369
2004	10,300,254	6,739,434	3,780,914	20,820,602
2003	10,093,698	6,452,533	3,860,606	20,406,837



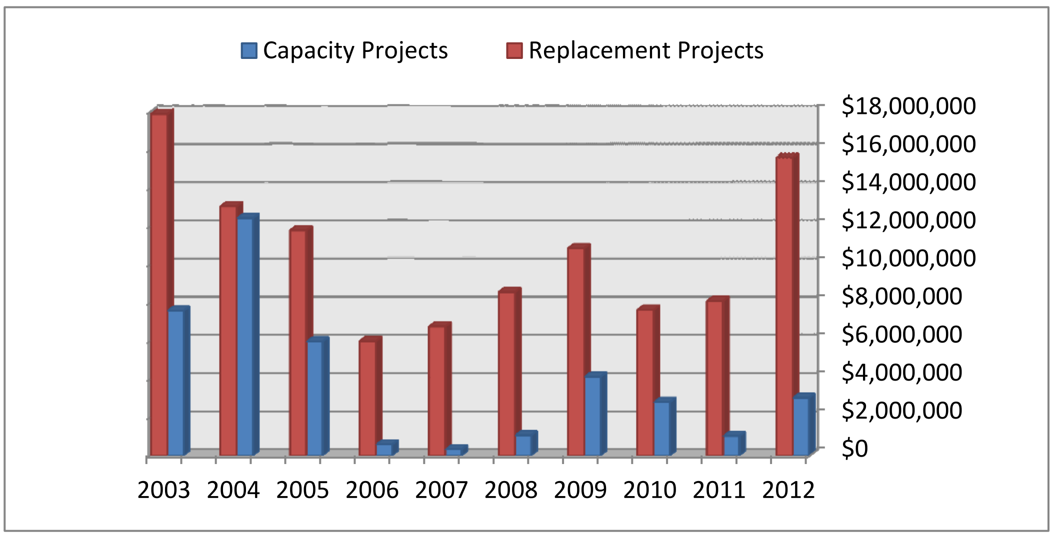
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

Capital Expenditures

Fiscal Year	New Capacity Projects	Renewal & Replacement Projects	Total Capital Expenditures
2012	$3,032,556	$15,580,736	$18,613,292
2011	1,030,689	8,099,110	9,129,799
2010	2,809,723	7,641,018	10,450,741
2009	4,134,515	10,861,404	14,995,919
2008	1,070,104	8,571,513	9,641,617
2007	333,087	6,765,850	7,098,937
2006	584,634	5,999,203	6,583,837
2005	5,981,158	11,800,550	17,781,708
2004	12,443,532	13,061,112	25,504,644
2003	7,591,834	17,887,144	25,478,978



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

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

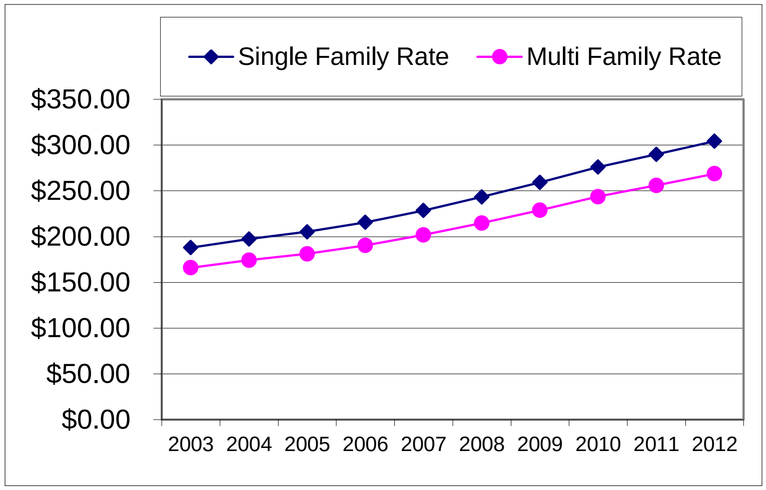
Source: USD Finance Department

Current and Historical Fees

Last Ten Years

Sewer Service Charge Rates

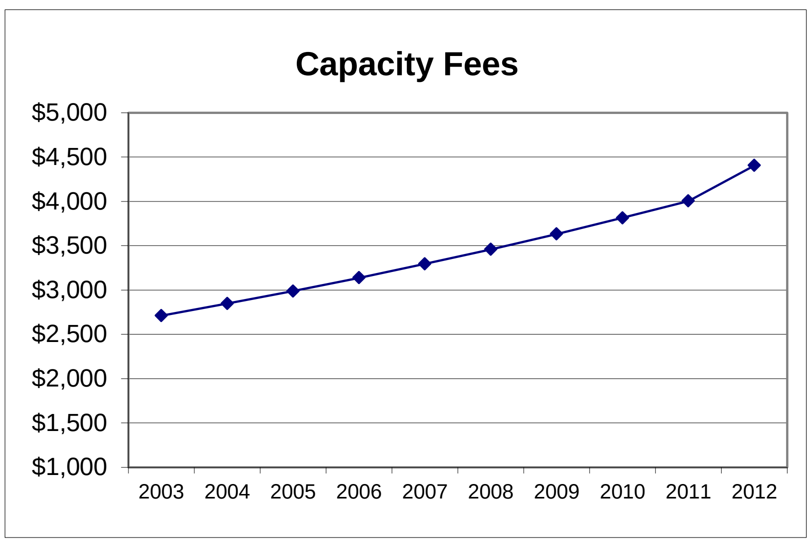
	Single Family Rate	Multi - Family Rate	SFD % Change
2012	$304.33	$268.73	5.0%
2011	289.84	255.93	5.0%
2010	276.04	243.74	6.5%
2009	259.18	228.86	6.5%
2008	243.36	214.90	6.5%
2007	228.52	201.78	6.0%
2006	215.57	190.33	5.0%
2005	205.30	181.27	4.0%
2004	197.40	174.30	5.0%
2003	188.00	166.00	



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged $268.73 for each dwelling unit on the property. Fees for commercial and industrial customers are based on the volume and pollutant strength of the wastewater being treated.

Capacity Fee Rates

		% Change
2012	$4,404.30	10.0%
2011	4,003.91	5.0%
2010	3,813.25	5.0%
2009	3,631.67	5.0%
2008	3,458.73	5.0%
2007	3,294.03	5.0%
2006	3,137.17	5.0%
2005	2,987.78	5.0%
2004	2,845.50	5.0%
2003	2,710.00	



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

Source: USD Finance Department

UNION SANITARY DISTRICT
Ten Principal Industrial Rate Payers
June 30, 2012

Rate Payer	2011-12 Total Annual Billing	Rank	% of Total Annual Billings	2010-11 Total Annual Billing	Rank	% of Total Annual Billings	2009-10 Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	$269,619	1	0.66%	$215,190	2	0.56%	$227,410	2	0.61%
Solyndra	210,366	2	0.52%	120,712	5	0.31%	73,694	8	0.20%
NUMMI/Tesla	148,978	3	0.37%	391,105	1	1.02%	549,041	1	1.48%
Evergreen Oil	133,925	4	0.33%	124,684	4	0.32%	136,078	3	0.37%
Washington Hospital	112,361	5	0.28%	136,804	3	0.36%	128,056	4	0.34%
Caravan Trading Co & Bakery	103,048	6	0.25%	---	---	---	---	---	---
The Benton in Fremont	86,531	7	0.21%	82,409	7	0.21%	78,484	6	0.21%
Kaiser Hospital	84,813	8	0.21%	78,993	9	0.21%	---	---	---
Gateway Plaza	81,681	9	0.20%	---	---	---	---	---	---
US Pipe	76,091	10	0.19%	---	---	---	---	---	---
Total annual billing largest ten:	$1,307,413		3.22%	$1,149,897		2.99%	$1,192,763		3.20%
Total ALL annual billings	$40,630,578			$38,486,824			$37,217,073		

Rate Payer	2008-09 Total Annual Billing	Rank	% of Total Annual Billings	2007-08 Total Annual Billing	Rank	% of Total Annual Billings	2006-07 Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	$273,113	2	0.78%	$274,533	2	0.84%	$233,804	2	0.76%
Solyndra	---	---	---	---	---	---	---	---	---
NUMMI/Tesla	525,177	1	1.50%	496,063	1	1.51%	544,105	1	1.76%
Evergreen Oil	136,727	4	0.39%	114,815	4	0.35%	124,993	5	0.40%
Washington Hospital	146,515	3	0.42%	139,089	3	0.42%	111,139	6	0.36%
Caravan Trading Co & Bakery	---	---	---	---	---	---	---	---	---
The Benton in Fremont	73,693	7	0.21%	69,198	8	0.21%	64,973	10	0.21%
Kaiser Hospital	67,333	10	0.19%	---	---	---	---	---	---
Gateway Plaza	---	---	---	---	---	---	---	---	---
US Pipe	---	---	---	82,993	5	0.25%	101,516	7	0.33%
Total annual billing largest ten:	$1,222,558		3.48%	$1,176,691		3.58%	$1,180,530		3.81%
Total ALL annual billings	$35,103,885			$32,851,938			$30,951,916		

Rate Payer	2005-06 Total Annual Billing	Rank	% of Total Annual Billings	2004-05 Total Annual Billing	Rank	% of Total Annual Billings	2003-04 Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	$201,825	2	0.69%	$216,040	3	0.78%	$158,686	3	0.59%
Solyndra	---	---	---	---	---	---	---	---	---
NUMMI/Tesla	715,870	1	2.45%	575,263	1	2.08%	661,126	1	2.44%
Evergreen Oil	---	---	---	---	---	---	---	---	---
Washington Hospital	78,911	7	0.27%	82,141	7	0.30%	64,280	8	0.24%
Caravan Trading Co & Bakery	---	---	---	---	---	---	---	---	---
The Benton in Fremont	---	---	---	---	---	---	---	---	---
Kaiser Hospital	---	---	---	---	---	---	---	---	---
Gateway Plaza	---	---	---	---	---	---	---	---	---
US Pipe	86,484	4	0.30%	71,889	8	0.26%	81,083	6	0.30%
Total annual billing largest ten:	$1,083,090		3.70%	$945,333		3.43%	$965,175		3.56%
Total ALL annual billings	$29,257,270			$27,592,013			$27,075,598		

	2001/2002	2001-02 Revenues	2011-12 Revenues	Still USD Customer
1	New United Motor Mfg.	590,799	148,978	No
2	Dreyers Grand Ice Cream	305,464	---	No
3	HMT Technology	151,445	---	No
4	Nancy's Specialty Foods	112,461	---	No
5	Evergreen Oil	94,399	133,925	Yes
6	Read Rite (Western Digital	90,026	269,619	Yes
7	Agilent Technology	88,690	---	No
8	Dannon/Mckesson Waters	82,975	---	No
9	Washington Hospital	76,952	112,361	Yes
10	Seagate Technology	76,726	73,409	Yes

Additional years will be added until ten years of data are available.

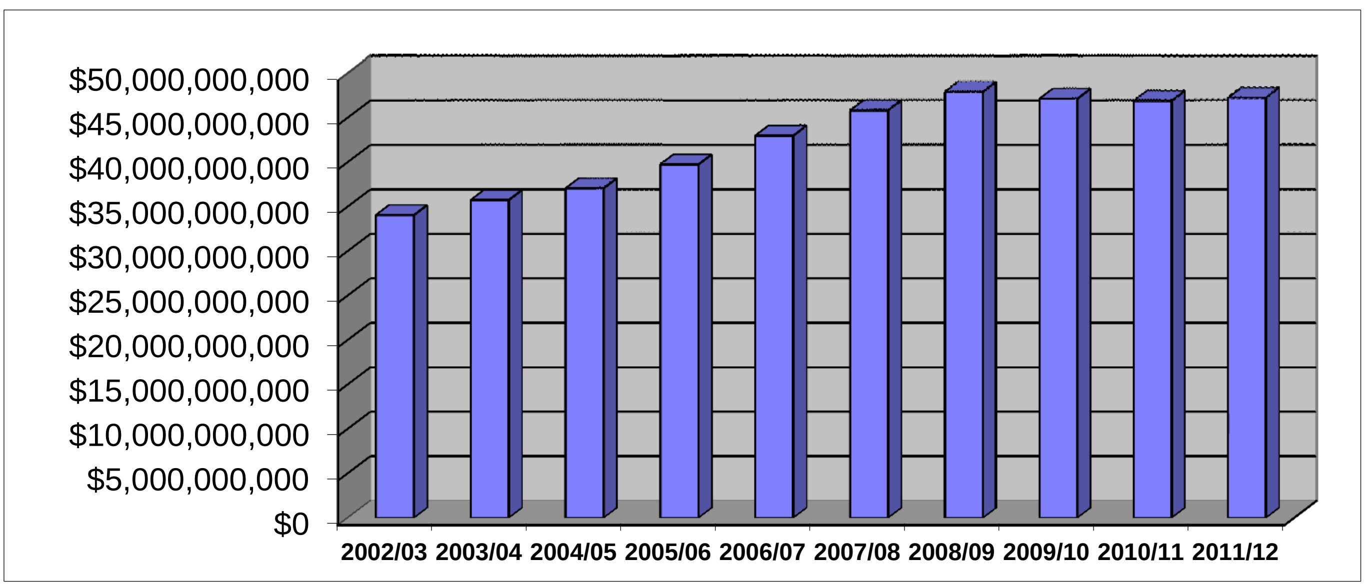
Source: USD Customer Service Team

UNION SANITARY DISTRICT

Fiscal Year Assessed Valuation

Valuation of taxable property within Union Sanitary District

		% Change
2011/12	$47,205,182,529	0.71%
2010/11	$46,871,083,762	-0.54%
2009/10	$47,125,012,456	-1.57%
2008/09	$47,878,943,360	4.55%
2007/08	$45,796,626,625	6.56%
2006/07	$42,977,256,903	8.13%
2005/06	$39,744,688,309	7.26%
2004/05	$37,056,029,834	3.69%
2003/04	$35,736,357,377	4.97%
2002/03	$34,043,976,999	



Includes property in Fremont, Newark, and Union City.

Source: Alameda Count Office of the Auditor-Controller

UNION SANITARY DISTRICT

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Use Permit (1)	Loans Payable (2)	Principal Total	# of Ratepayers*	Total Debt/ #Ratepayers
2012	$0	$39,630,289	$39,630,289	94,351	$420
2011	471,698	31,985,449	32,457,147	94,231	344
2010	916,696	33,594,457	34,511,153	93,962	367
2009	1,336,506	29,499,150	30,835,656	93,666	329
2008	1,732,553	25,367,381	27,099,934	92,427	293
2007	2,106,182	24,908,737	27,014,919	91,896	294
2006	2,458,662	27,085,423	29,544,085	91,315	324
2005	2,791,171	29,206,575	31,997,746	90,472	354
2004	3,104,897	31,292,792	34,397,689	90,120	382
2003	3,400,846	18,443,838	21,844,684	84,713	258

* Based on parcels

	Purpose	Rate	Maturity Date	Annual Total Payment	Outstanding Principal Balance
(1) Use Permit	Union City Use Permit - to increase capacity to maximum of 38 mg/d	6.0%	6/1/2012	$500,000	$0
(2) Loans Payable	State Water Resources Control Board - Wastewater Treatment Plant Upgrade Project	2.7%	6/17/2014	$1,960,384	$3,766,492
	State Water Resources Control Board - Irvington Wastewater Equalization Storage Facility	2.4%	8/30/2023	$908,164	$9,372,390
	State Water Resources Control Board - Willow/Central Avenue	2.4%	11/16/2027	$108,385	$1,426,037
	State Water Resources Control Board - Newark Pump Stat. Upgrade	2.7%	1/26/2030	$685,405	$9,670,324
	State Water Resources Control Board - Lower Hetch Hetchy	2.7%	11/17/2028	$139,634	$1,883,640
	State Water Resources Control Board - Cedar Blvd.	2.5%	2/26/2030	$127,349	$1,827,887
	State Water Resources Control Board - Primary Clarifier (still drawing proceeds)	2.7%	1/15/2033	$591,603	$6,438,569
	State Water Resources Control Board - Substation 1 (still drawing proceeds)	2.6%	2/28/2032	$175,842	$2,321,332
	State Water Resources Control Board - Boyce Road (still drawing proceeds)	2.6%	3/31/2033	$401,263	$2,923,618
Totals				**$5,598,028**	**$39,630,289**

The District utilizes State Revolving Fund (SRF) loans as a cost-effective alternative to bon financing when the need arises for capital expenditure debt financing.

Source: USD internal accounting records

UNION SANITARY DISTRICT

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage % (2)
2012	$44,556,479	$29,919,730	$14,636,749	$4,429,320	330%
2011	43,131,063	30,449,295	12,681,768	4,429,320	286%
2010	41,001,643	28,656,785	12,344,858	3,584,000	344%
2009	39,670,995	26,797,875	12,873,120	3,476,933	370%
2008	39,266,154	24,638,396	14,627,758	3,368,548	434%
2007	37,457,761	23,853,636	13,604,125	3,368,548	404%
2006	35,722,743	23,100,338	12,622,405	3,368,548	375%
2005	32,789,610	21,844,369	10,945,241	3,368,548	325%
2004	32,287,630	20,820,602	11,467,028	2,460,384	466%
2003	30,779,955	20,406,837	10,373,118	2,460,384	422%

(1) Excludes depreciation; Operating Expenses do not include Capital Project Expenditures

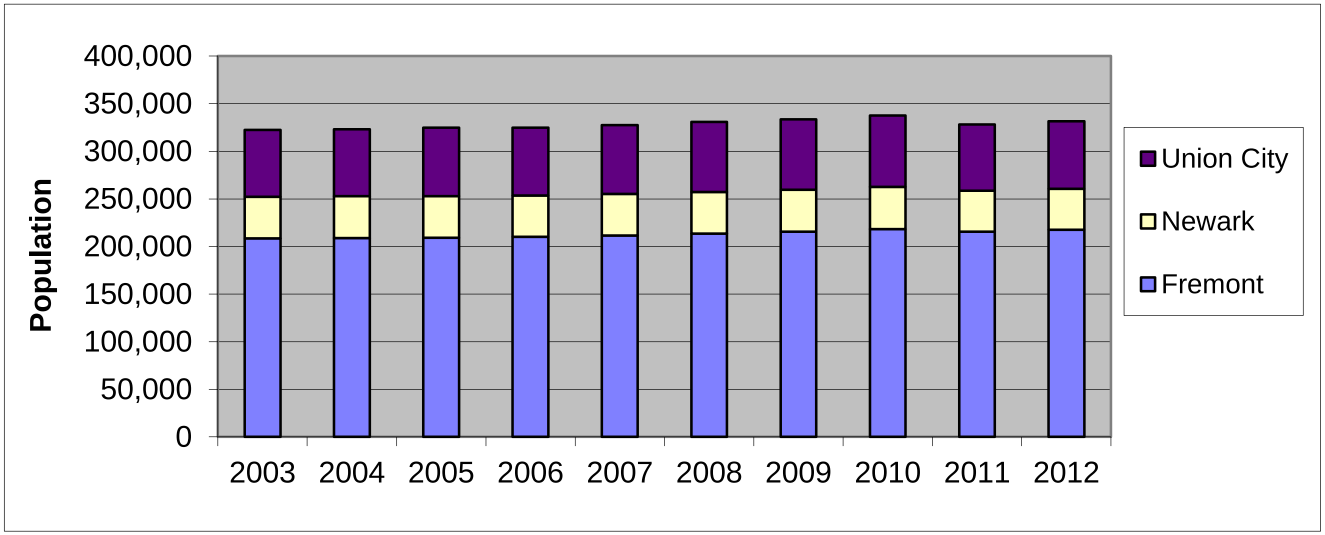
(2) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 130%, which is higher than the standard 120% typically used to secure revenue bonds.

Source: USD internal accounting records

UNION SANITARY DISTRICT

Demographics
Population Served

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fremont	208,600	209,000	209,100	210,158	211,662	213,512	215,636	218,128	215,711	217,700
Newark	43,650	43,950	43,960	43,486	43,693	43,872	44,035	44,380	42,764	43,041
Union City	70,200	70,300	71,725	71,152	72,297	73,402	73,977	75,054	69,850	70,646
Total	**322,450**	**323,250**	**324,785**	**324,796**	**327,652**	**330,786**	**333,648**	**337,562**	**328,325**	**331,387**
Total % Change	0.95%	0.25%	0.47%	0.003%	0.88%	0.96%	0.87%	1.17%	-2.74%	0.93%



Source: CA Dept. of Finance (www.dof.ca.gov)

UNION SANITARY DISTRICT

Demographics of Population Served

Median Household Income

Fremont	$123,067
Newark	$82,231
Union City	$87,205
CA	$58,931

Median Home Value

Fremont	$607,000
Newark	$481,223
Union City	$512,800
CA	$384,200

Source: www.city-data.com

UNION SANITARY DISTRICT

Demographics
Major Employers in District Service Area

Number of Employees as of fiscal year ended June 30,*

Employer Name	Type of Business	% of Total City Employment 2011	2010	2009	2008	2007
Fremont						
Fremont Unified School District	Education	3.27%	3.02%	1.52%	1.51%	1.57%
Washington Hospital	Healthcare	1.98%	1.81%	2.18%	2.16%	2.25%
Boston Scientific/Target Therapeutic	Medical Devices and Products	1.31%	1.81%	1.09%	1.08%	1.12%
Western Digital	Hard Drives and Electronics	1.20%	1.81%	0.91%	1.05%	1.03%
Seagate Magnetics	Computer Components	1.06%	1.06%	0.96%	0.99%	N/A
Newark						
Newark Unified School District	Education	3.40%	3.40%	3.40%	N/A	N/A
WorldPac	Auto Part Distribution	1.40%	1.40%	1.40%	N/A	N/A
Full Bloom Baking Company	Baking Products	1.40%	1.40%	1.40%	N/A	N/A
Risk Management Solutions	Catastrophe Risk Management	1.30%	1.30%	1.30%	N/A	N/A
Smart Modular Technologies	Electronics	1.20%	1.20%	1.20%	N/A	N/A
Union City						
Axygen Bioscience	Biotechnology	3.88%	3.96%	N/A	N/A	N/A
New Haven Unified School District	Education	3.69%	3.76%	3.70%	3.84%	4.18%
Wal Mart	Retailer	1.62%	1.65%	1.86%	1.77%	2.41%
Young's Market Co. LLC	Grocery	1.29%	1.32%	N/A	N/A	N/A
American Licorice	Candy	1.13%	1.08%	0.83%	0.80%	N/A

More years will be added as the data becomes available.

***** Some employers report as of December 31.

Source: CA Dept. of Finance website,
New Haven Unified School District
Cities of Fremont, Newark and Union City

UNION SANITARY DISTRICT

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

Function/Program	Fiscal Year 2012	2011	2010	2009	2008	2007	2006	2005	2004
System operations and maintenace (CS Support, FMC, T&D, Warehouse)	51.45	50.45	51.45	51.00	51.23	49.23	49.23	48.00	47.00
Engineering and construction (CIP)	8.00	8.00	6.00	6.00	6.00	7.00	7.00	6.00	7.00
Collections System Maintenance (CS)	22.00	22.00	22.00	22.00	21.00	23.00	24.00	21.40	21.40
Office of the General Manager (GM)	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Finance (FIST)	5.00	5.00	5.00	5.00	5.00	4.00	5.00	5.00	5.00
Information systems (IT)	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration department (OA, Adm Specialist, MMT, non-HR OST)	14.00	16.00	15.00	15.50	15.50	16.00	15.40	17.55	17.55
Customer and community services (Rest of TSCS)	19.00	19.00	19.00	21.00	21.00	18.00	19.68	17.68	17.68
Human resources (HR)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Total	130.45	129.45	128.45	130.50	129.73	127.23	130.31	124.63	124.63
Average years of service of employees as of 6/30/12:	12.25	11.89	11.46	10.71	10.06	9.80	10.70	11.61	12.41

CIP = Capital Improvements Projects Team
FMC = Fabrication, Maintenace and Construction
MMT = Materials Management Team
OST = Organizational Support Team
T&D = Treatment & Disposal Work Group
TSCS = Technical Support & Customer Services Work Group

Additional years will be added until ten years worth of information is available.

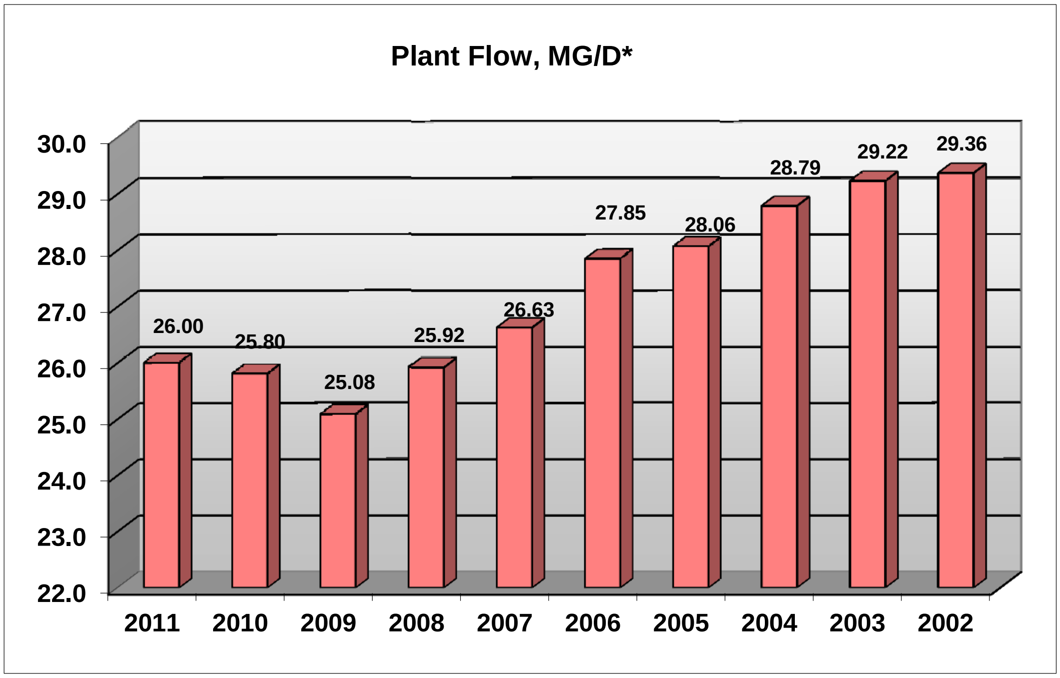
Source: USD Human Resources Dept.

UNION SANITARY DISTRICT

Operating Indicators by Function/Program
Last Ten Calendar Years

Average Daily Flow

Plant Flow Data



Plant 12-month average

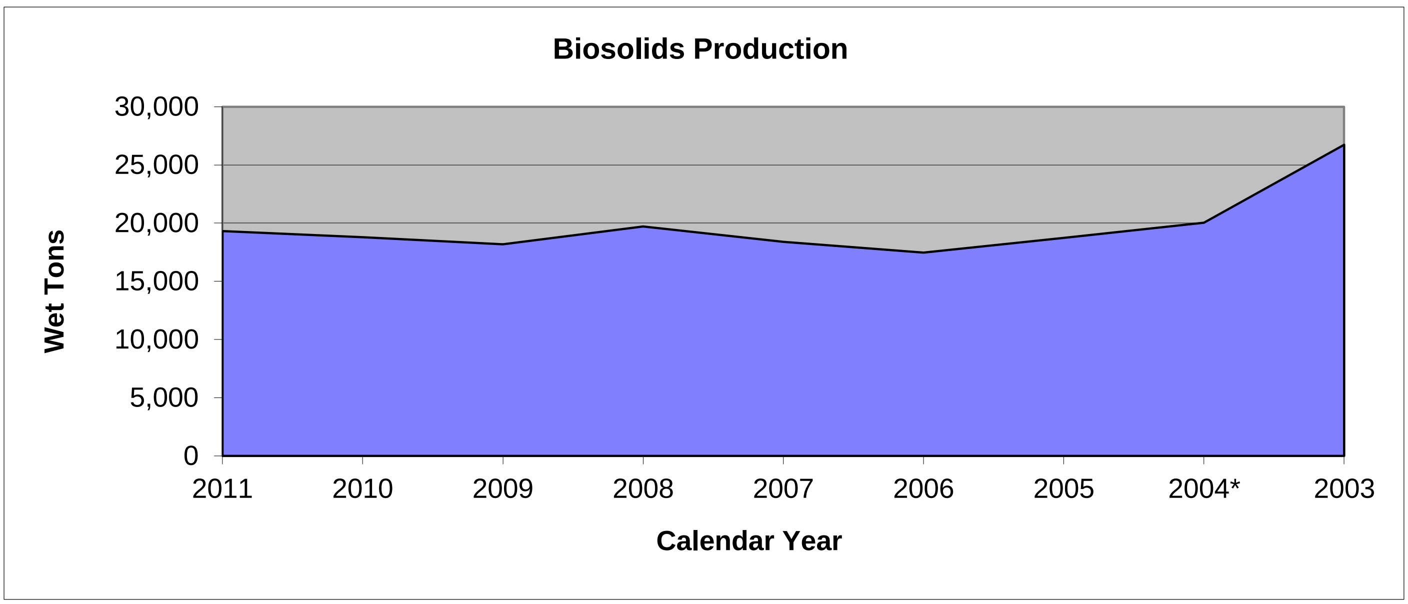
*Million gallons per day. Permitted capacity is 33 MG/D.

Source: Union Sanitary District Research Support Team

UNION SANITARY DISTRICT

Operating Indicators - Biosolids
Last Nine Calendar Years

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003
Biosolids									
Total to Land Application	16,160	15,037	15,891	14,697	16,549	12,558	11,838	14,357	16,783
Total to Landfill	571	0	0	491	748	4,447	6,893	5,679	9,949
Total to Compost	2,585	3,751	2,291	4,523	1,096	461	--	--	--
Total (in Wet Tons)	19,315	18,787	18,182	19,712	18,393	17,466	18,731	20,035	26,731



*Centrifuge dewatering began.

Additional years will be added until ten years of data are available.

Source: USD Treatment Disposal Work Group

Objectives	FY12 Collection Services BSC Measures	Qtr 1	2nd Qtr	3rd Qtr	4th Qtr	FY 12 To Date	FY 12 Target
Customer Perspective:							
• Minimize Overflows SSO's	· # of Category 1 SSOs	1 SSOs	0 SSO	0 SSOs	0 SSOs	1 SSOs	• Zero Category 1 SSOs
	· # of Category 2 SSOs	1 SSO	1 SSOs	2 SSOs	3 SSOs	7 SSOs	≤ 10 Category 2 SSOs
• Minimize Negative Impact on Environment	· Percent of spill recovery	100% Recovery	4.0% Recovery	28.9% Recovery	65.6% Recovery	87.0% Recovery	• 50% Recovery
	· SSO's # of Repeats	0 SSO Repeats	0 Repeats	0 Repeats	0 SSO Repeats	0 SSO Repeats	• Zero Repeats
Manage and maintain assets and infrastructure	• Critical Asset Failures Sewer Main or MH Deficiency resulting in Category 1 SSO, sink hole, injury or resulting property damage > $2,000 due to one or more of the following: – Break, collapse, offset or hole in pipe or – PMP not followed – Corrosion – Defect identified & corrective action	0 Asset failure	0 Asset failure	0 Failures	0 Failures	0 Asset failure	• Zero
	• Stoppage in > 12" diameter mainline	0 Stoppages	0 Stoppages	0 Stoppages	0 Stoppages	0 Stoppages	• Zero
	• # of times building becomes dangerous or unsuitable for occupation.	0 Incidents	0 Incidents	0 Incidents	0 Incidents	0 Incidents	• Zero
	Critical asset failure with a negative impact on customers or the environment	0 Incidents	0 Incidents	0 Incidents	0 Incidents	0 Incidents	Zero Incidents
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	95.0% w/i 1 hour	96.8% w/i 1 hour	98.4% w/i 1 hour	98.3% w/i 1 hour	97.1% w/i 1 hour	≥ 95% w/i 1 hr
• Reduce negative impacts of District	Number of odor complaints attributable to sewer.	0 Odors	1 Odors	0 Odor	0 Odors	1 Odor	≤ 2
Financial Perspective:							
• Provide competitive service	Cleaning – cost per ft/day/crew	$0.69 Per ft	$0.49 Per ft	$0.53 Per ft	$0.82 Per ft	$0.64 Clean Per Ft	Clean $.33 to $.53
Cost per feet/day	Televising – cost per ft/day/crew	$0.81 Per ft	$0.77 Per ft	$0.78 Per ft	$1.17 Per ft	$0.85 TV Per Ft	TV - $.38 to $.67
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's) Average cost per claim/fine	$0 Total Claims $0 Total Fines $0 Avg Claims $0 Avg Fines	$0 Total Claims $0 Total Fines $0 Avg Claims $0 Avg Fines	$0 Total Claims $0 Total Fines $0 Avg Claims $0 Avg Fines	$0 Total Claims $0 Total Fines $0 Avg Claims $0 Avg Fines	$0 Total Claims $0 Total Fines $0 Avg Claims $0 Avg Fines	Claims ≤$2000 Fines-$0 Claims ≤$1000 Fines-$0
Internal Process Perspective:							
• Trouble Call & SSO response	Response Time	95.0% w/i 1 hour	96.8% w/i 1 hour	98.4% w/i 1 hour	98.3% w/i 1 hour	97.1% w/i 1 hour	≥ 95% w/i 1 hr
• Pipe/Problem Assessment	Number of Repeat Spills	0 Zero	0 Zero	0 Zero	Zero per year	Zero per year	≤ 2 per year
• Preventative Maint. Program	Cycle Started versus Target Start Date-72 Mo.	5 Behind Sched.	6.0 Behind Sched.	7.0 Schedule	11.0 Behind Sched.	8.0 Avg Behind Schedule	72 mo – w/i 3 mos.
	Delta Since June 30 Last FY11	-2 Months	-3.0 Months	-4.0 Months	-9.0 Months	-11.0 Months	+ / - 3 months
• Cleaning (other cleaning omitted) o Feet per crew day o # of Crew Days	Per Month Cleaning Footages o Feet Per Crew/Day o # of Crew Days	50,478 Avg Ft Per Mo 3,029 Ft Per Crew/Day 16.7 # of Crew Days	57,737 Avg Ft Per Mo 3,331 Ft Per Crew/Day 17.3 # of Crew Days	15,194 Avg Per Mo * 1,628 Ft Per Crew/Day 9.3 # of Crew Days	44,520 Avg Per Mo 2,671 Ft Per Crew/Day 16.7 # of Crew Days	42,630 Avg Mo 2,665 Ft Per Crew/Day 15.0 # of Crew Days	85,212 Avg Mo, 1,022,540 YE 2,500 to 4,000 Per Crew Day 21 to 34 Crew Days
• Televising o Feet per crew day o # of Crew Days	Per Month Televising Footages o Feet Per Crew/Day o # of Crew Days	50,363 Avg Ft Per Mo 2,747 Ft Per Crew/Day 18.3 # of Crew Days	44,573 Avg Ft Per Mo 2,907 Ft Per Crew/Day 15.3 # of Crew Days	25,213 Avg Per Mo 2,521 Ft Per Crew/Day 10 # of Crew Days	22,043 Avg Per Mo 1,740 Ft Per Crew/Day 12.7 # of Crew Days	35,787 Avg Mo 2,479 Ft Per Crew/Day 14.1 # of Crew Days	69,711 Avg Mo, 836,528 YE 2,000 to 3,500 Per Crew Day 20 to 35 Crew Days
• Key Vehicles Available For Preventative Maintenance Program	Days Per Mo 2 Hydrojets Not Available Days Per Mo 2 TV Vans Not Available	0 Days 0 Days	0 Days 0 Days	0 Days 0 Days	0 Days 0 Days	0 Days 0 Days	< 3 Days < 3 Days
Learning & Growth:							FY12 Targets
• Maintain and increase employee skills	# new modules completed	0 Module	2 Module	0 Modules	0 Modules	2 Modules	2 Modules
	# of Training Modules w/instuction completed # of individual Competency Assessments passed	0 Module 9 Assessments	2 Module 32 Assessments	0 Modules 1 Assessments	0 Modules 0 Assessments	2 Modules 42 Assessments	2 Modules 52 Assessments
• Communicate Performance Data to Teams	# of time info shared with Team	3 Min. per mo	3 Min. per mo	3 Min. per mo	3 Min. per mo	12 Min. per mo	Min. 1 per/mo

Objectives	FY11 Collection Services BSC Measures	Qtr 1		2nd Qtr		3rd Qtr		4th Qtr		FY 11 To Date		FY 11 Target
Customer Perspective:												
• Minimize Overflows SSO's	· # of Category 1 SSOs	0	SSOs	0	SSO	0	SSOs	0	SSOs	0	SSOs	• Zero Category 1 SSOs
	· # of Category 2 SSOs	2	SSO	3	SSOs	0	SSOs	2	SSOs	7	SSOs	≤ 10 Category 2 SSOs
• Minimize Negative Impact on Environment	· Percent of spill recovery	100%	Recovery	100.0%	Recovery	N/A	Recovery	100%	Recovery	100.0%	Recovery	• 50% Recovery
	· SSO's # of Repeats	0	SSO Repeats	0	Repeats	N/A	Repeats	0	SSO Repeats	0	SSO Repeats	• Zero Repeats
Manage and maintain assets and infrastructure	• Critical Asset Failures Sewer Main or MH Deficiency resulting in Category 1 SSO, sink hole, injury or resulting property damage > $2,000 due to one or more of the following: – Break, collapse, offset or hole in pipe or – PMP not followed – Corrosion – Defect identified & corrective action	0	Asset failure	0	Asset failure	0	Failures	0	Failures	0	Asset failure	• Zero
	• Stoppage in > 12" diameter mainline	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	• Zero
	• # of times building becomes dangerous or unsuitable for occupation.	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	• Zero
	Critical asset failure with a negative impact on customers or the environment	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	Zero Incidents
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	95.2%	w/i 1 hour	95.7%	w/i 1 hour	98.4%	w/i 1 hour	98.4%	w/i 1 hour	96.9%	w/i 1 hour	≥ 95% w/i 1 hr
• Reduce negative impacts of District	Number of odor complaints attributable to sewer.	1	Odors	0	Odors	0	Odor	1	Odors	2	Odor	≤ 2
Financial Perspective:												
• Provide competitive service	Cleaning – cost per ft/day/crew	$0.49	Per ft	$0.38	Per ft	$0.39	Per ft	$0.46	Per ft	$0.43	Clean Per Ft	Clean $.33 to $.53
Cost per feet/day	Televising – cost per ft/day/crew	$0.69	Per ft	$0.63	Per ft	$0.66	Per ft	$0.69	Per ft	$0.66	TV Per Ft	TV - $.38 to $.67
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's) Average cost per claim/fine	$0 $0 $0 $0	Total Claims Total Fines Avg Claims Avg Fines	$1,500 $0 $1,500 $0	Total Claims Total Fines Avg Claims Avg Fines	$0 $0 $0	Total Claims Total Fines Avg Claims Avg Fines	$0 $0 $0 $0	Total Claims Total Fines Avg Claims Avg Fines	$1,500 $0 $1,500 $0	Total Claims Total Fines Avg Claims Avg Fines	Claims ≤$2000 Fines-$0 Claims ≤$1000 Fines-$0
Internal Process Perspective:												
• Trouble Call & SSO response	Response Time	95.2%	w/i 1 hour	95.7%	w/i 1 hour	98.4%	w/i 1 hour	98.4%	w/i 1 hour	96.9%	w/i 1 hour	≥ 95% w/i 1 hr
• Pipe/Problem Assessment	Number of Repeat Spills	0	Zero	0	Zero	0	Zero	Zero	per year	Zero	per year	≤ 2 per year
• Preventative Maint. Program	Cycle Started versus Target Start Date-72 Mo.	1.5 Mo	Behind Sched.	3.0	Schedule	3.0	Schedule	3.0	Behind Sched.	3.0	Behind Sched.	72 mo – w/i 3 mos.
• Cleaning o Feet per crew day o # of Crew Days	Per Month Cleaning Footages o Feet Per Crew/Day o # of Crew Days	91,510 4,992 18.3	Avg Ft Per Mo Ft Per Crew/Day # of Crew Days	74,688 4,409 16.7	Avg Ft Per Mo Ft Per Crew/Day # of Crew Days	106,838 5,526 19.3	Avg Per Mo * Ft Per Crew/Day # of Crew Days	101,894 4,930 20.7	Avg Per Mo Ft Per Crew/Day # of Crew Days	93,733 4,964 18.8	Avg Mo Ft Per Crew/Day # of Crew Days	102,399 Avg Mo, 1,228,793 YE 2,500 to 4,000 Per Crew Day 26 to 41 Crew Days
• Televising o Feet per crew day o # of Crew Days	Per Month Televising Footages o Feet Per Crew/Day o # of Crew Days	32,787 2,459 13.3	Avg Ft Per Mo Ft Per Crew/Day # of Crew Days	66,183 3,546 18.7	Avg Ft Per Mo Ft Per Crew/Day # of Crew Days	71,927 4,231 17	Avg Per Mo Ft Per Crew/Day # of Crew Days	38,501 2,887 13.3	Avg Per Mo Ft Per Crew/Day # of Crew Days	52,350 3,281 15.6	Avg Mo Ft Per Crew/Day # of Crew Days	76,825 Avg Mo, 921,898 YE 2,000 to 3,500 Per Crew Day 22 to 38 Crew Days
• Key Vehicles Available For Preventative Maintenance Program	Days Per Mo 2 Hydrojets Not Available Days Per Mo 2 TV Vans Not Available	0 0	Days Days	0 0	Days Days	0 0	Days Days	0 0	Days Days	0 0	Days Days	< 3 Days < 3 Days
Learning & Growth:												
• Maintain and increase employee skills	# new modules completed	0	Module	3	Module	0	Modules	0	Modules	3	Modules	4 Modules
	# of Training Modules w/instuction completed	0	Module	0	Module	2	Modules	1	Modules	3	Modules	4 Modules
	# of individual Competency Assessments passed	9	Assessments	0	Assessments	18	Assessments	3	Assessments	30	Assessments	94 Assessments
• Communicate Performance Data to Teams	# of time info shared with Team	3	Min. per mo	3	Min. per mo	3	Min. per mo	3	Min. per mo	12	Min. per mo	Min. 1 per/mo

Plant & Pump Station Process Scorecard
Fiscal Year 2012

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target	Comments/Progress Towards Target	Fiscal Year 2011	Reporting Frequency
Customer	Operate and maintain the Plant in compliance 24/365.	Number of adverse impacts (odor complaints, violations, spills, etc.)	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Total	0		2 Total	Quarterly
		Number of priority 1 work orders	4 Ave per Month	6 Ave per Month	6 Ave per Month	5 Ave per Month	5 Ave per Month	Ave < 10/month		6 Ave/Month	Monthly
		Number of critical asset failures Number with negative impact on the environment	0 Quarter Total 0 Quarter Total	2 Quarter Total 0 Quarter Total	0 Quarter Total 0 Quarter Total	0 Quarter Total 0 Quarter Total	2 Total 0 Total	0 0	*11/11: NPS headgate, 12/1: PLC #24*	1 Total 0 Total	Monthly
Financial	Optimize operating costs: Minimize energy, water, and chemical use.	Water Usage - Alvarado Site Gallons Used Per Day	28,096 Ave per Day	28,949 Ave per Day	27,320 Ave per Day	24,344 Ave per Day	27,177 Ave per Day	≤ 30,000		22,622 Ave Per Day	Monthly
		Energy & Chemical Usage:									Monthly
		Average/Day Kwh/MG - Alvarado Site Average Kwh/Day - Irvington Pump Station Average Kwh/Day - Newark Pump Station	2,019 Ave per Month 3,757 Ave Kwh/Day 4,757 Ave Kwh/Day	2,099 Ave per Month 2,960 Ave Kwh/Day 3,363 Ave Kwh/Day	2,045 Ave per Month 3530 Ave Kwh/Day 2915 Ave Kwh/Day	2,071 Ave per Month 901 Ave Kwh/Day 3281 Ave Kwh/Day	2,058 Ave per Month 2,649 Ave Kwh/Day 3,579 Ave Kwh/Day	< 2,100 TBD TBD		2,027 Ave/Month 3,574 Ave Kwh/Day 2,839 Ave Kwh/Day	
		On-site Power Generation - kwh/day On-site Power Generation - kwh/year	7,643 Ave per Day 701,779 Quarter Total	6,770 Ave per Day 619,656 Quarter Total	6,337 Ave per Day 579,887 Quarter Total	9,002 Ave per Day 820,194 Quarter Total	7,438 Ave per Day 2,721,516 Total	9,000 3,300,000	*Out of service for much of Aug & Dec and half of Jan & Feb.*	11,776 Ave/Day 4,299,353 Total	
		Ferrous Chloride H2S Control - gal/hour H2S Control - gal/year	32 Ave GPH 70,656 Quarter Total	32 Ave GPH 70,656 Quarter Total	32 Ave GPH 69,120 Quarter Total	32 Ave GPH 69,888 Quarter Total	32 Ave GPH 280,320 FY Total	≤ 35 TBD		32 Ave GPH 280,320 FY Total	
		Hydrogen Peroxide H2S Control - gal/hour H2S Control - gal/year	7.3 Ave GPH 16,016 Quarter Total	6.8 Ave GPH 15,080 Quarter Total	7.1 Ave GPH 15,489 Quarter Total	6.6 Ave GPH 14,400 Quarter Total	7.0 Ave GPH 60,985 FY Total	8.5 ≤ 76,000		8.1 Ave GPH 71,215 FY Total	
		Hypochlorite Disinfection - gal/hour Disinfection - gal/year	44.1 Ave GPH 97,589 Quarter Total	37.3 Ave GPH 82,368 Quarter Total	38.3 Ave GPH 83,652 Quarter Total	36.6 Ave GPH 79,824 Quarter Total	39.1 Ave GPH 343,433 FY Total	50 438,000		52.8 Ave GPH 449,075 FY Total	
		Polymer GBT - lbs/dry ton Dewatering - lbs/dry ton	4.9 Ave lbs/dry ton 31.2 Ave lbs/dry ton	4.5 Ave per Day 31.2 Ave per Day	3.3 Ave per Day 33.1 Ave per Day	3.5 Ave per Day 31.2 Ave per Day	4.1 Ave lbs/dry ton 31.7 Ave lbs/dry ton	5.5 33		5.2 Ave lbs/dry ton 30.8 Ave lbs/dry ton	
Financial (continued)	Optimize operating costs: Improve utilization of labor.	Overtime as % of base payroll: FMC T&D	11.9% Ave per Month 2.6% Ave per Month	10.6% Ave per Month 2.9% Ave per Month	6.3% Ave per Month 2.7% Ave per Month	7.2% Ave per Month 3.2% Ave per Month	9.0% Ave per Month 2.9% Ave per Month	≤ 7% ≤ 5%		7.1% Ave/Month 3.8% Ave/Month	Monthly Monthly
		% Total hours worked spent on maintenance work - FMC Time not charged	83.7% Ave per Month 9.5% Ave per Month	80.5% Ave per Month 9.0% Ave per Month	79.7% Ave per Month 9.0% Ave per Month	77.4% Ave per Month 11.3% Ave per Month	80.3% Ave per Month 9.7% Ave per Month	≥ 80% < 20%		81% Ave/Month 9.5% Ave/Month	Monthly
Internal Processes	**Environmental Protection - District-wide**	Biosolids Class A Disposal Percent Disposed of as Class A Number of Wet Tons Disposed Class A	0% Ave per Month 0 Quarter Total	39% Ave per Month 1740 Quarter Total	29% Ave per Month 1169 Quarter Total	19% Ave per Month 752 Quarter Total	22% Ave per Month 3662 FY Total	20% by FY12 3800	*Composting typically occurs in 2nd & 3rd quarters.*	17.1% Ave per Month 3,189 FY Total	Monthly
	Maintain Plant processes within parameters.	Plant Operational Health Index Monthly Index Value Number of Days < 75% Maximum # of Consecutive Days <	88% Ave 7 Days Total 1 Days	82% Ave 23 Days Total 4 Days	85% Ave 20 Days Total 3 Days	85% Ave 22 Days Total 3 Days	85% Ave 72 Days Total 4 Days	Ave ≥ 85 Track & Report ≤ 3		89% Ave 22 Days Total 2 Days	Monthly
	Implement an effective predictive and preventative maintenance program.	Percent of time spent on Planned vs. Unplanned maintenance activities (Best in Class 90%)	99.4% Ave per Month	93.0% Ave per Month	96.6% Ave per Month	98.8% Ave per Month	97.0% Ave per Month	75% - 90%		98.5% Ave/Month	Monthly
		Percent preventative maintenance work orders completed within month scheduled	97.4% Ave per Month	98.5% Ave per Month	96.1% Ave per Month	97.0% Ave per Month	97.3% Ave per Month	≥ 95%		96.9% Ave/Month	Monthly
		Number corrective work orders over 90 days	194 End of Quarter	157 End of Quarter	125 End of Quarter	127 End of Quarter	151 Ave per Quarter	Track & Report		201 Ave/Quarter	Quarterly
	Provide effective regulatory & laboratory services to support compliance.	Percent of Environmental Compliance Samples that Meet Turnaround Time (12 days)-R&S Lab	100% For Quarter	100% For Quarter	100% For Quarter	100% For Quarter	100% Ave per Quarter	≥ 95%		100% Ave/Quarter	Quarterly
		Percent of Immediate Notifications to TPO for Analyses that Exceed Action Limits-R&S Lab	100% For Quarter	100% For Quarter	100% For Quarter	100% For Quarter	100% Ave per Quarter	95%		100% Ave/Quarter	
		Percent passed, State Proficiency Test (DHS-ELAP)	N/A Areas Passed	N/A Areas Passed	N/A Areas Passed	100% Areas Passed	100% Areas Passed	85%	*Frequency of test is once per year.*	100% Areas Passed	Annually
Employees	Enhance employee skills.	TPO									Quarterly
		No. of training modules updated	3	2	3	2	10 Total	6		Method Developed	
		No. of training modules with competency assessment tools	1	0	0	1	2 Total	3			
		FMC									Quarterly
		No. of training modules developed vs. goal	0	0	0	2	2 Total	1		1	

Plant & Pump Station Process Scorecard
Fiscal Year 2011

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target	ess Towards Target	Fiscal Year 2010	Reporting Frequency
Customer	Operate and maintain the Plant in compliance 24/365.	Number of adverse impacts (odor complaints, violations, spills, etc.)	2 Quarter Total	0 Quarter Total	0 Quarter Total	0 Quarter Total	2 Total	0		0 Total	Quarterly
		Number of priority 1 work orders	4 Ave per Month	4 Ave per Month	9 Ave per Month	4 Ave per Month	6 Ave per Month	Ave < 10/month		8 Ave/Month	Monthly
		Number of critical asset failures	0 Quarter Total	1 Quarter Total	0 Quarter Total	0 Quarter Total	1 Total	0	*secondary effluent flow meter*	1 Total	Monthly
		Number with negative impact on the environment	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Total	0		0 Total	
Financial	Optimize operating costs: Minimize energy, water, and chemical use.	Water Usage - Alvarado Site						Track & Report			
		Gallons Used Per Day	21,868 Ave per Day	19,408 Ave per Day	21,543 Ave per Day	30,905 Ave per Day	23,371 Ave per Day	TBD		21,572 Ave per Day	Monthly
		Energy & Chemical Usage:									Monthly
		Average/Day Kwh/MG - Alvarado Site	2,057 Ave per Month	2,055 Ave per Month	1,970 Ave per Month	2,013 Ave per Month	2,027 Ave per Month	< 2,100		2,078 Ave/Month	
		Average Kwh/Day - Irvington Pump Station	3,084 Ave Kwh/Day	3,416 Ave Kwh/Day	3587 Ave Kwh/Day	4398 Ave Kwh/Day	3,621 Ave Kwh/Day	TBD		3,337 Ave Kwh/Day	
		Average Kwh/Day - Newark Pump Station	2,687 Ave Kwh/Day	2,705 Ave Kwh/Day	2972 Ave Kwh/Day	2993 Ave Kwh/Day	2,839 Ave Kwh/Day	TBD		2,242 Ave Kwh/Day	
		On-site Power Generation - kwh/day	12,163 Ave per Day	11,582 Ave per Day	11,541 Ave per Day	11,816 Ave per Day	11,776 Ave per Day	11,000		13,036 Ave/Day	
		On-site Power Generation - kwh/year	1,118,780 Quarter Total	1,066,844 Quarter Total	1,038,574 Quarter Total	1,075,155 Quarter Total	4,299,353 Total	4,000,000		4,762,374 Total	
		Ferrous Chloride									
		H2S Control - gal/hour	32 Ave GPH	32 Ave GPH	32 Ave GPH	32 Ave GPH	32 Ave GPH	≤ 35		32 Ave GPH	
		H2S Control - gal/year	70,656 Quarter Total	70,656 Quarter Total	69,120 Quarter Total	69,888 Quarter Total	280,320 FY Total	TBD		280,320 FY Total	
		Hydrogen Peroxide									
		H2S Control - gal/hour	9.7 Ave GPH	9.3 Ave GPH	6.5 Ave GPH	7.0 Ave GPH	9.5 Ave GPH	8.5		7.8 Ave GPH	
		H2S Control - gal/year	21,388 Quarter Total	20,572 Quarter Total	13,935 Quarter Total	15,320 Quarter Total	71,215 FY Total	≤ 70,000		66,657 FY Total	
		Hypochlorite									
		Disinfection - gal/hour	59.5 Ave GPH	54.5 Ave GPH	44.5 Ave GPH	46.2 Ave GPH	52.8 Ave GPH	50		65.3 Ave GPH	
		Disinfection - gal/year	131,385 Quarter Total	120,328 Quarter Total	96,276 Quarter Total	101,086 Quarter Total	449,075 FY Total	438,000		562,212 FY Total	
		Polymer									
		GBT - lbs/dry ton	5.2 Ave lbs/dry ton	6.0 Ave per Day	4.8 Ave per Day	4.5 Ave per Day	5.2 Ave lbs/dry ton	6.5		4.6 Ave lbs/dry ton	
		Dewatering - lbs/dry ton	30.2 Ave lbs/dry ton	30.8 Ave per Day	31.0 Ave per Day	30.7 Ave per Day	30.7 Ave lbs/dry ton	33		30.8 Ave lbs/dry ton	
Financial (continued)	Optimize operating costs: Improve utilization of labor.	Overtime as % of base payroll:									
		FMC	6.3% Ave per Month	7.3% Ave per Month	7.1% Ave per Month	7.4% Ave per Month	7.1% Ave per Month	≤ 5%		9.3% Ave/Month	Monthly
		T&D	3.0% Ave per Month	6.6% Ave per Month	4.2% Ave per Month	2.1% Ave per Month	3.8% Ave per Month	≤ 5%		2.7% Ave/Month	Monthly
		% Total hours worked spent on maintenance work - FMC	82.6% Ave per Month	77.0% Ave per Month	83.0% Ave per Month	82.5% Ave per Month	81.3% Ave per Month	80%		80.8% Ave/Month	Monthly
		Time not charged	8.6% Ave per Month	12.8% Ave per Month	6.4% Ave per Month	10.0% Ave per Month	9.4% Ave per Month	< 20%		7.2% Ave/Month	
Internal Processes	**Environmental Protection - District-wide**	Biosolids Class A Disposal									
		Percent Disposed of as Class A	0% Ave per Month	50% Ave per Month	18% Ave per Month	0 Ave per Month	17% Ave per Month	20% by FY12		16.7% Ave per Month	Monthly
		Number of Wet Tons Disposed Class A	0 Quarter Total	2343 Quarter Total	845 Quarter Total	0 Quarter Total	3189 FY Total	3800		3,005 FY Total	
	Maintain Plant processes within parameters.	Plant Operational Health Index									Monthly
		Monthly Index Value	94% Ave	87% Ave	86% Ave	91% Ave	89% Ave	Ave ≥ 85		90% Ave	
		Number of Days < 75%	2 Days Total	9 Days Total	8 Days Total	3 Days Total	22 Days Total	Track & Report		16 Days Total	
		Maximum # of Consecutive Days <	2 Days	1 Days	2 Days	1 Days	2 Days	≤ 3		2 Days	
	Implement an effective predictive and preventative maintenance program.	Percent of time spent on Planned vs. Unplanned maintenance activities (Best in Class 90%)	98.8% Ave per Month	97.5% Ave per Month	98.3% Ave per Month	99.2% Ave per Month	98.5% Ave per Month	75% - 90%		97.9% Ave/Month	Monthly
		Percent preventative maintenance work orders completed within month scheduled	99.0% Ave per Month	93.0% Ave per Month	98.4% Ave per Month	97.3% Ave per Month	96.9% Ave per Month	≥ 95%		96.4% Ave/Month	Monthly
		Number corrective work orders over 90 days	220 End of Quarter	200 End of Quarter	191 End of Quarter	194 End of Quarter	201 Ave per Quarter	Track & Report	*The total number of incomplete CM's has dropped from 310 in the 1st qtr to 264 in the 4th qtr.*	260 Ave/Quarter	Quarterly
	Provide effective regulatory & laboratory services to support compliance.	Percent of Environmental Compliance Samples that Meet Turnaround Time (12 days)-R&S Lab	100% For Quarter	100% For Quarter	100% For Quarter	100% For Quarter	100% Ave per Quarter	90%		100% Ave/Quarter	Quarterly
		Percent of Immediate Notifications to TPO for Analyses that Exceed Action Limits-R&S Lab	100% For Quarter	100% For Quarter	100% For Quarter	100% For Quarter	100% Ave per Quarter	95%		100% Ave/Quarter	
		Percent passed, State Proficiency Test (DHS-ELAP)	N/A Areas Passed	N/A Areas Passed	N/A Areas Passed	100% Areas Passed	100% Areas Passed	85%	*Frequency of test is once per year.*	100% Areas Passed	Annually
Employees	Enhance employee skills.	TPO									Quarterly
		No. of competency assessments completed	0	0	0	0	0 Total	Track & Report	*Method developed*	1 Total	
		FMC									Quarterly
		No. of training modules developed vs. goal	0	0	0	1	1 Total	1		1 Total	

UNION SANITARY DISTRICT

Miscellaneous Statistics
6/30/2012

Governing Body:	Elected 5-Member Board of Directors Fremont - 3 Members Newark - 1 Member Union City - 1 Member
Governmental Structure:	Established in 1918 and reorganized in 1923 under the Sanitary District Act
Staff:	130.45 full-time equivalent employees
CEO:	General Manager
CFO:	Business Services Manager
Authority:	California Health and Safety Code Section 4700 et. Seq.
Services:	Wastewater collection, treatment and disposal
Service Area:	60.1 square miles (Fremont, Newark and Union City)
Total Population Served:	331,387
Number of Connections	110,603
Operations:	Total miles of pipeline - 763 gravity sewer, 25 force main, less than 1 mile of storm sewer at plant Number of pumping stations - 7 Larger: Irvington, Newark, Alvarado Smaller: Fremont, Boyce, Paseo Padre, Cherry Street
Permitted Plant Capacity:	33 mgd
Type of Treatment:	Secondary
Sewer Service Charge:	$304.33 annually per residential equivalent unit

USD Treatment Disposal, Collections Work Groups, CA Dept. of Finance