



Union Sanitary District
Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

Union Sanitary District

Union City, California

Comprehensive Annual

Financial Report



Fiscal Year Ended June 30, 2014

Prepared by Business Services Finance Department

Table of Contents

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statements of Cash Flows.....	11
Notes to Basic Financial Statements.....	12
Required Supplementary Information – Pension and Retiree Health.....	33
Supplementary Information:	
Schedule of Components of Net Position.....	35
Schedule of Expenses before Depreciation.....	37
Schedule of Insurance Coverage.....	38

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-22

**Directors**

Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers

Paul R. Eldredge
*General Manager/
District Engineer*

David M. O'Hara
Attorney

November 15, 2014

Board of Directors
Union Sanitary District
Union City, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

I am pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. 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, regardless of when cash is paid or received. The District has no component units.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations. District policy requires that its financial statements be audited on an annual basis by an independent certified public accounting firm approved by the Board of Directors. The independent auditor's report for the Fiscal Years ended June 30, 2014 and 2013 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, with a combined population of 339,983. The cities are located along Interstates 680 and 880, between Oakland and San Jose in southern Alameda County.

The District is governed by a five-member Board of Directors, which is independently and directly elected by voters to staggered four-year terms. USD, which employs 128 staff, operates in a Team-based environment and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

Local Economic Condition and Outlook

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

The City of Fremont*

Fremont is the 4th largest city in the Bay Area in population and 2nd largest in size with an area of 92 square miles. The majority of its 40 schools are considered high performing by the State. During FY 2014, Fremont was ranked 2nd on the "Best Run City in America" list by Twenty-Four Seven Wall Street (up from 5th last year). Fremont was the wealthiest large U.S. city last year. It not only had the highest median income, but also the lowest poverty rate. A typical Fremont household earned more than \$100,000 in 2012, or nearly double the national income that year. Meanwhile, the poverty rate of 6.7% was less than half the national rate. Home values in the city didn't escape the housing crisis unscathed, falling by nearly 12% between 2008 and 2012. Last year, however, a typical Fremont home was valued at \$582,100, still more expensive than those in the vast majority of large cities. Sharing the San Francisco Bay area with Silicon Valley, Fremont is a hub for tech manufacturing — 17.5% of workers in the city are employed in manufacturing, one of the highest percentages in the nation.

The City of Newark*

Newark is 13 square miles in area. The City is recovering from the economic downturn. The passage of utility tax Measure U, has helped to maintain or restore services that were cut during the past several years. That measure sunsets in 2016. In the meantime, several major projects are underway, including the Newark Mall Revitalization/renovation, the Dumbarton Transit Oriented Development project including over 2,500 residential units, a walkable neighborhood, retail, parks, and business opportunities. Cherry Logistics Center, near Mowry Avenue and Interstate 880, will be the site of Amazon's first Bay Area distribution center, with over 575,000 square feet of space, offering potentially over 200 jobs.

The City of Union City*

Union City is 18 square miles in area. It has many parks, sports fields, community facilities, and recreation programs for citizens of all ages. The City of Union City's Measure AA, the 0.5% sales tax adjustment, which was set to expire in March 2015, has been extended for 10 more years. Both home values and sales taxes are increasing at modest rates. The City's retirement costs have decreased due to recent labor agreements where employees will pick up the full share of employee PERS costs.

Region-wide, the tri-city area is still in recovery mode but showing significant signs of improvement. Unemployment rates for the cities of Fremont, Newark and Union City as of June 2014 were 4.2%, 5.4%, and 5.5% respectively, compared with 5.6%, 7.2%, and 7.3% a year ago.

*Source: Fremont and Newark State of the City addresses 2014; www.fremont.gov, www.newark.org, www.ci.union-city.ca.us, www.labormarketinfo.edd.ca.gov, www.247wallst.com.

Major Projects or Initiatives

During fiscal year 2014, the District completed or initiated a number of significant projects:

Local Limits Assessment Study – Includes a proposed update to the pretreatment ordinance with an ammonia local limit. There have been spikes in ammonia loadings from electronics industries which have impacted the plant. The ammonia local limit will help protect the District from future loadings that would not be in compliance with regulatory requirements.

Cogeneration Replacement Project – The majority of construction activities took place in FY14. The Cogen project is expected to yield a significant energy savings by utilizing biogas readily generated as part of our wastewater treatment process.

Computerized Maintenance Management System (CMMS) Upgrade – Implemented a new computerized maintenance management system to replace the current Hansen 7 system. This project includes interfaces with other District systems such as SCADA, Eden, and GIS.

Project Management Software – Projectmates is an online software package that will help streamline the management of documents of the annual 20+ CIP projects. The

system will track project management tasks from project conception to completion, including budget and cost management, contract management, construction management, scheduling, communication, and overall records management.

LED Lighting Conversion – Electrical staff will replace all standard incandescent and fluorescent lighting in the centrifuge building.

Plant Ammonia Removal Pilot – The AnitaMox ammonia removal process was pilot-tested on the centrate side-stream from our biosolids dewatering operation. The test demonstrated that a significant amount of the ammonia in the centrate could reliably be removed using the AnitaMox process. The District is required, as part of the SWRCB Nutrient Watershed Permit, to evaluate treatment options for nutrient removal. Results from this pilot were used to confirm the space requirements and to produce a construction cost estimate for a full-scale installation.

Electrical Safety – The electrical safety study was updated to comply with changes to the National Fire Protection 2014 National Electrical Code.

Improved TV Inspections – Collections changed to National Association of Sewer Service Companies (NASSCO) Pipeline Assessment & Certification Program (PACP) standards to improve TV inspections and pipe conditions assessments.

OPEB Actuarial Report – Completed the biennial OPEB actuarial study required by the CalPERS retiree medical trust. The study resulted in increased amounts for the annual required contribution (ARC).

Future Projects or Initiatives

Odor and Corrosion Control Evaluation – The District is planning to evaluate the current practice of chemical addition for odor and corrosion control in the gravity sewers and influent forcemains. Although \$100,000 in Special Project funds were budgeted to provide consultant services for this purpose, we now expect that the work will be done in-house. Ongoing costs for odor and corrosion prevention are approximately \$800,000 annually.

Team Safety Strategies – Each team will look closely at their record and potential hazards, and develop strategies to maintain/improve their safety record.

Dumbarton Transit Oriented Development (TOD) Project – Cooperatively work with the developer to evaluate the possible relocation or rehabilitation of the existing USD forcemains, to ensure reliable and continuous operation of these critical District assets.

Aeration Membrane Cleaning Alternatives – Treatment & Disposal staff will investigate options for more efficient cleaning of the aeration membrane diffusers. The amount of energy required to diffuse oxygen into the aeration basins increases as the diffuser membranes become fouled. Conventional membrane cleaning requires the basins to be removed from services, dewatered, then high-pressure washed or scrubbed; this is very time-consuming and costly.

City of Fremont Urban Runoff Contract Renewal – The contract provides assistance to the City of Fremont in meeting their storm water NPDES requirements, primarily inspection, enforcement, and reporting activities. The contract expires in FY15.

Sewer Service Charge Study – Finalize and present the results of this study that will include future requirements for revenue streams and a cost of service analysis of sewer service charges.

Thickener Project – Successfully manage the largest CIP project currently under construction and meet the State Revolving Fund (SRF) loan and Single Audit requirements. Work anticipated to be completed in FY15 includes: construction of new Thickener Electrical Building, construction of new Electrical Room at Heat and Mixing Building No. 1, replacement of Scum Pumps at Pump Room Nos. 1 and 3, replacement of PLC-20 at Heat and Mixing Building No. 4, and installation of an extensive solids handling bypass system to facilitate the demolition of the existing Thickener Control Building.

Job Competency Requirements (JCRs) – Continue training employees on new JCRs. Scheduled for this year are TV Inspection, Vactor, Skid Steer Loader, and Tractor Loader Backhoe. After training, assessments will be conducted to verify understanding of the training received.

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

Uninterruptible Power Supply (UPS) Replacement Project – The plant, in various buildings, has back-up power units for our programmable logic controllers (PLCs). In the event of a power failure these back-up batteries supply power for a duration of time. The current UPSs have been in place for many years, and are due for replacement.

Time Keeping System – Issue a request for proposals for a new time keeping system, select vendor and begin implementation. This system will replace the current legacy system which is not supportable in the future.

Phase 4 LED Lighting Conversion – Electrical staff will continue their efforts of upgrading District facilities with LED lighting. This year the metal halide lamps located in the District's main parking lot will be upgraded to LED.

Alvarado Wastewater Treatment Plant Site Use Study – Conduct a study to develop the most logical site use plan that integrates both the District's existing and planned facilities.

Hayward Marsh Rehabilitation Evaluation – The District will assist the East Bay Regional Parks District by conducting a feasibility study to evaluate rehabilitation options for the Marsh due to sedimentation buildup that is adversely impacting the flow of water to the basin.

New Permit for Wet Weather Outflow (Old Alameda Creek) – The District will determine requirements for the Old Alameda Creek intermittent wet weather NPDES permit renewal.

Financial Information

Accounting System

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

Internal Controls

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

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

Budgetary Controls

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

Rate Structure

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

Sewer Service Charge

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

The sewer service charge is divided into four 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 2014 was \$337.76 for a single family dwelling.

Capacity Fees

The District charges a sewer connection fee of \$5,329.20 for an equivalent dwelling unit (EDU). The charges for commercial, industrial, and office use are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that preserve or increase the system's capacity. Thus, the collected revenues may be used to fund certain renewal and replacement CIP projects, but not operating costs.

Interest Income

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

Other Information

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

Financial Policies – In fiscal year 2014, the District reviewed and/or updated the following finance-related policies: Investment, Exceptions to Ordinance Fees, Reimbursement & Travel, and Surplus Property Disposal.

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 southwest of Oakland International Airport. Frequent testing of the treated wastewater confirms compliance with regional permit requirements. The other member agencies are Castro Valley Sanitary District, Oro Loma Sanitary District, City of Hayward, and City of San Leandro.

District Financing Authority – The District is a member of the Alameda County Water District Financing Authority. The Authority was organized to provide assistance to the water district in anticipation of financing capital projects over the next several years. USD has one Board member on the governing body of the Authority.

Awards & Acknowledgements

Awards/Recognition

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

- ❖ National Association of Clean Water Agencies (NACWA) – Peak Performance Award
- ❖
- ❖ National Institute for Government Purchasing (NIGP) – Achievement of Excellence in Procurement
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Union Sanitary District for its comprehensive financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,

Maria Scott

Maria Scott
Principal Financial Analyst
Business Services Department



Introductory Section



Cogeneration Project



MISSION STATEMENT

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

How we accomplish our Mission:

We demonstrate our commitment to safety by:

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

We demonstrate responsibility by:

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

We collect and treat wastewater, including:

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

We protect human health by:

- Preventing sewer spills and back-ups
- Reducing health risks through treatment of wastewater
- Responding to emergencies

We improve the environment by:

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

(Continued on next page)



MISSION STATEMENT, cont'd.

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



Manny Fernandez



Jennifer Toy



Anjali Lathi



Tom Handley



Pat Kite

Principal Officials

		<u>City Represented</u>	<u>Year Elected</u>	<u>Term Expires</u>
Anjali Lathi	President	Fremont (Ward 3)	2002	2016
Manny Fernandez	Vice President	Union City (Ward 1)	2011 (Appointed)	2016
Jennifer Toy	Secretary	Fremont (Ward 3)	1998	2018
Tom Handley	Board Member	Fremont (Ward 3)	2007	2018
Pat Kite	Board Member	Newark (Ward 2)	1991	2016

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

Sami Ghossain

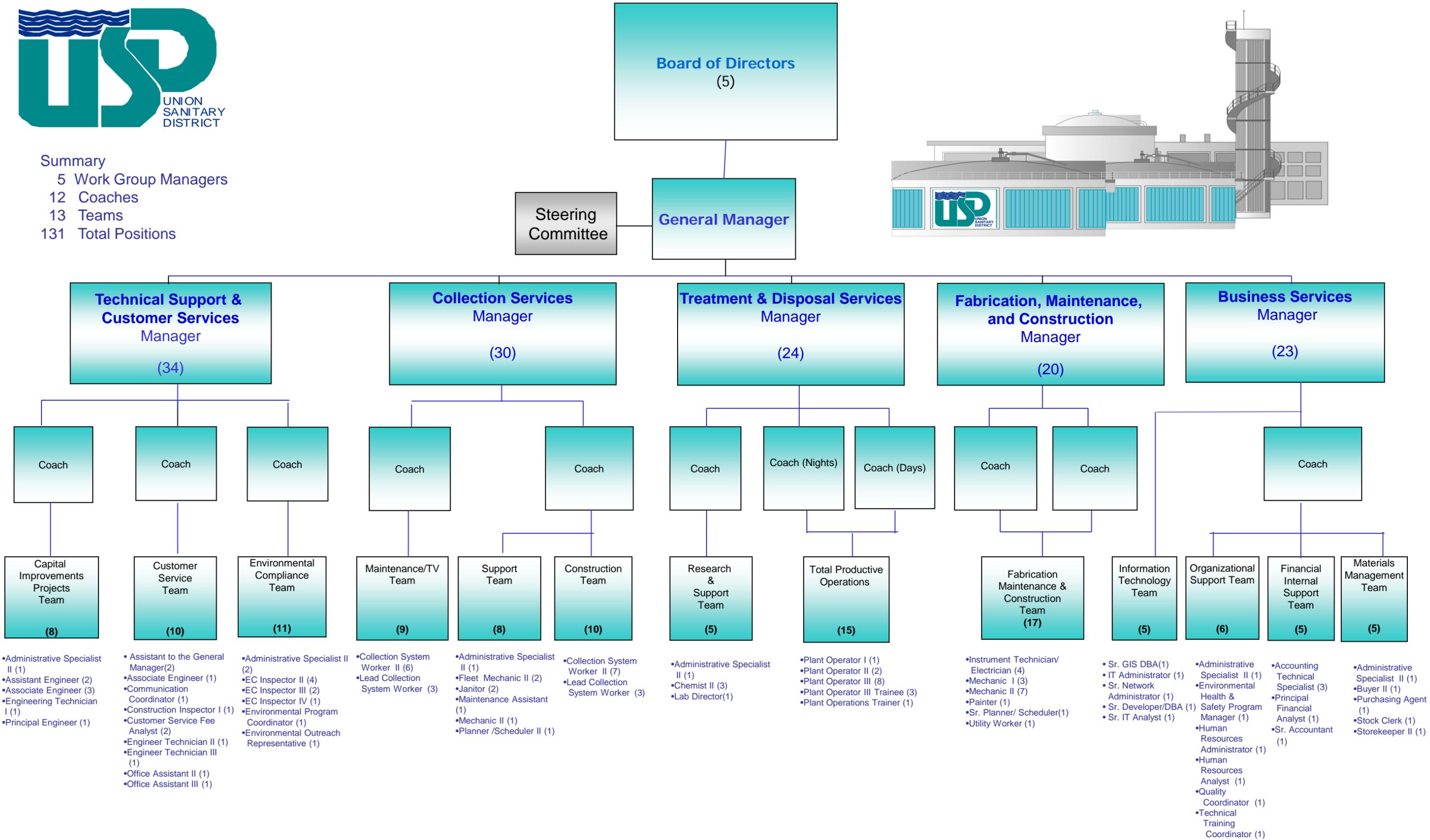
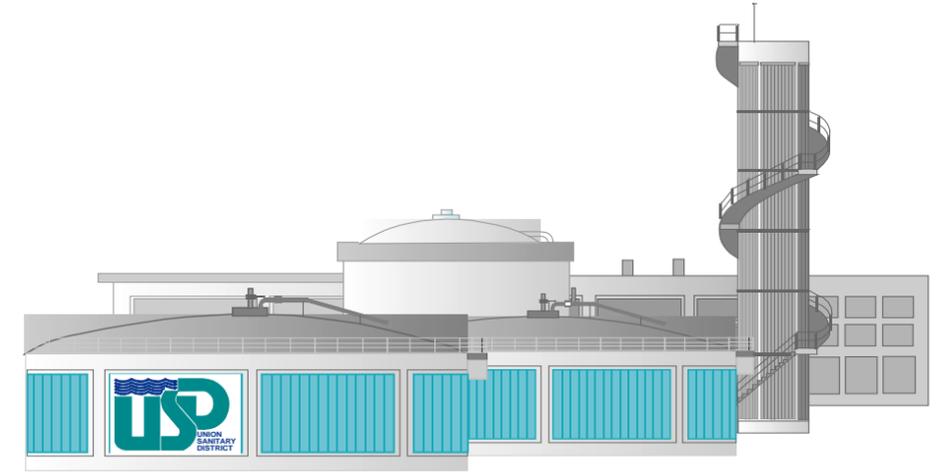
Technical Services Manager

Andy Morrison

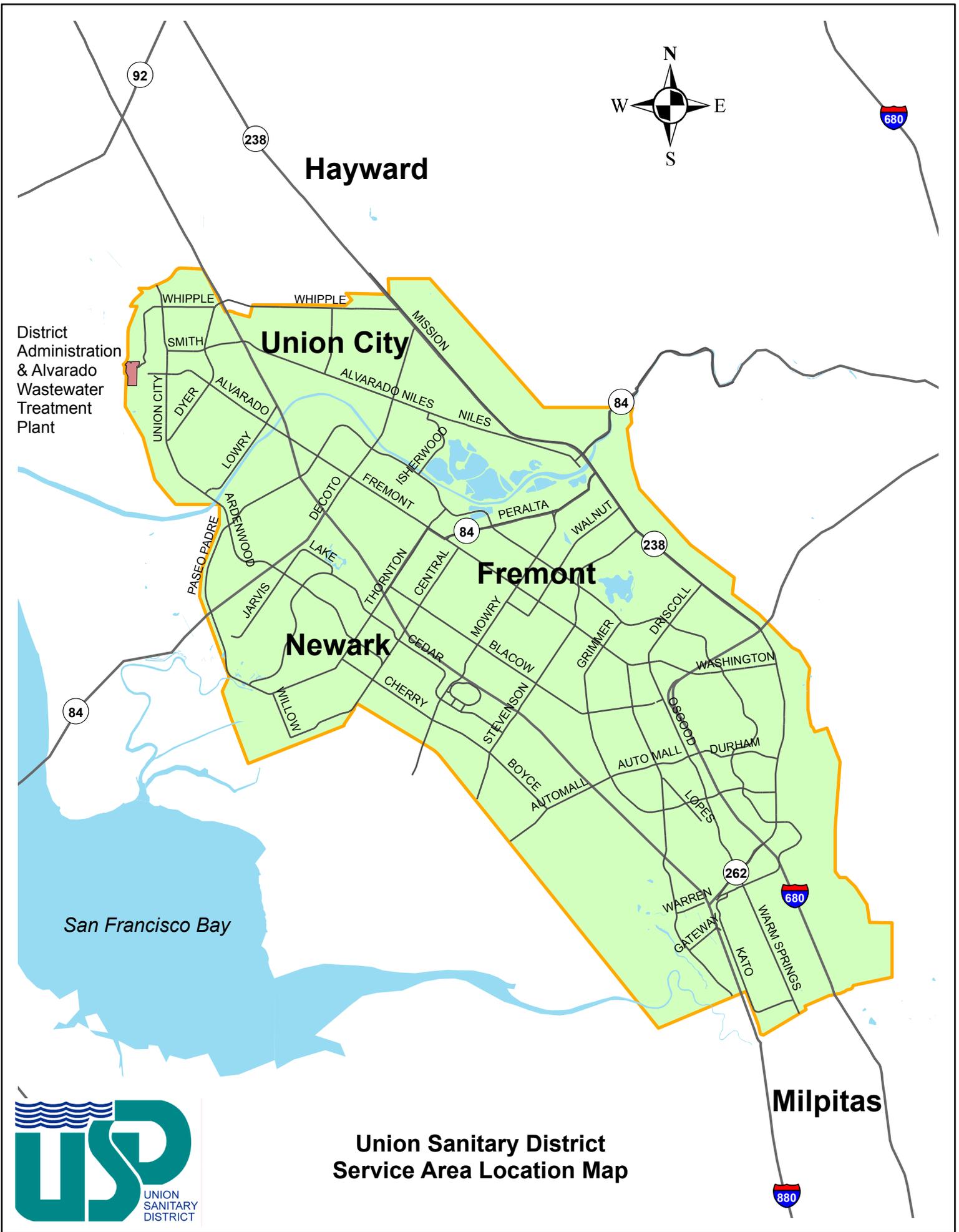
Collection Services Manager



Summary
 5 Work Group Managers
 12 Coaches
 13 Teams
 131 Total Positions



- Administrative Specialist II (1)
- Assistant Engineer (2)
- Associate Engineer (3)
- Engineering Technician I (1)
- Principal Engineer (1)
- Assistant to the General Manager(2)
- Associate Engineer (1)
- Communication Coordinator (1)
- Construction Inspector I (1)
- Customer Service Fee Analyst (2)
- Engineer Technician II (1)
- Engineer Technician III (1)
- Office Assistant II (1)
- Office Assistant III (1)
- Administrative Specialist II (2)
- EC Inspector II (4)
- EC Inspector III (2)
- EC Inspector IV (1)
- Environmental Program Coordinator (1)
- Environmental Outreach Representative (1)
- Collection System Worker II (6)
- Lead Collection System Worker (3)
- Administrative Specialist II (1)
- Fleet Mechanic II (2)
- Janitor (2)
- Maintenance Assistant (1)
- Mechanic II (1)
- Planner /Scheduler II (1)
- Collection System Worker II (7)
- Lead Collection System Worker (3)
- Administrative Specialist II (1)
- Chemist II (3)
- Lab Director(1)
- Plant Operator I (1)
- Plant Operator II (2)
- Plant Operator III (8)
- Plant Operator III Trainee (3)
- Plant Operations Trainer (1)
- Instrument Technician/ Electrician (4)
- Mechanic I (3)
- Mechanic II (7)
- Painter (1)
- Sr. Planner/ Scheduler(1)
- Utility Worker (1)
- Sr. GIS DBA(1)
- IT Administrator (1)
- Sr. Network Administrator (1)
- Sr. Developer/DBA (1)
- Sr. IT Analyst (1)
- Administrative Specialist II (1)
- Environmental Health & Safety Program Manager (1)
- Human Resources Administrator (1)
- Human Resources Analyst (1)
- Quality Coordinator (1)
- Technical Training Coordinator (1)
- Accounting Technical Specialist (3)
- Principal Financial Analyst (1)
- Sr. Accountant (1)
- Administrative Specialist II (1)
- Buyer II (1)
- Purchasing Agent (1)
- Stock Clerk (1)
- Storekeeper II (1)



District Administration & Alvarado Wastewater Treatment Plant

San Francisco Bay



Union Sanitary District Service Area Location Map



Government Finance Officers Association

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

Presented to

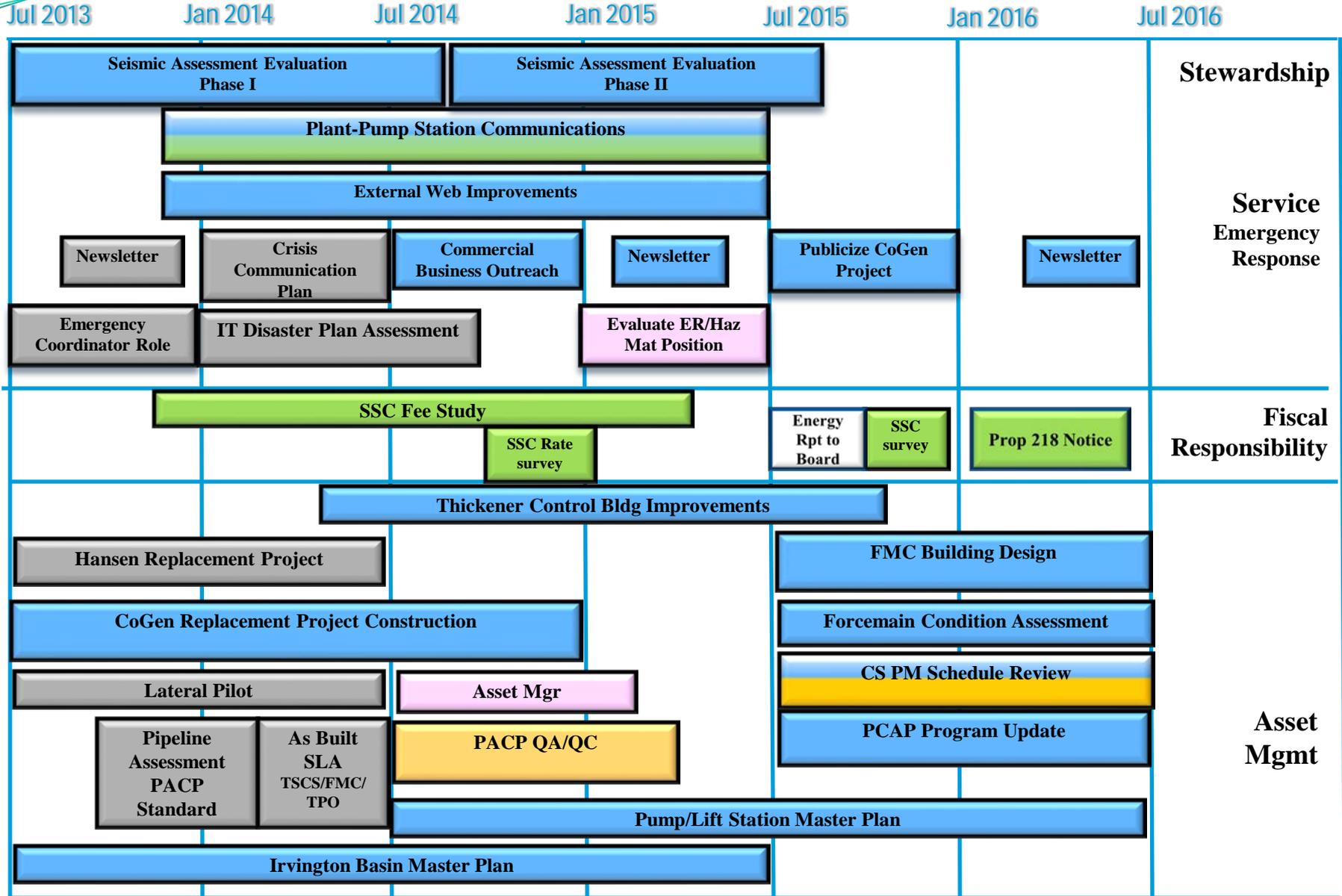
**Union Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

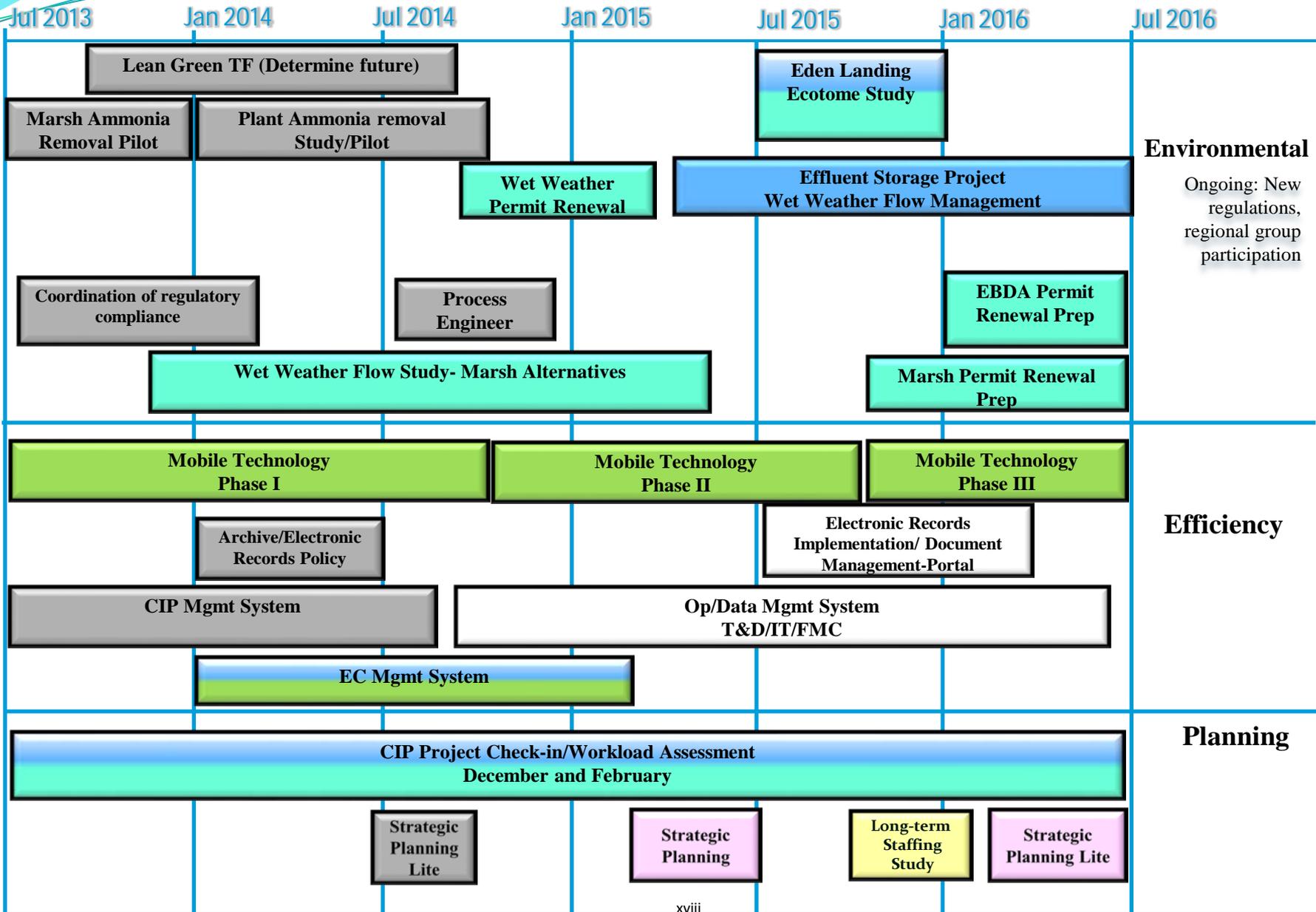
Executive Director/CEO

Operational Excellence Timeline



Operational Excellence Timeline

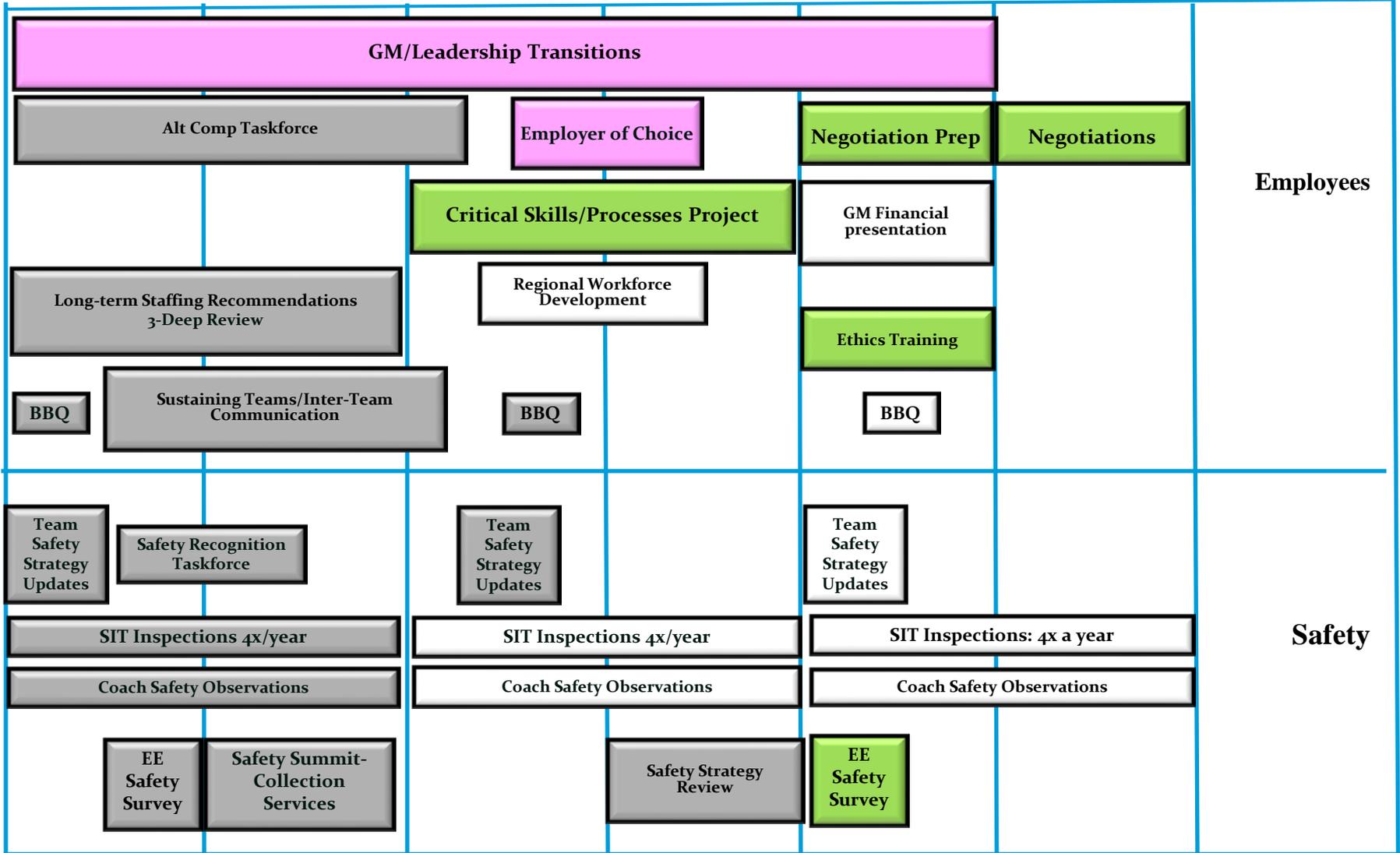
FMC	TS/CS
Business Services	T&D
Collections System	Executive Team
Other Groups	JLMC



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

Operational Excellence Timeline

Jul 2013 Jan 2014 Jul 2014 Jan 2015 Jul 2015 Jan 2016 Jul 2016





Financial Section



Boyce Road Lift Station Replacement Project



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Sanitary District
Union City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Union Sanitary District as of and for the years then ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Union Sanitary District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the equity investment in the East Bay Dischargers Authority which represents approximately 1.6 percent and 1.8 percent, respectively, of the assets and net position of the Union Sanitary District. The statements for which the equity investment is derived were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the equity investment, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Union Sanitary District as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress for pension and retiree health benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
October 21, 2014

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014. This information is presented in conjunction with the audited financial statements, which follow this section.

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

FINANCIAL HIGH LIGHTS

- The District's total ending net position decreased by \$1.2 million as a result of this year's operations. At June 30, 2014 net position totaled \$349.7 million. That is, the District's total assets exceeded liabilities by \$349.7 million.
- During the year, the District had expenses, including depreciation of \$17.2 million, which exceeded sewer service charges, contributed capital, interest, and other operating revenues resulting in a reduction in net position of \$1.2 million. This compares to last year when expenses exceeded revenues by \$2.9 million.
- Long-term liabilities increased by \$454,000 during the current fiscal year due to the addition of State Revolving Fund loan proceeds (debt).
- The District placed \$35.7 million in assets into service compared to \$10 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 Position and the Statement of Revenues, Expenses and Changes in Net Position. These provide information about the activities of the District as a whole and present a longer-term view of the District's property, debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

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

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

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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

Reporting the District as a Whole

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

DISTRICT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's business-type activities decreased from \$350.9 million to \$349.7 million. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$32.8 million at June 30, 2014. The decrease in total net position was the result of a decrease in current and other assets of \$5.3 million, mainly investments, an increase in capital assets of \$3.7 million, due to increased completed construction projects placed into service and depreciation, a decrease in current liabilities of approximately \$0.9 million, and an increase in long term liabilities of \$454,000.

Table 1 – Condensed Statement of Net Position

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Dollar Change FY14 to FY13	Percent Change FY14 to FY13
Current and other assets	\$ 57,495,214	\$ 62,855,452	\$ 63,661,824	\$ (5,360,238)	-8.5%
Capital assets	338,757,641	335,041,723	336,569,446	3,715,918	1.1%
Total assets	<u>396,252,855</u>	<u>397,897,175</u>	<u>400,231,270</u>	<u>(1,644,320)</u>	<u>-0.4%</u>
Current liabilities	9,146,967	10,007,413	10,034,883	(860,446)	-8.6%
Long-term liabilities	37,360,355	36,906,040	36,329,139	454,315	1.2%
Total liabilities	<u>46,507,322</u>	<u>46,913,453</u>	<u>46,364,022</u>	<u>(406,131)</u>	<u>-0.9%</u>
Net Position:					
Net investment in capital assets	299,269,526	294,393,392	296,939,157	4,876,134	1.7%
Restricted	17,622,778	20,297,820	19,346,378	(2,675,042)	-13.2%
Unrestricted	32,853,229	36,292,510	37,581,713	(3,439,281)	-9.5%
Total net position	<u>\$ 349,745,533</u>	<u>\$ 350,983,722</u>	<u>\$ 353,867,248</u>	<u>\$ (1,238,189)</u>	<u>-0.4%</u>

In the prior year, FY 2013, net position decreased from \$353.9 million to \$350.9 million, due mainly to a decrease in current and other assets of \$806,000, mainly cash, a decrease in capital assets of \$1.5 million, due to increased construction in progress and depreciation, a decrease in current liabilities of approximately \$27,000, and an increase in long term liabilities of \$577,000.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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

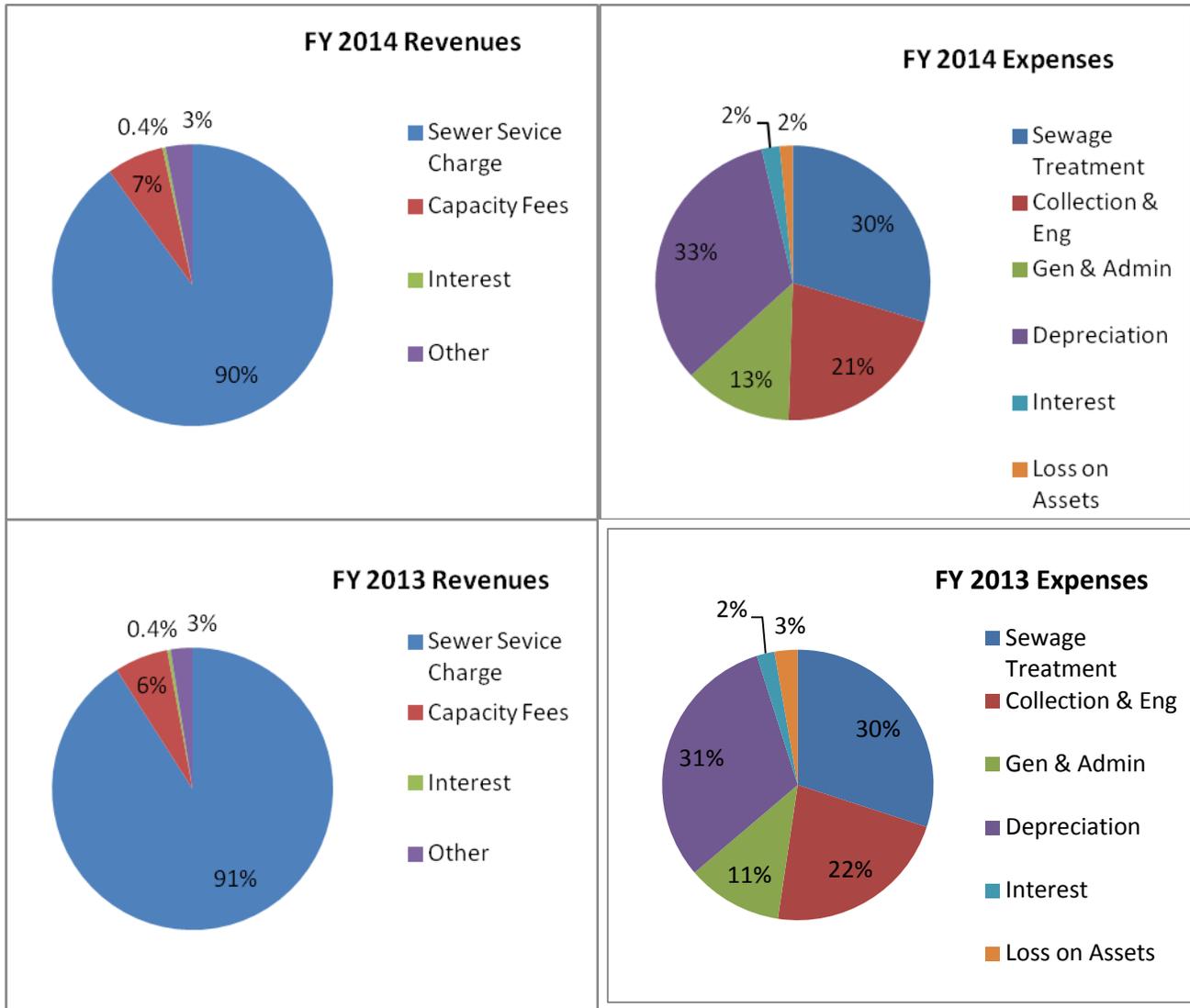
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Dollar Change FY14 to FY13	Percent Change FY14 to FY13
Operating Revenues:					
Sewer service charges (SSC)	\$ 45,139,420	\$ 42,339,311	\$ 40,630,578	\$ 2,800,109	6.6%
Other revenues	1,370,017	1,163,802	1,027,357	206,215	17.7%
Total operating revenues	<u>46,509,437</u>	<u>43,503,113</u>	<u>41,657,935</u>	<u>3,006,324</u>	<u>6.9%</u>
Operating Expenses:					
Depreciation	17,219,109	16,776,307	16,790,277	442,802	2.6%
Sewage treatment	15,410,521	16,088,929	14,255,266	(678,408)	-4.2%
Sewage collection and engineering	10,869,755	11,954,345	9,712,645	(1,084,590)	-9.1%
General and administration	6,634,688	6,111,468	5,951,818	523,220	8.6%
Total operating expenses	<u>50,134,073</u>	<u>50,931,049</u>	<u>46,710,006</u>	<u>(796,976)</u>	<u>-1.6%</u>
Nonoperating Revenues (Expenses)					
Connection fees	3,489,247	3,062,836	2,848,488	426,411	13.9%
Contributed capital	712,683	4,009,985	1,538,284	(3,297,302)	-82.2%
Investment income and net gains	180,041	178,690	248,337	1,351	0.8%
Loss on retirement of capital assets	(796,735)	(1,479,254)	(127,430)	682,519	-46.1%
Interest	(1,106,609)	(1,138,677)	(858,162)	32,068	-2.8%
Total net non-operating revenues (expenses)	<u>2,478,627</u>	<u>4,633,580</u>	<u>3,649,517</u>	<u>(2,187,021)</u>	<u>-47.2%</u>
Change in net position before special items	(1,146,009)	(2,794,356)	(1,402,554)	1,616,279	-57.8%
East Bay Dischargers Authority loss	(92,180)	(89,170)	(100,827)	(3,010)	3.4%
Change in Net Position	(1,238,189)	(2,883,526)	(1,503,381)	1,645,337	-57.1%
Beginning Net Position	350,983,722	353,867,248	355,370,629	(2,883,526)	-0.8%
Ending Net Position	<u>\$ 349,745,533</u>	<u>\$ 350,983,722</u>	<u>\$ 353,867,248</u>	<u>\$ (1,238,189)</u>	<u>-0.4%</u>

The District's total operating revenues such as sewer service charges increased by \$3.0 million, or 7.0 percent for the year ended June 30, 2014. This is due mainly to a 5.7 percent increase in the sewer service charge rate, and an increase in other fees. Contributed capital decreased by \$3.3 million. The total operating expenses, including depreciation, was 1.6 percent lower than last year. Most major cost categories increased over 2013 costs except for non-capital project costs, repairs and maintenance, and office supplies.

In the prior year, FY 2013, total operating revenues such as sewer services charges increased by \$1.8 million. This was due mainly to a 5 percent increase in the sewer service charge rate. The total operating expenses, including depreciation, was 9 percent higher than FY 2012. Most major cost categories increased, including non-capital project expense, insurance, office supplies, repairs and maintenance, and operating supplies. The main increase was for non-capital project expenses of \$3.8 million for Force Main Improvement Project, Inka Demolition, Facilities Condition Assessment, among others. For more information please see schedules of Operating Expenses before Depreciation on page 37.

UNION SANITARY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2014



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

- The District increased sewer service fees 5.7%.
- The District increased capacity fees 10%.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had approximately \$339 million invested in a broad range of capital assets, including facilities and equipment for the plant, collections, and administrative facilities. This amount represents a net increase of \$3.7 million, or 1.1 percent, compared to last year. The main reason for this is the accumulated depreciation in FY 2014. Total assets placed into service were \$37.0 million in FY 2014 vs. \$10 million in FY 2013 and \$3.8 in FY 2012. Additions to Construction in Progress were \$19.9 million in FY 2014 vs. \$11.9 million in FY 2013 and \$18.6 million in FY 2012.

Additions to Construction in Progress totaled \$19.9 million. Major projects included:

Table 3 – Additions to Construction in Progress

Cogeneration	\$ 10,060,704
I-680 at Sabercat Road Sanitary Sewer Replacement	1,622,258
Headworks & Emergency Outfall Improvements	1,425,256
Lift Station #1 Improvements	1,258,729
MCC Replacement Phase 2	881,082
Boyce Road Lift Station	792,590
Thickener Control Building Interim Improvements	582,639
RAS Pump Station Improvements	504,938
Hansen 8 Upgrade	502,714
Thickener Control Building Improvements Phase 2	500,723
Cast Iron Lining Phase 2	415,040
Others	1,379,086
Total	<u>\$ 19,925,759</u>

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

Table 4 – Total Assets Placed into Service

Primary Clarifiers 1-4	\$ 9,582,127
Boyce Road Lift Station	8,236,316
Headworks & Emergency Outfall Improvements	3,887,951
Irvington Pump Station Solar Panels	3,144,560
I-680 at Sabercat Road Sanitary Sewer Replacement	2,334,939
Thickeners #3 & 4 Rehabilitation	1,865,693
Lift Station #1 Improvements	1,270,019
MCC Replacement Phase 2	950,824
PLC Replacement Phase 1	901,879
Thickener Control Building Interim Improvements	851,721
RAS Pump Station Improvements	675,167
Niles Sewer Construction	622,992
Cast Iron Lining Phase 4	466,034
Others	923,352
	<u>\$ 35,713,574</u>

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

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Debt Administration

At year-end, the District had \$39.5 million in notes outstanding versus \$40.6 million last year. This debt consists of nine State Revolving Fund loans.

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

ECONOMIC AND OTHER FACTORS

The District's elected and appointed officials considered many factors when setting the fiscal year 2014 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 5.7% and Capacity fee rates increased 10%. The net Operating budget was increased 6%, using a projected staff vacancy factor of 2%.

The District's fiscal year 2014 capital budget called for expenditures of \$19.4 million for I-680 at Sabercat Rd, Newark Backyard Relocation, Cogeneration, Headworks Conveyors and Screenings, RAS Pump Stations Pumps and Valve Replacement, and Thickener Control Building Improvements among others. The Engineering group prioritized and rescheduled CIP projects in order to help achieve our goal of positive fund balances. The CIP budget has increased by \$3.9 million from fiscal year 2013.

The District's fiscal year 2015 budget includes a 1.5% increase in the operating budget with a 2% staff vacancy factor, and a capital budget which calls for expenditures of \$14.9 million for Cogeneration, Newark Backyard Relocation, Upper Hetch Hetchy, Cogeneration, Digester 5 Rehabilitation, and Thickener Control Building Improvements projects. Sewer service charges will increase 5.7% 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

STATEMENTS OF NET POSITION JUNE 30, 2014 AND 2013

	2014	2013
CURRENT ASSETS		
Cash, cash equivalents	\$ 994,203	\$ 643,752
Investments	44,648,195	50,804,062
Accounts receivable, net	3,260,774	2,771,607
Interest receivable	79,360	99,811
Inventory	657,399	596,396
Other	21,257	21,659
Total current assets	<u>49,661,188</u>	<u>54,937,287</u>
NONCURRENT ASSETS		
Capital Assets		
Non depreciable capital assets:		
Land and improvements	5,593,929	5,593,929
Construction in progress	16,012,340	31,800,155
Capacity permits and easements	6,217,872	6,043,632
Depreciable assets		
Utility plant in service	643,759,521	609,293,880
Less: Accumulated depreciation	<u>(332,826,021)</u>	<u>(317,689,873)</u>
Net capital assets	<u>338,757,641</u>	<u>335,041,723</u>
Other Assets		
Restricted investments	10,000	10,000
Net OPEB asset	1,443,759	1,435,718
Investment in East Bay Dischargers Authority	<u>6,380,267</u>	<u>6,472,447</u>
Total other assets	<u>7,834,026</u>	<u>7,918,165</u>
Total non-current assets	<u>346,591,667</u>	<u>342,959,888</u>
TOTAL ASSETS	<u>396,252,855</u>	<u>397,897,175</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	4,097,356	3,738,900
Customer deposits	588,996	381,542
Accrued payroll and related expenses	861,253	671,896
Interest payable	573,706	557,503
Current portion of compensated absences	897,896	915,281
Current portion of long-term debt	<u>2,127,760</u>	<u>3,742,291</u>
Total current liabilities	<u>9,146,967</u>	<u>10,007,413</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>37,360,355</u>	<u>36,906,040</u>
Total long-term liabilities	<u>37,360,355</u>	<u>36,906,040</u>
TOTAL LIABILITIES	<u>46,507,322</u>	<u>46,913,453</u>
NET POSITION		
Net investment in capital assets	299,269,526	294,393,392
Restricted for:		
Capacity purposes, expendable	14,165,399	16,093,405
SRF loan contingency reserve, non-expendable	3,457,379	4,204,415
Unrestricted	<u>32,853,229</u>	<u>36,292,510</u>
TOTAL NET POSITION	<u>\$ 349,745,533</u>	<u>\$ 350,983,722</u>

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

UNION SANITARY DISTRICT

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
OPERATING REVENUES		
Sewer service charges	\$ 45,139,420	\$ 42,339,311
Other operating revenues	1,370,017	1,163,802
Total operating revenue	<u>46,509,437</u>	<u>43,503,113</u>
OPERATING EXPENSES		
Sewage treatment	15,410,523	16,088,929
Sewage collection and engineering	10,869,755	11,954,345
General and administration	6,634,688	6,111,468
Total operating expenses before depreciation	<u>32,914,966</u>	<u>34,154,742</u>
DEPRECIATION	<u>17,219,109</u>	<u>16,782,481</u>
Total operating expenses	<u>50,134,075</u>	<u>50,937,223</u>
OPERATING LOSS	<u>(3,624,638)</u>	<u>(7,434,110)</u>
NON-OPERATING REVENUES (EXPENSES)		
Net investment income and net realized gains and losses	180,041	178,690
Interest Expense	(1,106,609)	(1,138,677)
Loss on retirement of capital assets	(796,735)	(1,473,080)
Loss on equity investment in East Bay Dischargers Authority	(92,180)	(89,170)
Net non-operating revenue (expense)	<u>(1,815,483)</u>	<u>(2,522,237)</u>
LOSS BEFORE CONTRIBUTED CAPITAL	<u>(5,440,121)</u>	<u>(9,956,347)</u>
Connection fees and other contributed capital	<u>4,201,932</u>	<u>7,072,821</u>
CHANGE IN NET POSITION	<u>(1,238,189)</u>	<u>(2,883,526)</u>
NET POSITION, BEGINNING OF YEAR	350,983,722	353,867,248
NET POSITION, END OF YEAR	<u>\$ 349,745,533</u>	<u>\$ 350,983,722</u>

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

UNION SANITARY DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 46,020,270	\$ 43,693,132
Payments to suppliers & service providers	(11,512,817)	(14,855,529)
Payments to employees	(14,647,781)	(13,983,330)
Payments for benefits on behalf of employees	(5,829,730)	(5,692,889)
Receipts for customer deposits	450,116	385,256
Returns of customer deposits	(242,662)	(266,735)
Payments related to postemployment benefits	(462,852)	(448,284)
	<u>13,774,544</u>	<u>8,831,621</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Principal payments on long-term debt	(3,742,293)	(3,306,586)
Proceeds from state revolving loan funds	2,582,077	4,324,628
Interest paid on long-term debt	(1,090,406)	(986,604)
Acquisition and construction of capital assets	(21,019,079)	(12,717,853)
Connection fees and other related revenues from developers	3,489,249	3,062,836
	<u>(19,780,452)</u>	<u>(9,623,579)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	200,492	271,737
Purchase of investments	(62,639,133)	(57,498,133)
Proceeds from sales and maturities of investments	68,795,000	57,040,000
	<u>6,356,359</u>	<u>(186,396)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	350,451	(978,354)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>643,752</u>	<u>1,622,106</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 994,203</u>	<u>\$ 643,752</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (3,624,638)	\$ (7,434,110)
Adjustments to reconcile operating loss to cash flows provided by operating activities		
Depreciation	17,219,109	16,782,481
(Increase) decrease in accounts receivable and other assets	(489,167)	190,019
Increase (decrease) in accounts payable and accrued expenses	358,456	(827,495)
Decrease in inventory and other	103,330	2,205
Increase in customer deposits	207,454	118,521
	<u>\$ 13,774,544</u>	<u>\$ 8,831,621</u>
NONCASH TRANSACTIONS		
Contributions of capital assets	\$ 712,683	\$ 4,009,985
Decrease in equity in East Bay Dischargers Authority	92,180	89,170

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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 wastewater facilities, and the Board of Directors may prescribe, revise and collect fees or charges for services and facilities of the District in connection with its wastewater system.

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

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

The Financial Reporting Entity

For financial reporting purposes component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District has determined that there are no component units that meet these criteria as of, and for the year ended June 30, 2014. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District.

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

Measurement Focus and Basis of Accounting

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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, 2014 and 2013, 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, 2014 and 2013, are recorded at fair value using quoted market prices. The related net realized and unrealized gains (losses) on investments are recognized in the accompanying statement of revenues expenses, and changes in net position.

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

Inventory

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

Capital Assets

Capital assets, including costs of addition to utility plant and major replacements of property, are capitalized and stated at cost. The District's capitalization threshold is \$10,000. Such capital costs include materials, direct labor, transportation, and such indirect costs as interest and contracted engineering. Contributed property is recorded as fair value as of the date of donation. Repairs, maintenance, and minor replacements of property are charges to expense.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation

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

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

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

Useful Lives

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

The aggregate provision for depreciation was 3.07 percent and 2.99 percent of average depreciable plant during the years ended June 30, 2014 and 2013, 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 Position

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

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

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Classification of Revenues and Expenses

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

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

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

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

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 21, 2014, the date which the financial statements were available to be issued.

Change in Accounting Principles

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The District has implemented the provisions of this Statement for the year ended June 30, 2014 with no significant impact.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date*, which amends Statement No. 68, *Accounting and Financial Reporting for Pensions*. As currently provided under Statement No. 68, an employer's date for measuring its net pension liability (i.e., the "measurement date") may be no earlier than the end of its prior fiscal year. In addition, if an employer makes contributions after the measurement date, but before the end of its current reporting period, the employer should recognize the contribution as a deferred outflow of resources.

However, in transitioning to the new accounting standards, GASB Statement No. 68 also required that the employer recognize deferred outflows of resources and deferred inflows of resources only if it is practical for the employer to determine all deferred outflows and deferred inflows. If it is not practical, the beginning balances of deferred outflows and deferred inflows should not be reported. However, in situations where the employer makes contributions after the measurement date, not recognizing the contributions in deferred outflows of resources could result in a substantial understatement of the employer's beginning net position.

To prevent this understatement, GASB Statement No. 71 requires that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

Both Statements No. 68 and 71 are effective simultaneously for fiscal years beginning after June 15, 2014. Early implementation is encouraged. Management is evaluating the impact the Statements will have on the financial statements.

NOTE #2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is summarized as follows:

	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Capital assets, not being depreciated:					
Land and improvements	\$ 5,593,929	\$ -	\$ -	\$ -	\$ 5,593,929
Construction in progress	31,800,155	19,925,759	-	(35,713,574)	16,012,340
Capacity permits and easements	6,043,632	174,240	-	-	6,217,872
Total Capital assets, not being depreciated:	<u>43,437,716</u>	<u>20,099,999</u>	<u>-</u>	<u>(35,713,574)</u>	<u>27,824,141</u>
Capital assets, being depreciated:					
Sewage collection facilities	402,324,798	712,683	(1,158,187)	(1,743,374)	400,135,920
Sewage treatment facilities	163,545,041	-	(446,465)	(5,536,447)	157,562,129
District facilities	39,177,008	-	(951,232)	35,025,062	73,250,838
General equipment	4,247,033	46,824	(75,164)	2,341,583	6,560,276
Fleet	-	800,820	(248,648)	5,698,186	6,250,358
Total Capital assets, being depreciated:	<u>609,293,880</u>	<u>1,560,327</u>	<u>(2,879,696)</u>	<u>35,785,010</u>	<u>643,759,521</u>
Less: Accumulated depreciation					
Sewage collection facilities	(209,490,165)	(9,687,906)	613,807	3,806,911	(214,757,353)
Sewage treatment facilities	(88,437,256)	(4,584,708)	336,365	14,815,278	(77,870,321)
District facilities	(16,676,712)	(2,067,840)	813,088	(13,720,710)	(31,652,174)
General equipment	(3,085,740)	(510,795)	75,164	(1,418,109)	(4,939,480)
Fleet	-	(367,861)	244,538	(3,483,370)	(3,606,693)
Total Accumulated depreciation:	<u>(317,689,873)</u>	<u>(17,219,110)</u>	<u>2,082,962</u>	<u>-</u>	<u>(332,826,021)</u>
Total capital assets, being depreciated , net	<u>291,604,007</u>	<u>(15,658,783)</u>	<u>(796,734)</u>	<u>35,785,010</u>	<u>310,933,500</u>
Total Capital Assets, net	<u>\$ 335,041,723</u>	<u>\$ 4,441,216</u>	<u>\$ (796,734)</u>	<u>\$ 71,436</u>	<u>\$ 338,757,641</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 \$15.6 million at June 30, 2014.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #2 – CAPITAL ASSETS - CONTINUED

Capital asset activity for the year ended June 30, 2013 is summarized as follows:

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land and improvements	\$ 5,395,903	\$ 198,026	\$ -	\$ -	\$ 5,593,929
Construction in progress	25,094,235	11,868,287	-	(5,162,367)	31,800,155
Capacity permits and easements	6,043,632	-	-	-	6,043,632
Total Capital assets, not being depreciated:	36,533,770	12,066,313	-	(5,162,367)	43,437,716
Capital assets, being depreciated:					
Sewage collection facilities	397,641,506	4,009,985	(693,699)	1,367,006	402,324,798
Sewage treatment facilities	160,543,832	-	(566,051)	3,567,260	163,545,041
District facilities	39,932,779	565,915	(1,473,622)	151,936	39,177,008
General equipment	5,969,586	85,625	(1,884,343)	76,165	4,247,033
Total Capital assets, being depreciated:	604,087,703	4,661,525	(4,617,715)	5,162,367	609,293,880
Less: Accumulated depreciation					
Sewage collection facilities	(200,014,215)	(9,828,694)	352,744	-	(209,490,165)
Sewage treatment facilities	(84,045,740)	(4,527,357)	135,841	-	(88,437,256)
District facilities	(15,761,064)	(1,890,764)	975,116	-	(16,676,712)
General equipment	(4,231,008)	(535,666)	1,680,934	-	(3,085,740)
Total Accumulated depreciation:	(304,052,027)	(16,782,481)	3,144,635	-	(317,689,873)
Total capital assets, being depreciated, net	300,035,676	(12,120,956)	(1,473,080)	5,162,367	291,604,007
Total Capital Assets, net	\$ 336,569,446	\$ (54,643)	\$ (1,473,080)	\$ -	\$ 335,041,723

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:

	2014	2013
Cash and cash equivalents	\$ 994,203	\$ 643,752
Investments	44,648,195	50,804,062
Restricted investments	10,000	10,000
Total Cash and Cash Equivalents and Investments	\$ 45,652,398	\$ 51,457,814

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

B. Authorized Investments by the District

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

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

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

C. Interest Rate Risk

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

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

2014	Maturities of		
	12 months or less	12-24 months	Total
U.S. Treasury Obligations	\$ 2,002,187	\$ 5,031,948	\$ 7,034,135
U.S. Agency Obligations:			
FHLB	-	1,000,150	1,000,150
FNMA	-	1,001,700	1,001,700
Corporate Notes	3,580,240	2,578,155	6,158,395
Certificates of Deposit	3,942,289	239,814	4,182,103
LAIF	25,271,923	-	25,271,923
Local Government Investment Pool (CAMP)	9,789	-	9,789
Total Investments	34,806,428	9,851,767	44,658,195
Cash in bank and money market funds	994,203	-	994,203
Total Cash and Investments	\$ 35,800,631	\$ 9,851,767	\$ 45,652,398

2013	Maturities of		
	12 months or less	12-24 months	Total
U.S. Treasury Obligations	\$ 2,014,140	\$ 2,004,063	\$ 4,018,203
U.S. Agency Obligations:			
FHLB	4,033,740	-	4,033,740
FNMA	931,956	1,997,300	2,929,256
Corporate Notes	4,264,164	1,576,605	5,840,769
Certificates of Deposit	1,228,401	720,316	1,948,717
LAIF	32,009,735	-	32,009,735
Local Government Investment Pool (CAMP)	33,642	-	33,642
Total Investments	44,515,778	6,298,284	50,814,062
Cash in bank and money market funds	643,752	-	643,752
Total Cash and Investments	\$ 45,159,530	\$ 6,298,284	\$ 51,457,814

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

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, 2014, these investments mature in an average of 232 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2014 for each investment type:

	Aaa	Aa3	A1	A3	A2	Total
U.S. Agency Obligations						
FHLB	\$ 1,000,150	\$ -	\$ -	\$ -	\$ -	\$ 1,000,150
FNMA	1,001,700	-	-	-	-	1,001,700
Corporate Notes	-	1,565,435	3,564,200	1,028,760	-	6,158,395
Local Government Investment Pool (CAMP)	9,789	-	-	-	-	9,789
Totals	<u>\$ 2,011,639</u>	<u>\$ 1,565,435</u>	<u>\$ 3,564,200</u>	<u>\$ 1,028,760</u>	<u>\$ -</u>	<u>8,170,034</u>
Exempt from credit rate disclosure						
U.S. Treasury Obligations						7,034,135
Certificates of deposit						4,182,103
Not rated						
California Local Agency Investment Fund						25,271,923
Cash and cash equivalents						994,203
Total Cash, Cash Equivalents and Investments						<u>\$ 45,652,398</u>

Presented below is the actual rating as of June 30, 2013 for each investment type:

	Aaa	Aa3	A1	A3	A2	Total
U.S. Agency Obligations						
FHLB	\$ 4,033,740	\$ -	\$ -	\$ -	\$ -	\$ 4,033,740
FNMA	2,929,256	-	-	-	-	2,929,256
Corporate Notes	-	2,726,484	2,050,485	-	1,063,800	5,840,769
Local Government Investment Pool (CAMP)	33,642	-	-	-	-	33,642
Totals	<u>\$ 6,996,638</u>	<u>\$ 2,726,484</u>	<u>\$ 2,050,485</u>	<u>\$ -</u>	<u>\$ 1,063,800</u>	<u>12,837,407</u>
Exempt from credit rate disclosure						
U.S. Treasury Obligations						4,018,203
Certificates of deposit						1,948,717
Not rated						
California Local Agency Investment Fund						32,009,735
Cash and cash equivalents						643,752
Total Cash, Cash Equivalents and Investments						<u>\$ 51,457,814</u>

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

F. Concentration of Credit Risk

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

As of fiscal year ended June 30, 2014, the District did not have investments held that are more than five percent of the District's total investments.

G. Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's total bank balance of \$2,564,579 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #4 – JOINT VENTURES

Alameda County Water District Financing Authority

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

Investment in East Bay Dischargers Authority

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

EBDA 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 wastewater in the area is discharged. The other participants (and their ownership percentages) are the City of Hayward (33 percent), the City of San Leandro (18.6 percent), and the Oro Loma and Castro Valley Sanitary Districts (collectively, 29.7 percent). The District has rights to 18.7 percent of EBDA's capacity.

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

Summary financial information for EBDA, as of June 30, 2013 and 2012 and for the years then ended, the most recent audited information available, is as follows:

	<u>2013</u>	<u>2012</u>
Total Assets	\$ 35,164,995	\$ 35,461,881
Total liabilities	1,045,918	849,863
Net position value of EBDA	<u>\$ 34,119,077</u>	<u>\$ 34,612,018</u>
District's share at 18.7%	<u>\$ 6,380,267</u>	<u>\$ 6,472,447</u>
Net loss on equity investment in EBDA	<u>\$ 92,180</u>	<u>\$ 89,170</u>

EBDA has no outstanding debt.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #4 – JOINT VENTURES – CONTINUED

During fiscal year ended June 30, 2014 and 2013, the District was charged \$1,052,368 and \$1,060,693, respectively, by EBDA primarily for operating costs. Such costs are included in the wastewater treatment expenses by the District for financial reporting purposes.

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

NOTE #5 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2014 are summarized as below:

	Maturity Date	Interest Rate	Balance 7/1/13	Additions	Retirements	Balance 6/30/14	Current Portion
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	\$ 8,689,163	\$ -	\$ 699,624	\$ 7,989,539	\$ 716,415
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	1,351,877	-	75,939	1,275,938	77,762
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	9,246,018	-	435,762	8,810,256	447,528
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	1,794,865	-	91,173	1,703,692	93,634
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,746,236	-	83,694	1,662,542	85,786
2011 State Revolving Fund Loan - Primary Cl.	01/15/33	2.7%	8,737,074	291,330	351,691	8,676,713	355,510
2011 State Revolving Fund Loan - Substation 1	02/28/32	2.6%	2,335,432	-	96,606	2,238,826	99,118
2011 State Revolving Fund Loan - Boyce Rd. Lift Station	03/31/33	2.6%	4,839,862	1,514,148	-	6,354,010	252,007
2014 State Revolving Fund Loan- Thickenner Control Building	03/31/36	2.1%	-	776,599	-	776,599	-
Compensated absences	n/a	n/a	915,281	949,268	966,653	897,896	897,896
			<u>\$ 41,563,612</u>	<u>\$ 3,531,345</u>	<u>\$ 4,708,946</u>	<u>\$ 40,386,011</u>	<u>\$ 3,025,656</u>

A. 2003 State Revolving Fund Loan – Irvington

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

B. 2008 State Revolving Fund Loan – Willow

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #5 - LONG-TERM OBLIGATIONS – CONTINUED

C. 2008 State Revolving Fund Loan – Newark Pump Station

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and is payable in twenty annual installments, beginning in 2011. The purpose of this loan was to finance the Newark Pump Station project. The maximum amount of this agreement is \$10,283,321 based upon projected costs to be incurred. As of June 30, 2014, \$10,283,322, the maximum loan amount, has been advanced under this agreement.

D. 2008 State Revolving Fund Loan – Hetch Hetchy

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after initial loan disbursements. The purpose of this loan is to finance the lower Hetch Hetchy sewer rehabilitation project. The maximum amount of this agreement is \$2,212,432 based upon projected costs to be incurred. As of June 30, 2014, \$2,113,379 has been advanced under this agreement.

E. 2009 State Revolving Fund Loan – Cedar Boulevard

During 2009, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.5 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the Cedar Boulevard Sanitary Sewer Rehabilitation Project. The maximum amount of this agreement is \$2,052,841 based upon projected costs to be incurred. As of June 30, 2014, \$1,998,384 has been advanced under this agreement.

F. 2011 State Revolving Fund Loan – Primary Clarifier

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the rehabilitation of primary clarifiers (Nos. 1 through 4) at the Alvarado Wastewater Treatment Plant. The maximum amount of this agreement is \$8,821,860 based upon projected costs to be incurred. As of June 30, 2014, \$8,821,860 has been advanced under this agreement.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE #5 - LONG-TERM OBLIGATIONS – CONTINUED

G. 2011 State Revolving Fund Loan – Substation 1

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Substation 1 to ensure its continual operation. The maximum amount of this agreement is \$2,676,485 based upon projected costs to be incurred. As of June 30, 2014, \$2,412,908 has been advanced under this agreement.

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

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Boyce Road Lift Station to ensure its continual operation. The maximum amount of this agreement is \$6,196,671 based upon projected costs to be incurred. As of June 30, 2014, \$6,196,671 has been advanced under this agreement.

I. 2011 State Revolving Fund Loan –Thickener Control Building

During December 2013, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.1 percent and will be payable in nineteen annual installments beginning September 2017. The purpose of this loan is to finance the Thickener Control Building Improvements Project to ensure its continual operation. The maximum amount of this agreement is \$12.2 million based upon projected costs to be incurred. As of June 30, 2014, \$776,559 has been advanced under this agreement.

J. Debt Service Requirements

Future annual repayment requirements as of June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 2,127,761	\$ 889,657	\$ 3,017,418
2016	2,176,158	850,139	3,026,297
2017	2,231,944	803,445	3,035,389
2018	2,320,945	771,919	3,092,864
2019	2,380,304	722,101	3,102,405
2020-2024	12,846,603	2,816,870	15,663,473
2025-2029	9,704,009	1,493,092	11,197,101
2030-2034	5,563,279	376,693	5,939,972
2035-2038	137,112	7,362	144,474
Totals	\$ 39,488,115	\$ 8,731,278	\$ 48,219,393

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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, 2014 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	16.399%

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. The required employer only contributions, as determined by CalPERS, for the years ended June 30, 2014 and 2013 were \$2,287,910 and \$2,248,207 respectively.

Effective June 6, 2013, employees hired before January 1, 2013 will pay additional contribution of 1.5 percent for pension; employees hired after January 1, 2013 will be subject to a new formula and contributions as provided in recent legislation. 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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 2,908,247	100%	\$ -
2013	3,069,290	100%	-
2012	2,869,537	100%	-

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #6 - PENSION PLAN - CONTINUED

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 7.5 percent is assumed, including inflation at 2.75 percent. 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 3.30 percent to 14.20 percent depending on age, service, and type of employment.

Funded Status: The schedule of funded status of the plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 98,458,686
Actuarial value of plan assets	81,479,378
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,979,308</u>
Funded ratio (actuarial value of plan assets/ AAL)	82.8%
Covered payroll (active plan members)	\$ 13,063,048
UAAL as a percentage of covered payroll	130.0%

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% of the annual covered payroll, based on the most recent actuarial report dated July 1, 2013. The plan members receiving benefits currently do not make contributions.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE #7 - OTHER RETIREMENT BENEFITS - CONTINUED

A. Postemployment Healthcare Plan (OPEB) - Continued

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

Annual Required Contribution (ARC)	\$ 462,852
Interest on net OPEB obligation (asset)	(96,911)
Adjustment to ARC	88,870
Annual OPEB cost	<u>454,811</u>
Contributions made	<u>462,852</u>
Change in net OPEB obligation (asset)	(8,041)
OPEB obligation (asset) - beginning of year	<u>(1,435,718)</u>
OPEB obligation (asset) - end of year	<u><u>\$ (1,443,759)</u></u>

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

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$ 454,811	\$ 462,852	102%	\$ (1,443,759)
6/30/2013	438,130	448,284	102%	(1,435,718)
6/30/2012	346,615	363,108	105%	(1,425,564)

Funded Status. The schedule of funded status of the plan as of July 1, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 7,568,777
Actuarial value of plan assets	<u>3,377,623</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 4,191,154</u></u>
Funded ratio (actuarial value of plan assets/ AAL)	44.6%
Covered payroll (active plan members)	\$ 13,310,618
UAAL as a percentage of covered payroll	31.5%

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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE #7 - OTHER RETIREMENT BENEFITS – CONTINUED

A. Postemployment Healthcare Plan (OPEB) - Continued

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, 2013
Actuarial cost method	Entry age, Normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return (funded)	6.75%
Salary increase	3.25%
Healthcare cost trend rate	8.5% initial; 4.5% ultimate
Inflation Rate	3.25%

B. 401(a) Plans

The District sponsors three internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the ICMA Retirement Corporation. The plans were established and can be amended by Board resolution and, for certain terms, by participant agreement. Eligibility for participation in a particular plan is dependent on job classification. Within each plan, participating employees contribute the same dollar amount, and the District makes matching contributions on their behalf. The District and the participants both contributed a total of \$32,594 and \$34,185 to the plans for the years ended June 30, 2014, and 2013, 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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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. Settled claims have not exceeded coverage in any of the past three years.

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.

REQUIRED SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress for Pension Plan

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2012	\$ 81,479,378	\$ 98,458,686	\$ 16,979,308	82.8%	\$ 13,063,048	130.0%
2011	77,586,175	94,015,409	16,429,234	82.5%	12,767,707	128.7%
2010	73,970,831	88,741,572	14,770,741	83.4%	12,301,216	120.1%

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, 2013	\$ 3,377,623	\$ 7,568,777	\$ 4,191,154	45%	\$ 13,310,618	31.5%
July 1, 2011	2,849,311	6,557,147	3,707,836	43%	12,094,561	30.7%
July 1, 2010	2,202,422	5,120,503	2,918,081	43%	11,590,155	25.2%

SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

**SCHEDULES OF COMPONENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
NET INVESTMENT IN CAPITAL ASSETS		
Net capital assets	\$ 338,757,641	\$ 335,041,723
Less long term debt:		
State revolving fund	<u>(39,488,115)</u>	<u>(40,648,331)</u>
Net investment in capital assets	<u>\$ 299,269,526</u>	<u>\$ 294,393,392</u>
RESTRICTED		
Expendable:		
Capacity purposes	\$ 14,165,399	\$ 16,093,405
Nonexpendable:		
State revolving fund loan contingency requirement	<u>3,457,379</u>	<u>4,204,415</u>
Total restricted net position	<u>\$ 17,622,778</u>	<u>\$ 20,297,820</u>
UNRESTRICTED		
Renewal and replacement:		
Structural	\$ 3,563,478	\$ 8,079,734
Vehicle and equipment	956,195	1,150,234
Information system	1,399,153	1,368,371
Plant and pump station	(646)	158,524
Non-capital project expense (NECB)	134,820	310,580
Investment in East Bay Dischargers Authority	6,380,267	6,472,447
Risk management	1,500,000	1,500,000
Cash flow	16,050,179	15,139,823
Emergency	2,750,000	2,000,000
Pretreatment	<u>119,783</u>	<u>112,797</u>
Total unrestricted	<u>\$ 32,853,229</u>	<u>\$ 36,292,510</u>
NET POSITION	<u>\$ 349,745,533</u>	<u>\$ 350,983,722</u>

UNION SANITARY DISTRICT

SCHEDULES OF COMPONENTS OF NET POSITION FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Note A – Restricted Components of Net Position

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

Note B – Unrestricted Components of Net Position

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

UNION SANITARY DISTRICT

**SCHEDULES OF OPERATING EXPENSES BEFORE DEPRECIATION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014				2013			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	\$ 5,100,118	\$ 6,359,678	\$ 3,357,034	\$ 14,816,830	\$ 4,800,376	\$ 6,282,578	\$ 2,981,252	\$ 14,064,206
Employee benefits	2,015,558	2,652,303	1,619,603	6,287,464	1,918,094	2,645,861	1,574,478	6,138,433
Recruitment and development	67,852	94,495	249,776	412,123	89,445	98,160	196,330	383,935
Temporary help	8,469	47,253	-	55,722	-	10,476	31,253	41,729
Repairs and maintenance	1,344,232	458,105	10,327	1,812,664	1,482,668	509,882	11,213	2,003,763
Operating supplies	1,805,454	230,157	-	2,035,611	1,674,605	232,206	-	1,906,811
Office and safety supplies	137,178	233,731	143,528	514,437	144,142	179,200	245,880	569,222
Insurance	-	-	225,722	225,722	-	-	222,425	222,425
Contractual services	837,684	66,913	-	904,597	700,986	47,514	10,569	759,069
Professional services	224,802	74,190	644,345	943,337	168,316	35,027	534,404	737,747
Utilities	2,235,180	63,747	77,404	2,376,331	2,190,981	53,095	63,023	2,307,099
East Bay Dischargers Authority - operating charges	1,052,368	-	-	1,052,368	1,060,693	-	-	1,060,693
Non-capital projects	524,295	524,295	271,763	1,320,353	1,805,985	1,805,985	200,084	3,812,054
Sewer Service charge administrative fee	35,186	35,186	35,186	105,558	35,084	35,084	35,084	105,252
Rents/Leases	22,147	29,702	-	51,849	17,554	19,277	5,473	42,304
Total	\$ 15,410,523	\$ 10,869,755	\$ 6,634,688	\$ 32,914,966	\$ 16,088,929	\$ 11,954,345	\$ 6,111,468	\$ 34,154,742

UNION SANITARY DISTRICT

SCHEDULE OF INSURANCE COVERAGE FOR THE YEAR ENDED JUNE 30, 2014

The District's insurance policies and coverages in effect at June 30, 2014 are as follows:

General liability (pooled liability program)		
Bodily injury, property damage, and personal injury	\$	25,500,000
Public entity errors and omissions and other related practices	\$	25,500,000
Employment related practices	\$	25,500,000
		<u>Insured Value</u>
Auto physical damage (primary insurance program)	\$	3,112,791
Workers' Compensation	\$	1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	\$	250,928,297
Accounts receivable		No sublimit
Employee Dishonesty Bond Coverages:		
Public Employee Dishonesty Bond	\$	1,000,000
Forgery and alteration	\$	1,000,000
Computer Fraud	\$	1,000,000



Statistical Section



Motor Control Center Replacement Projects

Union Sanitary District Statistical Section

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

Table of Contents

Page

Financial Trends

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

Changes in Net Position and Statement of Net Position	S-1
Revenue by Type.....	S-2
Operating Expenses by Major Function.....	S-3
Capital Project Expenditures.....	S-4

Revenue Capacity

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

Debt Capacity

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

Outstanding Debt.....	S-8
Revenue Coverage.....	S-9

Demographic and Economic Information

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

Population of Service Area.....	S-10
Income and Home Prices.....	S-11
Major Employers in Service Area.....	S-12

Operating Information

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

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 Position and Statement of Net Position by Component
Last Ten Years

Changes in Net Position	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues										
Sewer Service Charges	\$45,139,420	\$42,339,311	\$40,630,578	\$38,486,824	\$37,217,073	\$35,103,885	\$32,851,938	\$30,951,916	\$29,257,270	\$27,592,013
Other Operating Revenues	1,370,017	1,163,802	1,027,357	987,948	968,475	809,171	922,013	1,099,925	1,118,247	1,097,871
Total Operating Revenues	46,509,437	43,503,113	41,657,935	39,474,772	38,185,548	35,913,056	33,773,951	32,051,841	30,375,517	28,689,884
Operating Expenses										
Sewage Treatment	15,410,523	16,088,929	14,255,266	14,342,352	13,995,781	12,938,404	11,881,805	11,250,875	11,688,666	11,166,304
Sewage Collection and Engineering	10,869,755	11,954,345	9,712,645	10,532,692	9,338,919	8,658,679	7,998,961	8,160,123	7,188,088	6,719,421
General and Administration	6,634,688	6,111,468	5,951,818	5,574,251	5,322,085	5,200,792	4,757,630	4,442,638	4,223,584	3,958,644
Total Operating Expenses Before Depr.	32,914,966	34,154,742	29,919,729	30,449,295	28,656,785	26,797,875	24,638,396	23,853,636	23,100,338	21,844,369
Depreciation	17,219,109	16,776,307	16,790,277	16,323,858	16,243,535	16,380,510	15,829,000	17,127,661	16,093,787	27,669,976 *
Total Operating Expenses	50,134,075	50,931,049	46,710,006	46,773,153	44,900,320	43,178,385	40,467,396	40,981,297	39,194,125	49,514,345
Operating Loss	(3,624,638)	(7,427,936)	(5,052,071)	(7,298,381)	(6,714,772)	(7,265,329)	(6,693,445)	(8,929,456)	(8,818,608)	(20,824,461)
Non-operating Revenues (Expenses)										
Investment Income	180,041	178,690	248,337	274,328	349,012	1,136,138	1,746,157	1,902,866	1,527,372	926,543
Interest Expense	(1,106,609)	(1,138,677)	(858,162)	(1,114,313)	(867,781)	(647,171)	(775,179)	(839,808)	(897,698)	(1,240,075)
Loss on Retirement of Utility in Capital Asse	(796,735)	(1,479,254) ***	(127,430)	(751,601)	(95,110)	(134,787)	(384,325)	(97,969)	(168,026)	(2,077,193)
Gain (loss) on Equity Investment in EBDA	(92,180)	(89,170)	(100,827)	(95,011)	(76,498)	(12,946)	(46,886)	(142,783)	(150,303)	(153,173)
Other Non-operating Expenses	0	0	0	0	0	0	0	0 **	(1,098,450)	(629,216)
Net Non-operating Revenues	(1,815,483)	(2,528,411)	(838,082)	(1,686,597)	(690,377)	341,234	539,767	822,306	(787,105)	(3,173,114)
Loss Before Contributions	(5,440,121)	(9,956,347)	(5,890,153)	(8,984,978)	(7,405,149)	(6,924,095)	(6,153,678)	(8,107,150)	(9,605,713)	(23,997,575)
Connection Fees and Other Contrib. Capital	4,201,932	7,072,821	4,386,772	7,850,769	3,196,347	2,648,784	6,231,701	3,503,054	6,519,344	6,737,679
Change in Net Position	(1,238,189)	(2,883,526)	(1,503,381)	(1,134,209)	(4,208,802)	(4,275,311)	78,023	(4,604,096)	(3,086,369)	(17,259,896)
Net Position, Beginning of Year	350,983,722	353,867,248	355,370,629	356,504,838	360,713,640	364,988,951	363,022,293	367,626,389	370,712,758	387,972,654
Net Position, End of Year	\$349,745,533	\$350,983,722	\$353,867,248	\$355,370,629	\$356,504,838	\$360,713,640	\$363,100,316	\$363,022,293	\$367,626,389	\$370,712,758
Statement of Net Position by Component										
Net investment in capital assets	\$299,269,526	\$294,393,392	\$296,939,157	\$300,489,831	\$302,407,235	\$308,753,429	\$312,722,057	\$321,621,932	\$328,262,088	\$331,070,729
Restricted	17,622,778	20,297,820	19,346,378	16,877,836	14,840,623	14,290,870	10,166,261	6,700,960	4,218,141	2,287,987
Unrestricted	32,853,229	36,292,510	37,581,713	38,002,962	39,256,980	37,669,341	2,927,822	2,215,053	2,215,053	2,215,053
Restricted-Retiree medical benefit plan	0	0	0	0	0	0	1,457,853	938,263	853,752	770,356
Unrestricted	0	0	0	0	0	0	35,826,323	31,546,085	32,077,355	34,368,633
Total USD net position	\$349,745,533	\$350,983,722	\$353,867,248	\$355,370,629	\$356,504,838	\$360,713,640	\$363,100,316	\$363,022,293	\$367,626,389	\$370,712,758

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.

** Special Project Other Expenses are classified under Operating Expenses and restated for FY 2007 per auditor recommendation.

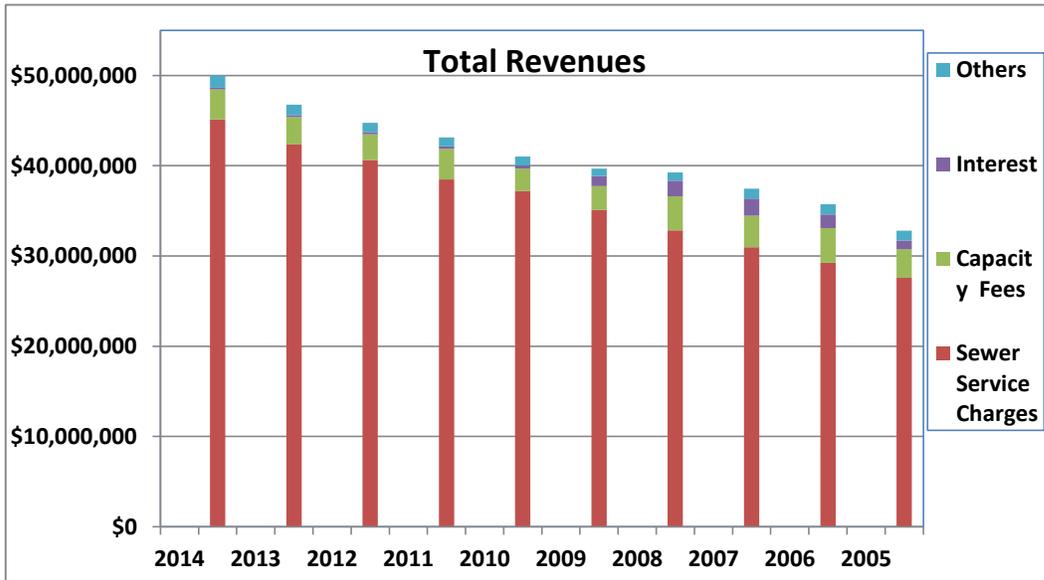
*** Capital asset threshold increased from \$5,000 to \$10,000

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>
2014	\$45,139,420	\$3,315,007	\$180,071	\$1,370,017	\$50,004,515
2013	42,339,311	3,062,836	178,690	1,163,802	46,744,639
2012	40,630,578	2,848,488	248,337	1,027,357	44,754,760
2011	38,486,824	3,381,963	274,328	987,948	43,131,063
2010	37,217,073	2,467,083	349,012	968,475	41,001,643
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

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



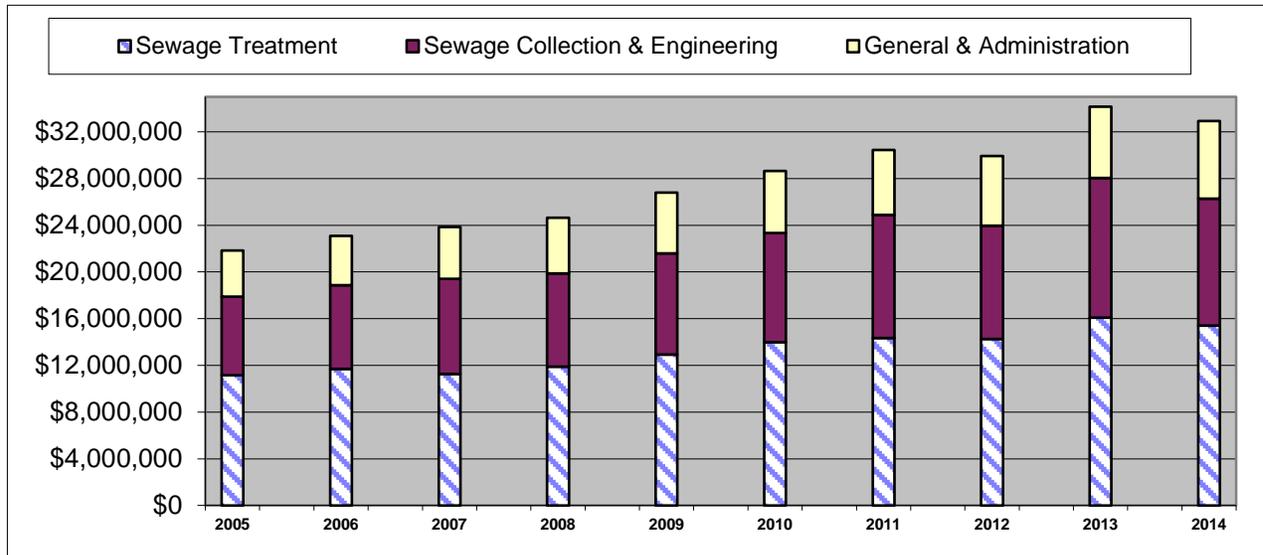
The District's main source of revenue is Sewer Service Charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

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 & Engineering</u>	<u>General & Administration</u>	<u>Total Expenses</u>
2014	\$15,410,523	\$10,869,755	\$6,634,688	\$32,914,966
2013	16,088,929	11,954,345	6,111,468	34,154,742
2012	14,255,266	9,712,645	5,951,818	29,919,729
2011	14,342,352	10,532,692	5,574,251	30,449,295
2010	13,995,781	9,338,919	5,322,085	28,656,785
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

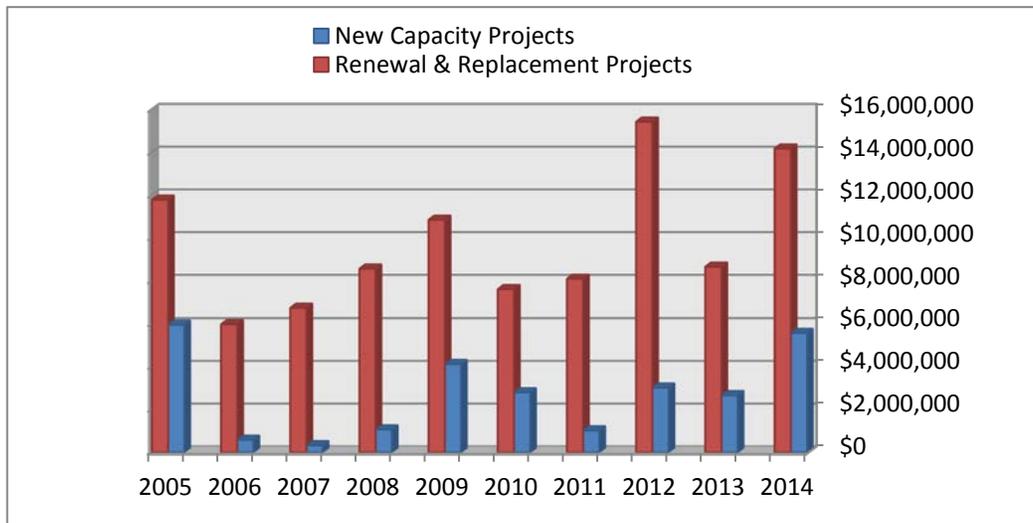


Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

UNION SANITARY DISTRICT

Capital Expenditures

<u>Fiscal Year</u>	<u>New Capacity Projects</u>	<u>Renewal & Replacement Projects</u>	<u>Total Capital Expenditures</u>
2014	\$5,592,023	\$14,195,068	\$19,787,091
2013	2,673,173	8,663,485	11,336,658
2012	3,032,556	15,453,790	18,486,346
2011	1,030,689	8,099,110	9,129,799
2010	2,809,723	7,641,018	10,450,741
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



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.

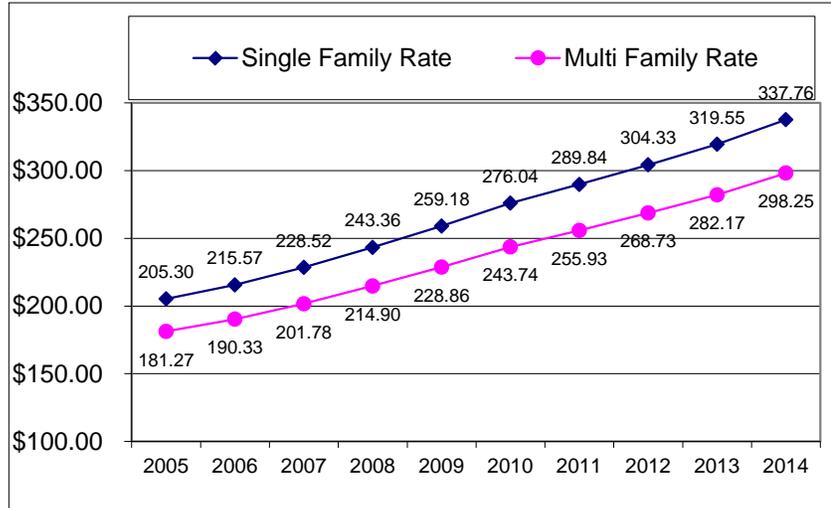
Structural renewal & replacement projects provide rehabilitation, replacement, or upgrade of existing facilities to prolong the useful life of the assets and to maintain the current service level of the facilities.

UNION SANITARY DISTRICT

Current and Historical Fees Last Ten Years

Sewer Service Charge Rates

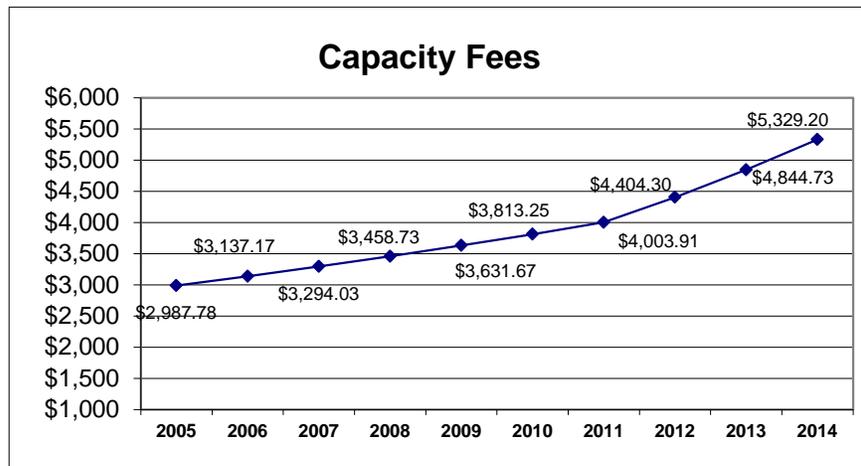
	Single Family Rate	Multi - Family Rate	SFD % Change
2014	\$337.76	\$298.25	5.7%
2013	319.55	282.17	5.0%
2012	304.33	268.73	5.0%
2011	289.84	255.93	5.0%
2010	276.04	243.74	6.5%
2009	259.18	228.86	6.5%
2008	243.36	214.90	6.5%
2007	228.52	201.78	6.0%
2006	215.57	190.33	5.0%
2005	205.30	181.27	



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$298.25 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
2014	\$5,329.20	10.0%
2013	4,844.73	10.0%
2012	4,404.30	10.0%
2011	4,003.91	5.0%
2010	3,813.25	5.0%
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	0.0%



The capacity fees shown are per dwelling unit. Other categories such as restaurants,

UNION SANITARY DISTRICT
 Ten Principal Industrial Rate Payers
 June 30, 2014

Rate Payer	2013-14			2012-13			2011-12			2010-11			2009-10			2008-09		
	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	Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	\$260,023	1	0.58%	216,919	1	0.51%	269,619	1	0.66%	215,190	2	0.56%	227,410	2	0.61%	273,113	2	0.78%
Washington Hospital	148,743	2	0.33%	105,407	3	0.25%	112,361	5	0.28%	136,804	3	0.36%	128,056	4	0.34%	146,515	3	0.42%
Seagate Technology	140,016	3	0.31%	114,131	2	0.27%	---	---	---	82,333	8	0.21%	---	---	---	---	---	---
Tesla	137,788	4	0.31%	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Ranch 99 Warms Springs Shopping	112,329	5	0.25%	90,954	5	0.21%	---	---	---	---	---	---	---	---	---	---	---	---
Gateway Plaza	101,416	6	0.22%	---	---	---	81,681	9	0.20%	---	---	---	---	---	---	---	---	---
Kaiser Hospital	99,174	7	0.22%	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Pacific Commons (Area 4)	99,159	8	0.22%	90,954	5	0.21%	---	---	---	---	---	---	---	---	---	---	---	---
The Benton in Fremont	96,037	9	0.21%	---	---	---	---	---	---	109,681	6	0.28%	122,577	5	0.33%	75,086	6	0.21%
Pacific Commons (Kohls/Old Navy)	90,880	10	0.20%	83,879	10	0.20%	84,813	8	0.21%	78,993	9	0.21%	---	---	---	67,334	10	0.19%
Total annual billing largest ten:	<u>\$1,285,565</u>		<u>2.85%</u>	<u>\$702,244</u>		<u>1.66%</u>	<u>\$548,474</u>		<u>1.35%</u>	<u>\$623,001</u>		<u>1.62%</u>	<u>\$478,043</u>		<u>1.28%</u>	<u>\$562,048</u>		<u>1.60%</u>
Total ALL annual billings	<u>\$45,139,420</u>			<u>\$42,339,311</u>			<u>\$40,630,578</u>			<u>\$38,486,824</u>			<u>\$37,217,073</u>			<u>\$35,103,885</u>		

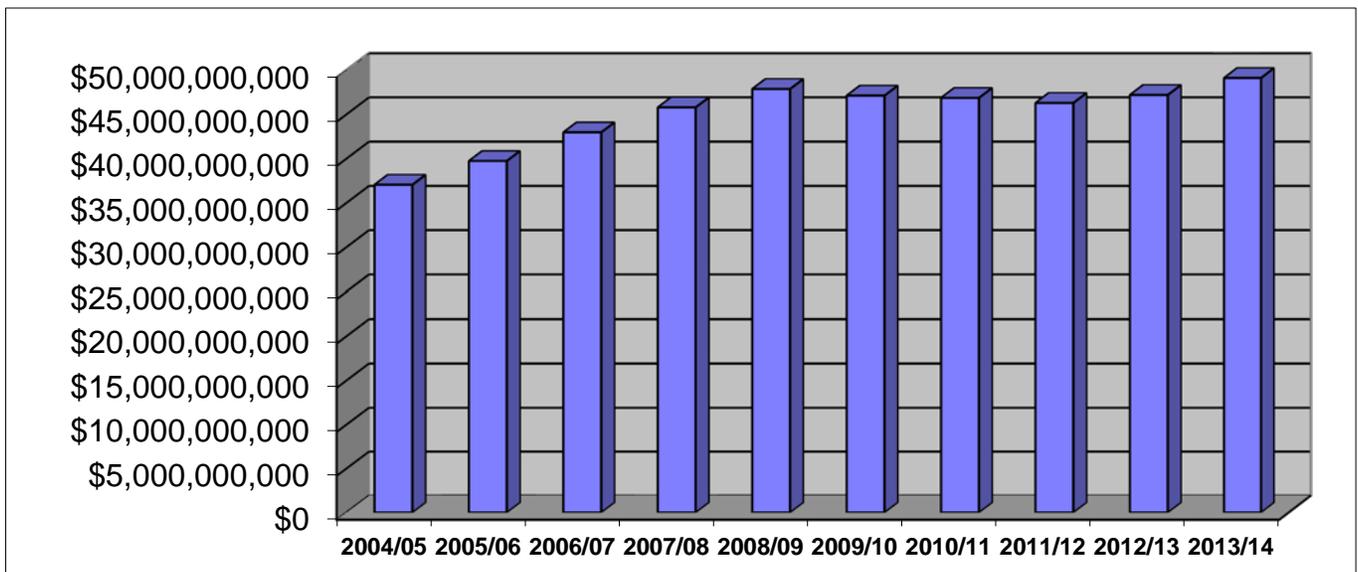
Rate Payer	2007-08			2006-07			2005-06			2004-05		
	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	274,533	2	0.84%	233,804	2	0.76%	201,825	2	0.69%	216,040	3	0.78%
Washington Hospital	139,089	3	0.42%	111,139	6	0.36%	78,911	7	0.27%	82,141	7	0.30%
Seagate Technology	---	---	---	---	---	---	---	---	---	106,163	5	0.38%
Tesla	---	---	---	---	---	---	---	---	---	---	---	---
Ranch 99 Warms Springs Shopping	---	---	---	---	---	---	---	---	---	---	---	---
Gateway Plaza	---	---	---	---	---	---	---	---	---	---	---	---
Kaiser Hospital	---	---	---	---	---	---	---	---	---	---	---	---
Pacific Commons (Area 4)	---	---	---	---	---	---	---	---	---	---	---	---
The Benton in Fremont	69,198	8	0.21%	64,973	10	0.21%	---	---	---	---	---	---
Pacific Commons (Kohls/Old Navy)	---	---	---	---	---	---	---	---	---	---	---	---
Total annual billing largest ten:	<u>\$482,819</u>		<u>1.47%</u>	<u>\$409,916</u>		<u>1.32%</u>	<u>\$280,736</u>		<u>0.96%</u>	<u>\$404,345</u>		<u>1.47%</u>
Total ALL annual billings	<u>\$32,851,938</u>			<u>\$30,951,916</u>			<u>\$29,257,270</u>			<u>\$27,592,013</u>		

UNION SANITARY DISTRICT

Fiscal Year Assessed Valuation

Valuation of taxable property within Union Sanitary District

		% Change
2013/14	\$49,120,298,326	4.06%
2012/13	\$47,205,182,529	1.95%
2011/12	\$46,301,581,317	-1.22%
2010/11	\$46,871,083,762	-0.54%
2009/10	\$47,125,012,456	-1.57%
2008/09	\$47,878,943,360	4.55%
2007/08	\$45,796,626,625	6.56%
2006/07	\$42,977,256,903	8.13%
2005/06	\$39,744,688,309	7.26%
2004/05	\$37,056,029,834	



Includes property in Fremont, Newark, and Union City.

UNION SANITARY DISTRICT

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Use Permit (1)	Loans Payable (2)	Principal Total	# of Ratepayers*	Total Debt/ #Ratepayers
2014	\$0	\$39,488,115	\$39,488,115	94,877	\$416
2013	0	40,648,328	40,648,328	94,640	430
2012	0	39,630,289	39,630,289	94,351	420
2011	471,698	31,985,449	32,457,147	94,231	344
2010	916,696	33,594,457	34,511,153	93,962	367
2009	1,336,506	29,499,150	30,835,656	93,666	329
2008	1,732,553	25,367,381	27,099,934	92,427	293
2007	2,106,182	24,908,737	27,014,919	91,896	294
2006	2,458,662	27,085,423	29,544,085	91,315	324
2005	2,791,171	29,206,575	31,997,746	90,472	354

* Based on parcels

	<u>Purpose</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Annual Total Payment</u>	<u>Outstanding Principal Balance</u>
(1) Use Permit	Union City Use Permit - to increase capacity to maximum of 38 mg/d	6.0%	6/1/2012	\$0	\$0
(2) Loans Payable	State Water Resources Control Board - Wastewater Treatment Plant Upgrade Project	2.7%	6/17/2014	\$1,960,384	\$0
	State Water Resources Control Board - Irvington Wastewater Equalization Storage Facility	2.4%	8/30/2023	\$908,164	\$7,989,539
	State Water Resources Control Board - Willow/Central Avenue	2.4%	11/16/2027	\$108,385	\$1,275,938
	State Water Resources Control Board - Newark Pump Stat. Upgrade	2.7%	1/26/2030	\$685,405	\$8,810,256
	State Water Resources Control Board - Lower Hetch Hetchy	2.7%	11/17/2028	\$139,634	\$1,703,692
	State Water Resources Control Board - Cedar Blvd.	2.5%	2/26/2030	\$127,349	\$1,662,542
	State Water Resources Control Board - Primary Clarifier	2.7%	1/15/2033	\$591,603	\$8,676,713
	State Water Resources Control Board - Substation 1	2.6%	2/28/2032	\$175,842	\$2,238,826
	State Water Resources Control Board - Boyce Road	2.6%	3/31/2033	\$411,064	\$6,354,010
	State Water Resources Control Board - Thickener Control Building (still drawing proceeds)	2.1%	3/31/2036	\$0	\$776,599
Totals				\$5,107,829	\$39,488,115

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

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage % (2)
2014	\$50,004,485	\$32,914,966	\$17,089,519	\$4,675,361	366%
2013	46,744,639	34,154,742	12,589,897	4,086,647	308%
2012	44,754,760	29,919,730	14,835,030	4,429,320	335%
2011	43,131,063	30,449,295	12,681,768	4,429,320	286%
2010	41,001,643	28,656,785	12,344,858	3,584,000	344%
2009	39,670,995	26,797,875	12,873,120	3,476,933	370%
2008	39,266,154	24,638,396	14,627,758	3,368,548	434%
2007	37,457,761	23,853,636	13,604,125	3,368,548	404%
2006	35,722,743	23,100,338	12,622,405	3,368,548	375%
2005	32,789,610	21,844,369	10,945,241	3,368,548	325%

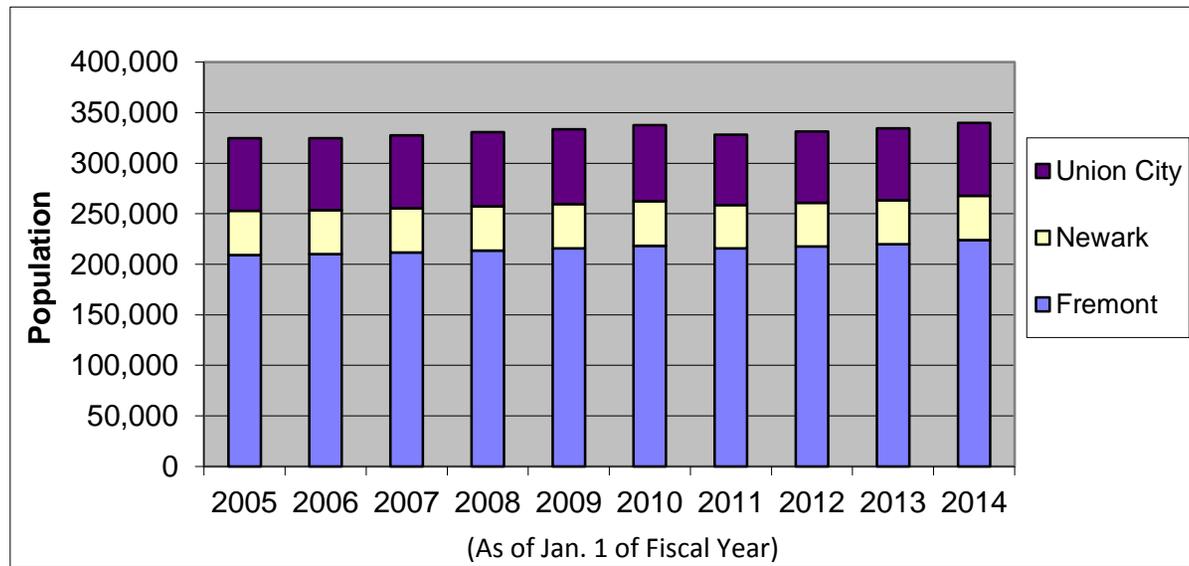
(1) Excludes depreciation; Operating Expenses do not include Capital Project Expenditures

(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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fremont	209,100	210,158	211,662	213,512	215,636	218,128	215,711	217,700	219,926	223,972
Newark	43,960	43,486	43,693	43,872	44,035	44,380	42,764	43,041	43,342	43,856
Union City	71,725	71,152	72,297	73,402	73,977	75,054	69,850	70,646	71,329	72,155
Total	324,785	324,796	327,652	330,786	333,648	337,562	328,325	331,387	334,597	339,983
Total % Change	0.47%	0.003%	0.88%	0.96%	0.87%	1.17%	-2.74%	0.93%	0.97%	1.61%



UNION SANITARY DISTRICT

Demographics of Population Served

Median Household Income

Fremont	\$99,169
Newark	\$84,922
Union City	\$83,066
CA	\$61,400

Median Home Value

Fremont	\$605,100
Newark	\$450,600
Union City	\$493,300
CA	\$383,900

Source: US Census Estimates

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	2014	2013	2012	% of Total City Employment					
					2011	2010	2009	2008	2007	2006
Fremont										
Fremont Unified School District	Education	2.75%	2.81%	2.90%	3.27%	3.02%	1.52%	1.51%	1.57%	N/A
Tesla	Auto Manufacturer	2.75%	2.81%	1.45%	N/A	N/A	N/A	N/A	N/A	N/A
Washington Hospital	Healthcare	2.75%	1.70%	1.76%	1.98%	1.81%	2.18%	2.16%	2.25%	N/A
Lam Research	Technology	2.75%	1.41%	1.45%	1.00%	0.96%	0.84%	1.14%	1.18%	N/A
Western Digital	Hard Drives and Electronics	2.75%	1.22%	1.26%	1.20%	1.81%	0.91%	1.05%	1.03%	N/A
Newark										
Newark Unified School District	Education	3.20%	3.30%	3.40%	3.40%	3.40%	3.40%	N/A	N/A	N/A
Logitech	Computer Accessories	3.10%	3.20%	3.00%	N/A	N/A	N/A	N/A	N/A	N/A
WorldPac	Auto Part Distribution	1.30%	1.30%	1.40%	1.40%	1.40%	1.40%	N/A	N/A	N/A
Full Bloom Baking Company	Baking Products	1.30%	1.30%	1.40%	1.40%	1.40%	1.40%	N/A	N/A	N/A
Risk Management Solutions	Catastrophe Risk Management	1.20%	1.30%	1.30%	1.30%	1.30%	1.30%	N/A	N/A	N/A
Union City										
Southern Wine & Spirits	Beverages	N/A	3.54%	3.71%	1.13%	1.16%	2.32%	2.22%	3.55%	3.59%
New Haven Unified School District	Education	N/A	3.07%	3.22%	3.69%	3.76%	3.70%	3.84%	4.18%	4.22%
Wal Mart	Retailer	N/A	2.40%	2.52%	1.62%	1.65%	1.86%	1.77%	2.41%	2.44%
Axygen Bioscience	Biotechnology	N/A	1.14%	1.19%	3.88%	3.96%	N/A	N/A	1.08%	1.09%
Abaxis	Biotechnology	N/A	1.02%	1.19%	N/A	N/A	N/A	N/A	N/A	0.63%

More years and statistics 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 10 Fiscal Years

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
System operations and maintenance (CS Support, FMC, T&D, Warehouse)	50.45	51.45	51.45	50.45	51.45	51.00	51.23	49.23	49.23	48.00
Engineering and construction (CIP)	8.00	7.00	8.00	8.00	6.00	6.00	6.00	7.00	7.00	6.00
Collections System Maintenance (CS)	23.00	24.00	22.00	22.00	22.00	22.00	21.00	23.00	24.00	21.40
Office of the General Manager (GM)	1.00	2.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Finance (FIST)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	5.00	5.00
Information systems (IT)	5.00	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration department (OA, Adm Specialist, MMT, non-HR OST)	14.00	15.00	14.00	16.00	15.00	15.50	15.50	16.00	15.40	17.55
Customer and community services (Rest of TS)	19.00	19.00	19.00	19.00	19.00	21.00	21.00	18.00	19.68	17.68
Human resources (HR)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Total # of Employees	128.45	131.45	130.45	129.45	128.45	130.50	129.73	127.23	130.31	124.63
Average years of service of employees as of 6/30/14:	12.61	11.70	12.25	11.89	11.46	10.71	10.06	9.80	10.70	11.61

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

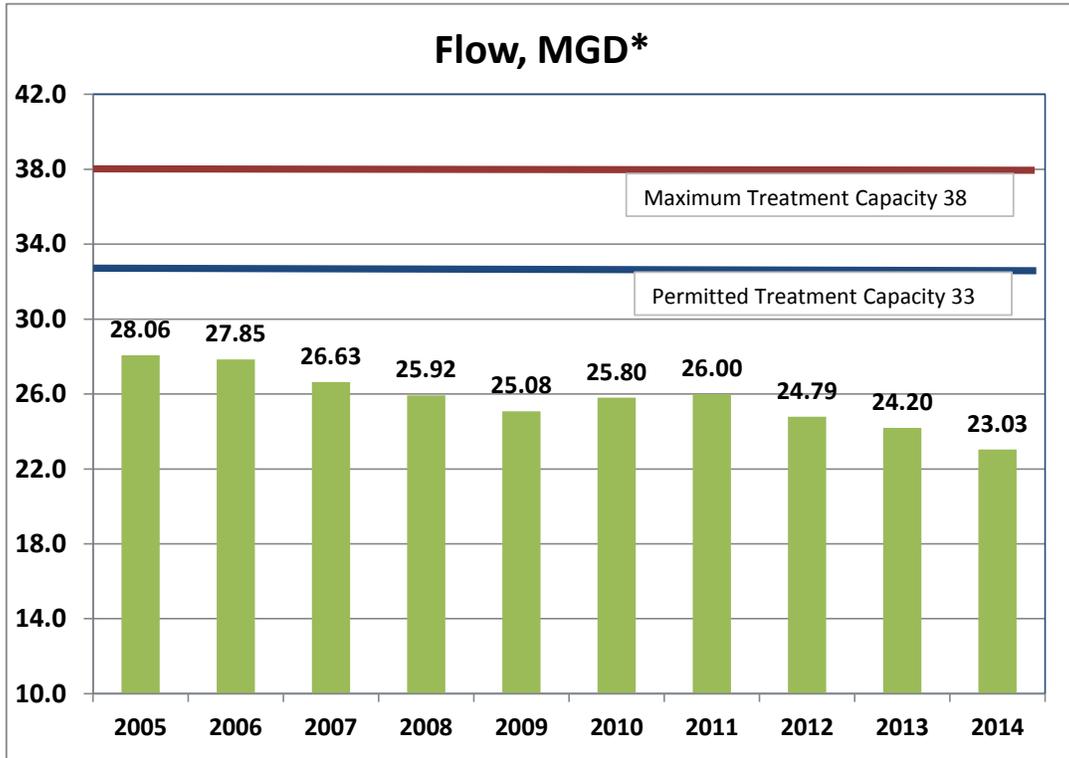
Additional years will be added until ten years worth of information is available.

UNION SANITARY DISTRICT

Operating Indicators by Function/Program Last Ten Calendar Years

Average Daily Flow

Plant Flow Data



Plant 12-month average

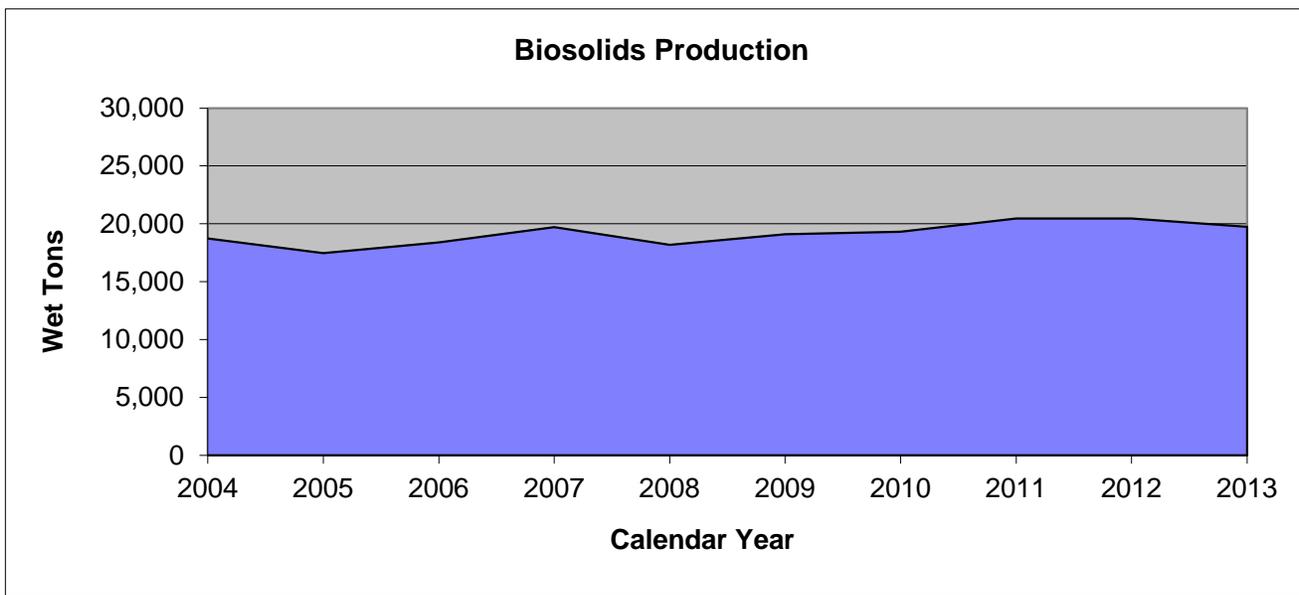
Flows have decreased mainly due to conservation efforts.

*Million gallons per day.

UNION SANITARY DISTRICT

Operating Indicators - Biosolids Last Ten Calendar Years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Biosolids										
Total to Land Application	14,357	11,838	12,558	16,549	14,697	15,891	15,348	16,160	14,770	17,597
Total to Landfill	5,679	6,893	4,447	748	491	0	0	571	1,187	501
Total to Compost	--	--	461	1,096	4,523	2,291	3,751	2,585	4,501	1,642
Total (in Wet Tons)	20,035	18,731	17,466	18,393	19,712	18,182	19,099	19,315	20,458	19,741



FY13 Collection Services BSC												
Objectives	Measures	Qtr 1		2nd Qtr		3rd Qtr		4th Qtr		FY 13 To Date	FY 13 Target	
Customer Perspective:												
• Minimize Overflows SSO's	• # of Category 1 SSOs	0	SSOs	0	SSO	0	SSOs	0	SSOs	0	SSOs	• Zero Category 1 SSOs
	• # of Category 2 SSOs	0	SSO	0	SSOs	0	SSOs	0	SSOs	0	SSOs	≤ 10 Category 2 SSOs
• Minimize Negative Impact on Environment	• Percent of spill recovery	N/A	Recovery	N/A	Recovery	N/A	Recovery	100%	Recovery	100%	Recovery	• 50% Recovery
	• SSO's # of Repeats	0	SSO Repeats	0	Repeats	0	Repeats	0	SSO Repeats	0	SSO Repeats	• Zero Repeats
Manage and maintain assets and infrastructure	• Critical Asset Failures Sewer Main or MH Deficiency resulting in Category 1 SSO, sink hole, injury or resulting property damage > \$2,000 due to one or more of the following: – Break, collapse, offset or hole in pipe or – PMP not followed – Corrosion – Defect identified & corrective action	0	Asset failure	0	Asset failure	0	Failures	0	Failures	0	Asset failure	• Zero
	• Stoppage in > 12" diameter mainline	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	• Zero
	• # of times building becomes dangerous or unsuitable for occupation.	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	• Zero
	Critical asset failure with a negative impact on customers or the environment	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	Zero Incidents
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	98.3%	w/i 1 hour	96.4%	w/i 1 hour	98.8%	w/i 1 hour	98.8%	w/i 1 hour	98.1%	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
Financial Perspective:												
• Provide competitive service	Cleaning – cost per ft/day/crew	\$0.98	Per ft	\$0.61	Per ft	\$0.53	Per ft	\$0.58	Per ft	\$0.61	Clean Per Ft	Clean \$.66 to \$1.05
	Cost per feet/day	\$0	Total Claims	\$0	Total Claims	Claims ≤\$2000						
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's)	\$0	Total Fines	\$0	Total Fines	Fines-\$0						
	Average cost per claim/fine	\$0	Avg Claims	\$0	Avg Claims	Claims ≤\$1000						
		\$0	Avg Fines	\$0	Avg Fines	Fines-\$0						
Internal Process Perspective:												
• Trouble Call & SSO response	Response Time	98.3%	w/i 1 hour	96.4%	w/i 1 hour	98.8%	w/i 1 hour	98.8%	w/i 1 hour	98.1%	w/i 1 hour	≥ 95% w/i 1 hr
• Pipe/Problem Assessment	Number of Repeat Spills	0	Zero	0	Zero	0	Zero	Zero	per year	Zero	per year	≤ 2 per year
• Preventative Maint. Program	2 Yr Catch Up Plan % Complete	17.5%	% Complete	12.8%	% Complete	24.2%	% Complete	27%	% Complete	81.6%	% Complete	Annual Goal = 100%
	TV Goal Footage	177,669	TV Footage	130,120	TV Footage	245,122	TV Footage	273,660	Footage	826,571	YTD TV Ftg	1,012,946
• Cleaning (other cleaning omitted)	Per Month Cleaning Footages	42,832	Avg Ft Per Mo	86,672	Avg Ft Per Mo	154,703	Avg Per Mo *	144,016	Avg Per Mo	107,056	Avg Mo	125,801 Mo; 1,509,623 YE (w/o CI)
	o Feet per crew day	2,519	Ft Per Crew/Day	4,334	Ft Per Crew/Day	6,446	Ft Per Crew/Day	6,647	Ft Per Crew/Day	4,987	Ft Per Crew/Day	2,500 to 4,000 Per Crew Day
	o # of Crew Days	17	# of Crew Days	20	# of Crew Days	24	# of Crew Days	22.0	# of Crew Days	20.8	# of Crew Days	21 to 33 Crew Days
• Televising	Per Month Televising Footages	59,218	Avg Ft Per Mo	43,352	Avg Ft Per Mo	81,680	Avg Per Mo	91,024	Avg Per Mo	68,819	Avg Mo	84,412 Avg Mo, 1,012,946 YE
	o Feet per crew day	3,352	Ft Per Crew/Day	3,025	Ft Per Crew/Day	3,552	Ft Per Crew/Day	4,791	Ft Per Crew/Day	3,680	Ft Per Crew/Day	2,000 to 3,500 Per Crew Day
	o # of Crew Days	17.7	# of Crew Days	14.3	# of Crew Days	23	# of Crew Days	19	# of Crew Days	18.5	# of Crew Days	24 to 42 Crew Days
• 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
Learning & Growth:												
• Maintain and increase employee skills	# new modules completed	0	Module	0	Module	0	Modules	0	Modules	0	Modules	1 Modules
	# of Training Modules w/instruction completed	0	Module	0	Module	0	Modules	2	Modules	2	Modules	1 Modules
	# of individual Competency Assessments passed	0	Assessments	0	Assessments	0	Assessments	38	Assessments	38	Assessments	27 Assessments
• Communicate Performance Data to Teams	# of time info shared with Team	3	Min. per mo	12	Min. per mo	Min. 1 per/mo						

FY14 Collection Services BSC												
Objectives	Measures	Qtr 1		2nd Qtr		3rd Qtr		4th Qtr		FY 14 To Date		FY 14 Target
Customer Perspective:												
• Minimize Overflows SSO's	• # of Category 3 SSOs	0	SSOs	2	SSOs	1	SSOs	1	SSOs	4	SSOs	• Category SSOs
	• # of Category 2 SSOs	0	SSOs	0	SSOs	0	SSOs	0	SSOs	0	SSOs	≤ 10 Category 2 SSOs
	• # of Category 1 SSOs	1	SSOs	0	SSOs	0	SSOs	0	SSOs	1	SSOs	• Zero Category 1 SSOs
• Minimize Negative Impact on Environment	• Percent of spill recovery	100.0%	Recovery	99.8%	Recovery	100%	Recovery	100%	Recovery	99.96%	Recovery	• 50% Recovery
	• SSO's # of Repeats	0	SSO Repeats	0	Repeats	0	Repeats	0	SSO Repeats	0	SSO Repeats	• Zero Repeats
Manage and maintain assets and infrastructure	• Critical Asset Failures Sewer Main or MH Deficiency resulting in Category 1 SSO, sink hole, injury or resulting property damage > \$2,000 due to one or more of the following: – Break, collapse, offset or hole in pipe or – PMP not followed – Corrosion – Defect identified & corrective action	0	Asset failure	0	Asset failure	0	Failures	0	Failures	0	Asset failure	• Zero
	• Stoppage in > 12" diameter mainline	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	• Zero
	• # of times building becomes dangerous or unsuitable for occupation.	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	• Zero
	Critical asset failure with a negative impact on customers or the environment	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	Zero Incidents
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	96.0%	w/i 1 hour	96.7%	w/i 1 hour	97.1%	w/i 1 hour	98.7%	w/i 1 hour	97.1%	w/i 1 hour	≥ 95% w/i 1 hr
• Reduce negative impacts of District	Number of odor complaints attributable to sewer.	0	Odors	0	Odors	0	Odor	1	Odors	1	Odor	≤ 2
Financial Perspective:												
• Provide competitive service	Cleaning – cost per ft/day/crew	\$0.45	Per ft	\$0.67	Per ft	\$0.87	Per ft	\$0.71	Per ft	\$0.68	Clean Per Ft	Clean \$.66 to \$1.05
	Cost per feet/day											
	Televising – cost per ft/day/crew	\$0.82	Per ft	\$0.85	Per ft	\$1.00	Per ft	\$1.16	Per ft	\$0.96	TV Per Ft	TV - \$.80 to \$1.40
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's)	\$0	Total Claims	\$0	Total Claims	Claims ≤ \$2000						
		\$0	Total Fines	\$0	Total Fines	Fines-\$0						
	Average cost per claim/fine	\$0	Avg Claims	\$0	Avg Claims	Claims ≤ \$1000						
		\$0	Avg Fines	\$0	Avg Fines	Fines-\$0						
Internal Process Perspective:												
• Trouble Call & SSO response	Response Time	96.0%	w/i 1 hour	96.7%	w/i 1 hour	97.1%	w/i 1 hour	98.7%	w/i 1 hour	97.1%	w/i 1 hour	≥ 95% w/i 1 hr
• Pipe/Problem Assessment	Number of Repeat Spills	0	Zero	0	Zero	0	Zero	0	Zero	Zero	per year	≤ 2 per year
• Preventative Maint. Program	2 Yr Catch Up Plan % Complete	22.5%	% Complete	20.5%	% Complete	14.5%	% Complete	17.1%	% Complete	74.7%	% Complete	Annual Goal = 100%
	TV Goal Footage	297,276	TV Footage	270,706	TV Footage	191,188	TV Footage	225,570	Footage	984,740	YTD TV Ftg	1,318,689
• Cleaning (other cleaning omitted)	Per Month Cleaning Footages	131,049	Avg Ft Per Mo	88,285	Avg Ft Per Mo	113,850	Avg Per Mo	128,238	Avg Per Mo	115,356	Avg Mo	129,121 Mo; 1,549,454 YE (w/o CI)
	o Feet per crew day	6,445	Ft Per Crew/Day	4,489	Ft Per Crew/Day	5,337	Ft Per Crew/Day	5,829	Ft Per Crew/Day	5,525	Ft Per Crew/Day	2,500 to 4,000 Per Crew Day
	o # of Crew Days	20.3	# of Crew Days	19.7	# of Crew Days	21.3	# of Crew Days	22.0	# of Crew Days	20.8	# of Crew Days	21 to 33 Crew Days
• Televising	Per Month Televising Footages	99,046	Avg Ft Per Mo	90,235	Avg Ft Per Mo	63,367	Avg Per Mo	75,224	Avg Per Mo	81,968	Avg Mo	109,891 Avg Mo, 1,318,689 YE
	o Feet per crew day	4,793	Ft Per Crew/Day	4,588	Ft Per Crew/Day	3,395	Ft Per Crew/Day	3,319	Ft Per Crew/Day	4,024	Ft Per Crew/Day	2,000 to 3,500 Per Crew Day
	o # of Crew Days	20.7	# of Crew Days	19.7	# of Crew Days	18.7	# of Crew Days	23	# of Crew Days	20.5	# of Crew Days	24 to 42 Crew Days
• Key Vehicles not 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
Learning & Growth:												
• Maintain and increase employee skills	# new modules completed	1	Module	0	Module	0	Modules	0	Modules	1	Modules	1 Modules
	# of Training Modules w/instruction completed	0	Module	1	Module	0	Modules	4	Modules	5	Modules	1 Modules
	# of individual Competency Assessments passed	0	Assessments	20	Assessments	0	Assessments	2	Assessments	22	Assessments	27 Assessments
• Communicate Performance Data to Teams	# of time info shared with Team	3	Min. per mo	12	Min. per mo	Min. 1 per/mo						

Plant & Pump Station Process Scorecard
Fiscal Year 2013

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target	Reporting Frequency	
Customer	Operate and maintain the Plant in compliance 24/365.	Number of adverse impacts (odor complaints, violations, spills, etc.)	0 Quarter Total	0 Quarter Total	0 Quarter Total	2 Quarter Total	2 Total	0	Quarterly	
		Number of priority 1 work orders	6 Ave per Month	7 Ave per Month	3 Ave per Month	3 Ave per Month	5 Ave per Month	Ave < 10/month	Monthly	
		Number of critical asset failures Number with negative impact on the environment	0 Quarter Total 0 Quarter Total	0 Total 0 Total	0 0	Monthly				
Financial	Optimize operating costs: Minimize energy, water, and chemical use.	Water Usage - Alvarado Site Gallons Used Per Day	22,865 Ave per Day	24,093 Ave per Day	31,555 Ave per Day	37,265 Ave per Day	28,944 Ave per Day	≤ 30,000	Monthly	
		Energy & Chemical Usage:								Monthly
		Average/Day Kwh/MG - Alvarado Site	2,182 Ave per Month	2,069 Ave per Month	2,149 Ave per Month	2,153 Ave per Month	2,138 Ave per Month	< 2,100		
		Average Kwh/Day - Irvington Pump Station	1,594 Ave Kwh/Day	2,175 Ave Kwh/Day	1280 Ave Kwh/Day	0 Ave Kwh/Day	1,377 Ave Kwh/Day	TBD		
		Average Kwh/Day - Newark Pump Station	2,730 Ave Kwh/Day	2,982 Ave Kwh/Day	2822 Ave Kwh/Day	2749 Ave Kwh/Day	2,821 Ave Kwh/Day	TBD		
		On-site Power Generation - kwh/day	9,634 Ave per Day	9,144 Ave per Day	9,265 Ave per Day	6,506 Ave per Day	8,637 Ave per Day	8,500		
		On-site Power Generation - kwh/year	886,400 Quarter Total	842,331 Quarter Total	833,060 Quarter Total	595,141 Quarter Total	3,156,932 Total	3,300,000		
		Ferrous Chloride								
		H2S Control - gal/hour	32 Ave GPH	≤ 35						
		H2S Control - gal/year	70,656 Quarter Total	70,656 Quarter Total	69,120 Quarter Total	69,888 Quarter Total	280,320 FY Total	≤ 300000		
Hydrogen Peroxide										
H2S Control - gal/hour	6.4 Ave GPH	5.9 Ave GPH	6.4 Ave GPH	6.9 Ave GPH	6.4 Ave GPH	8.5				
H2S Control - gal/year	14,088 Quarter Total	12,940 Quarter Total	13,921 Quarter Total	15,164 Quarter Total	56,113 FY Total	≤ 76,000				
Hypochlorite										
Disinfection - gal/hour	34.3 Ave GPH	35.6 Ave GPH	33.2 Ave GPH	34.5 Ave GPH	34.3 Ave GPH	≤ 43				
Disinfection - gal/year	75,230 Quarter Total	78,569 Quarter Total	72,468 Quarter Total	75,408 Quarter Total	301,675 FY Total	≤ 375,000				
Polymer										
GBT - lbs/dry ton	4.4 Ave lbs/dry ton	4.4 Ave per Day	3.3 Ave per Day	4.1 Ave per Day	4.4 Ave lbs/dry ton	5.5				
Dewatering - lbs/dry ton	34.6 Ave lbs/dry ton	33.5 Ave per Day	35.7 Ave per Day	35.8 Ave per Day	34.6 Ave lbs/dry ton	33				

Plant & Pump Station Process Scorecard
Fiscal Year 2013

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target	Reporting Frequency	
Financial (continued)	Optimize operating costs: Improve utilization of labor.	Overtime as % of base payroll: FMC T&D	8.5% Ave per Month 4.4% Ave per Month	9.6% Ave per Month 2.7% Ave per Month	9.5% Ave per Month 1.8% Ave per Month	10.3% Ave per Month 2.4% Ave per Month	9.5% Ave per Month 2.8% Ave per Month	≤ 7% ≤ 5%	Monthly Monthly	
		% Total hours worked spent on maintenance work - FMC	76.4% Ave per Month	74.3% Ave per Month	81.8% Ave per Month	82.1% Ave per Month	78.6% Ave per Month	≥ 80%	Monthly	
		Time not charged	12.2% Ave per Month	12.7% Ave per Month	7.6% Ave per Month	5.8% Ave per Month	9.6% Ave per Month	< 20%		
Internal Processes	Environmental Protection - District-wide	Biosolids Class A Disposal Percent Disposed of as Class A Number of Wet Tons Disposed Class A	1% Ave per Month 49 Quarter Total	63% Ave per Month 2945 Quarter Total	23% Ave per Month 1132 Quarter Total	5% Ave per Month 169 Quarter Total	23% Ave per Month 4295 FY Total	25% by FY13 4,800	Monthly	
		Maintain Plant processes within parameters.	Plant Operational Health Index Monthly Index Value Number of Days < 75% Maximum # of Consecutive Days < 75%	80% Ave 29 Days Total 3 Days	77% Ave 29 Days Total 4 Days	78% Ave 25 Days Total 3 Days	82% Ave 25 Days Total 3 Days	79% Ave 108 Days Total 4 Days	Ave ≥ 85 Track & Report ≤ 3	Monthly
	Implement an effective predictive and preventative maintenance program.	Percent of time spent on Planned vs. Unplanned maintenance activities (Best in Class 90%)	92.1% Ave per Month	98.5% Ave per Month	97.0% Ave per Month	98.8% Ave per Month	96.6% Ave per Month	75% - 90%	Monthly	
		Percent preventative maintenance work orders completed within month scheduled	98.1% Ave per Month	97.1% Ave per Month	98.8% Ave per Month	96.5% Ave per Month	97.6% Ave per Month	≥ 95%	Monthly	
		Number corrective work orders over 90 days	120 End of Quarter	143 End of Quarter	104 End of Quarter	96 End of Quarter	116 Ave per Quarter	Track & Report	Quarterly	
	Provide effective regulatory & laboratory services to support compliance.	Percent of Environmental Compliance Samples that Meet Turnaround Time (12 days)-R&S Lab	100% For Quarter	100% For Quarter	100% For Quarter	100% For Quarter	100% Ave per Quarter	≥ 95%	Quarterly	
		Percent of Immediate Notifications to TPO for Analyses that Exceed Action Limits-R&S Lab	100% For Quarter	100% For Quarter	100% For Quarter	100% For Quarter	100% Ave per Quarter	95%		
		Percent passed, State Proficiency Test (DHS-ELAP)	N/A Areas Passed	N/A Areas Passed	N/A Areas Passed	100% Areas Passed	100% Areas Passed	85%	Annually	
	Employees	Enhance employee skills.	TPO							Quarterly
			No. of training modules updated	0	1	1	2	4 Total	2	
No. of training modules with competency assessment tools developed			0	0	0	3	3 Total	3		
FMC										Quarterly
No. of training modules developed vs. goal	0	0	0	1	1 Total	1				

Treatment & Disposal Plant Process Scorecard
Fiscal Year 2014

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target	Comments/ Progress Towards Target
Customer	Operate & maintain the Plant in compliance 24/365.	Number of adverse impacts (odor complaints, violations, spills, etc.)	5 Quarter Total	1 Quarter Total	0 Quarter Total	0 Quarter Total	6 Total	0	
Financial	Optimize operating costs: Minimize energy, chemical, and water use.	Energy Usage:							
		Average/Day Kwh/MG - Alvarado Site	2,167 Ave per Month	2,208 Ave per Month	2,318 Ave per Month	2,300 Ave per Month	2,248 Ave per Month	< 2,100	
		Cogeneration - kwh/day	9,697 Ave per Day	9,773 Ave per Day	9,584 Ave per Day	8,560 Ave per Day	9,404 Ave per Day	8,500	
		Cogeneration - kwh/year	892,232 Quarter Total	899,257 Quarter Total	862,542 Quarter Total	779,641 Quarter Total	3,433,672 Total	3,300,000	
		Solar Production - kwh/day	694 Ave per Day	419 Ave per Day	415 Ave per Day	841 Ave per Day	592 Ave per Day	Track & Report	
		Solar Production - kwh/year	63,982 Quarter Total	38,620 Quarter Total	37,398 Quarter Total	76,579 Quarter Total	216,580 Total		
		Chemical Usage:							
		Ferrous Chloride							
		H2S Control - gal/hour	32 Ave GPH	32 Ave GPH	32 Ave GPH	32 Ave GPH	32 Ave GPH	≤ 35	
		H2S Control - gal/year	70,656 Quarter Total	70,656 Quarter Total	69,120 Quarter Total	69,888 Quarter Total	280,320 FY Total	≤ 300000	
Hydrogen Peroxide									
H2S Control - gal/hour	9.5 Ave GPH	8.8 Ave GPH	7.8 Ave GPH	7.8 Ave GPH	8.4 Ave GPH	≤ 8.5			
H2S Control - gal/year	20,882 Quarter Total	19,328 Quarter Total	16,775 Quarter Total	16,959 Quarter Total	73,944 FY Total	≤ 76,000			
Hypochlorite									
Disinfection - gal/hour	32.2 Ave GPH	31.5 Ave GPH	31.2 Ave GPH	32.1 Ave GPH	32.2 Ave GPH	≤ 43			
Disinfection - gal/year	75,163 Quarter Total	69,636 Quarter Total	68,244 Quarter Total	70,068 Quarter Total	283,111 FY Total	≤ 375,000			
Polymer									
GBT - lbs/dry ton	4.9 Ave lbs/dry ton	5.2 Ave per Day	4.4 Ave per Day	5.1 Ave per Day	4.9 Ave lbs/dry ton	≤ 5.5			
Dewatering - lbs/dry ton	34.1 Ave lbs/dry ton	32.8 Ave per Day	34.3 Ave per Day	34.9 Ave per Day	34.1 Ave lbs/dry ton	≤ 33			
Water Usage:									
Gallons Used Per Day	38,181 Ave per Day	24,376 Ave per Day	27,298 Ave per Day	27,386 Ave per Day	29,952 Ave per Day	≤ 30,000	Leak was identified and repaired during 1st Quarter, FY14.		
Internal Processes	Environmental Protection - District-wide	Biosolids Class A Disposal Percent Disposed of as Class A Number of Wet Tons Disposed Class A	0% Ave per Month 0 Quarter Total	7% Ave per Month 365 Quarter Total	6% Ave per Month 319 Quarter Total	50% Ave per Month 3125 Quarter Total	19% Ave per Month 3809 FY Total	25% by FY13 4,800	
	Maintain Plant processes within parameters.	Plant Operational Health Index Monthly Index Value Number of Days < 75% Maximum # of Consecutive Days < 75%	83% Ave 24 Days Total 2 Days	86% Ave 24 Days Total 2 Days	84% Ave 28 Days Total 2 Days	88% Ave 22 Days Total 2 Days	85% Ave 98 Days Total 2 Days	Ave ≥ 85 Track & Report ≤ 3	
	Complete preventative maintenance.	Percent preventative maintenance work orders completed within month scheduled (TPO)	98% Ave per Month	97% Ave per Month	98.8% Ave per Month	95.9% Ave per Month	98% Ave per Month	≥ 95%	
	Provide effective regulatory & laboratory services to support compliance.	Percent of Environmental Compliance Samples that Meet Turnaround Time (12 days)-R&S Lab Percent passed, State Proficiency Test (DHS-ELAP)	100% For Quarter 100% Areas Passed	100% For Quarter N/A Areas Passed	100% For Quarter N/A Areas Passed	100% For Quarter N/A Areas Passed	100% Ave per Quarter 100% Areas Passed	≥ 95% ≥ 85%	Frequency of test is once per year.
Employees	Enhance employee skills.	TPO							
		No. of training modules updated	4	0	0	3	7 Total	8	
		No. of training modules with competency assessment tools developed	1	2	0	2	5 Total	5	

UNION SANITARY DISTRICT

Miscellaneous Statistics
6/30/2014

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: 128.45 full-time equivalent employees

CEO: General Manager

CFO: Business Services Manager

Authority: California Health and Safety Code Section 4700 et. Seq.

Services: Wastewater collection, treatment and disposal

Service Area: 123 square miles (Fremont, Newark and Union City)

Total Population Served: 339,983

Number of Connections 108,369 = Number living units

Operations: Total miles of pipeline - 784, including the force main and all gravity sewers
(including trunk mains)
Number of pumping stations - 7
Larger: Irvington, Newark, Alvarado
Smaller: Fremont, Boyce, Paseo Padre, Cherry Street

Permitted Plant Treatment Capacity 33 mgd

Type of Treatment: Secondary

Sewer Service Charge: \$337.76 annually per residential equivalent unit