

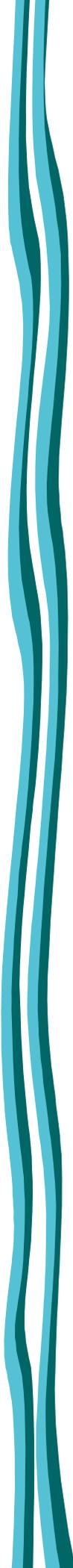
# Union Sanitary District

Union City, California

## Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2010



**Union Sanitary District**

**Union City, California**

**Comprehensive Annual  
Financial Report**

**Prepared by**

**Business Services**



**Fiscal Year Ended June 30, 2010**

# Table of Contents

## INTRODUCTORY SECTION

Letter of Transmittal.....	i
Mission Statement.....	xi
District Board of Directors and Principal Officials.....	xiii
Organization Chart.....	xv
Service Area Location Map.....	xvi
Certificate of Achievement for Excellence in Financial Reporting.....	xvii
District Operational Excellence Timeline.....	xviii

## FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	9
Statement of Revenues, Expenses and Change in Net Assets.....	10
Statement of Cash Flows.....	11
Notes to Basic Financial Statements.....	12
Supplementary Information:	
Required Supplementary Information – Pension and Retiree Health.....	31
Schedule of Components of Net Assets.....	33
Schedule of Expenses before Depreciation.....	34
Schedule of Insurance Coverage.....	35

## STATISTICAL SECTION

Financial Trends.....	S-1 through S-4
Revenue Capacity.....	S-5 through S-7
Debt Capacity.....	S-8 through S-9
Demographic and Economic Information.....	S-10 through S-12
Operating Information.....	S-13 through S-20

# Introductory Section



**Roof of Aeration Basins**



**Directors**  
Pat Gacoscos  
Tom Handley  
Pat Kite  
Anjali Lathi  
Jennifer Toy

**Officers**  
Richard B. Currie  
*General Manager/  
District Engineer*

David M. O'Hara  
*Attorney*

December 30, 2010

Board of Directors  
Union Sanitary District  
Union City, California

Subject: Comprehensive Annual Financial Report  
For the Year Ended June 30, 2010

I am pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. 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 one blended component unit, the Union Sanitary District Financing Authority.

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, 2010 and 2009 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 132 full time 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 4<sup>th</sup> largest city in the Bay Area in population and 2<sup>nd</sup> largest in size with an area of 93 square miles. A major employer, New United Motor Manufacturing (NUMMI) which manufactured the Toyota Corolla and the Toyota Tacoma, ceased production in 2010. Employing over 4,000 people, the closure had a devastating effect on the city. The plant is scheduled to re-open in 2012 as Tesla Motors in cooperation with Toyota Corporation, producing the Model S, an electric premium sedan. Significantly fewer people will be employed at the new facility. Other major employers include Lam Research, Boston Scientific, and Washington Township Hospital. Solar panel manufacturer, Solyndra, despite receiving a large federal loan for construction of a 609,650 square foot facility, will close one plant and has laid off workers. The City of Fremont has reduced spending and is concentrating on attracting new business to the area. All departments have had to make cost reductions, and some capital improvement projects have been deferred.

The City of Newark made deep budget cuts last year, and has had to make additional reductions in FY10. The City was hoping for passage of Measure L, a user utility tax, however it was narrowly defeated. Among Newark's fiscal actions are reducing staff by 28, reducing hours for 15 employees, closing offices every other Friday, and contracting their fire department services with the Alameda County, which is projected to save \$500,000 per year.

The City of Union City is continuing work on the new Intermodal Station, which is touted as a "world-class, solar-powered, intermodal transit hub" and will include a 16-bus bay, BART, ACE train, Capitol Corridor train, and Dumbarton Rail. The hub will also include mixed-use housing (town houses, condominium flats, and residential towers), new retail, multi-family housing, and other public amenities including a new Town Center. Union City has implemented layoffs, and no salary increases are planned, due to the economic downturn.

Region-wide, while there are signs of economic recovery, the tri-cities faced many fiscal challenges in FY10, including declining property and sales tax revenues combined with increased expenses for pension and medical costs. Unemployment rates for the cities of Fremont, Newark and Union City as of June were 8.4%, 10.8%, and 10.8% respectively, compared with 8.3%, 10.6%, and 10.7% a year ago. The District will be impacted by the loss of revenues from major companies like NUMMI and potentially Solyndra. The District has several necessary CIP projects to complete in FY10, and fortunately has been able to secure State Revolving Fund financing at relatively low interest rates.

## Major Initiatives

During fiscal year 2010, the District completed or initiated a number of significant projects:

**Training** – The District started using the new Heavy Equipment Operator Training School, sending employees through the course and performing competency assessments.

**Job Competency Requirements (JCRs)** – These included development of training and assessment tools for: Tractor-Loader-Backhoe, Skid Steer Loader, Spot Repairs, Manhole Stubs and Channels, TV Sewer Inspection, and Sewer Point Repairs (Slip Lining).

**Process Optimization** – Bench scale testing of chemically-enhanced primary treatment (CEPT) was completed and the results indicated that it would not be cost-effective. The potential reduction in electrical energy consumed in the secondary process would not be sufficient to offset the cost of the chemicals required to improve primary clarifier removal efficiency. Full scale pilot testing was not conducted based on the outcome of the bench scale tests.

**Safety Strategies** – Each team looked closely at their record and potential hazards, and developed strategies to improve our safety record.

**Permit Renewal** – The NPDES Permit for wet-weather discharge was reissued by the RWQCB for a period of five years. Staff is also working on renewal of our Air Quality Management District permit for which we believe USD will fall into a lesser discharger category.

**Construction of Cedar Blvd. Sewer Rehabilitation Project** – The District completed the rehabilitation of 8,200 feet of 27 and 30-inch diameter concrete pipeline in the city of Newark. The District applied for and received State Revolving Fund assistance for this project.

**Design of the Primary Clarifier Rehabilitation Project** – The District completed design for the rehabilitation of the Primary Clarifiers 1-4. This included replacement of all major equipment, rehabilitation of the concrete tanks and walkways, and upgrade of the ventilation system. The District has applied for State Revolving Fund Loan assistance for this project.

**Design of the Electrical Sub-Station No. 1 Project** – The existing Sub-station No. 1 was installed in 1979 and needed to be replaced. The District has applied for State Revolving Fund Loan assistance for this project. Construction is expected to be completed in FY11.

**Human Resources/Timecard Information System** – Completed the implementation and trained end-users on the new systems.

**Financial Information System** – Completed implementation of new software to perform accounting, purchasing and inventory functions.

**Proposition 218** – Sent out a new rate notice to all sewer service charge rate payers, held a public hearing, and implemented the recommended rate increase.

**Capacity Fee Review** – Completed a draft report on current capacity fees and suggested changes in the Capacity Fee program.

**New Financial Auditors** – USD worked with the newly formed Audit Committee to select new financial auditors.

**Replace Two Hydraulic Units** – At Fremont and Paseo Padre Pump Stations, the District replaced the hydraulic units that operate the head gates. Each of these critical units was over 20 years old and reached the end of their useful lives.

**Electrical Safety Study** – Conducted hazard analysis to evaluate what electrical hazards exist, including Arc Flash hazards associated with high voltage equipment.

## **Future Initiatives**

**Safety Program** – USD will continue to emphasize safety as an important part of our strategic plan. The District's Safety Strategy for FY11 will focus on team strategies to address the types of accidents that occur most frequently and ways to prevent accidents by increasing safety awareness. This strategy will also include site visits to

agencies with outstanding safety records, a safety audit by our insurance provider, industrial and office ergonomics review and training, and continued worksite inspections.

**Green Energy Production** – USD will complete construction of its first solar panel facility at the Corporation Yard and begin design and construction of a 500 kilowatt installation that will generate all power needed for the Irvington Pump Station. The District is also exploring the use of wind turbines at our Newark Pump Station and evaluating more efficient power generating options using methane gas produced from the treatment process. All of these projects will result in reduced green house gas emissions

**Sanitary Sewer Overflow (SSO) Analysis** – Improve and define the process for estimating the volume of an SSO. Currently we use industry-approved methods that we believe are not as accurate as they could be. We will develop methods in-house and document them.

**Process Optimization** – We plan to enlist the services of a consultant to identify potential changes that could be made in the activated sludge treatment process to control the growth of undesirable filamentous organisms biologically rather than through the use of chemical treatment.

**Permit Renewal** – The District will file an application for renewal of the NPDES Permit for Hayward Shoreline Marsh. The District will continue to pursue classification from the BAAQMD as a minor facility for air emissions permitting.

**Electricity Purchases** – We plan to investigate purchasing electricity for the treatment plant and major pump stations from a third party generator through the Direct Access Program. If the District is eligible, we could potentially reduce the cost of purchased electricity by 9-10%.

**Solar Panels at Irvington Pump Station** – The District plans to install solar panels at the Irvington Pump Station to produce enough energy in order to minimize/eliminate the PG&E bill for the facility. These solar panels will be installed in the 4-acre emergency storage pond and will be installed above the proposed water level in the pond.

**Odor Scrubber System Improvements** – An odor control improvements study was completed for the District in 2009 that recommended the retrofit or replacement of the existing 18 odor control scrubbers. The District plans to start and complete the design of the retrofit/replacement of the odor control scrubbers at the headworks building in the Alvarado Pump station by June 2011.

**Primary Clarifier Improvements Project** – This is a two-year project including the replacement of mechanical equipment in all four primary clarifiers. This will include modifying the configuration of the square clarifiers to a circular one. It will improve the ventilation in the building, improve access, retrofit the building structure and repair corrosion damage to the concrete walkways. It is expected to be completed by December, 2012.

**Overhead Rate Study** – The District will conduct a study to evaluate overhead rates and processes used.

**Information Technology Master Plan** – USD will retain a Retain consultant to update the District’s information technology plan.

**Plant GIS** – Complete implementation of new plant GIS software.

**Regional Biosolids to Energy Program** – Working with 16 other agencies in the Bay Area, USD has participated in a program to evaluate converting biosolids produced at Wastewater treatments into renewable energy. The consortium is close to securing funding from the California Energy Commission for a \$1,000,000 grant. The grant will help finance a demonstration project of a new technology to convert biosolids into hydrogen gas and other useful products.

**Capacity Fee Review** – Present recommendations to the Board and adopt approved changes.

**Upgrade of #6 Boiler** – The Air Quality Board requirements for this piece of equipment have changed, so the District needs to upgrade the controls, the burner, and other components.

**Public Communications Task Force** – USD is conducting an internal review of our communication and outreach programs with outside customers and stakeholders. The purpose is to evaluate our need for tools and resources to enhance our communication and ensure a clear and consistent message. The outcome will be to help our customers and stakeholders have a better understanding of what we do and how we protect the community and the environment.

**LED Lighting Conversion** – The District is working with vendors to evaluate new LED lighting fixtures for the plant. A demonstration unit for the parking lot lighting has been ordered for testing.

**Hazardous Materials Management Program Audit** – As part of our initiative to coordinate our regulatory compliance efforts, USD has undertaken an audit of our hazardous materials management program. A consultant has identified areas for improvement and ways to centralize our program. The desired outcome is to keep all regulatory documents up to date, avoid duplication of effort, and to keep current on the ever changing regulations in our industry.

## **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 Board of Directors, and the Executive Team conducts a detailed quarterly review.

## **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 30<sup>th</sup> 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.

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 2010 was \$276.04 for a single family dwelling.

### **Capacity Fees**

The District charges a sewer connection fee of \$3,813.25 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 are not used to fund renewal and replacement and/or operating and maintenance costs.

### **Interest Income**

The District earns interest on portfolio investments, the Local Agency Investment Fund (LAIF), and the newly established 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 \$34,511,153 as of June 30, 2010. This includes \$33,594,452 in State Revolving Fund Loans and \$916,696 in use permit fees with the City of Union City. The use permit fee will be paid off in 2012. The District anticipates applying for State Revolving Fund loans in the next fiscal year for upcoming capital projects.

**Risk Management** – The District is a member of the California Sanitation Risk Management Authority (CSRMA), a joint powers authority established for the operation of common risk management and loss prevention programs. CSRMA provides the District with coverage for workers compensation, general liability and property loss.

**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 2010, the District updated the Investment policy and established a Grant policy. As an update to the Fraud Policy, the District instituted a Fraud Hotline for the purpose of anonymously reporting any suspected fraudulent activity.

**OPEB Trust** – As mentioned briefly in the Initiative Section, the District has established an OPEB Trust with CalPERS and plans to fund the Actuarial Required Contribution (ARC). Please see footnote seven on page 27 for more information regarding OPEB.

**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 north of Oakland International Airport. Frequent testing of treated wastewater confirms compliance with regional permit standards.

**District Financing Authority** – The Union Sanitary District Financing Authority (The Authority) is a Joint Powers Authority organized by the Union Sanitary District and the Dublin San Ramon Services District on March 1, 1994 under the laws of the State of California. The Authority was organized to provide assistance to the Districts in financing public improvements for the residents of the Districts and surrounding areas. On July 6, 1994, the Authority undertook its first financial transaction with the issuance of \$6,525,000 principal amount of Sewer Revenue Bonds. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the Union Sanitary District and are not included in the Union Sanitary District's financial statements. Such expenses are insignificant to the Authority's operations. There was no activity with the Authority during FY 2010.

## Awards & Acknowledgements

### Awards/Recognition

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

- ❖ Association of Bay Area Governments (ABAG) – Green Business Program Certification
- ❖ California Water Environment Association (CWEA) – Large Collection System of the Year - State
- ❖ California Water Environment Association (CWEA) – Large Collection System of the Year – Bay Area Section
- ❖ California Water Environment Association (CWEA) – Treatment Plant of the Year (Large Plant Category) – State
- ❖ California Water Environment Association (CWEA) – Treatment Plant of the Year (Large Plant Category) – San Francisco Bay Section
- ❖ Government Finance Officers Association (GFOA) Award of Financial Reporting Achievement
- ❖ National Association of Clean Water Agencies (NACWA) – Gold Award for 100% compliance with National Pollutant Discharge Elimination System (NPDES) permits for the year.
- ❖ National Purchasing Institute (NIGP) – Award for Achievement of Excellence in Procurement
- ❖ National Purchasing Institute (NIGP) – Outstanding Agency Accreditation Achievement

### 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. In addition, the District could not be prouder of staff for receiving recognition for plant and collection system of the year awards.

Respectfully submitted,

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



## 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



**Pat Kite**



**Anjali Lathi**



**Jennifer Toy**



**Tom Handley**



**Pat D. Gacoscos**

# Principal Officials

		<u>City Represented</u>	<u>Year Elected</u>	<u>Term Expires</u>
Anjali Lathi	President	Fremont	2002	2012
Jennifer Toy	Vice President	Fremont	1998	2014
Tom Handley	Secretary	Fremont	2007	2014
Pat Gacoscos	Board Member	Union City	2004	2012
Pat Kite	Board Member	Newark	1992	2012

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

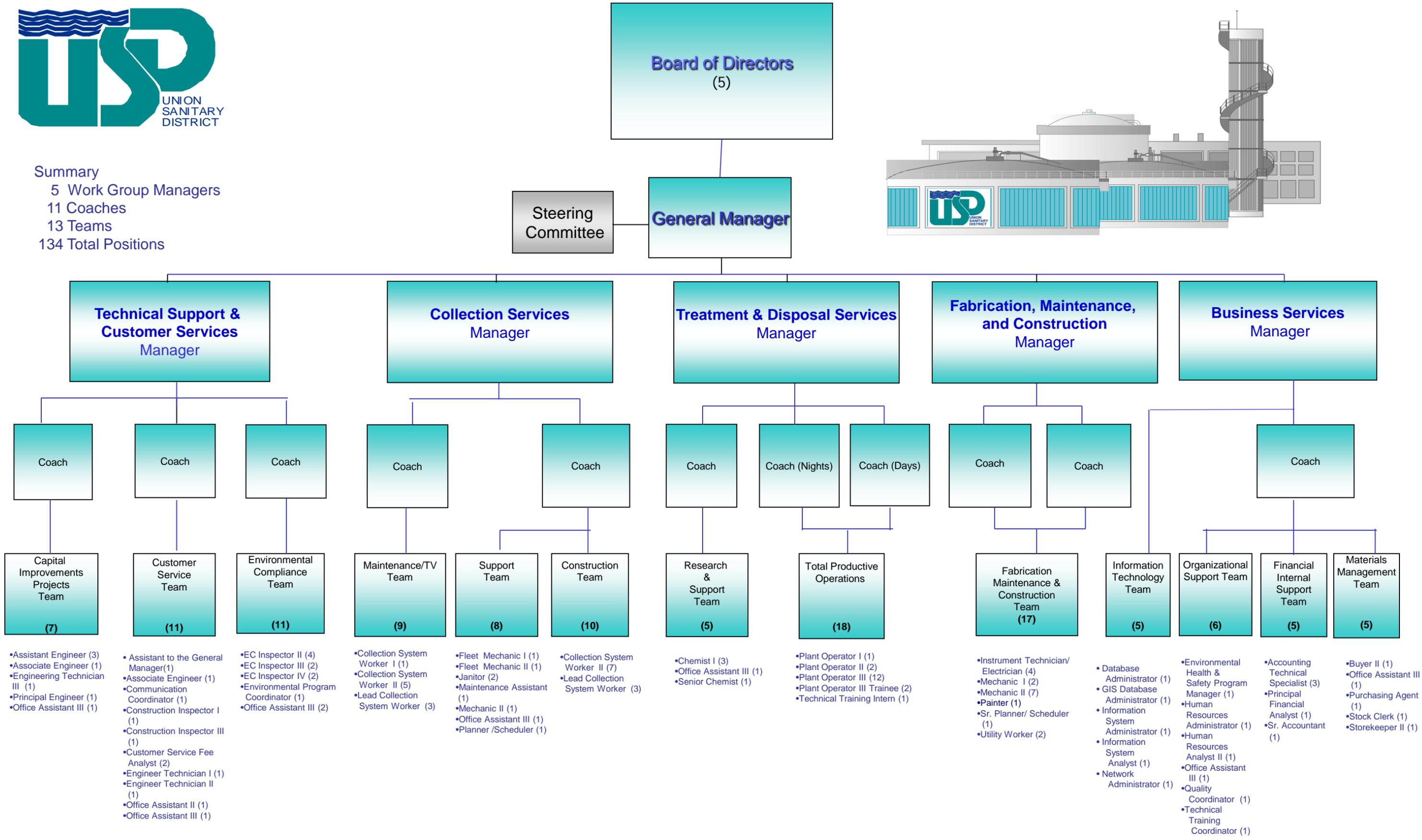
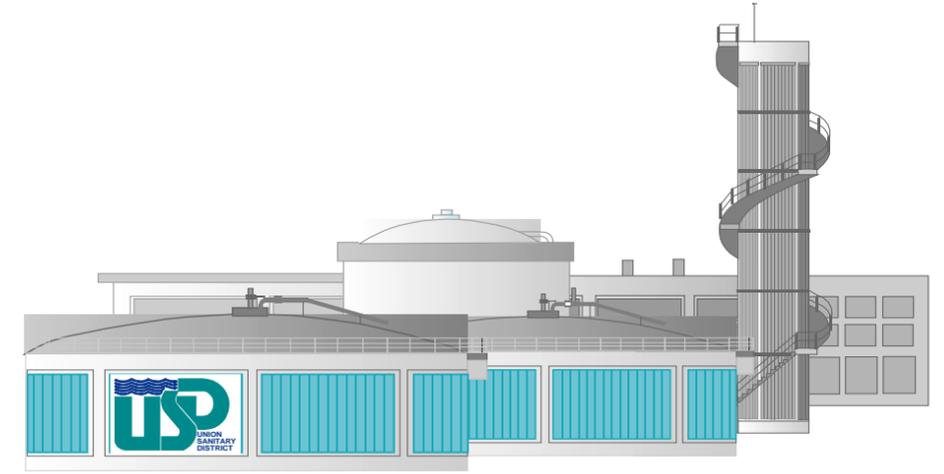
Andy Morrison                      Collection Services Manager



UNION  
SANITARY  
DISTRICT

Summary

- 5 Work Group Managers
- 11 Coaches
- 13 Teams
- 134 Total Positions



- Assistant Engineer (3)
- Associate Engineer (1)
- Engineering Technician III (1)
- Principal Engineer (1)
- Office Assistant III (1)

- Assistant to the General Manager (1)
- Associate Engineer (1)
- Communication Coordinator (1)
- Construction Inspector I (1)
- Construction Inspector III (1)
- Customer Service Fee Analyst (2)
- Engineer Technician I (1)
- Engineer Technician II (1)
- Office Assistant II (1)
- Office Assistant III (1)

- EC Inspector II (4)
- EC Inspector III (2)
- EC Inspector IV (2)
- Environmental Program Coordinator (1)
- Office Assistant III (2)

- Collection System Worker I (1)
- Collection System Worker II (5)
- Lead Collection System Worker (3)

- Fleet Mechanic I (1)
- Fleet Mechanic II (1)
- Janitor (2)
- Maintenance Assistant (1)
- Mechanic II (1)
- Office Assistant III (1)
- Planner /Scheduler (1)

- Collection System Worker II (7)
- Lead Collection System Worker (3)

- Chemist I (3)
- Office Assistant III (1)
- Senior Chemist (1)

- Plant Operator I (1)
- Plant Operator II (2)
- Plant Operator III (12)
- Plant Operator III Trainee (2)
- Technical Training Intern (1)

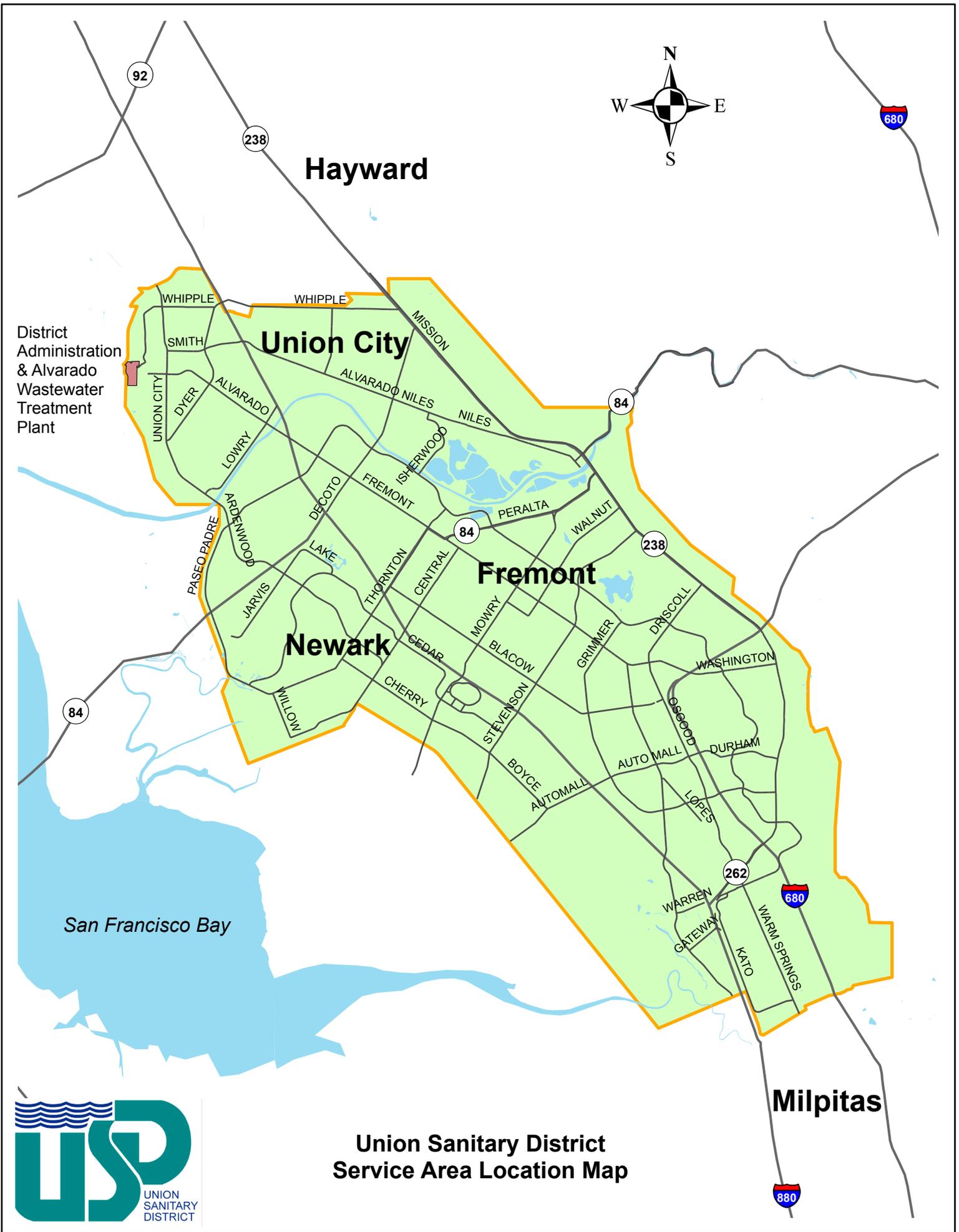
- Instrument Technician/ Electrician (4)
- Mechanic I (2)
- Mechanic II (7)
- Painter (1)
- Sr. Planner/ Scheduler (1)
- Utility Worker (2)

- Database Administrator (1)
- GIS Database Administrator (1)
- Information System Administrator (1)
- Information System Analyst (1)
- Network Administrator (1)

- Environmental Health & Safety Program Manager (1)
- Human Resources Administrator (1)
- Human Resources Analyst II (1)
- Office Assistant III (1)
- Quality Coordinator (1)
- Technical Training Coordinator (1)

- Accounting Technical Specialist (3)
- Principal Financial Analyst (1)
- Sr. Accountant (1)

- Buyer II (1)
- Office Assistant III (1)
- Purchasing Agent (1)
- Stock Clerk (1)
- Storekeeper II (1)



**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, 2009

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.



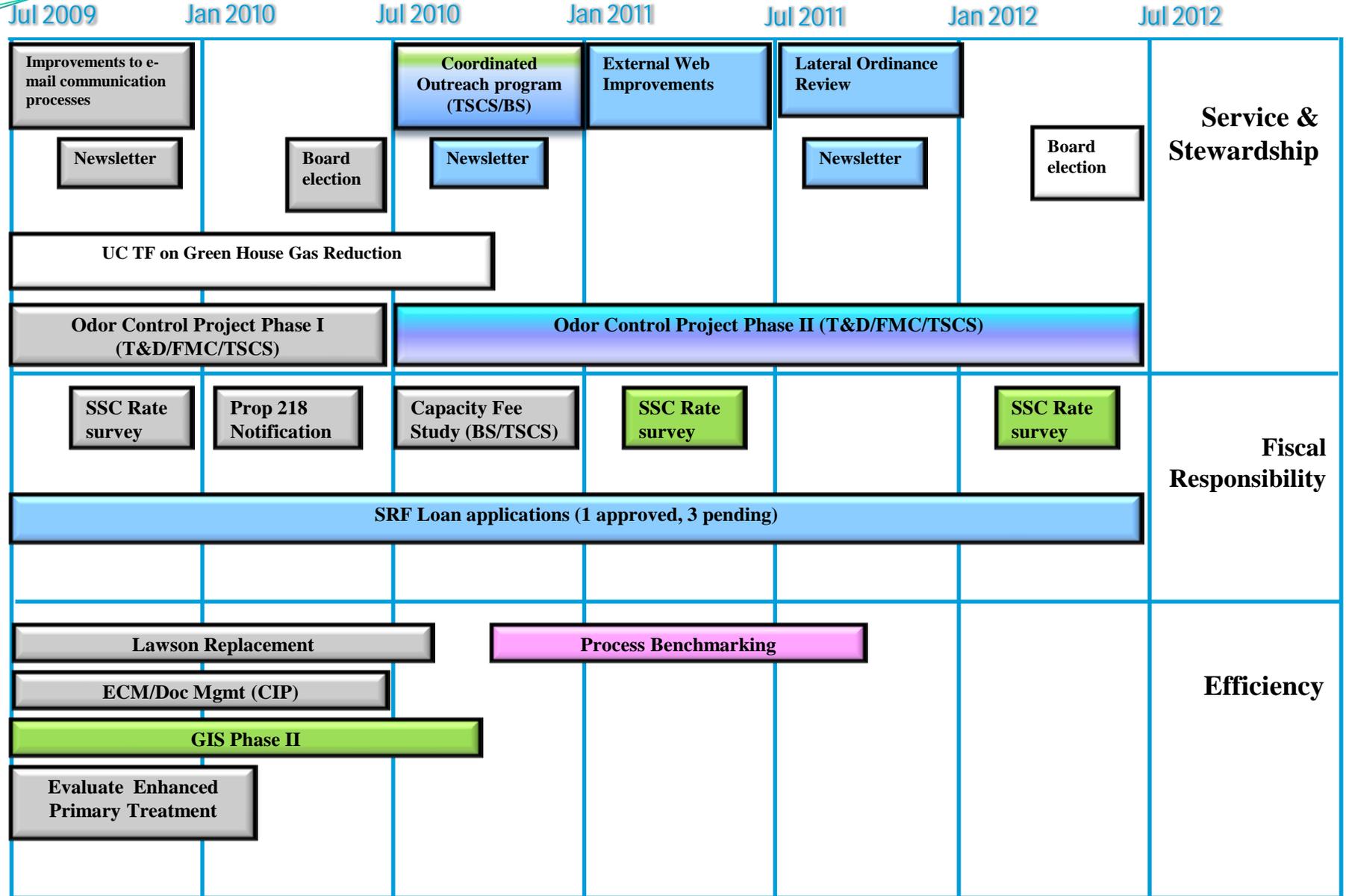
President

Executive Director

# Operational Excellence Timeline

Completed

FMC	TS/CS
Business Services	T&D
Collections System	Executive Team
Other Groups	JLMC

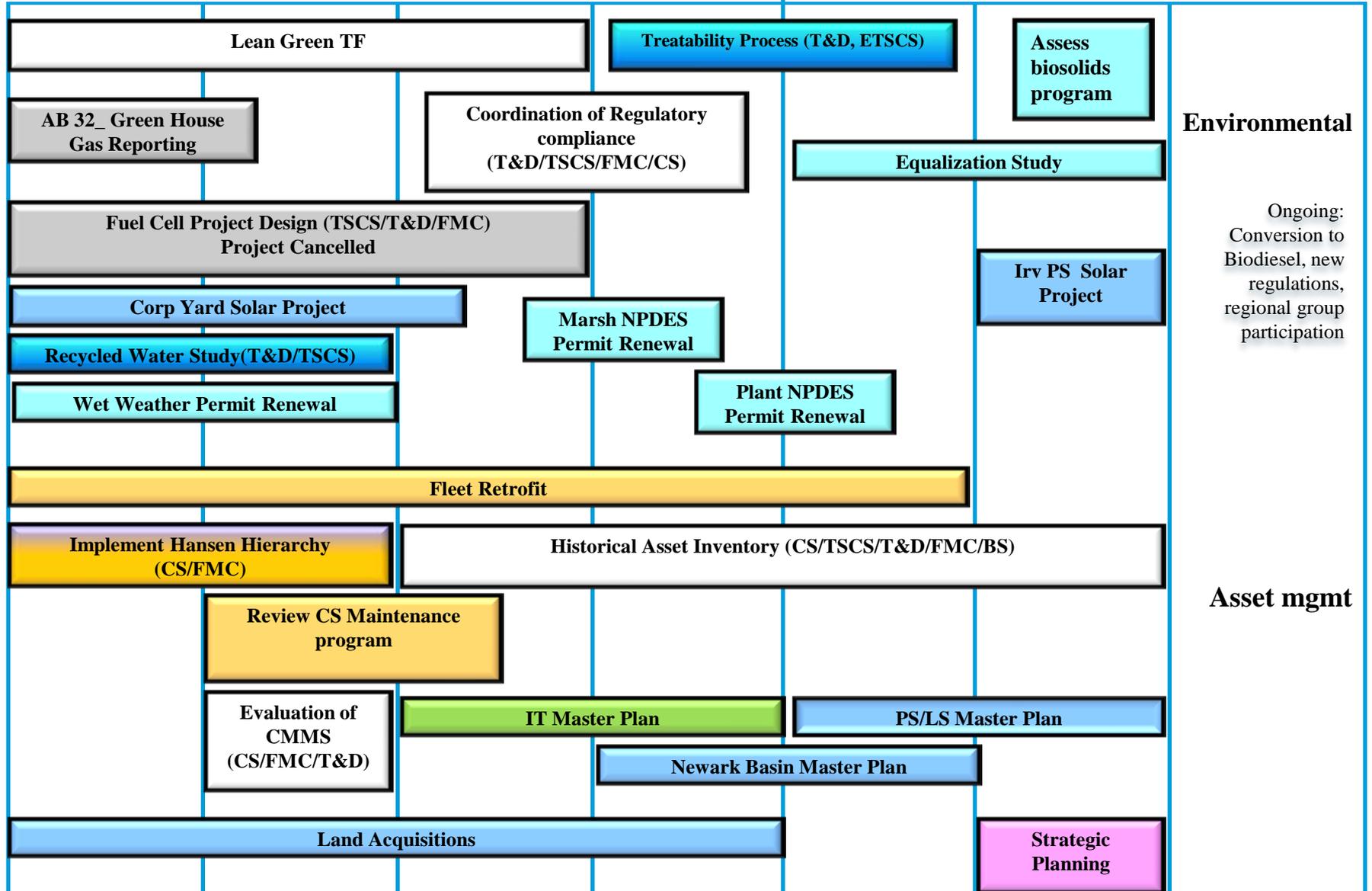


# Operational Excellence Timeline

Completed

FMC	TS/CS
Business Services	T&D
Collections System	Executive Team
Other Groups	JLMC

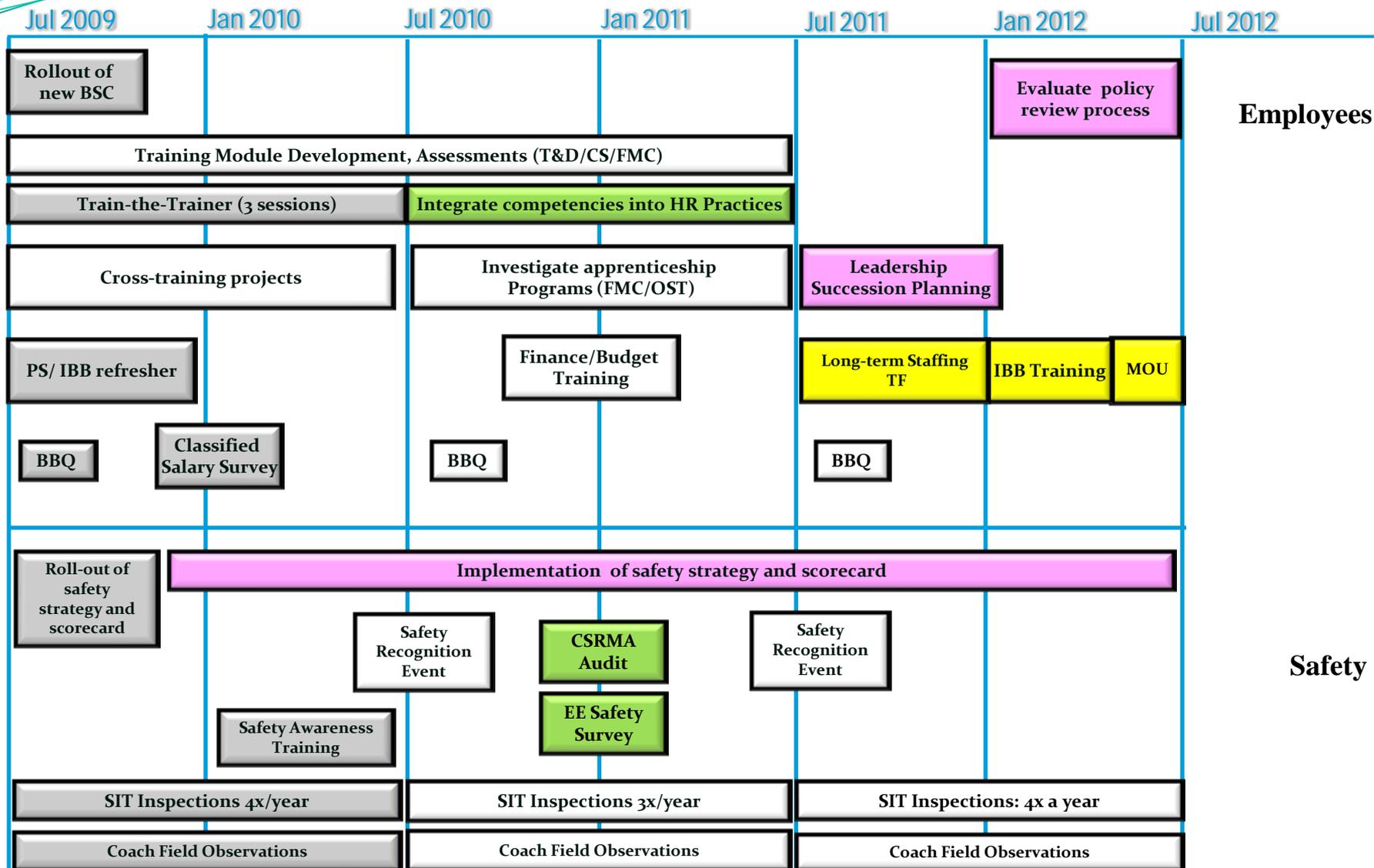
Jul 2009      Jan 2010      Jul 2010      Jan 2011      Jul 2011      Jan 2012      Jul 2012



# "Operational Excellence" Timeline

Completed

FMC	TS/CS
Business Services	T&D
Collections System	Executive Team
Other Groups	JLMC



# Financial Section



**Lift Pumps**



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 statement of net assets of Union Sanitary District as of June 30, 2010, and the related statements of revenue and expenses and changes in net assets, and cash flows for the year then ended, which comprise the District's basic financial statements. 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. The financial statements of Union Sanitary District as of June 30, 2009, were audited by other auditors whose report dated September 4, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special 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 audit provides 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, 2010, and the results of its operations and its cash flows for the year 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.

As discussed in the Note 1 to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board Statement No. 51 for the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, in 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 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.

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 of the District. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California  
October 18, 2010

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

---

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, 2010. 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 \$4.2 million as a result of this year's operations. At June 30, 2010 net assets totaled \$356.5 million. That is, the District's total assets exceeded liabilities by \$356.5 million.
- During the year, the District had expenses, including depreciation of \$16.2 million, which exceeded sewer service charges, contributed capital and interest, by \$4.2 million. This compares to last year when expenses exceeded revenues by \$4.3 million.
- Long-term liabilities increased by \$2.6 million during the current fiscal year due to the addition of one new State Revolving Fund loan.
- The District placed \$8.8 million in assets into service compared to \$18.4 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 and the Statement of Revenues, Expenses and Changes in Net Assets. 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.

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

---

### 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

The District implemented GASB Statement #34 in fiscal year 2003. GASB 34 adopted Management Discussion and Analyses (MD&A) and modified the look and naming conventions of the financial statements. 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 \$360.7 million to \$356.5 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 \$39.3 million at June 30, 2010. The decrease in total net assets was the result of an increase in total current assets of \$858K, mainly cash in bank, a decrease in total capital assets of \$2.7 million, due to increased depreciation, a decrease in current liabilities of approximately \$387K, and an increase in long term obligations of \$2.2 million.

**Table 1 – Condensed Statement of Net Assets**

	<b>Fiscal Year 2009-10</b>	<b>Fiscal Year 2008-09</b>	<b>Fiscal Year 2007-08</b>
Current and other assets	\$ 58,103,609	\$ 57,462,626	\$ 57,198,582
Capital assets	336,918,388	339,589,085	340,767,632
Total assets	<u>395,021,997</u>	<u>397,051,711</u>	<u>397,966,214</u>
Long-term liabilities	31,254,548	28,688,186	24,349,219
Other liabilities	7,262,611	7,649,885	8,628,044
Total liabilities	<u>38,517,159</u>	<u>36,338,071</u>	<u>32,977,263</u>
Net Assets:	356,504,838	360,713,640	364,988,951
Invested in capital assets, net of related debt	302,407,235	308,753,429	314,610,692
Restricted	14,840,623	14,290,870	14,551,936
Unrestricted	39,256,980	37,669,341	35,826,323
Total net assets	<u>\$ 356,504,838</u>	<u>\$ 360,713,640</u>	<u>\$ 364,988,951</u>

In the prior year, Net Assets decreased from \$365 million to \$361 million, due mainly to an increase in total current and other assets of \$264K, mainly cash in bank, a decrease in total capital assets of \$1.2 million, due to increased depreciation, a decrease in other liabilities of approximately \$978K, and an increase in long term debt of \$4.3 million.

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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

	<u>Fiscal Year 2009-10</u>	<u>Fiscal Year 2008-09</u>	<u>Fiscal Year 2007-08</u>
Revenues:			
Sewer service charges (SSC)	\$ 37,217,073	\$ 35,103,885	\$ 32,851,938
Other revenues	968,475	809,171	922,013
Investment income and net gains	349,012	1,136,138	1,746,157
Connection fees	2,467,083	2,621,801	3,746,046
Total revenues with connection fees	<u>41,001,643</u>	<u>39,670,995</u>	<u>39,266,154</u>
Expenses:			
Sewage treatment	13,995,781	12,938,404	11,881,805
Sewage collection and engineering	9,338,919	8,658,679	7,998,961
General and administration	5,322,085	5,200,792	4,757,630
Interest	867,781	647,171	775,179
Depreciation	16,243,535	16,380,510	15,677,909
Loss on retirement of capital assets	95,110	134,787	384,325
Total operating expenses	<u>45,863,211</u>	<u>43,960,343</u>	<u>41,475,809</u>
Decrease in net assets before contributions and special items			
	(4,861,568)	(4,289,348)	(2,209,655)
Contributed capital and EBDA loss	652,766	14,037	2,438,769
Change in Net Assets	<u>(4,208,802)</u>	<u>(4,275,311)</u>	229,114
Beginning Net Assets	360,713,640	364,988,951	364,759,837
Ending Net Assets	<u>\$ 356,504,838</u>	<u>\$ 360,713,640</u>	<u>\$ 364,988,951</u>

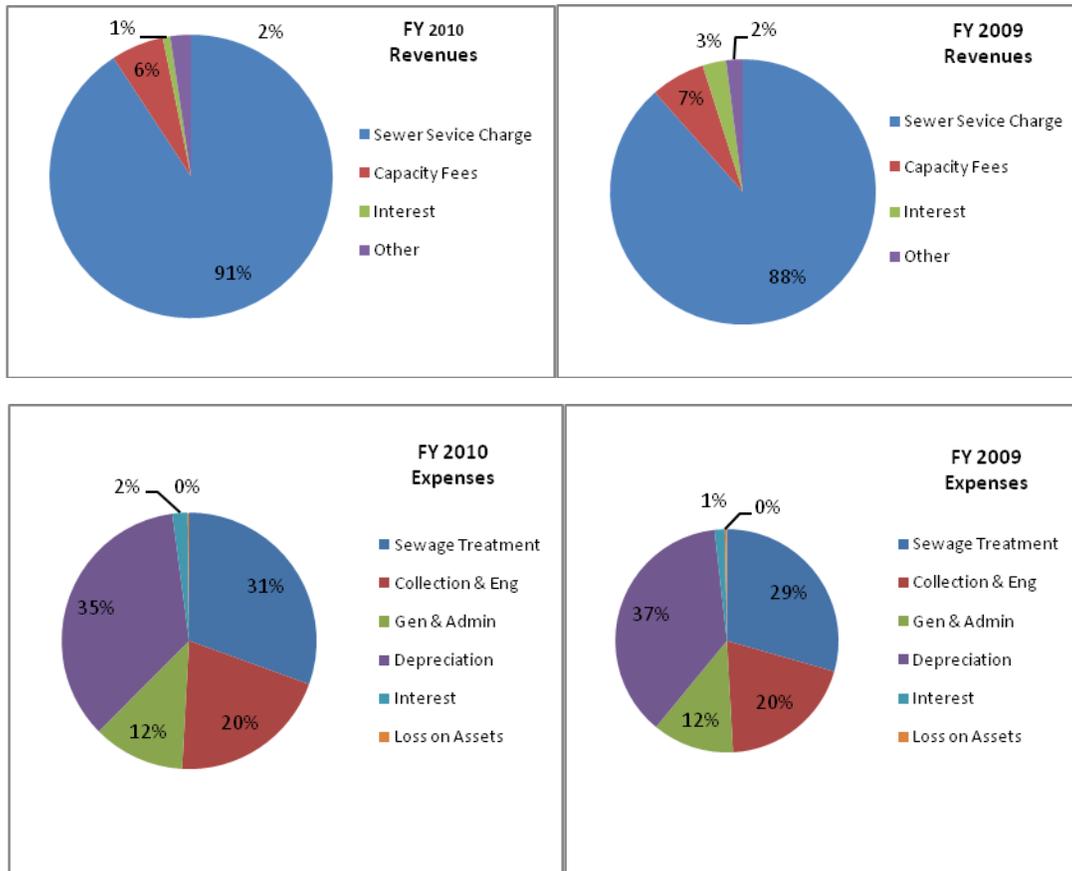
The District's total revenues such as capacity fees and sewer service charges increased by \$1.3 million, or 3.4% for the year ended June 30, 2010. This is due mainly to a 6.5% increase in the sewer service charge rate and a decrease in capacity fee revenue and interest. The total cost of all programs and services, including depreciation, was 4.3% higher than last year. Most major cost categories increased over 2009 costs except for Insurance expenses.

In the prior year, total revenues such as capacity fees and sewer services charges increased by \$404K. This is due mainly to a 6.5% increase in the sewer service charge rate and a decrease in capacity fee revenue, other operating revenues and interest. The total cost of all programs and services, including depreciation, was 6% higher than FY 2008, or \$2.5 million. Most major cost categories increased except for Insurance, Professional Services, and East Bay Dischargers Authority (EBDA) expenses.

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

---



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 6.5%.
- The District increased capacity fees 5%.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2010, 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 decrease of \$2.7 million, or .79%, compared to last year. The main reason for this is the depreciation expense in FY 2010. Total assets placed into service were \$8.8 million in FY 2010 vs. \$18.4 million in FY 2009 and \$526K in FY 2008. Additions to Construction in Progress were \$13.6 million in FY 2010 vs. \$14.6 million in FY 2009 and \$10 million in FY 2008.

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

---

Additions to Construction in Progress totaled \$13.6 million. Major projects included:

**Table 3 – Additions to Construction in Progress**

Newark Pump Station Upgrade	\$	3,388,432
Cedar Blvd. Corridor Rehabilitation		1,800,491
Secondary Clarifier Rehabilitation		708,151
Digester 2 Mixing Pump Replacement		550,010
Boyce Road Lift Station		530,020
Odor Control System Improvements		517,777
Blacow Road Sewer Replacement		512,172
Irvington Overflow Holding Pond		453,525
Newark Equalization Basin		409,667
Others		4,734,840
Total	\$	<u>13,605,085</u>

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

**Table 4 – Total Assets Placed into Service**

Cedar Blvd. Corridor Rehabilitation	\$	1,872,715
Secondary Clarifier Rehabilitation - Phase II		2,791,544
Digester 2 Mixing Pump Replacement		838,874
Force Main Access Improvements		600,052
Irvington Overflow Holding Pond		517,719
Irvington Remote Staging		173,603
IT Master Plan Software Improvements		139,592
Vehicles and Equipment		828,325
Contributed Assets		729,264
Others		311,538
Total	\$	<u>8,803,226</u>

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

### **Debt Administration**

At year-end, the District had \$34.5 million in notes outstanding versus \$30.8 million last year. This debt consists of six State Revolving Fund loans and a Use Permit with the City of Union City.

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.

# **UNION SANITARY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010**

---

### **ECONOMIC AND OTHER FACTORS**

The District's elected and appointed officials considered many factors when setting the fiscal year 2010 budget. One of those factors was the economy. Increased salary and benefit costs, as well as increased CIP projects, were taken into consideration. In addition, the Board considered increasing construction costs when reviewing the CIP. Sewer service charge rates increased 6.5% and Capacity fee rates increased 5%. The net Operating budget was increased 5.9%, using a projected staff vacancy factor of 2%.

The District's fiscal year 2010 capital budget called for expenditures of \$21.7 million for Solar Panels, Cedar Blvd. Rehabilitation, Newark Pump Station, Fuel Cell project, Aeration Internal Lift Pumps, 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 \$4.8 million from fiscal year 2009. The District's fiscal year 2011 budget includes a 3.82% increase in the operating budget with a 2% staff vacancy factor, and a capital budget which calls for expenditures of \$12.3 million for Solar Panels at Irvington Pump Station, Substation 1 project, Odor Scrubber System Improvements, Primary Clarifier Rehabilitation, and Boyce Road Lift Station projects. Sewer service charges and Capacity fee rates will increase 5%.

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

## STATEMENT OF NET ASSETS JUNE 30, 2010 AND 2009

	2010	2009
<b>CURRENT ASSETS</b>		
Cash, cash equivalents	\$ 796,256	\$ 623,994
Investments	45,889,541	45,168,697
Accounts receivable, net	2,567,226	2,502,945
Interest receivable	89,350	201,552
Inventory	466,638	459,970
Other	28,996	22,972
Total current assets	<u>49,838,007</u>	<u>48,980,130</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets		
Non depreciable capital assets:		
Land	4,624,417	4,624,417
Construction in progress	21,699,726	15,316,184
Depreciable assets		
Utility plant in service	586,481,336	579,698,659
Less: Accumulated depreciation	<u>(275,887,091)</u>	<u>(260,050,175)</u>
Net capital assets	<u>336,918,388</u>	<u>339,589,085</u>
<b>OTHER ASSETS</b>		
Restricted cash and cash equivalents	92,092	1,032,488
Restricted investments	25,000	25,000
OPEB asset	1,391,055	591,055
Investment in East Bay Dischargers Authority	6,757,455	6,833,953
Total other assets	<u>8,265,602</u>	<u>8,482,496</u>
Total non-current assets	<u>345,183,990</u>	<u>348,071,581</u>
<b>TOTAL ASSETS</b>	<u>395,021,997</u>	<u>397,051,711</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	1,817,541	3,614,293
Customer deposits	462,636	456,701
Accrued payroll and related expenses	609,131	411,671
Interest payable	307,677	221,229
Current portion of compensated absences	573,620	-
Current portion of long-term debt	3,492,006	2,945,991
Total current liabilities	<u>7,262,611</u>	<u>7,649,885</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated absences, net of current portion	235,401	798,521
Long-term debt, net of current portion	<u>31,019,147</u>	<u>27,889,665</u>
<b>TOTAL LIABILITIES</b>	<u>38,517,159</u>	<u>36,338,071</u>
<b>NET ASSETS</b>		
Net investment in capital assets	302,407,235	308,753,429
Restricted	14,840,623	14,290,870
Unrestricted	<u>39,256,980</u>	<u>37,669,341</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 356,504,838</u>	<u>\$ 360,713,640</u>

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

# UNION SANITARY DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUE		
Sewer service charges	\$ 37,217,073	\$ 35,103,885
Other operating revenues	968,475	809,171
Total operating revenue	<u>38,185,548</u>	<u>35,913,056</u>
OPERATING EXPENSES		
Sewage treatment	13,995,781	12,938,404
Sewage collection and engineering	9,338,919	8,658,679
General and administration	5,322,085	5,200,792
Total operating expenses before depreciation	<u>28,656,785</u>	<u>26,797,875</u>
DEPRECIATION	<u>16,243,535</u>	<u>16,380,510</u>
Total operating expenses	<u>44,900,320</u>	<u>43,178,385</u>
OPERATING LOSS	<u>(6,714,772)</u>	<u>(7,265,329)</u>
NON-OPERATING REVENUES (EXPENSES)		
Net investment income and net realized gains and losses	349,012	1,136,138
Interest Expense	(867,781)	(647,171)
Loss on retirement of capital assets	(95,110)	(134,787)
Gain (loss) on equity investment in East Bay Dischargers Authority	(76,498)	(12,946)
Net non-operating revenue (expense)	<u>(690,377)</u>	<u>341,234</u>
LOSS BEFORE CONTRIBUTED CAPITAL	<u>(7,405,149)</u>	<u>(6,924,095)</u>
Connection fees and other contributed capital	<u>3,196,347</u>	<u>2,648,784</u>
CHANGE IN NET ASSETS	<u>(4,208,802)</u>	<u>(4,275,311)</u>
NET ASSETS, BEGINNING OF YEAR (RESTATED - see Note 1)	360,713,640	364,988,951
NET ASSETS, END OF YEAR	<u>\$ 356,504,838</u>	<u>\$ 360,713,640</u>

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

# UNION SANITARY DISTRICT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 38,121,267	\$ 34,977,504
Payments to suppliers	(12,569,331)	(9,667,754)
Payments to employees	(12,137,255)	(12,288,821)
Payments for benefits on behalf of employees	(5,024,245)	(4,713,781)
Receipts (disbursements) for deposits	5,935	38,256
Payments related to postemployment benefits	(1,321,414)	(1,096,057)
Other operating receipts (disbursements)	(6,024)	821,218
	<u>7,068,933</u>	<u>8,070,565</u>
Cash flows provided by operating activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES</b>		
Principal payments on long-term debt	(2,903,936)	(2,750,740)
Proceeds from state revolving loan funds	6,478,164	6,486,462
Interest paid on long-term debt	(781,333)	(716,334)
Acquisition and construction of capital assets	(12,932,525)	(15,457,500)
Connection fees and other related revenues from developers	2,467,083	2,621,801
	<u>(7,672,547)</u>	<u>(9,816,311)</u>
Cash flows provided by (used in) capital and related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	461,214	1,461,845
Net loss on disposal of capital assets	95,110	134,787
Purchase of investments	(82,776,844)	(75,859,175)
Proceeds from sales and maturities of investments	82,056,000	75,916,000
	<u>(164,520)</u>	<u>1,653,457</u>
Cash flows provided by (used in) investing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(768,134)	(92,289)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,656,482	1,748,771
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 888,348</u>	<u>\$ 1,656,482</u>
<b>RECONCILIATION OF CASH AND EQUIVALENTS</b>		
Unrestricted cash and cash equivalents	\$ 796,256	\$ 623,994
Restricted cash	92,092	1,032,488
Total cash and cash equivalents	<u>\$ 888,348</u>	<u>\$ 1,656,482</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (6,714,772)	\$ (7,265,329)
Adjustments to reconcile operating loss to cash flows provided by operating activities		
Depreciation	16,243,535	16,380,510
(Increase) decrease in accounts receivable and other assets	(64,281)	(126,381)
Increase (decrease) in accounts payable and accrued expenses	(1,796,752)	(344,007)
(Increase) decrease in inventory and other	(604,732)	(612,484)
Increase (decrease) in customer deposits	5,935	38,256
	<u>\$ 7,068,933</u>	<u>\$ 8,070,565</u>
Cash flows provided by operating activities		
<b>NON MONETARY TRANSACTIONS</b>		
Contributions of capital assets	\$ 729,264	\$ 26,983
Decrease in equity in East Bay Dischargers Authority	76,498	12,946

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

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

### *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 District has implemented GASB Statement No. 34, and the financial statements are presented according to those requirements. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes 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 and in conformity with GASB Statement No. 14, component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District. Accordingly, the District has determined it is financially accountable for the Union Sanitary District Financing Authority. The Authority was incorporated on March 1, 1994 as a non-profit public benefit corporation under the general laws of the State of California. The specific and primary purposes for which this Authority was formed are: (1) to render financial assistance to Union Sanitary District, (2) to acquire and make available to the District real and personal property, and (3) to borrow funds necessary for financing properties and facilities for the District. Accordingly, the Authority is included as a blended component unit in these basic financial statements. However, the Authority was inactive and has no outstanding liabilities or assets as of June 30, 2010 and 2009.

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).

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

### *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.

### *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, 2010 and 2009, 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, 2010 and 2009, 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 constructions 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.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

### *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:

	<u>Useful Lives</u>
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 3.12% and 2.90% of average depreciable plant during the years ended June 30, 2010 and 2009, 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.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

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 of 5% of the loan principal balance.
- *Net Assets Restricted for Other Postemployment Benefits* – restricted for the future payment of retiree health benefits.

### *Classification of Revenues*

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.

### *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 18, 2010, the date which the financial statements were available to be issued.

### *Change in Accounting Principles*

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The District implemented the provisions of this Statement in the fiscal year ended June 30, 2010. As a result of the implementation, the accumulated amortization related to the use capacity permit with the Union City was adjusted from \$2,190,817 to

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

\$0 as of June 30, 2010. The 2009 net assets were restated from \$358,673,914 to \$360,713,640 and the 2008 net assets were restated from \$363,100,316 to \$364,988,951. The 2009 depreciation expense was restated from \$16,531,601 to \$16,380,510.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The District implemented the provisions of this Statement in the fiscal year ended June 30, 2010 with no impact on the financial statements.

In December 2009, the GASB issued GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. This Statement is effective for periods beginning after June 15, 2009. The District implemented provisions of this Statement in the fiscal year ended June 30, 2010 with no impact on the financial statements.

### *New Governmental Accounting and Reporting Standards*

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District is accounted for as an enterprise fund and therefore this statement does not apply.

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 will be required to implement the provisions of this Statement in fiscal year ending June 30, 2012, and does not believe it will have a significant impact on the financial statements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2011, and is currently evaluating the impact on the financial statements.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

### NOTE #2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is summarized as follows:

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 4,624,417	\$ -	\$ -	\$ -	\$ 4,624,417
Construction in progress	15,316,184	13,605,085	-	(7,221,543)	21,699,726
Total Capital assets, not being depreciated:	<u>19,940,601</u>	<u>13,605,085</u>	<u>-</u>	<u>(7,221,543)</u>	<u>26,324,143</u>
Capital assets, being depreciated:					
Sewage collection facilities	376,506,310	742,133	-	3,094,795	380,343,238
Sewage treatment facilities	162,461,369	-	(1,518,818)	2,910,976	163,853,527
District facilities	36,344,411	744,033	(487,518)	1,076,181	37,677,107
General equipment	4,386,569	95,517	(14,213)	139,591	4,607,464
Total Capital assets, being depreciated:	<u>579,698,659</u>	<u>1,581,683</u>	<u>(2,020,549)</u>	<u>7,221,543</u>	<u>586,481,336</u>
Less: Accumulated depreciation					
Sewage collection facilities	(175,875,134)	(9,258,878)	-	-	(185,134,012)
Sewage treatment facilities	(70,245,213)	(4,666,834)	531,610	-	(74,380,437)
District facilities	(11,294,361)	(2,256,502)	375,186	-	(13,175,677)
General equipment	(2,635,467)	(578,512)	17,014	-	(3,196,965)
Total Accumulated depreciation:	<u>(260,050,175)</u>	<u>(16,760,726)</u>	<u>923,810</u>	<u>-</u>	<u>(275,887,091)</u>
Total capital assets, being depreciated , net	<u>319,648,484</u>	<u>(15,179,043)</u>	<u>(1,096,739)</u>	<u>7,221,543</u>	<u>310,594,245</u>
Total Capital Assets, net	<u>\$ 339,589,085</u>	<u>\$ (1,573,958)</u>	<u>\$ (1,096,739)</u>	<u>\$ -</u>	<u>\$ 336,918,388</u>

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 \$532,000 at June 30, 2010.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

Capital asset activity for the year ended June 30, 2009 is summarized as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Capital assets, not being depreciated:					
Land	\$ 4,624,417	\$ -	\$ -	\$ -	\$ 4,624,417
Construction in progress	18,355,451	14,581,291	-	(17,620,558)	15,316,184
Total Capital assets, not being depreciated:	22,979,868	14,581,291	-	(17,620,558)	19,940,601
Capital assets, being depreciated:					
Sewage collection facilities	371,813,165	40,966	(507,145)	5,159,324	376,506,310
Sewage treatment facilities	153,038,625	-	-	9,422,744	162,461,369
District facilities	33,516,239	627,296	(190,266)	2,391,142	36,344,411
General equipment	3,652,025	87,196	-	647,348	4,386,569
Total Capital assets, being depreciated:	562,020,054	755,458	(697,411)	17,620,558	579,698,659
Less: Accumulated depreciation					
Sewage collection facilities	(167,105,742)	(9,204,870)	435,478	-	(175,875,134)
Sewage treatment facilities	(65,749,692)	(4,495,521)	-	-	(70,245,213)
District facilities	(9,281,999)	(2,139,509)	127,147	-	(11,294,361)
General equipment	(2,094,857)	(540,610)	-	-	(2,635,467)
Total Accumulated depreciation:	(244,232,290)	(16,380,510)	562,625	-	(260,050,175)
Total capital assets, being depreciated , net	317,787,764	(15,625,052)	(134,786)	17,620,558	319,648,484
Total Capital Assets, net	\$ 340,767,632	\$ (1,043,761)	\$ (134,786)	\$ -	\$ 339,589,085

### 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:

##### Financial Statement Presentation:

	2010	2009
Cash and cash equivalents	\$ 796,256	\$ 623,994
Restricted cash and cash equivalents	92,092	1,032,488
Investments	45,889,541	45,168,697
Restricted investments	25,000	25,000
Total Cash and Cash Equivalents and Investments	\$ 46,802,889	\$ 46,850,179

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

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

### *C. Interest Rate Risk*

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

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

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:

	Maturities of			Total
	12 months or less	12-24 months	25 - 60 months	
<b>2010</b>				
U.S. Treasury Obligations	\$ 4,016,177	\$ 6,035,230	\$ -	\$ 10,051,407
U.S. Agency Obligations:				
FHLB	-	-	2,003,750	2,003,750
FNMA	-	2,002,040	-	2,002,040
FFCB	2,013,125	-	-	2,013,125
Corporate Notes	1,988,413	2,095,300	-	4,083,713
Certificates of Deposit	25,000	-	-	25,000
LAIF	25,702,052	-	-	25,702,052
Mutual fund (CAMP)	33,454	-	-	33,454
Total Investments	33,778,221	10,132,570	2,003,750	45,914,541
Cash in bank and money market funds	888,348	-	-	888,348
Total Cash and Investments	\$ 34,666,569	\$ 10,132,570	\$ 2,003,750	\$ 46,802,889
<b>2009</b>				
U.S. Treasury Obligations	\$ 1,505,390	\$ -	\$ -	\$ 1,505,390
U.S. Agency Obligations:				
FHLB	2,021,250	-	-	2,021,250
FNMA	1,658,588	-	-	1,658,588
FFCB	1,995,625	-	-	1,995,625
Corporate Notes	1,512,090	-	-	1,512,090
Certificates of Deposit	25,000	-	-	25,000
LAIF	21,447,550	-	-	21,447,550
Mutual fund (CAMP)	15,028,204	-	-	15,028,204
Total Investments	45,193,697	-	-	45,193,697
Cash in bank and money market funds	1,656,482	-	-	1,656,482
Total Cash and Investments	\$ 46,850,179	\$ -	\$ -	\$ 46,850,179

### *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, 2010, these investments mature in an average of 203 days.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

### *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, 2010 for each investment type:

	Aaa	Aa2	A1	Total
U.S. Agency Obligations				
FHLB	\$ 2,003,750	\$ -	\$ -	\$ 2,003,750
FNMA	2,002,040	-	-	2,002,040
FFCB	2,013,125	-	-	2,013,125
Corporate Notes	-	2,095,300	1,988,413	4,083,713
Mutual Fund (CAMP)	33,454			33,454
Totals	<u>\$ 6,052,369</u>	<u>\$ 2,095,300</u>	<u>\$ 1,988,413</u>	<u>10,136,082</u>
Exempt from credit rate disclosure				
U.S. Treasury Obligations				10,051,407
Certificates of deposit				25,000
Not rated				
California Local Agency Investment Fund				25,702,052
Cash and cash equivalents				888,348
Total Cash, Cash Equivalents and Investments				<u>\$ 46,802,889</u>

Presented below is the actual rating as of June 30, 2009 for each investment type:

	Aaa	Aa2	A1	Total
U.S. Agency Obligations				
FHLB	\$ 2,021,250	\$ -	\$ -	\$ 2,021,250
FNMA	1,658,588	-	-	1,658,588
FFCB	1,995,625	-	-	1,995,625
Corporate Notes	-	515,075	997,015	1,512,090
Mutual Fund (CAMP)	15,028,204	-	-	15,028,204
Totals	<u>\$ 20,703,667</u>	<u>\$ 515,075</u>	<u>\$ 997,015</u>	<u>22,215,757</u>
Exempt from credit rate disclosure				
U.S. Treasury Obligations				1,505,390
Certificates of deposit				25,000
Not rated				
California Local Agency Investment Fund				21,447,550
Cash and cash equivalents				1,656,482
Total Cash, Cash Equivalents and Investments				<u>\$ 46,850,179</u>

### *F. Concentration of Credit Risk*

There were no investments in any one issuer, representing 5% or more of the total District investments other than U.S. Treasury and U.S. Agency obligations, corporate notes and LAIF (an external investment pool) as of June 30, 2010.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

### *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, 2010, the District's total bank balance of \$210,790 was 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. Additionally, collateralization will be required on certificates of deposit. Collateral must be held by a third party trustee and valued on a monthly basis. The collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC Section 53601(i) (2).

### **NOTE #4 - 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.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

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, 2009 and 2008 and for the years then ended, the most recent audited information available, is as follows:

	<u>2009</u>	<u>2008</u>
Total Assets	\$ 36,557,438	\$ 36,954,551
Total liabilities	421,323	409,355
Net asset value of EBDA	36,136,115	36,545,196
District's share at 18.7%	6,757,455	6,833,953
Net loss on equity investment in EBDA	\$ 76,498	\$ 12,946

EBDA has no outstanding debt.

During fiscal year ended June 30, 2010 and 2009, the district was charged \$881,554 and \$798,176, 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.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

### NOTE #5 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2010 are summarized as below:

	Maturity Date	Interest Rate	Balance 7/1/2009	Additions	Retirements	Balance 6/30/2010	Current Portion
1994 State Revolving Fund Loan - plant upgrade	2014	2.7%	\$ 9,054,471	\$ -	\$ 1,715,913	\$ 7,338,558	\$ 1,762,243
Use Permit	2012	6.0%	1,336,506	-	419,810	916,696	444,998
2003 State Revolving Fund Loan - Irvington	2024	2.4%	11,327,484	-	636,305	10,691,179	651,576
2008 State Revolving Fund Loan - Willow	2027	2.4%	1,638,112	137	69,067	1,569,182	70,724
2008 State Revolving Fund Loan - Newark	2030	2.7%	5,850,014	4,292,612	-	10,142,626	392,944
2008 State Revolving Fund Loan - Hetch Hetchy	2030	2.7%	1,629,069	493,222	62,841	2,059,450	89,388
2009 State Revolving Fund Loan - Cedar Blvd.	2030	2.5%	-	1,793,462	-	1,793,462	80,133
Compensated absences	n/a	n/a	798,521	10,500	-	809,021	573,620
			<u>\$31,634,177</u>	<u>\$ 6,589,933</u>	<u>\$ 2,903,936</u>	<u>\$35,320,174</u>	<u>\$ 4,065,626</u>

#### ***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. 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%.

#### ***C. 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. 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.

#### ***D. 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, 2010, \$1,710,471 has been advanced under this agreement.

#### ***E. 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, 2010, \$10,050,406 has been advanced under this agreement.

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

### *F. 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, 2010, \$2,113,379 has been advanced under this agreement.

### *G. 2009 State Revolving Fund Loan – Cedar Blvd.*

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, 2010, \$1,793,462 has been advanced under this agreement.

### *H. Debt Service Requirements*

Future annual repayment requirements as of June 30, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,491,986	\$ 796,425
2012	3,578,622	716,344
2013	3,188,448	613,231
2014	3,271,049	536,435
2015	1,397,576	455,706
2016-2020	7,533,975	2,471,462
2021-2025	7,623,950	1,047,658
2026-2030	4,425,547	343,635
Totals	<u>\$ 34,511,153</u>	<u>\$ 6,980,896</u>

**UNION SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

---

**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, 2010 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	12.098%

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, 2010 and 2009 were \$1,498,262 and \$1,266,510 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, 2010 and 2009 were \$2,252,529 and \$2,017,035, respectively.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 2,252,529	100%	\$ -
6/30/2009	2,017,035	100%	-
6/30/2008	1,906,325	100%	-

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

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 3.25% to 14.45% depending on the 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 4.10% of the annual covered payroll, based on the most recent actuarial report dated July 1, 2008. The plan members receiving benefits currently don't make contributions.

*Annual OPEB Cost.* For 2010, the District's annual OPEB cost (expense) was \$521,414 and was equal to the ARC. Moreover, the District contributed an additional \$800,000 to the trust during the year ended June 30, 2010. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2010 are as follows:

**UNION SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

---

Trend Information				
Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 521,414	\$ 1,321,414	253%	\$ (1,391,055)
6/30/2009	505,002	1,096,057	217%	(591,055)

*Funded Status and Funding Progress.* The schedule of funding progress and funded status of the plan as of July 1, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 5,201,583
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,201,583</u>
Funded ratio (actuarial value of plan assets/ AAL)	0%
Covered payroll (active plan members)	\$ 12,429,787
UAAL as a percentage of covered payroll	41.85%

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, 2008
Actuarial cost method	Entry age, Normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	Market value of assets
Investment rate of return (funded)	7.75%
Salary increase	3.25%

# UNION SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

---

### *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 \$35,635 and \$36,198 to the plans for the years ended June 30, 2010, and 2009, 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. Management's estimate at June 30, 2010 of the future liability is based on the net loss reserve of \$1,284 for general liability.

### **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



**West Aeration Blower Building**

**UNION SANITARY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

---

Schedule of Funding Progress for Pension Plan

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
2006	\$ 58,905,579	\$ 63,728,153	\$ 4,822,574	92.4%	\$ 10,500,364	45.9%
2007	63,873,097	70,375,975	6,502,878	90.8%	10,653,816	61.0%
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, 2008	\$ -	\$ 5,201,583	\$ 5,201,583	0%	\$ 12,429,787	41.8%

**SUPPLEMENTARY INFORMATION**

**UNION SANITARY DISTRICT**

**SCHEDULE OF COMPONENTS OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		
Net capital assets	\$ 336,918,388	\$ 339,589,085
Less long term debt:		
State revolving fund	(33,594,457)	(29,499,150)
Union City use permit	(916,696)	(1,336,506)
Net investment in capital assets	<u>302,407,235</u>	<u>308,753,429</u>
<b>RESTRICTED NET ASSETS</b>		
Expendable:		
Capacity purposes	11,758,907	10,486,538
Other postemployment benefits	22,210	876,510
Nonexpendable:		
State revolving fund loan contingency requirement	<u>3,059,506</u>	<u>2,927,822</u>
Total restricted net assets	<u>14,840,623</u>	<u>14,290,870</u>
<b>UNRESTRICTED</b>		
Renewal and replacement:		
Structural	12,204,876	1,901,291
Vehicle and equipment	930,527	955,874
Information system	1,053,320	1,149,144
Plant and pump station	-	106,454
Investment in East Bay Dischargers Authority	6,757,455	6,833,953
Risk management reserve	1,500,000	1,500,000
Cash flow reserve	13,670,859	12,935,127
Undesignated	<u>3,139,943</u>	<u>12,287,498</u>
Total unrestricted	<u>39,256,980</u>	<u>37,669,341</u>
<b>NET ASSETS</b>	<u>\$ 356,504,838</u>	<u>\$ 360,713,640</u>

**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. Those amounts restricted for postemployment benefits can only be used for the funding of such liability.

**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**

**SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION  
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

	2010				2009			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	\$ 4,407,381	\$ 5,462,439	\$ 2,887,289	\$ 12,757,109	\$ 4,231,785	\$ 5,219,855	\$ 2,725,720	\$ 12,177,360
Employee benefits	1,628,649	2,066,424	1,438,692	5,133,765	1,435,944	1,867,687	1,351,950	4,655,581
Recruitment and development	61,504	88,266	189,535	339,305	52,736	91,411	211,876	356,023
Temporary help	-	6,333	-	6,333	5,610	-	-	5,610
Repairs and maintenance	1,584,453	444,077	14,330	2,042,860	1,332,174	545,230	22,225	1,899,629
Operating supplies	2,189,563	199,340	-	2,388,903	1,927,899	190,535	-	2,118,434
Office & safety supplies	127,648	243,967	138,969	510,584	117,797	172,233	272,254	562,284
Insurance	-	-	192,577	192,577	-	-	127,705	127,705
Contractual services	692,657	62,462	-	755,119	699,100	41,105	-	740,205
Professional services	228,306	62,778	386,654	677,738	194,272	60,531	417,599	672,402
Utilities	2,059,951	50,602	64,793	2,175,346	2,024,824	54,924	60,950	2,140,698
East Bay Dischargers Authority - operating charges	881,554	-	-	881,554	798,176	-	-	798,176
Non-ECB	21,467	616,153	-	637,620	-	408,742	-	408,742
Sewer Service charge administrative fee	104,225	-	-	104,225	103,768	-	-	103,768
Rents/Leases	8,423	36,078	9,246	53,747	14,319	6,426	10,513	31,258
<b>Total</b>	<b>\$ 13,995,781</b>	<b>\$ 9,338,919</b>	<b>\$ 5,322,085</b>	<b>\$ 28,656,785</b>	<b>\$ 12,938,404</b>	<b>\$ 8,658,679</b>	<b>\$ 5,200,792</b>	<b>\$ 26,797,875</b>

**UNION SANITARY DISTRICT**

**SCHEDULE OF INSURANCE COVERAGE  
FOR THE YEAR ENDED JUNE 30, 2010**

---

General liability (pooled liability program)	
Bodily injury, property damage, and personal injury	\$ 15,750,000
Public entity errors and omissions and other related practices	15,750,000
Employment related practices	15,750,000
	<u>Insured Value</u>
Auto physical damage (primary insurance program)	2,392,255
Workers' Compensation	1,750,000
Group Health and Life	Contract
Employee Disability and Salary Continuance	Contract
Property insurance, all property	208,473,313
Accounts receivable	No sublimit
Employee Dishonesty Bond Coverages:	
Public Employee Dishonesty Bond	350,000
Forgery and alteration	100,000
Computer Fraud	100,000

# Statistical Section



**Solids Handling**

## 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.

<u>Table of Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Changes in Net Assets and Statement of Net Assets .....	S-1
Revenue by Type.....	S-2
Operating Expenses by Major Function.....	S-3
Capital Project Expenditures.....	S-4
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the District's most significant revenue sources.	
Current and Historical Fees.....	S-5
Principal Rate Payers.....	S-6
Assessed Valuation of Service Area.....	S-7
<b>Debt Capacity</b>	
These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Outstanding Debt.....	S-8
Revenue Coverage.....	S-9
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the local environment within which the District's financial activities take place.	
Population of Service Area.....	S-10
Racial Breakdown, Income and Home Prices.....	S-11
Major Employers in Service Area.....	S-12
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
Full-time Equivalent Employees by Function.....	S-13
Plant Flow.....	S-14
Biosolids.....	S-15
Balanced Scorecard Measures by Program/Function.....	S-16
Miscellaneous Statistics.....	S-20

**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 Eight Years

Changes in Net Assets	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues								
Sewer Service Charges	\$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	968,475	809,171	922,013	1,099,925	1,118,247	1,097,871	1,247,850	1,034,706
Total Operating Revenues	<u>38,185,548</u>	<u>35,913,056</u>	<u>33,773,951</u>	<u>32,051,841</u>	<u>30,375,517</u>	<u>28,689,884</u>	<u>28,323,448</u>	<u>26,180,810</u>
Operating Expenses								
Sewage Treatment	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	9,338,919	8,658,679	7,998,961	8,160,123	7,188,088	6,719,421	6,739,434	6,452,533
General and Administration	5,322,085	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.	<u>28,656,785</u>	<u>26,797,875</u>	<u>24,638,396</u>	<u>23,853,636</u>	<u>23,100,338</u>	<u>21,844,369</u>	<u>20,820,602</u>	<u>20,406,837</u>
Depreciation	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 Expenses	<u>44,900,320</u>	<u>43,178,385</u>	<u>40,467,396</u>	<u>40,981,297</u>	<u>39,194,125</u>	<u>49,514,345</u>	<u>35,119,639</u>	<u>33,956,407</u>
Operating Loss	<u>(6,714,772)</u>	<u>(7,265,329)</u>	<u>(6,693,445)</u>	<u>(8,929,456)</u>	<u>(8,818,608)</u>	<u>(20,824,461)</u>	<u>(6,796,191)</u>	<u>(7,775,597)</u>
Nonoperating Revenues (Expenses)								
Investment Income	349,012	1,136,138	1,746,157	1,902,866	1,527,372	926,543	552,623	2,933,175
Interest Expense	(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	(95,110)	(134,787)	(384,325)	(97,969)	(168,026)	(2,077,193)	(1,273,464)	0
Gain (loss) on Equity Investment in EBDA	(76,498)	(12,946)	(46,886)	(142,783)	(150,303)	(153,173)	(158,172)	(151,923)
Other Nonoperating Expenses	0	0	0 **	0 **	(1,098,450)	(629,216)	(677,448)	(804,980)
Net Non-operating Revenues	<u>(690,377)</u>	<u>341,234</u>	<u>539,767</u>	<u>822,306</u>	<u>(787,105)</u>	<u>(3,173,114)</u>	<u>(2,256,237)</u>	<u>1,202,466</u>
Loss Before Contributions	(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. Capita	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	(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	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	<u>\$356,504,838</u>	<u>\$360,713,640</u>	<u>\$363,100,316</u>	<u>\$363,022,293</u>	<u>\$367,626,389</u>	<u>\$370,712,758</u>	<u>\$387,972,654</u>	<u>\$392,036,201</u>
<b>Statement of Net Assets by Component</b>								
Net investment om capital assets	\$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	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	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	1,457,853	938,263	853,752	770,356	749,830	706,017
Unrestricted	<u>0</u>	<u>0</u>	<u>35,826,323</u>	<u>31,546,085</u>	<u>32,077,355</u>	<u>34,368,633</u>	<u>43,376,404</u>	<u>42,587,831</u>
Total USD net assets	<u>\$356,504,838</u>	<u>\$360,713,640</u>	<u>\$363,100,316</u>	<u>\$363,022,293</u>	<u>\$367,626,389</u>	<u>\$370,712,758</u>	<u>\$387,972,654</u>	<u>\$392,036,201</u>

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.

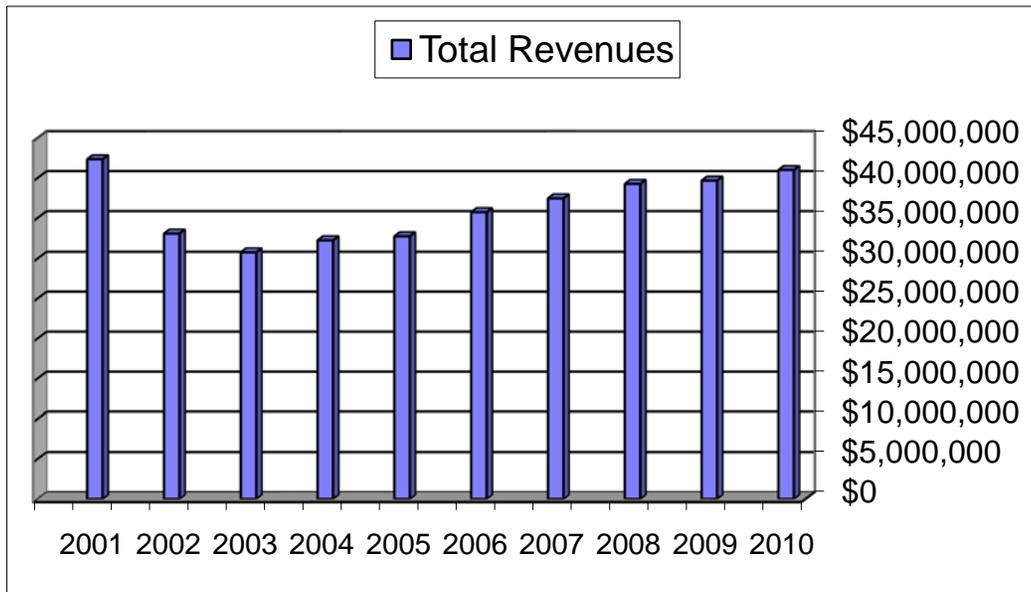
\*\* Non-ECB Other Expenses are classified under Operating Expenses and restated for FY 2007 per auditor recommendation.

**UNION SANITARY DISTRICT**

**District-Wide Revenues and Other Financing Sources**

<u>Fiscal Year</u>	<u>Sewer Service Charges</u>	<u>Capacity Fees</u>	<u>Interest</u>	<u>Others*</u>	<u>Total Revenues</u>
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
2002	25,330,711	2,188,019	3,997,156	1,611,958	33,127,844
2001	25,184,825	9,010,445	6,011,882	2,144,688	42,351,840

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



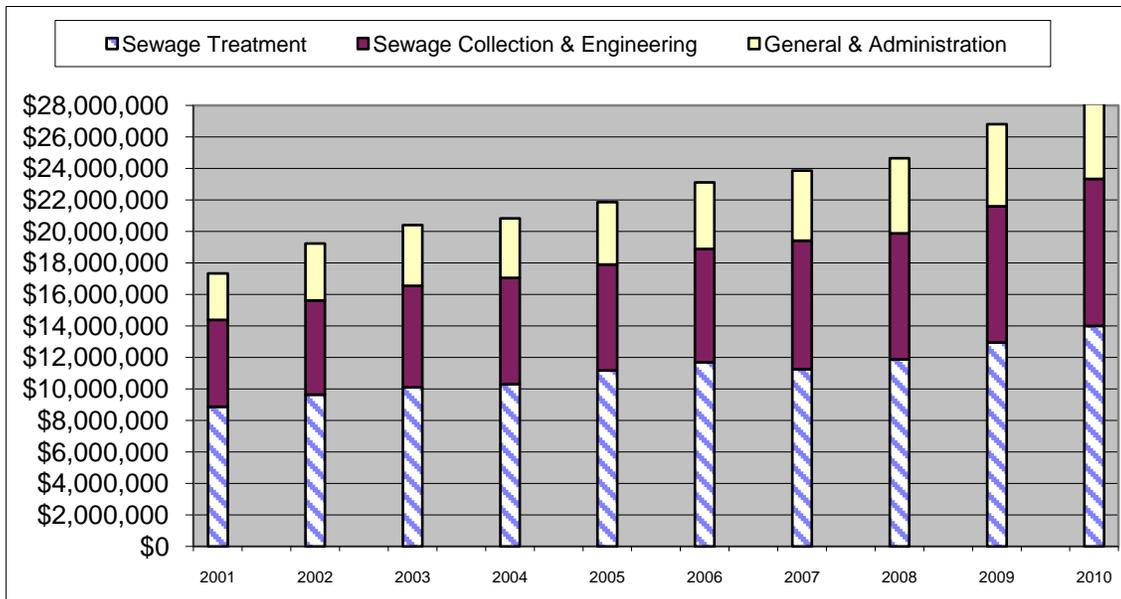
The District's main source of revenue is Sewer Service Charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan

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

## UNION SANITARY DISTRICT

### Operating Expenses By Major Function

<u>Fiscal Year</u>	<u>Sewage Treatment</u>	<u>Sewage Collection &amp; Engineering</u>	<u>General &amp; Administration</u>	<u>Total Expenses</u>
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
2002	9,628,969	5,979,352	3,608,146	19,216,467
2001	8,857,881	5,511,360	2,954,982	17,324,223

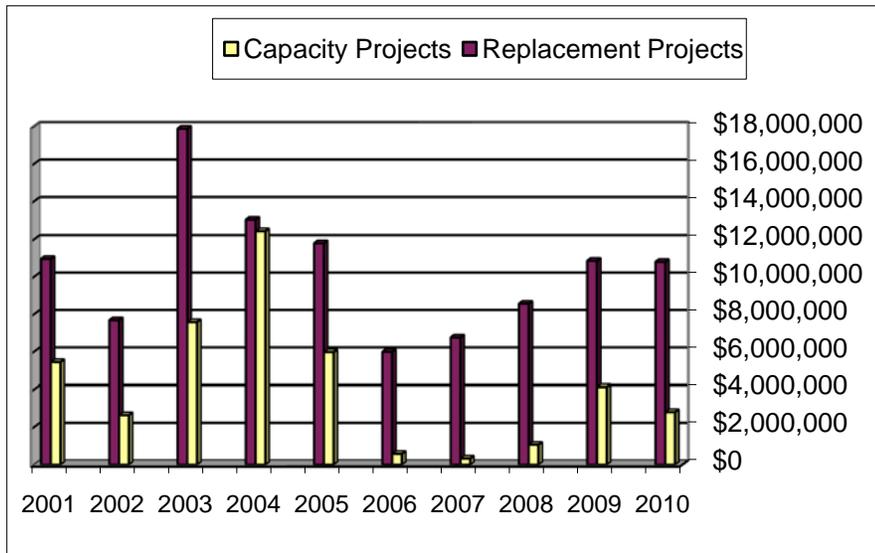


Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

**UNION SANITARY DISTRICT**

**Capital Expenditures**

<u>Fiscal Year</u>	<u>New Capacity Projects</u>	<u>Renewal &amp; Replacement Projects</u>	<u>Total Capital Expenditures</u>
2010	\$2,809,723	\$10,805,964	\$13,615,687
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
2002	2,648,809	7,685,830	10,334,639
2001	5,457,901	10,965,779	16,423,680



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

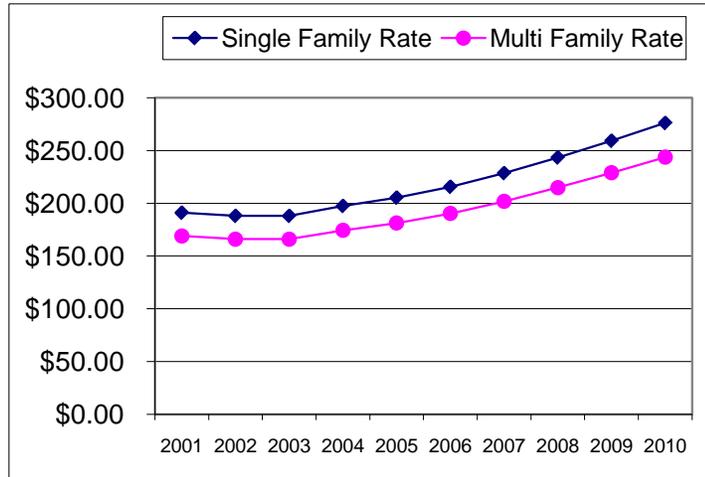
Structural renewal & replacement projects provide rehabilitation, replacement, or upgrade of existing facilities to prolong the useful life of the assets and to maintain the current service level of the facilities.

**UNION SANITARY DISTRICT**

**Current and Historical Fees  
Last Ten Years**

**Sewer Service Charge Rates**

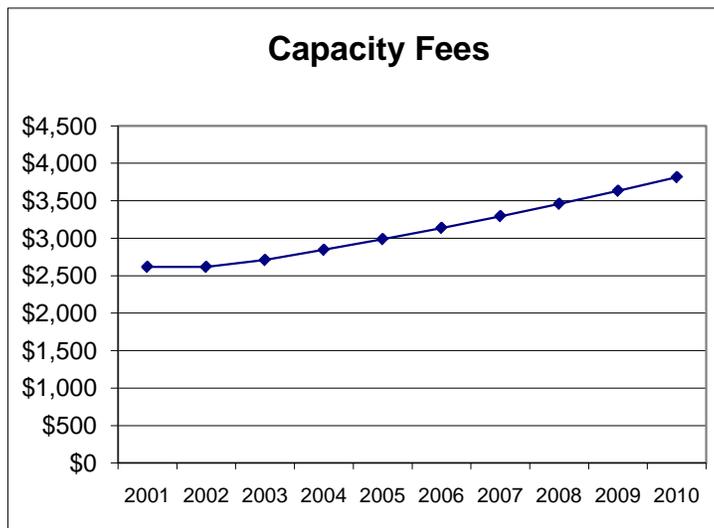
	Single Family Rate	Multi Family Rate	SFD % Change
2010	\$276.04	\$243.74	6.5%
2009	259.18	228.86	6.5%
2008	243.36	214.90	6.5%
2007	228.52	201.78	6.0%
2006	215.57	190.33	5.0%
2005	205.30	181.27	4.0%
2004	197.40	174.30	5.0%
2003	188.00	166.00	0.0%
2002	188.00	166.00	-1.6%
2001	191.00	169.00	



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$243.74 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
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	3.5%
2002	2,618.00	0.0%
2001	2,618.00	



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.

**UNION SANITARY DISTRICT**  
 Ten Principal Industrial Rate Payers  
 June 30, 2010

Rate Payer	2009-10			2008-09			2007-08			2006-07			2005-06		
	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings
New United Motor Mfg. Co.	\$549,041	1	1.48%	\$525,177	1	1.50%	\$496,063	1	1.51%	\$544,105	1	1.76%	\$715,870	1	2.45%
Western Digital	227,410	2	0.61%	273,113	2	0.78%	274,533	2	0.84%	233,804	2	0.76%	201,825	2	0.69%
Evergreen Oil	136,078	3	0.37%	136,727	4	0.39%	114,815	4	0.35%	124,993	5	0.40%	---	---	---
Washington Hospital	128,056	4	0.34%	146,515	3	0.42%	139,089	3	0.42%	111,139	6	0.36%	78,911	7	0.27%
Full Bloom Bakery	122,577	5	0.33%	75,086	6	0.21%	---	---	---	---	---	---	---	---	---
The Benton in Fremont	78,484	6	0.21%	73,693	7	0.21%	69,198	8	0.21%	64,973	10	0.21%	---	---	---
The Tropics Trailer Park	77,194	7	0.21%	72,481	9	0.21%	68,061	9	0.21%	---	---	---	---	---	---
Solyndra	73,694	8	0.20%	---	---	---	---	---	---	---	---	---	---	---	---
Lam Research	73,316	9	0.20%	---	---	---	---	---	---	---	---	---	---	---	---
Union Square	71,960	10	0.19%	73,546	8	0.21%	74,001	7	0.23%	69,036	9	0.22%	62,296	9	0.21%
<b>Total annual billing largest ten</b>	<b>\$1,537,810</b>		<b>4.13%</b>	<b>\$1,376,339</b>		<b>3.92%</b>	<b>\$1,235,760</b>		<b>3.76%</b>	<b>\$1,148,050</b>		<b>3.71%</b>	<b>\$1,058,903</b>		<b>3.62%</b>
<b>Total ALL annual billings</b>	<b>\$37,217,073</b>			<b>\$35,103,885</b>			<b>\$32,851,938</b>			<b>\$30,951,916</b>			<b>\$29,257,270</b>		

Customer Type	Number of Parcels '09/10	Percent of Total	2001/2002 Revenues	2009/2010 Revenues	Still USD Customer
Domestic/Residential	85,117	90.6%	1 New United Motor Mfg. 590,799	549,041	No
Commercial	1,050	1.1%	2 Dreyers Grand Ice Cream 305,464	---	No
Industrial	1,336	1.4%	3 HMT Technology 151,445	---	No
Institutional	350	0.4%	4 Nancy's Specialty Foods 112,461	---	No
Multiple Use/Misc.	6,109	6.5%	5 Evergreen Oil 94,399	136,078	Yes
			6 Read Rite 90,026	---	No
			7 Agilent Technology 88,690	---	No
			8 Dannon/Mckesson Water 82,975	---	No
			9 Washington Hospital 76,952	128,056	Yes
			# Seagate Technology 76,726	48,850	Yes
<b>Total</b>	<b>93,962</b>	<b>100.0%</b>			

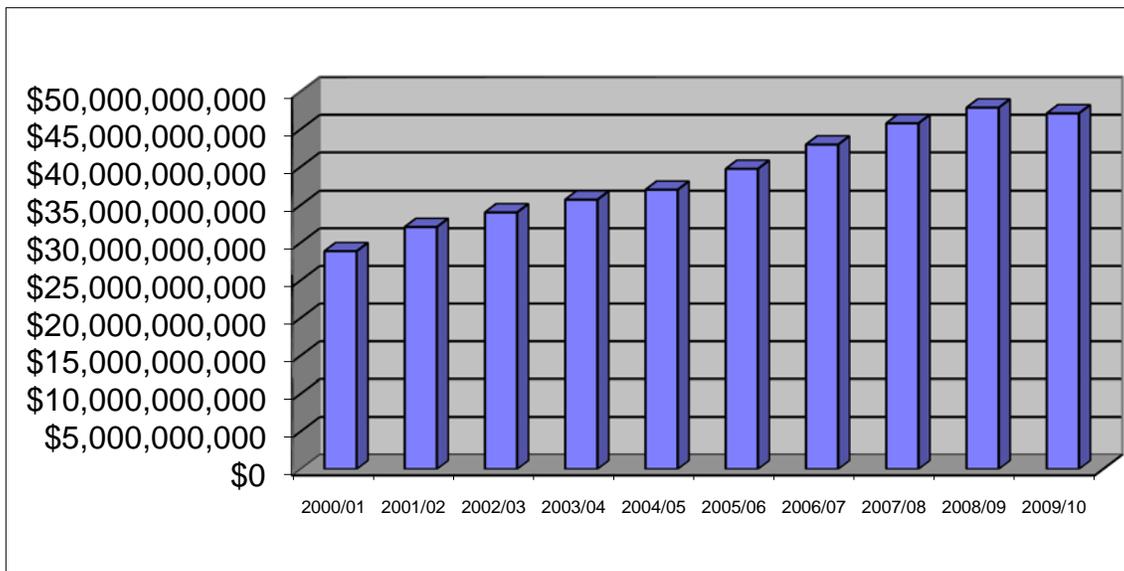
Additional years will be added as information becomes available.

## UNION SANITARY DISTRICT

### Fiscal Year Assessed Valuation

Valuation of taxable property within Union Sanitary District

		% Change
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	6.07%
2001/02	\$32,096,327,100	11.11%
2000/01	\$28,886,375,667	



Includes property in Fremont, Newark, and Union City.

## UNION SANITARY DISTRICT

### Ratios of Outstanding Debt by Type Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds (1)</u>	<u>Use Permit (2)</u>	<u>Loans Payable (3)</u>	<u>Principal Total</u>	<u># of Ratepayers*</u>	<u>Total Debt/#Ratepayers</u>
2010	\$0	\$916,696	\$33,594,457	\$34,511,153	93,962	\$367
2009	0	1,336,506	29,499,150	30,835,656	93,666	329
2008	0	1,732,553	25,367,381	27,099,934	92,427	293
2007	0	2,106,182	24,908,737	27,014,919	91,896	294
2006	0	2,458,662	27,085,423	29,544,085	91,315	324
2005	0	2,791,171	29,206,575	31,997,746	90,472	354
2004	0	3,104,897	31,292,792	34,397,689	90,120	382
2003	0	3,400,846	18,443,838	21,844,684	84,713	258
2002	865,000	3,680,043	19,867,882	24,412,925	84,050	290
2001	1,690,000	3,943,437	21,254,406	26,887,843	83,204	323

\* Based on parcels

	<u>Purpose</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Annual Total Payment</u>	<u>Outstanding Principal Balance</u>
(1) Revenue Bonds	Refunding of 1989 Revenue Bonds	4.6%	2003	\$0	\$0
(2) Use Permit	Union City Use Permit - to increase capacity to maximum of 38 mg/d	6.0%	2012	\$500,000	\$916,696
(3) Loans Payable	State Water Resources Control Board - Wastewater Treatment Plant Upgrade Project	2.7%	2014	\$1,960,384	\$7,338,558
	State Water Resources Control Board - Irvington Wastewater Equalization Storage Facility	2.4%	2024	\$908,164	\$10,691,179
	State Water Resources Control Board - Willow/Central Avenue	2.4%	2027	\$108,385	\$1,569,182
	State Water Resources Control Board - Newark Pump Stat. Upgrade	2.7%	2030	\$685,405	\$10,142,626
	State Water Resources Control Board - Lower Hetch Hetchy	2.7%	2028	\$139,634	\$2,059,450
	State Water Resources Control Board - Cedar Blvd.	2.5%	2030	\$127,349	\$1,793,462
<b>Totals</b>				<b>\$4,429,320</b>	<b>\$34,511,153</b>

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

## UNION SANITARY DISTRICT

### Pledged-Revenue Coverage Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Debt Coverage % (2)</u>
2010	\$41,001,643	\$28,656,785	\$12,344,858	\$4,429,320	279%
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%
2002	33,127,844	19,216,467	13,911,377	2,460,393	565%
2001	42,351,840	17,324,223	25,027,617	2,460,393	1017%

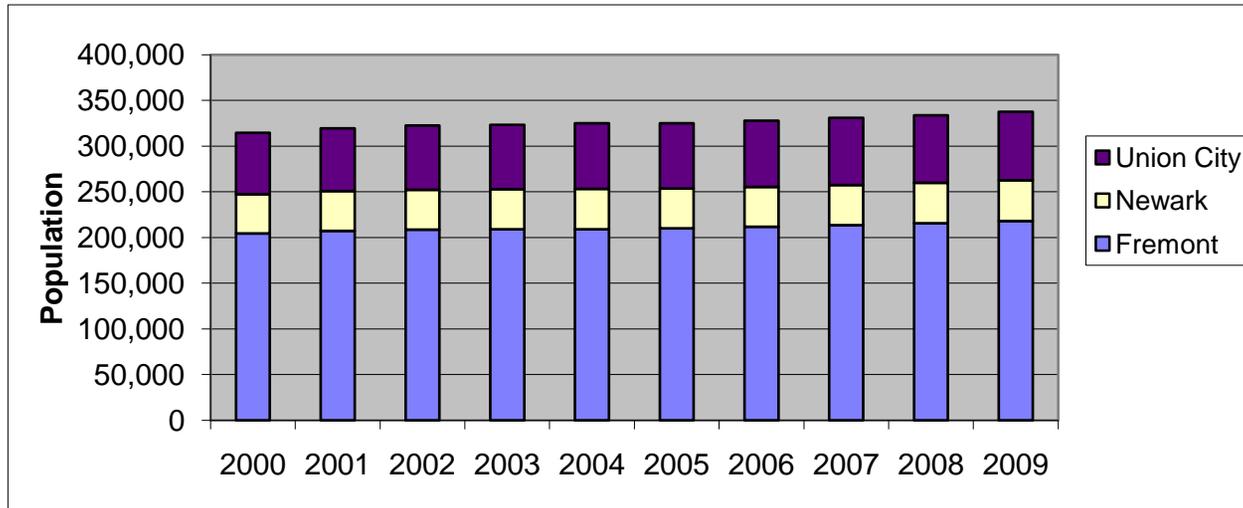
(1) Excludes depreciation; Operating Expenses do not include Capital Project Expenditures

(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.

## UNION SANITARY DISTRICT

Demographics  
Population Served

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Fremont</b>	204,400	207,200	208,600	209,000	209,100	210,158	211,662	213,512	215,636	218,128
<b>Newark</b>	42,800	43,500	43,650	43,950	43,960	43,486	43,693	43,872	44,035	44,380
<b>Union City</b>	67,300	68,700	70,200	70,300	71,725	71,152	72,297	73,402	73,977	75,054
<b>Total</b>	<b>314,500</b>	<b>319,400</b>	<b>322,450</b>	<b>323,250</b>	<b>324,785</b>	<b>324,796</b>	<b>327,652</b>	<b>330,786</b>	<b>333,648</b>	<b>337,562</b>
Total % Change		1.56%	0.95%	0.25%	0.47%	0.00%	0.879%	0.96%	0.87%	1.17%



## UNION SANITARY DISTRICT

### Demographics of Population Served

#### Median Household Income

Fremont	\$100,450
Newark	\$76,996
Union City	\$87,255
California	\$58,931

#### Median Home Price

Fremont	\$675,000
Newark	\$397,000
Union City	\$458,000
California	\$255,000

## 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 2009	2008	2007
<b>Fremont</b>				
Washington Hospital	Healthcare	2.18%	2.16%	2.25%
Fremont Unified School District	Education	1.52%	1.51%	1.57%
Boston Scientific	Medical Devices and Products	1.09%	1.08%	1.12%
Seagate Magnetics	Computer Components	0.96%	0.99%	---
New United Motor Mfg. (closed 3/2010)	Auto Manufacturing	4.27%	4.68%	5.34%
<b>Newark</b>				
Newark Unified School District	Education	3.40%	N/A	N/A
City of Newark	Local Government	1.60%	N/A	N/A
WorldPac	Auto Part Distribution	1.40%	N/A	N/A
Full Bloom Baking Company	Baking Products	1.40%	N/A	N/A
Risk Management Solutions	Catastrophe Risk Management	1.30%	N/A	N/A
<b>Union City</b>				
New Haven Unified School District	Education	3.70%	3.84%	4.18%
Southern Wine & Spirits	Liquor Distributor	2.32%	2.22%	3.55%
Wal Mart	Retailer	1.86%	1.77%	2.41%
San Francisco Chronicle	Newspaper	1.36%	1.30%	---
City of Union City	Local Government	1.13%	1.13%	1.11%

More years will be added as the data becomes available.

\* Some employers report as of December 31.

## UNION SANITARY DISTRICT

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

Function/Program	Fiscal Year				
	2010	2009	2008	2007	2006
System operations and maintenace (CS Support, FMC, T&D, Warehouse)	51.45	51.00	51.23	49.23	49.23
Engineering and construction (CIP)	6.00	6.00	6.00	7.00	7.00
Collections System Maintenance (CS)	22.00	22.00	21.00	23.00	24.00
Office of the General Manager (GM)	2.00	2.00	2.00	2.00	2.00
Finance (FIST)	5.00	5.00	5.00	4.00	5.00
Information systems (IT)	5.00	5.00	5.00	5.00	5.00
Administration department (OA, MMT, non-HR OST)	15.00	15.50	15.50	16.00	15.40
Customer and community services (Rest of TSCS)	19.00	21.00	21.00	18.00	19.68
Human resources (HR)	3.00	3.00	3.00	3.00	3.00
<b>Total</b>	<b>128.45</b>	<b>130.50</b>	<b>129.73</b>	<b>127.23</b>	<b>130.31</b>
Average years of service of employees as of 6/30/10:	11.46	10.71	10.06	9.80	10.70

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

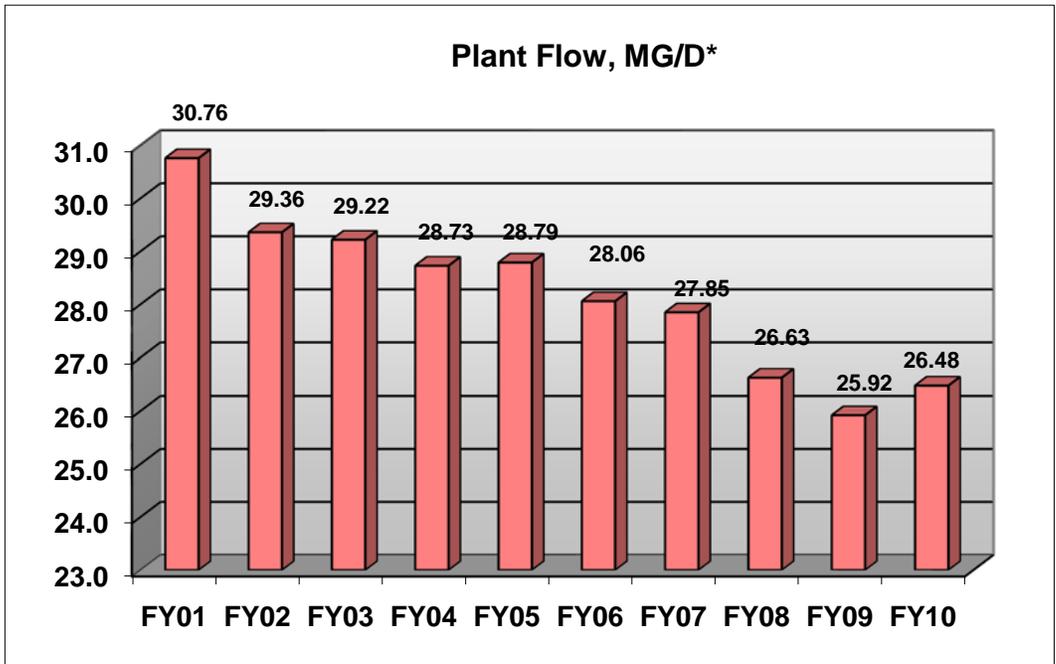
Additional years will be added until ten years worth of information is available.

# UNION SANITARY DISTRICT

## Operating Indicators by Function/Program Last Ten Calendar Years

### Average Daily Plant Effluent Flow

### Plant Flow Data



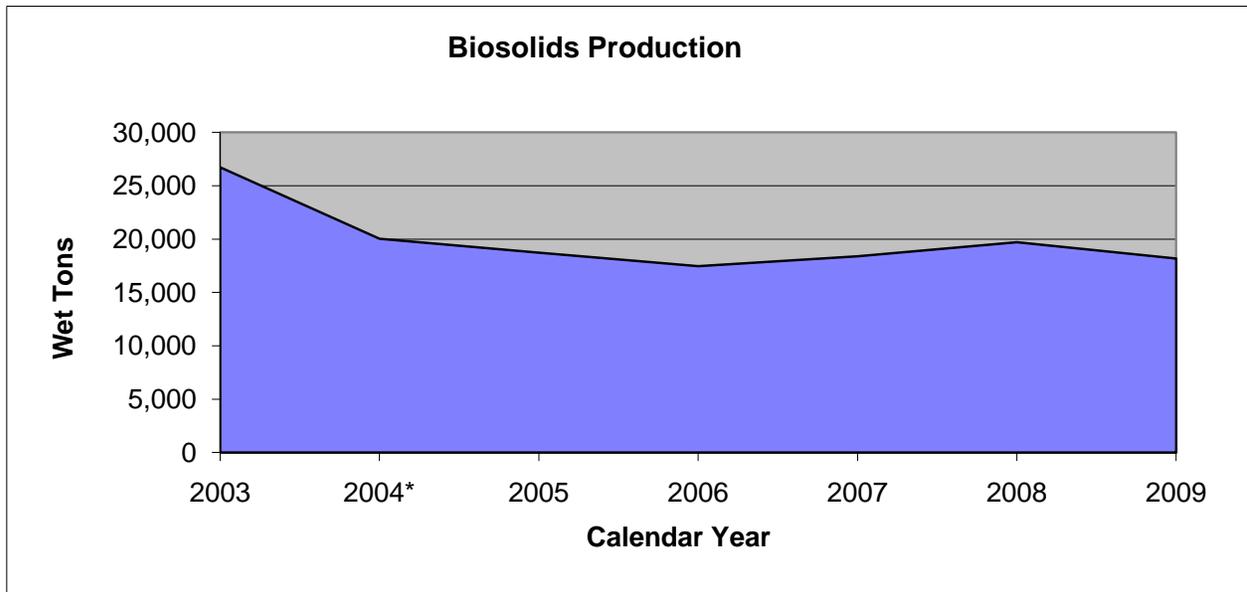
Plant 12-month average

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

**UNION SANITARY DISTRICT**

Operating Indicators - Biosolids  
Last Seven Calendar Years

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



\*Centrifuge dewatering began.

Additional years will be added as information becomes available.

**Union Sanitary District**  
 Operating Indicators by Program/Function  
 Collection Services

FY10 Collection Services BSC												
Objectives	Measures	Qtr 1		2nd Qtr		3rd Qtr		4th Qtr		FY 10 Total	FY 10 Target	
<b>Customer Perspective:</b>												
• Minimize Overflows SSO's	• # of Category 1 SSOs	0	SSOs	1	SSO	1	SSOs	0	SSOs	2	SSOs	• Zero Category 1 SSOs
	• # of Category 2 SSOs	0	SSO	2	SSOs	3	SSOs	3	SSOs	8	SSOs	≤ 10 Category 2 SSOs
• Minimize Negative Impact on Environment	• Percent of spill recovery	0%	None to recover	45.0%	Recovery	99.0%	Recovery	100%	Recovery	50.9%	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 not	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	1	Incidents	0	Incidents	1	Incidents	Zero Incidents
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	95.2%	w/i 1 hour	99.0%	w/i 1 hour	95.0%	w/i 1 hour	95.8%	w/i 1 hour	96.3%	w/i 1 hour	≥ 95% w/i 1 hr
• Reduce negative impacts of District	Number of odor complaints attributable to sewer.	0	Odors	0	Odors	0	Odor	0	Odors	0	Odor	≤ 2
<b>Financial Perspective:</b>												
• Provide competitive service	Cleaning – cost per ft/day/crew	\$0.30	Per ft	\$0.32	Per ft	\$0.34	Per ft	\$0.57	Per ft	\$0.38	Clean Per Ft	Clean \$.33 to \$.53
	Cost per feet/day	\$0.59	Per ft	\$0.57	Per ft	\$0.60	Per ft	\$0.74	Per ft	\$0.63	TV Per Ft	TV - \$.38 to \$.67
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's)	\$0	Total Claims	\$0	Total Claims	\$0	Total Claims	\$11,601	Total Claims	\$11,601	Total Claims	Claims ≤ \$2000
		\$0	Total Fines	\$0	Total Fines	\$0	Total Fines	\$0	Total Fines	\$0	Total Fines	Fines-\$0
	Average cost per claim/fine	\$0	Avg Claims	\$0	Avg Claims	\$0	Avg Claims	\$5,801	Avg Claims	\$5,801	Avg Claims	Claims ≤ \$1000
		\$0	Avg Fines	\$0	Avg Fines	\$0	Avg Fines	\$0	Avg Fines	\$0	Avg Fines	Fines-\$0
<b>Internal Process Perspective:</b>												
• Trouble Call & SSO response	Response Time	95.2%	w/i 1 hour	99.0%	w/i 1 hour	95.0%	w/i 1 hour	95.8%	w/i 1 hour	96.3%	w/i 1 hour	≥ 95% w/i 1 hr
• Pipe/Problem Assessment	Number of Repeat Spills	0	Zero	0	Zero	0	Zero	0	Zero	Zero	per year	≤ 2 per year
• Preventative Maint. Program	Cycle Started versus Target Start Date-72 Mo.	On	Schedule	On	Schedule	0	Schedule	0	On Schedule	On	Schedule	72 mo – w/i 3 mos.
• Cleaning	Per Month Cleaning Footages	85,107	Avg Ft Per Mo	106,015	Avg Ft Per Mo	96,418	Avg Per Mo *	78,816	Avg Per Mo	91,589	Avg Mo	93,082 Avg Mo, 1.117K YE
o Feet per crew day	o Feet Per Crew/Day	5,006	Ft Per Crew/Day	6,236	Ft Per Crew/Day	4,821	Ft Per Crew/I	4,222	Ft Per Crew/Day	5,071	Ft Per Crew/Day	3,500 Per Crew Day
o # of Crew Days	o # of Crew Days	17	# of Crew Days	17	# of Crew Days	20	# of Crew Day	18.7	# of Crew Days	18	# of Crew Days	27 Crew Days
• Televising	Per Month Televising Footages	65,366	Avg Ft Per Mo	66,499	Avg Ft Per Mo	58,744	Avg Per Mo	38,470	Avg Per Mo	57,270	Avg Mo	62,636 Avg Mo, 752K YE
o Feet per crew day	o Feet Per Crew/Day	3,845	Ft Per Crew/Day	4,071	Ft Per Crew/Day	3,389	Ft Per Crew/I	2,456	Ft Per Crew/Day	3,440	Ft Per Crew/Day	2,750 Per Crew Day
o # of Crew Days	o # of Crew Days	17	# of Crew Days	16	# of Crew Days	17.3	# of Crew Day	15.7	# of Crew Days	17	# of Crew Days	24 Crew /dats
• Key Vehicles Available For Preventative Maintenance Program	Days Per Mo 2 Hydrojets Not Available	0	Days	0	Days	0	Days	0	Days	0	Days	< 3 Days
	Days Per Mo 2 TV Vans Not Available	0	Days	0	Days	0	Days	0	Days	0	Days	< 3 Days
<b>Learning &amp; Growth:</b>												
• Maintain and increase employee skills	# new modules completed	0	Module	0	Module	0	Modules	3	Modules	3	Modules	6 Modules
	# of Training Modules w/instruction completed	0	Module	1	Module	1	Modules	2	Modules	4	Modules	6 Modules
	# of individual Competency Assessments passed	0	Assessments	10	Assessments	10	Assessments	30	Assessments	50	Assessments	42 Assessments
• Communicate Performance Data to Teams	# of time info shared with Team	3	Min. per mo	3	Minimum per m	3	Minimum per	3	Mini per mo	12	Min. per mo	Min. 1 per/mo

Union Sanitary District  
Operating Indicators by Program/Function  
Collection Services

FY09 Collection Services BSC		FY 09 Total		FY 09 Target		FY 08 Y/E		FY 07 Y/E	
Objectives	Measures								
<b>Customer Perspective:</b>									
• Minimize Overflows SSO's	• # of Category 1 SSOs	2	SSOs	• Zero Category 1 SSOs	6 SSOs	Zero Major			
	• # of Category 2 SSOs	7	SSOs	≤ 12 Category 2 SSOs	6 SSOs	6 Minor			
• Minimize Negative Impact on Environment	• Percent of spill recovery	77.0%	Recovery	• 50% Recovery	75.0% Recovery	100 % Recovery			
	• SSO's # of Repeats	0	SSO Repeats	• Zero 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 not taken.	0	Asset failure	• Zero	2 Asset Failures	Not Measured in FY07			
	• Stoppage in > 12" diameter mainline	0	Stoppages	• Zero	0 Stoppages	Not Measured in FY07			
	• # of times building becomes dangerous or unsuitable for occupation.	0	Incidents	• Zero	0 Incidents	Not Measured in FY07			
	Critical asset failure with a negative impact on customers or the environment	0	Incidents	Zero Incidents	0 Incidents	Not Measured in FY07			
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	96.1%	w/i 1 hour	≥ 95% w/i 1 hr	96.2% w/i 1 hour	97.5% wi 1 Hour Avg 20.3 min			
• Reduce negative impacts of District	Number of odor complaints attributable to sewer.	0	Odor	≤ 2	3 Odor				
<b>Financial Perspective:</b>									
• Provide competitive service	Cleaning – cost per ft/day/crew	\$0.35	Clean Per Ft	Clean \$.33 to \$.53	\$0.37 Clean Per Ft	Clean - \$.36			
	Cost per feet/day	\$0.56	TV Per Ft	TV - \$.38 to \$.67	\$0.56 TV Per Ft	TV - \$.47			
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's)	\$519	Total Claims	Claims ≤ \$2000	\$0 Total Claims	Claims - \$50.3K			
		\$0	Total Fines	Fines-\$0	\$0 Total Fines	Fines - Zero			
	Average cost per claim/fine	\$519	Avg Claims	Claims ≤ \$1000	\$0 Avg Claims	Claims - \$50.3K			
		\$0	Avg Fines	Fines-\$0	\$0 Avg Fines	Fines - Zero			
<b>Internal Process Perspective:</b>									
• Trouble Call & SSO response	Response Time	96.1%	w/i 1 hour	≥ 95% w/i 1 hr	96.2% w/i 1 hour	97.5% wi 1 Hour Avg 20.3 min			
• Pipe/Problem Assessment	Number of Repeat Spills	0	per year	≤ 2 per year	0 per year	Zero Repeats			
• Preventative Maint. Program	Cycle Started versus Target Start Date-72 Mo.	On	Schedule	72 mo – w/i 3 mos.	On Schedule	1 Month Ahead			
• Cleaning	Per Month Cleaning Footages	77,462	Avg Mo, 1,019,829 YE	77,521 Avg, 930,257 YE	87,091 Avg Per Mo	105,363 Avg Mo			
	o Feet per crew day	4,540	Ft Per Crew/Day	2,500 to 4,000	4,491 Ft Per Crew/Day	5,283 Avg/day			
	o # of Crew Days	18.9	# of Crew Days	20 to 31 days	19.1 # of Crew Days	19.5 Crew/days			
• Televising	Per Month Televising Footages	57,165	Avg Mo, 686,492 YE	67,824 Avg, 813,887 YE	60,719 Avg Per Mo	68,920 Avg Mo			
	o Feet per crew day	3,306	Ft Per Crew/Day	2,000 to 3,500	3,275 Per Crew/Day	3,640 Avg/day			
	o # of Crew Days	17.1	# of Crew Days	19 to 34 days	18.4 # of Crew Days	18.7 Crew/days			
• Key Vehicles Available For Preventative Maintenance Program	Days Per Mo 2 Hydrojets Not Available	0	Days	< 3 Days	0 Days	Zero Days			
	Days Per Mo 2 TV Vans Not Available	0	Days	< 3 Days	0 Days	Seven Days			
<b>Learning &amp; Growth:</b>									
• Maintain and increase employee skills	# new modules completed	0	Modules	6 modules	3 Modules	4 Developed			
	# of Training Modules w/instruction completed	1	Modules	5 Modules	3 Modules				
	# of individual Competency Assessments passed	18	Assessments	50 Assessments	47 Assessments				
• Communicate Performance Data to Teams	# of time info shared with Team	12	Minimum per mo	Min. 1 per/mo	12 Minimum per mo	12 Times Total			

**Union Sanitary District**  
Operating Indicators by Program/Function  
Plant Pump Stations

	Objectives	Measures	FY10 Total	Target	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
<b>Customer</b>	<b>Operate and maintain the Plant in compliance 24/365.</b>	Number of adverse impacts (odor complaints, violations, spills, etc.)	0 Total	0	3 Total	16 Total	5 Total
		Number of priority 1 work orders	8 Ave per Month	Ave < 10/month	6 Ave/Month	7 Ave/Month	6.9 Ave/Month
		Number of critical asset failures Number with negative impact on the environment	1 Total 0 Total	0 0	2 Total 1 Total	4 Total 0 Total	N/A N/A
<b>Financial</b>	<b>Optimize operating costs: Minimize energy and chemical use.</b>	Cost of Dewatering Process Cost per 1,000 gallons of sludge Cost per ton of biosolids	\$20.47 Ave per Month \$237.71 Ave per Month	TBD TBD	\$19.72 Ave/Month \$228.41 Ave/Month	\$18.98 Ave/Month \$202.26 Ave/Month	N/A N/A
		Energy & Chemical Usage:					
		Average/Day Kwh/MG - Alvarado Site Average Kwh/Day - Irvington Pump Station Average Kwh/Day - Newark Pump Station	2,078 Ave per Month 3,337 Ave Kwh/Day 2,242 Ave Kwh/Day	< 2,100 TBD TBD	2,214 Ave/Month 3,153 Ave Kwh/Day 3,080 Ave Kwh/Day	2,001 Ave/Month 3,439 Ave Kwh/Day 4,058 Ave Kwh/Day	1,902 Ave/Month N/A N/A
		On-site Power Generation - kwh/day On-site Power Generation - kwh/year	13,036 Ave per Day 4,762,374 Total	11,000 4,000,000	14,075 Ave/Day 5,156,083 Total	14,825 Ave/Day 5,432,255 Total	14,459 Ave/Day 5,299,801 Total
		Ferrous Chloride H2S Control - gal/hour H2S Control - gal/year	32 Ave GPH 280,320 FY Total	40 TBD	36 Ave GPH 313,416 FY Total	62.3 Ave GPH 545,352 FY Total	65.3 Ave GPH 427,397 FY Total
		Hydrogen Peroxide H2S Control - gal/hour H2S Control - gal/year	7.8 Ave GPH 66,657 FY Total	8.5 ≤ 70,000	7.4 Ave GPH 59,660 FY Total	N/A N/A	N/A N/A
		Hypochlorite Disinfection - gal/hour Disinfection - gal/year	65.3 Ave GPH 562,212 FY Total	50 438,000	52.2 Ave GPH 331,590 FY Total	50.6 Ave/Day 331,119 FY Total	47.8 Ave/Day 417,397 FY Total
		Polymer GBT - lbs/dry ton Dewatering - lbs/dry ton	4.6 Ave lbs/dry ton 30.8 Ave lbs/dry ton	6.5 33	4.9 Ave lbs/dry ton 28.7 Ave lbs/dry ton	4.48 Ave lbs/dry ton 24.3 Ave lbs/dry ton	4.6 Ave lbs/dry ton 25.8 Ave lbs/dry ton

**Union Sanitary District**  
Operating Indicators by Program/Function  
Plant Pump Stations

	<b>Objectives</b>	<b>Measures</b>	<b>FY10 Total</b>	<b>Target</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	
<b>Financial (continued)</b>	<b>Optimize operating costs: Improve utilization of labor.</b>	Overtime as % of base payroll:					6.7% FMC-T&D	
		FMC	9.3% Ave per Month	≤ 5%	7.2% Ave/Month	8.2% Ave/Month	N/A	
		T&D	2.7% Ave per Month	≤ 5%	2.6% Ave/Month	3.7% Ave/Month	N/A	
		% Total hours worked spent on maintenance work - FMC	80.8% Ave per Month	80%	79.0% Ave/Month	81.6% Ave/Month	66.4% Ave/Month	
		Time not charged	7.2% Ave per Month	< 20%	7.6% Ave/Month	7.8% Ave/Month	23.6% Ave/Month	
<b>Internal Processes</b>	<b>Maintain Plant processes within parameters.</b>	Plant Operational Health Index						
		Monthly Index Value	90% Ave	Ave ≥ 85	86% Ave	89% Ave	89% Ave	
		Number of Days < 75%	16 Days Total	Track & Report	46 Days	25 Days	21 Days Total	
			Maximum # of Consecutive Days < 75%	2 Days	≤ 3	3 Days	4 Days	1 Days
	<b>Implement an effective predictive and preventative maintenance program.</b>	Percent of time spent on Planned vs. Unplanned maintenance activities (Best in Class 90%)	97.9% Ave per Month	75% - 90%	98.2% Ave/Month	97.8% Ave/Month	96.3% Ave/ Month	
		Percent preventative maintenance work orders completed within month scheduled	96.4% Ave per Month	≥ 95%	98.4% Ave/Month	98.3% Ave/Month	N/A	
		Number corrective work orders over 90 days	260 Ave per Quarter	Track & Report	287 Ave/Quarter	284 Ave/Quarter	N/A	
	<b>Provide effective regulatory &amp; laboratory services to support compliance.</b>	Percent of Environmental Compliance Samples that Meet Turnaround Time (12 days)-R&S Lab	100% Ave per Quarter	90%	100% Ave/Quarter	N/A	N/A	
		Percent of Immediate Notifications to TPO for Analyses that Exceed Action Limits-R&S Lab	100% Ave per Quarter	95%	100% Ave/Quarter	N/A	N/A	
Percent passed, State Proficiency Test (DHS-ELAP)		100% Areas Passed	85%	95% Areas Passed	100% Areas Passed	N/A		

## UNION SANITARY DISTRICT

Miscellaneous Statistics  
6/30/2010

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: 131 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: 333,648

Operations: Total miles of pipeline - 778 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: \$276.04 annually per residential equivalent unit