



Union Sanitary District
Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012-2013

Union Sanitary District

Union City, California

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2012-2013

Prepared by Business Services Finance Department

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Introductory Section



Cogeneration Project

**Directors**

Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers

Richard B. Currie
*General Manager/
District Engineer*

David M. O'Hara
Attorney

December 19, 2013

Board of Directors
Union Sanitary District
Union City, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

I am pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. 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, 2013 and 2012 are presented in the Financial Section of this report. Please refer to the Management's Discussion and Analysis immediately following the independent auditor's report in the Financial Section for additional information about the financial statements.

District Formation and Organization

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

The District is governed by a five-member Board of Directors, which is elected by voters for staggered four-year terms. USD, which employs 131 staff, operates in a Team-based environment and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

Local Economic Condition and Outlook

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

Fremont is the 4th largest city in the Bay Area in population and 2nd largest in size with an area of 92 square miles. The majority of its 40 schools are considered high performing by the State. During FY 2013, Fremont was ranked 5th on the "Best Run City in America" list by Twenty-Four Seven Wall Street. The two largest growth industries are Biotech and Cleantech. Two major expansions include Thermo Fisher, a biomedical device maker, and Delta Products, a computer components company which also produces electric charging stations and windmills. Seagate Technologies expanded and now occupies the manufacturing facility where Solyndra was located. Tesla Motors' Model S sedan was named Motor Trend's "Car of the Year".

Fremont is looking forward to the extension of the Bay Area Rapid Transit (BART) system which will connect Fremont to the rest of Silicon Valley in 2015. The city is also working on developing a true downtown area which will include opening over 250 high-end apartments in the next year. More retail is planned for the Pacific Commons area.

The City of Newark is seeing some growth in major revenue sources, including hotel taxes. Measure U, the Utility Users Tax, was a major step in closing the revenue/expense gap. Increasing reserves have allowed increases in services such as parks and landscape maintenance and street sweeping, and reinstatement of some community programs. The Utility Users Tax sunsets in 2015. The city is working on the Dumbarton Transit-Oriented Development project, which is planned to be a walkable neighborhood to include new housing, retail and business opportunities. Newark prides itself on its small town feel with parks, recreation centers and sports-play facilities such as the Silliman Aquatic Center, but it is also home to several new technology companies. Pacific Research Center, located at the former site of Sun Microsystems, has attracted other major technology companies such as Logitech, DepoMed Pharmaceuticals, and CellScape Corporation, which provides prenatal genetic testing technology. Cherry Logistic Center, with over 574,000 square feet is a distribution warehouse facility completing construction.

The City of Union City is eighteen square miles in area and has over 71,000 residents. It has been able to restore some services and staff, mainly due to Measure AA, the ½ cent sales tax increase. Similar to the City of Newark, this measure expires in 2015, so the City has built that possibility into its budget. Measure UU, a parcel tax, is scheduled to expire in 2016. While the median price of homes sold in Union City increased by almost 6%, the number sold has remained low.

Region-wide, the tri-city area is still in recovery mode. Unemployment rates for the cities of Fremont, Newark and Union City as of June 2013 were 5.3%, 6.9%, and 6.9% respectively, compared with 6.8%, 8.8%, and 8.9% a year ago.

Source: Fremont and Newark State of the City addresses 2013; www.fremont.gov, www.newark.org, www.ci.union-city.ca.us, www.edd.ca.gov.

Major Initiatives

During fiscal year 2013, the District completed or initiated a number of significant projects:

Computerized Maintenance Management System (CMMS) Upgrade – USD began implementation of a new computerized maintenance management system to replace the current Hansen 7 system. This project included developing interfaces with other District systems such as SCADA, Eden, and GIS. In addition the new system should provide projections for long-term equipment replacement, which is a key part of the District's asset management strategy.

Cogeneration Replacement Project – Currently the District has one generator that runs on treated digester gas and produce energy for the wastewater plant. The excess digester gas is being flared to the atmosphere. The District has started construction for the replacement of the existing Cogen System with a new system designed to utilize 90% of the gas being produced, thus minimizing flaring. The design of the new Cogen Replacement Project was completed in 2013 and the new Facility will come on-line towards the end of 2014. The new system will provide a maximum of 1,700 kilowatts of power.

Collections Services Safety – The group continues their focus on improving our safety culture by revising Team Safety Strategies, conducting Work Group safety meetings, conducting a site visit to learn from another agency, and continued the practice of daily briefings at the beginning of the shift.

Headworks Conveyor and Screening Compactor Project – The conveyor system in the District's Headworks Building needed to be replaced. Carollo Engineers completed a study that evaluated several replacement options. Staff has selected a shaft-less screw conveyor system to replace the existing belt conveyor system. A screening compactor will also be added. The design of these two major improvements, along with other miscellaneous improvements at the plant, was completed in FY 2013. The project construction also began in FY 2013. As a result of this project, the screening process will be cleaner, produce fewer odors, be easier for employees to service, and will reduce the cost of hauling.

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

ECMS – The Environmental Compliance Team and IT Team began implementation of 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.

New MOU – The District completed negotiation of a new memorandum of understanding with represented employees of SEIU Local 1021. The District and Union use an interest-based bargaining approach to labor negotiations. For some outstanding issues, an outside mediator worked with the parties to resolve all issues during one meeting. The contract will expire in 2016.

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

Phase 3 LED Lighting Conversion – The FMC Electrical and Support Team continued with their effort of upgrading District facilities with LED lighting. This year, the florescent lighting in the warehouse and Boardroom has been replaced.

Future Initiatives

Hansen Replacement Project – Continue implementation of the District's new CMMS with application configuration, data migration, interface development and training.

Safety Survey – Conduct a district-wide safety survey and compile results for comparison to prior years' surveys. Results will be presented to the Executive Team for discussion of trends and identification of any action required to address concerns. Results will also be presented to the Board.

Cogeneration Replacement Project – Continue construction of the Cogeneration facility, including engine generators and gas conditioning system. Operational testing is scheduled for completion by the end of the fiscal year.

Seismic Assessment Evaluation – Complete the first phase of the seismic evaluation to identify upgrades needed in USD's infrastructure. The project will include evaluation of buildings, structures, force mains and pipelines.

IT Disaster Plan Assessment – Conduct an external review of the current IT Disaster Recovery Plan and make recommendations for improvement.

Safety Training – Continue to focus on safety in all elements of training. In FY14, confined space entry, fall protection, and hazard communication will be emphasized.

Plant-Pump Station Communication – Meet with planning officials of the cities of Fremont and Newark to assess the permitting requirements for building a microwave tower at the Stevenson site in Fremont. If cities agree with proposal, begin design of the tower. This facility will provide reliable communication and data transmission from various pump stations to the Operations Building at the Alvarado Plant.

I-680 Sewer Crossing at Sabercat Rd. – Begin construction, including tunneling. Construction completion is scheduled for Fall 2013.

External Web Improvements – Improve the USD website to be more user-friendly and provide more value to external customers. Upgrade the system used by internal staff to update content. In FY14, requirements will be defined and improvements implemented. Both internal and external focus groups will be used to provide input into the upgrade.

Sewer Service Charge Study – Evaluate current rates including unit costs of service and distribution to customer classes; review model, ordinance and processes.

Thickener Control Building Project – Complete design and advertise for bids in the Spring.

Team Safety Strategies – Teams will review the safety strategies from FY13 and any new accidents or near misses that occurred in the prior year. Strategies will be modified

to address any new areas of concern. The continuing purpose of the team safety strategies will be to promote increased awareness of safety in day to day activities at the District

Long-Term Staffing Study – Follow-up – Review recommendations of the most recent long-term staffing study completed in FY 2013. Incorporate elements into the FY14-16 strategic plan, including addressing workforce development issues at the District.

Plant Ammonia Removal Pilot – Test a biological process for removing ammonia from a concentrated side-stream such as the digester centrate. Depending on the level of nutrient reduction required in the future, it may be possible to treat a side-stream rather than the entire plant flow.

Financial Information

Accounting System

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

Internal Controls

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

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

Budgetary Controls

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

Rate Structure

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

Sewer Service Charge

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

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

The annual residential fee for 2013 was \$319.55 for a single family dwelling.

Capacity Fees

The District charges a sewer connection fee of \$4,844.73 for an equivalent dwelling unit (EDU). This is a flat rate. The charges for commercial, industrial, and office use are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that increase capacity or that are closely related to the system's capacity. The collected revenues may be used to fund certain renewal and replacement CIP projects, but not operating and maintenance costs.

Interest Income

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

Other Information

Debt Administration – The District has outstanding debt of \$40,648,331 as of June 30, 2013. This is comprised of nine State Revolving Fund Loans with an average interest

rate of 2.6%. The District anticipates applying for State Revolving Fund loans in the next fiscal year for upcoming capital projects.

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

Financial Policies – In fiscal year 2013, the District reviewed and/or updated the following finance-related policies: Accounting Standards, Internal Controls, Budget, Fraud in the Workplace, Investment, Credit Card Security Procedures, Debt Management, and Capital Assets.

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

District Financing Authority – 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 Institute for Government Purchasing (NIGP) – Achievement of Excellence in Procurement
- ❖ National Association of Clean Water Agencies (NACWA) – Gold Peak Performance Award
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting
- ❖ CWEA SF Bay Section Collection System Person of the of the Year – Jose Rodrigues
- ❖ Al Ditman Professional Development Award – CWEA SF Bay Section – TPO Coach Larry Simmers

Acknowledgements

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

Respectfully submitted,

Maria Scott
Principal Financial Analyst
Business Services Department



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



Anjali Lathi



Manny Fernandez



Pat Kite



Tom Handley



Jennifer Toy



Principal Officials

		<u>City Represented</u>	<u>Year Elected</u>	<u>Term Expires</u>
Pat Kite	President	Newark (Ward 2)	1991	2016
Anjali Lathi	Vice President	Fremont (Ward 3)	2002	2016
Manny Fernandez	Secretary	Union City (Ward 1)	2011 (Appointed)	2016
Tom Handley	Board Member	Fremont (Ward 3)	2007	2014
Jennifer Toy	Board Member	Fremont (Ward 3)	1998	2014

David M. O'Hara

General Counsel

Staff

Richard Currie

General Manager/District Engineer

Dave Livingston

Treatment & Disposal Services Manager

Robert Simonich

Fabrication Maintenance & Construction
Manager

Richard Cortes

Business Services Manager/District
Administrative Officer

Jesse Gill

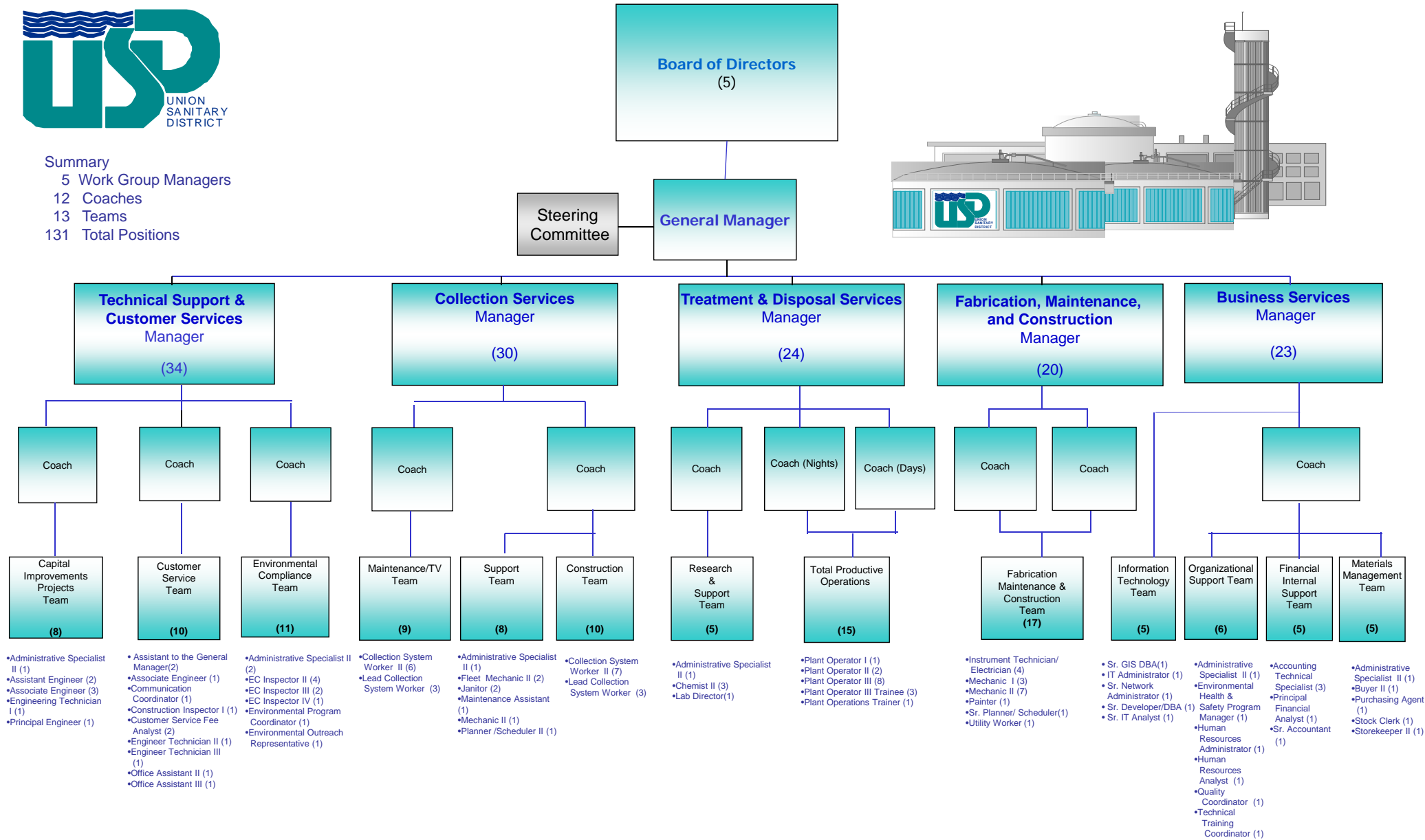
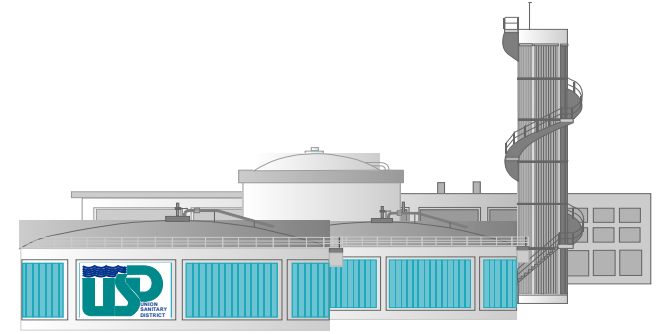
Technical Support & Customer Service
Manager

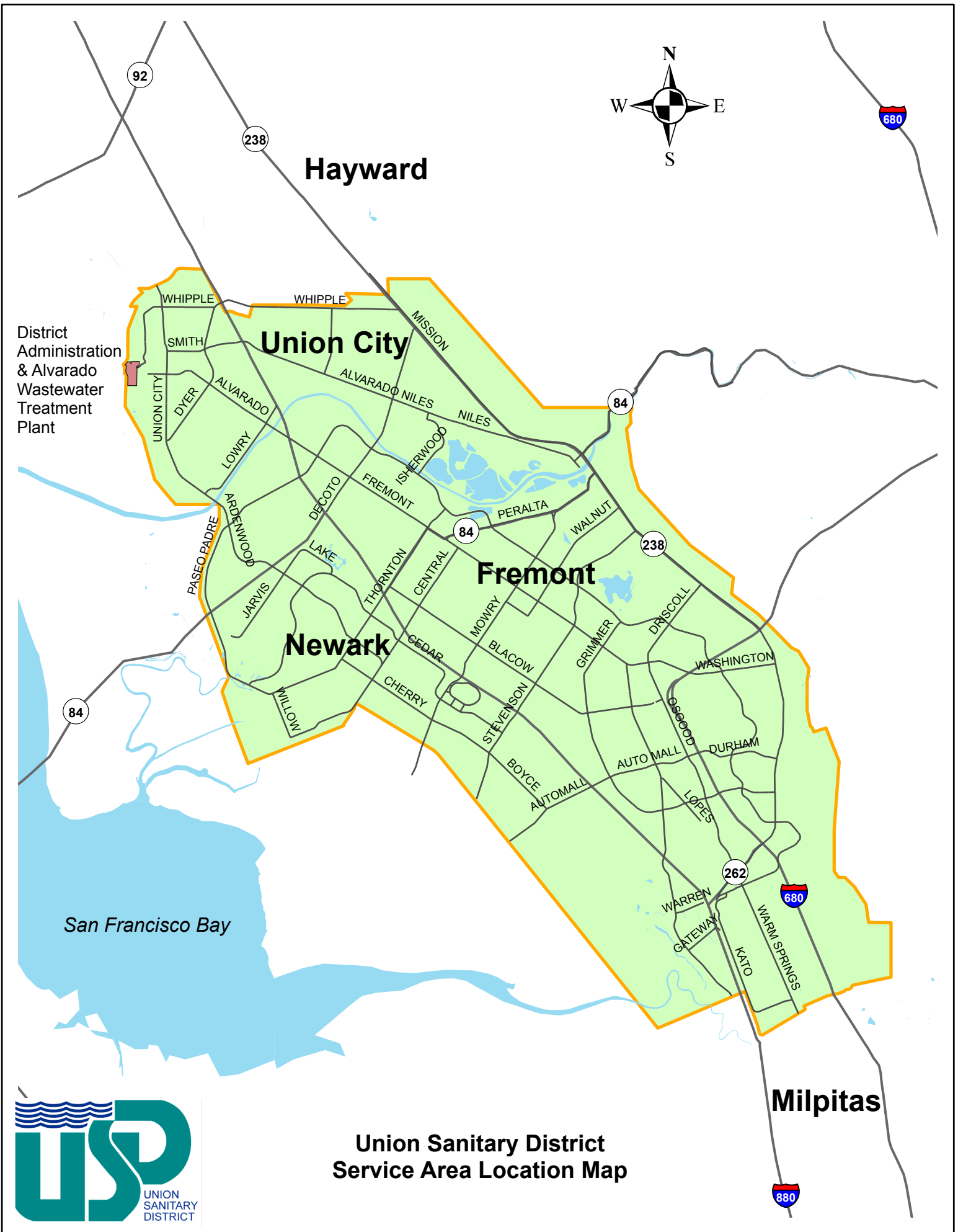
Andy Morrison

Collection Services Manager



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







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

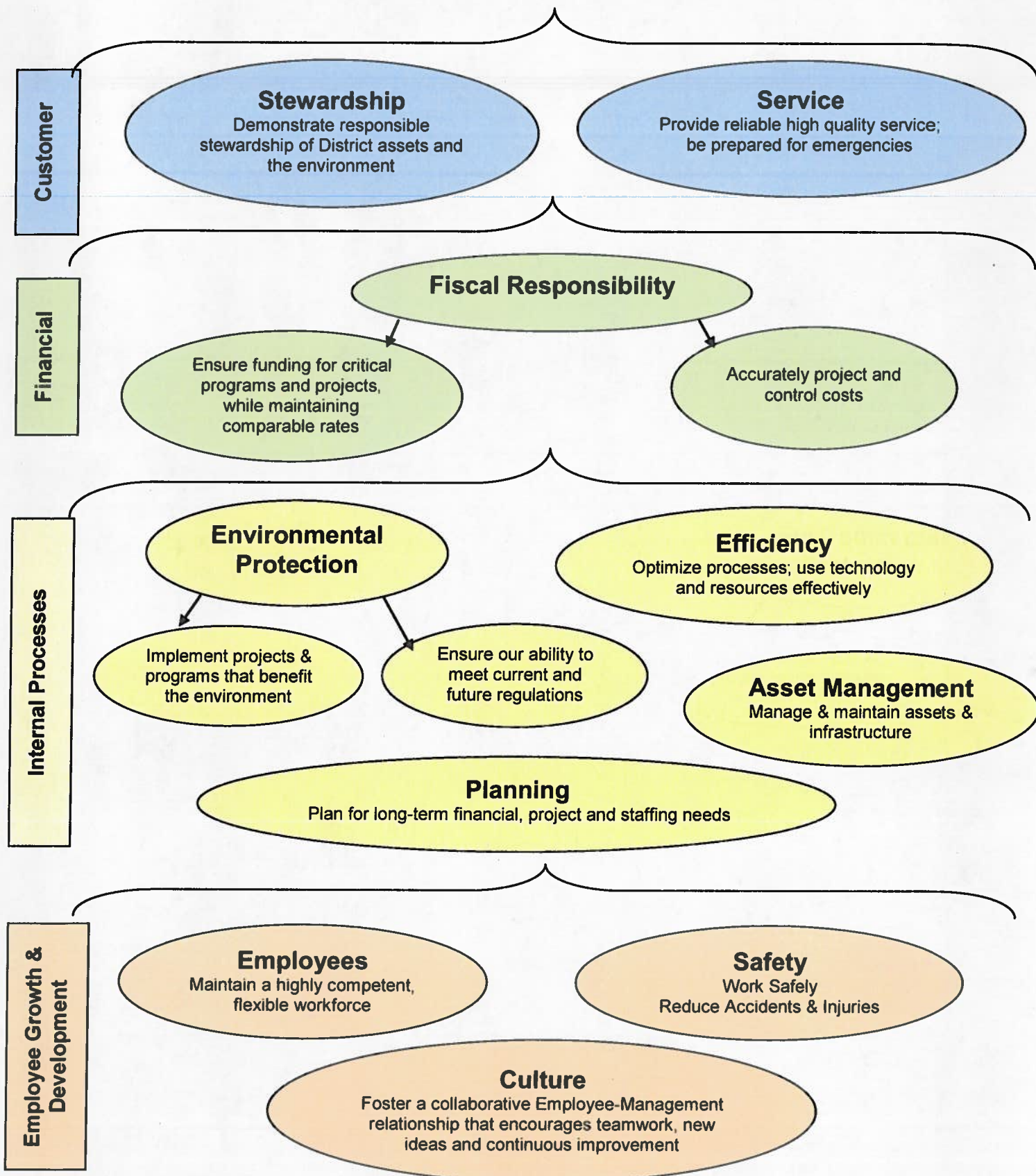
June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Executive Director/CEO

USD Strategy Map

USD Mission: 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



Operational Excellence Timeline

Jul 2010

Jan 2011

Jul 2011

Jan 2012

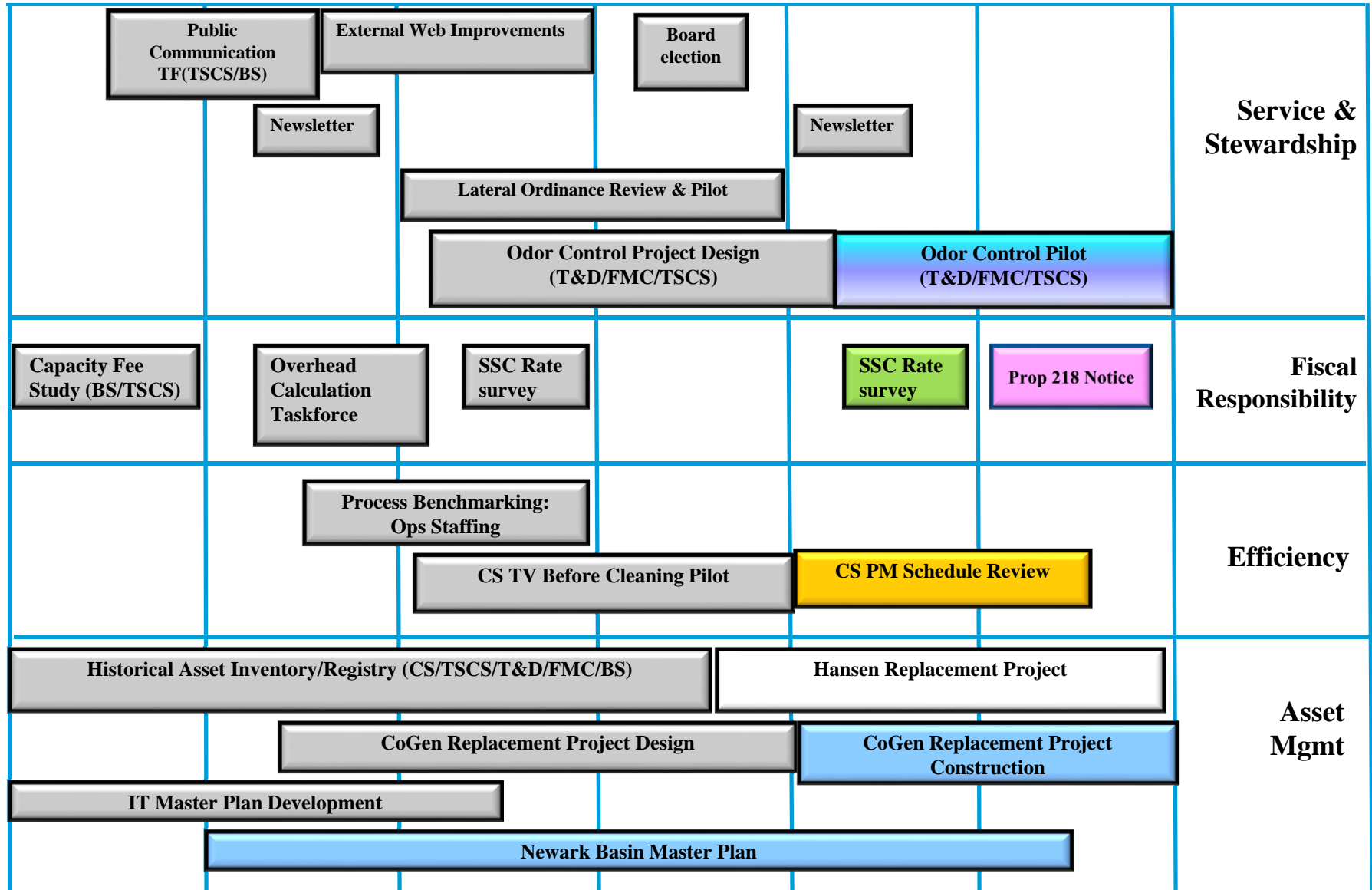
Jul 2012

Jan 2013

Jul 2013

Completed

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

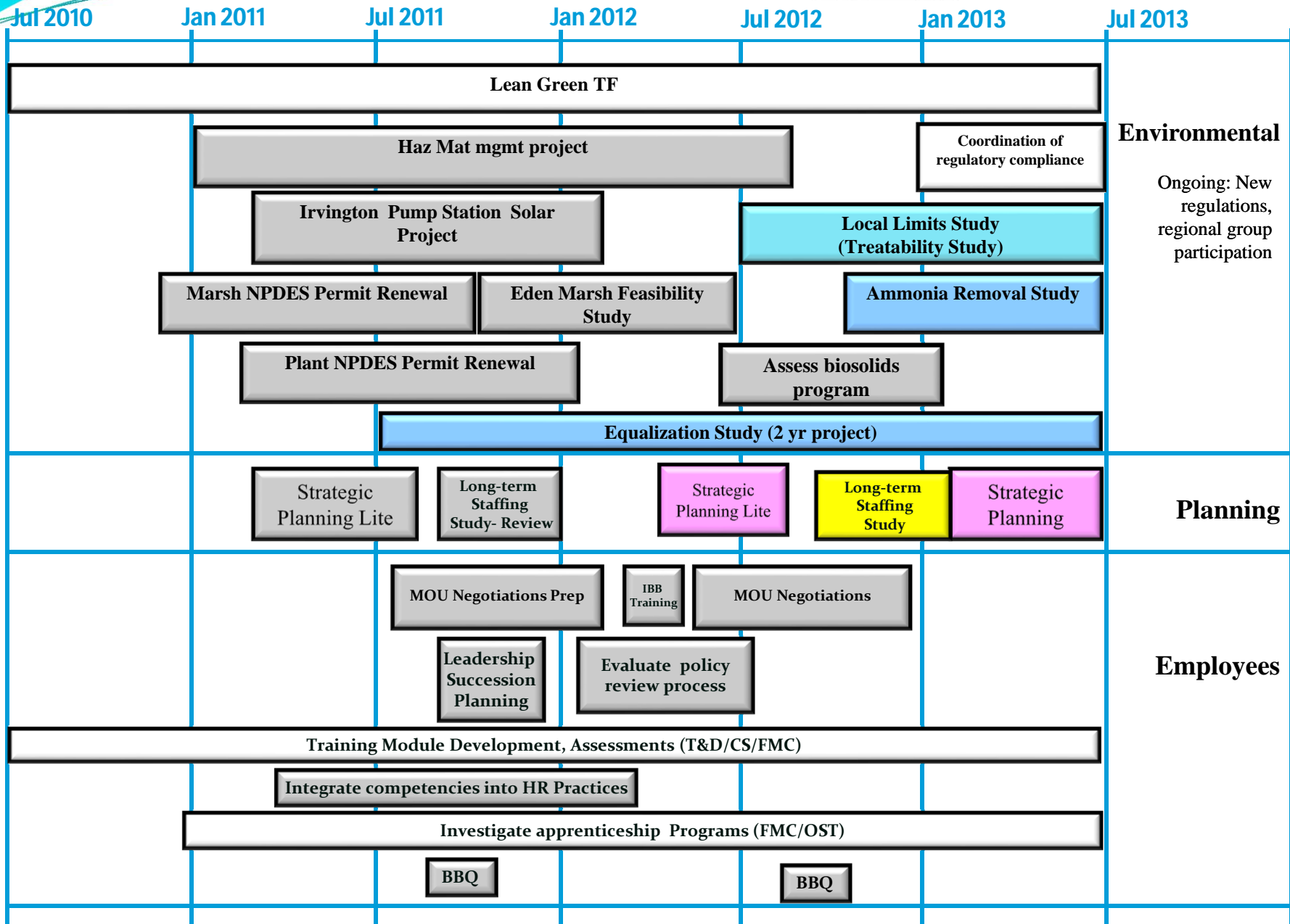


Revised 09/2011

Operational Excellence Timeline

Completed

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



Use your down arrow button to advance to the next slide.

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

Operational Excellence Timeline

Completed

Jul 2010

Jan 2011

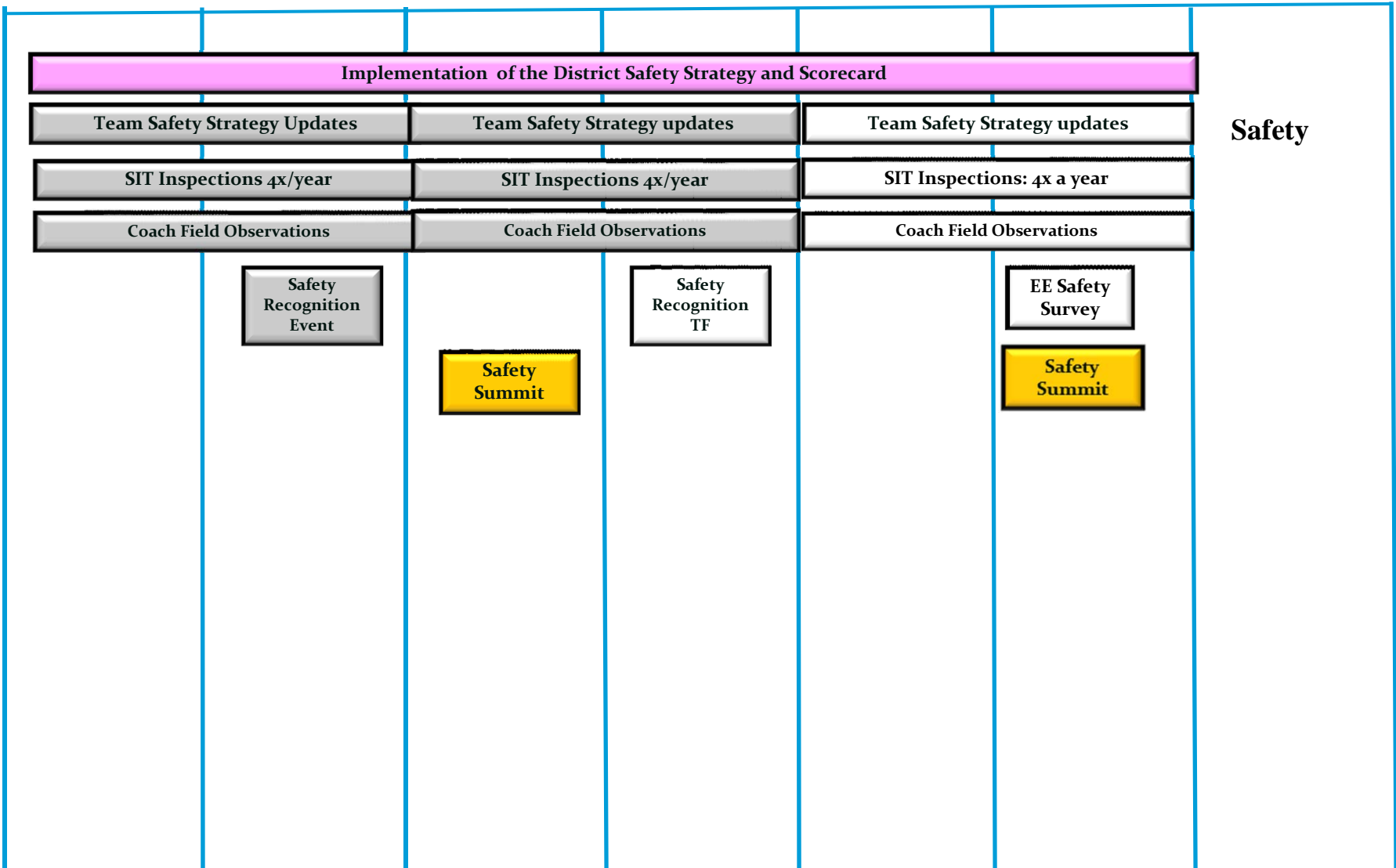
Jul 2011

Jan 2012

Jul 2012

Jan 2013

Jul 2013



Safety



Financial Section



School Tours at USD's Alvarado Treatment Plant



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, 2013 and 2012, 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 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, 2013 and 2012, and the changes in financial position and, where applicable, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, Union Sanitary District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

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 23, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
October 23, 2013

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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, 2013. 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 \$2.9 million as a result of this year's operations. At June 30, 2013 net position totaled \$350.9 million. That is, the District's total assets exceeded liabilities by \$350.9 million.
- During the year, the District had expenses, including depreciation of \$16.8 million, which exceeded sewer service charges, contributed capital, interest, and other operating revenues by \$2.9 million. This compares to last year when expenses exceeded revenues by \$1.5 million.
- Long-term liabilities increased by \$577,000 during the current fiscal year due to the addition of State Revolving Fund loan proceeds (debt).
- The District placed \$10 million in assets into service compared to \$3.9 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.
- **Statement of Cash Flows** – The primary purpose of this statement is to provide information about District cash receipts, cash disbursements and net changes in cash resulting from operations, investments, and capital and non-capital financing activities. It illustrates the source of revenue, purposes for which it was used, and change in cash balance during the reporting period.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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 \$353.9 million to \$350.9 million. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$36.3 million at June 30, 2013. The decrease in total net position was the result of a decrease in current assets of \$806,000, mainly cash, a decrease in net 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 obligations of \$577,000.

Table 1 – Condensed Statement of Net Position

	Fiscal Year 2012-2013	Fiscal Year 2011-2012	Fiscal Year 2010-11	Dollar Change FY 13 to FY12	Percent Change FY 13 to FY12
Current and other assets	\$ 62,855,452	\$ 63,661,824	\$ 60,345,735	\$ (806,372)	-1.3%
Capital assets	335,041,723	336,569,446	332,946,978	(1,527,723)	-0.5%
Total assets	397,897,175	400,231,270	393,292,713	(2,334,095)	-0.6%
Current liabilities	10,007,413	10,034,883	8,909,084	(27,470)	-0.3%
Long-term liabilities	36,906,040	36,329,139	29,013,000	576,901	1.6%
Total liabilities	46,913,453	46,364,022	37,922,084	549,431	1.2%
Net Position:					
Net investment in capital assets	294,393,392	296,939,157	300,489,831	(2,545,765)	-0.9%
Restricted	20,297,820	19,346,378	16,877,836	951,442	4.9%
Unrestricted	36,292,510	37,581,713	38,002,962	(1,289,203)	-3.4%
Total net position	\$ 350,983,722	\$ 353,867,248	\$ 355,370,629	\$ (2,883,526)	-0.8%

In the prior year, FY 2012, Net position decreased from \$355.4 million to \$353.9 million, due mainly to an increase in current and other assets of \$3.1 million, mainly investments, an increase in net capital assets of \$3.6 million, due to increased construction in progress, an increase in current liabilities of approximately \$1.1 million, and an increase in long term debt of \$7.3 million.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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

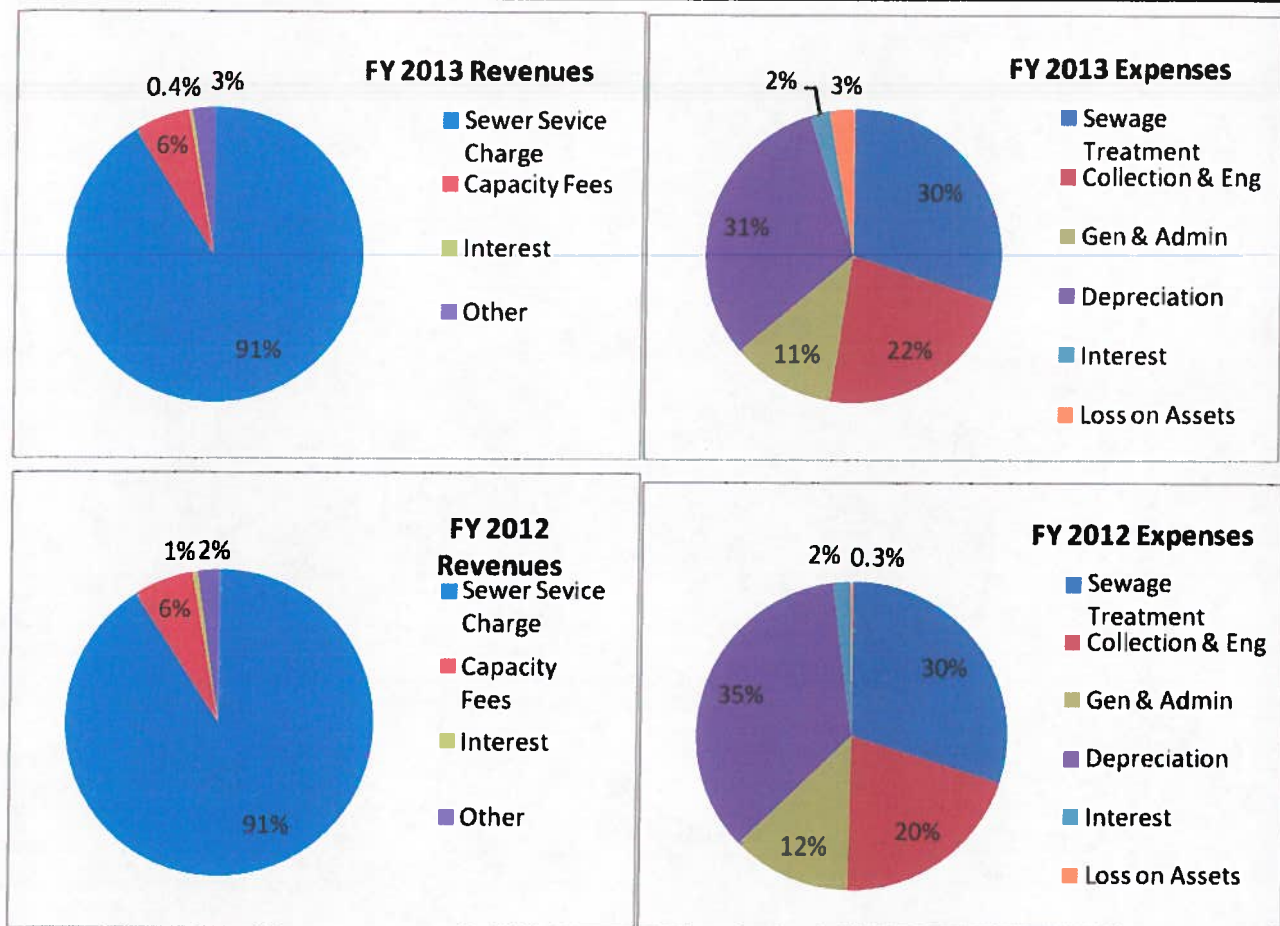
	Fiscal Year 2012-2013	Fiscal Year 2011-12	Fiscal Year 2010-11	Dollar Change FY 13 to FY12	Percent Change FY 13 to FY12
Revenues:					
Sewer service charges (SSC)	\$ 42,339,311	\$ 40,630,578	\$ 38,486,824	\$ 1,708,733	4.2%
Other revenues	1,163,802	1,027,357	987,948	136,445	13.3%
Investment income and net gains	178,690	248,337	274,328	(69,647)	-28.0%
Connection fees	2,864,810	2,848,488	3,381,963	16,322	0.6%
Total revenues with connection fees	<u>46,546,613</u>	<u>44,754,760</u>	<u>43,131,063</u>	<u>1,791,853</u>	<u>4.0%</u>
Expenses:					
Sewage treatment	16,088,929	14,255,266	14,342,352	1,833,663	12.9%
Sewage collection and engineering	11,954,345	9,712,645	10,532,692	2,241,700	23.1%
General and administration	6,111,468	5,951,818	5,574,251	159,650	2.7%
Interest	1,138,677	858,162	1,114,313	280,515	32.7%
Depreciation	16,776,307	16,790,277	16,323,858	(13,970)	-0.1%
Loss on retirement of capital assets	1,479,254	127,430	751,601	1,351,824	1060.8%
Total expenses	<u>53,548,980</u>	<u>47,695,598</u>	<u>48,639,067</u>	<u>5,853,382</u>	<u>12.3%</u>
Decrease in net position before contributions and special items	(7,002,367)	(2,940,838)	(5,508,004)	(4,061,529)	138.1%
Contributed capital and EBDA loss	4,118,841	1,437,457	4,373,795	2,681,384	186.5%
Change in Net Position	<u>(2,883,526)</u>	<u>(1,503,381)</u>	<u>(1,134,209)</u>	<u>(1,380,145)</u>	<u>91.8%</u>
Beginning Net Position	353,867,248	355,370,629	356,504,838	(1,503,381)	-0.4%
Ending Net Position	<u>\$ 350,983,722</u>	<u>\$ 353,867,248</u>	<u>\$ 355,370,629</u>	<u>\$ (2,883,526)</u>	<u>-0.8%</u>

The District's total revenues such as capacity fees and sewer service charges increased by \$1.8 million, or 4.0 percent for the year ended June 30, 2013. This is due mainly to a 5.0 percent increase in the sewer service charge rate, an increase in capacity fee revenue, and a decrease in interest. Contributed capital increased by \$2.7 million. The total cost of all programs and services, including depreciation, was nine percent higher than last year. Most major cost categories increased over 2012 costs except for repairs and maintenance, utilities, EBDA, and rents and leases. 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.

In the prior year, FY 2012, total revenues such as capacity fees and sewer services charges increased by \$1.6 million. This was due mainly to a five percent increase in the sewer service charge rate, an increase in capacity fee revenue and a decrease in interest. The total cost of all programs and services, including depreciation, was 1.9 percent lower than FY 2011. Most major cost categories decreased, including non-capital project expense, insurance, office supplies, repairs and maintenance, and operating supplies.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013



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 five percent.
- The District increased capacity fees ten percent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had approximately \$335 million invested in a broad range of capital assets, including facilities and equipment for the plant, collections, and administrative facilities. This amount represents a net decrease of \$1.5 million, or .5 percent, compared to last year. The main reason for this is the accumulated depreciation in FY 2013. Total assets placed into service were \$10.0 million in FY 2013 vs. \$3.8 million in FY 2012 and \$26.4 in FY 2011. Additions to Construction in Progress were \$13.9 million in FY 2013 vs. \$18.6 million in FY 2012 and \$9.5 million in FY 2011.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Additions to Construction in Progress totaled \$13.9 million. Major projects included:

Table 3 – Additions to Construction in Progress

Boyce Road Lift Station	\$ 2,513,378
Primary Clarifiers 1-4	1,909,633
Cogeneration	1,901,083
Thickener No. 3 & 4 Rehabilitation	1,451,482
Headworks & Emergency Outfall Improvements	834,599
Misc. Spot Repairs Phase 4	739,827
PLC Replacement	709,653
Thickener Control Building and Interim Improvements	590,956
I-680 at Sabercat Replacement	574,264
SFPUC at Mission Blvd. & I-880	530,756
Force Main Improvement	437,232
Others	1,798,762
Total	<u>\$ 13,991,625</u>

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

Table 4 – Total Assets Placed into Service

Substation No.1 Replacement	\$ 2,618,082
Secondary Digester No. 1 Dome Replacement	789,580
Misc. Spot Repairs - Phase 4	752,217
Vehicles	565,915
Force Main Improvement	340,000
SFPUC at Mission Blvd. & I-880	274,790
Primary Digester No. 4 Rehabilitation	176,245
Grit Hopper Replacement	122,547
Contributed Capital (pipes and manholes)	4,009,985
Others	372,557
Total	<u>\$ 10,021,918</u>

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

Debt Administration

At year-end, the District had \$40.6 million in notes outstanding versus \$39.6 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.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

ECONOMIC AND OTHER FACTORS

The District's elected and appointed officials considered many factors when setting the fiscal year 2013 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% and Capacity fee rates increased 10%. The net Operating budget was increased 3.5 percent, using a projected staff vacancy factor of two percent.

The District's fiscal year 2013 capital budget called for expenditures of \$13.6 million for Boyce Rd. Lift Station Replacement, Cogeneration, INKA Structure Demolition, Primary Clarifier Rehabilitation, Thickener Control Building Improvements and Thickener Mechanism 3 & 4 Replacement among others. The Engineering group prioritized and rescheduled CIP projects in order to help achieve our goal of positive fund balances. The CIP budget increased by \$4.5 million from fiscal year 2012.

The District's fiscal year 2014 budget includes a six percent increase in the operating budget with a two percent staff vacancy factor, and a capital budget which calls for expenditures of \$17.5 million for Cogeneration, Headworks Conveyors and Screenings, RAS Pump Stations Pumps and Valve Replacement, I-680 Crossing at Sabercat Rd, Boyce Road Lift Station Replacement, Veasy Street Sewer Improvements, Aeration Internal Lift Pumps, and Cast Iron Pipe Lining projects. Sewer service charges will increase 5.7 percent and Capacity fee rates will increase ten percent.

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, 2013 AND 2012

	2013	2012
CURRENT ASSETS		
Cash, cash equivalents	\$ 643,752	\$ 1,508,810
Investments	50,804,062	50,335,929
Accounts receivable, net	2,771,607	2,961,626
Interest receivable	99,811	192,858
Inventory	596,396	522,515
Other	21,659	19,609
Total current assets	54,937,287	55,541,347
NONCURRENT ASSETS		
Capital Assets		
Non depreciable capital assets:		
Land and improvements	5,593,929	5,395,903
Construction in progress	31,800,155	25,094,235
Capacity Permit	6,043,632	6,043,632
Depreciable assets		
Utility plant in service	609,293,880	604,087,703
Less: Accumulated depreciation	(317,689,873)	(304,052,027)
Net capital assets	335,041,723	336,569,446
Other Assets		
Restricted cash and cash equivalents	-	113,296
Restricted investments	10,000	20,000
Net OPEB asset	1,435,718	1,425,564
Investment in East Bay Dischargers Authority	6,472,447	6,561,617
Total other assets	7,918,165	8,120,477
Total non-current assets	342,959,888	344,689,923
TOTAL ASSETS	397,897,175	400,231,270
CURRENT LIABILITIES		
Accounts payable and accrued expenses	3,738,900	4,566,395
Customer deposits	381,542	263,021
Accrued payroll and related expenses	671,896	660,306
Interest payable	557,503	405,430
Current portion of compensated absences	915,281	838,581
Current portion of long-term debt	3,742,291	3,301,150
Total current liabilities	10,007,413	10,034,883
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	36,906,040	36,329,139
Total long-term liabilities	36,906,040	36,329,139
TOTAL LIABILITIES	46,913,453	46,364,022
NET POSITION		
Net investment in capital assets	294,393,392	296,939,157
Restricted for:		
Capacity purposes, expendable	16,093,405	15,123,448
SRF loan contingency reserve, non-expendable	4,204,415	4,222,930
Unrestricted	36,292,510	37,581,713
TOTAL NET POSITION	\$ 350,983,722	\$ 353,867,248

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, 2013 AND 2012

	2013	2012
OPERATING REVENUE		
Sewer service charges	\$ 42,339,311	\$ 40,630,578
Other operating revenues	1,163,802	1,027,357
Total operating revenue	<u>43,503,113</u>	<u>41,657,935</u>
OPERATING EXPENSES		
Sewage treatment	16,088,929	14,255,266
Sewage collection and engineering	11,954,345	9,712,645
General and administration	6,111,468	5,951,818
Total operating expenses before depreciation	<u>34,154,742</u>	<u>29,919,729</u>
DEPRECIATION	<u>16,776,307</u>	<u>16,790,277</u>
Total operating expenses	<u>50,931,049</u>	<u>46,710,006</u>
OPERATING LOSS	<u>(7,427,936)</u>	<u>(5,052,071)</u>
NON-OPERATING REVENUES (EXPENSES)		
Net investment income and net realized gains and losses	178,690	248,337
Interest Expense	(1,138,677)	(858,162)
Loss on retirement of capital assets	(1,479,254)	(127,430)
Gain (loss) on equity investment in East Bay Dischargers Authority	<u>(89,170)</u>	<u>(100,827)</u>
Net non-operating revenue (expense)	<u>(2,528,411)</u>	<u>(838,082)</u>
LOSS BEFORE CONTRIBUTED CAPITAL	<u>(9,956,347)</u>	<u>(5,890,153)</u>
Connection fees and other contributed capital	<u>7,072,821</u>	<u>4,386,772</u>
CHANGE IN NET POSITION	<u>(2,883,526)</u>	<u>(1,503,381)</u>
NET POSITION, BEGINNING OF YEAR	353,867,248	355,370,629
NET POSITION, END OF YEAR	<u>\$ 350,983,722</u>	<u>\$ 353,867,248</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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 43,693,132	\$ 41,532,187
Payments to suppliers	(14,853,479)	(9,848,358)
Payments to employees	(13,983,330)	(13,255,728)
Payments for benefits on behalf of employees	(5,692,889)	(5,151,590)
Receipts (disbursements) for deposits	118,521	(99,191)
Payments related to postemployment benefits	(448,284)	(363,108)
Other operating receipts (disbursements)	(2,050)	7,017
Cash flows provided by (used in) operating activities	<u>8,831,621</u>	<u>12,821,229</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Principal payments on long-term debt	(3,306,586)	(3,600,409)
Proceeds from state revolving loan funds	4,324,628	10,773,551
Interest paid on long-term debt	(986,604)	(847,214)
Acquisition and construction of capital assets	(14,197,107)	(19,001,891)
Connection fees and other related revenues from developers	3,062,836	2,848,488
Cash flows provided by (used in) capital and related financing activities	<u>(11,102,833)</u>	<u>(9,827,475)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	271,737	221,931
Net loss on disposal of capital assets	1,479,254	-
Purchase of investments	57,040,000	(81,361,951)
Proceeds from sales and maturities of investments	(57,498,133)	78,755,000
Cash flows provided by (used in) investing activities	<u>1,292,858</u>	<u>(2,385,020)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(978,354)</u>	<u>608,734</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,622,106</u>	<u>1,013,372</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 643,752</u>	<u>\$ 1,622,106</u>
RECONCILIATION OF CASH AND EQUIVALENTS		
Unrestricted cash and cash equivalents	\$ 643,752	\$ 1,508,810
Restricted cash and cash equivalents	-	113,296
Total cash and cash equivalents	<u>\$ 643,752</u>	<u>\$ 1,622,106</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (7,427,936)	\$ (5,052,071)
Adjustments to reconcile operating loss to cash flows provided by operating activities		
Depreciation	16,776,307	16,790,277
(Increase) decrease in accounts receivable and other assets	190,019	(125,748)
Increase (decrease) in accounts payable and accrued expenses	(827,495)	1,256,648
(Increase) decrease in inventory and other	2,205	51,314
Increase (decrease) in customer deposits	118,521	(99,191)
Cash flows provided by (used in) operating activities	<u>\$ 8,831,621</u>	<u>\$ 12,821,229</u>
NONCASH TRANSACTIONS		
Contributions of capital assets	\$ 4,009,985	\$ 1,538,284
Decrease in equity in East Bay Dischargers Authority	89,170	100,827

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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, 2013. 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, 2013 AND 2012

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.

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

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

Cash and Cash Equivalents

The District considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of June 30, 2013 and 2012, 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, 2013 and 2012, are recorded at fair value using quoted market prices. The related net realized and unrealized gains (losses) on investments are recognized in the accompanying statement of revenues expenses, and changes in net assets.

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

Inventory

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

Capital Assets

Capital assets, including costs of addition to utility plant and major replacements of property, are capitalized and stated at cost. The District'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, 2013 AND 2012

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 2.99 percent and 3.01 percent of average depreciable plant during the years ended June 30, 2013 and 2012, 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, 2013 AND 2012

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 23, 2013, the date which the financial statements were available to be issued.

Change in Accounting Principles

In June 2011, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncement issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. The District implemented this statement in fiscal year 2013 with no impact to the financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local*

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

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.

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 provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged. Management is evaluating the impact the Statement will have on the financial statements.

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

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged. Management is evaluating the impact the Statement will have on the financial statements.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #2 – CAPITAL ASSETS

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 Permit	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

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 \$17,522,000 at June 30, 2013.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #2 – CAPITAL ASSETS - CONTINUED

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

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

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:

	2013	2012
Cash and cash equivalents	\$ 643,752	\$ 1,508,810
Restricted cash and cash equivalents	-	113,296
Investments	50,804,062	50,335,929
Restricted investments	10,000	20,000
Total Cash and Cash Equivalents and Investments	\$ 51,457,814	\$ 51,978,035

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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, 2013 AND 2012

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:

2013

	Maturities of			Total
	12 months or less	12-24 months	25 - 60 months	
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

2012

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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, 2013, these investments mature in an average of 278 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, 2013 for each investment type:

	Aaa	Aa2	Aa3	A1	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>\$ -</u>	<u>\$ 2,726,484</u>	<u>\$ 2,050,485</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>

Presented below is the actual rating as of June 30, 2012 for each investment type:

	Aaa	Aa2	Aa3	A1	P-1	Total
U.S. Agency Obligations						
FHLB	\$ 4,068,120	\$ -	\$ -	\$ -	\$ -	\$ 4,068,120
FNMA	3,933,813	-	-	-	-	3,933,813
International Bank for Reconstruction & Development (IBRD)	2,001,180	-	-	-	-	2,001,180
Corporate Notes	-	904,138	5,777,813	4,078,655	2,499,600	13,260,206
Local Government Investment Pool (CAMP)	33,583	-	-	-	-	33,583
Totals	<u>\$ 10,036,696</u>	<u>\$ 904,138</u>	<u>\$ 5,777,813</u>	<u>\$ 4,078,655</u>	<u>\$ 3,996,910</u>	<u>23,296,902</u>
Exempt from credit rate disclosure						
U.S. Treasury Obligations						5,526,673
Certificates of deposit						2,539,519
Not rated						
California Local Agency Investment Fund						18,992,835
Cash and cash equivalents						1,622,106
Total Cash, Cash Equivalents and Investments						<u>\$ 51,978,035</u>

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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, 2013, 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, 2013, the District's total bank balance of \$929,934 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, 2013 AND 2012

NOTE #4 – JOINT VENTURES

Alameda County Water District Financing Authority

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

Investment in East Bay Dischargers Authority

The District has an 18.7 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 assets, 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, 2012 and 2011 and for the years then ended, the most recent audited information available, is as follows:

	2012	2011
Total Assets	\$ 35,461,881	\$ 35,483,503
Total liabilities	849,863	349,642
Net asset value of EBDA	34,612,018	35,088,861
District's share at 18.7%	6,472,447	6,561,617
Net loss on equity investment in EBDA	\$ 89,170	\$ 100,827

EBDA has no outstanding debt.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #4 – JOINT VENTURES – CONTINUED

During fiscal year ended June 30, 2013 and 2012, the District was charged \$1,060,693 and \$1,100,381, 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, 2013 are summarized as below:

	Maturity Date	Interest Rate	Balance 7/1/12	Additions	Retirements	Balance 6/30/13	Current Portion
1994 State Revolving Fund Loan - Plant Upgrade	06/17/14	2.7%	\$ 3,766,492	\$ -	\$ 1,858,688	\$ 1,907,804	\$ 1,907,804
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	9,372,390	-	683,227	8,689,163	699,624
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	1,426,037	-	74,160	1,351,877	75,940
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	9,670,324	-	424,306	9,246,018	435,762
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	1,883,640	-	88,775	1,794,865	91,172
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,827,887	-	81,651	1,746,236	83,693
2011 State Revolving Fund Loan - Primary CI	01/15/33	2.7%	6,438,569	2,298,505	-	8,737,074	351,690
2011 State Revolving Fund Loan - Substation I	02/28/32	2.6%	2,321,332	109,879	95,779	2,335,432	96,606
2011 State Revolving Fund Loan - Boyce Rd. Lift Station	03/31/33	2.6%	2,923,618	1,916,244	-	4,839,862	-
Compensated absences	n/a	n/a	838,581	987,744	911,044	915,281	915,281
			<u>\$ 40,468,870</u>	<u>\$ 5,312,372</u>	<u>\$ 4,217,630</u>	<u>\$ 41,563,612</u>	<u>\$ 4,657,572</u>

A. 1994 State Revolving Fund Loan – Plant Upgrade

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

B. 2003 State Revolving Fund Loan – Irvington

During 2003, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. As of March 26, 2004, \$14,301,057, the maximum loan amount, had been drawn. The interest rate on the loan is 2.4 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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #5 - LONG-TERM OBLIGATIONS – CONTINUED

C. 2008 State Revolving Fund Loan – Willow

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.4 percent and is payable in twenty annual installments, beginning one year after initial loan disbursement. The purpose of this loan was to finance the Willow/Central Avenue sanitary sewer rehabilitation project. The maximum amount of this agreement is \$1,749,329 based upon projected costs to be incurred. As of June 30, 2013, \$1,710,471 has been advanced under this agreement.

D. 2008 State Revolving Fund Loan – Newark Pump Station

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 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, 2013, \$10,283,322, the maximum loan amount, has been advanced under this agreement.

E. 2008 State Revolving Fund Loan – Hetch Hetchy

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 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, 2013, \$2,113,379 has been advanced under this agreement.

F. 2009 State Revolving Fund Loan – Cedar Boulevard

During 2009, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.5 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, 2013, \$1,998,384 has been advanced under this agreement.

G. 2011 State Revolving Fund Loan – Primary Clarifier

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 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, 2013, \$8,821,860 has been advanced under this agreement.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #5 - LONG-TERM OBLIGATIONS – CONTINUED

H. 2011 State Revolving Fund Loan – Substation 1

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 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, 2013, \$2,412,908 has been advanced under this agreement.

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

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 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, 2013, \$4,839,862 has been advanced under this agreement.

J. Debt Service Requirements

Future annual repayment requirements as of June 30, 2013 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,742,291	\$ 814,710	\$ 4,557,001
2015	2,068,965	860,220	2,929,185
2016	2,121,980	816,084	2,938,064
2017	2,176,358	770,800	2,947,158
2018	2,232,134	724,341	2,956,475
2019-2023	12,173,656	2,913,894	15,087,550
2024-2028	9,926,186	1,585,314	11,511,500
2029-2033	6,037,707	469,790	6,507,497
2034	169,055	8,181	177,236
Totals	<u>\$ 40,648,331</u>	<u>\$ 8,963,334</u>	<u>\$ 49,611,665</u>

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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, 2013 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	16.604%

CALPERS determines contribution requirements using a modification of the Entry Age Actuarial Cost Method. Under this method, the District's total normal benefit cost for each employee for date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the District must pay annually to fund and employee's projected retirement benefit. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The District uses the actuarially determined percentages of payroll to calculate and pay contribution to CALPERS. This results in no net pension obligations or unpaid contributions. Annual pension costs, representing the payment of employer contributions required by CALPERS, for the years ended June 30, 2013 and 2012 were \$2,248,207 and \$2,053,047 respectively. In addition, the District was obligated to pay six percent of the employee's eight percent contribution as per collective bargaining agreements from July 1, 2012 through June 5, 2013. 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, 2013 and 2012 were \$3,069,290 and \$2,869,537, respectively.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 3,069,290	100%	-
6/30/2012	2,869,537	100%	-
6/30/2011	2,268,175	100%	-

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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 3.20 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, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 94,015,409
Actuarial value of plan assets	77,586,175
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,429,234</u>
Funded ratio (actuarial value of plan assets/ AAL)	82.5%
Covered payroll (active plan members)	\$ 12,767,707
UAAL as a percentage of covered payroll	128.7%

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

NOTE #7 - OTHER RETIREMENT BENEFITS

A. Postemployment Healthcare Plan (OPEB)

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

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

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #7 - OTHER RETIREMENT BENEFITS - 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)	\$ 448,284
Interest on net OPEB obligation (asset)	(96,226)
Adjustment to ARC	86,072
Annual OPEB cost	438,130
Contributions made	448,284
Change in net OPEB obligation (asset)	(10,154)
OPEB obligation (asset) - beginning of year	(1,425,564)
OPEB obligation (asset) - end of year	\$ (1,435,718)

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)
6/30/2013	\$ 438,130	\$ 448,284	102%	\$ (1,435,718)
6/30/2012	346,615	363,108	105%	(1,425,564)
6/30/2011	333,663	351,679	105%	(1,409,071)

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

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

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

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #7 - OTHER RETIREMENT BENEFITS - CONTINUED

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

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

B. 401(a) Plans

The District sponsors three internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the ICMA Retirement Corporation. The plans were established and can be amended by Board resolution and, for certain terms, by participant agreement. Eligibility for participation in a particular plan is dependent on job classification. Within each plan, participating employees contribute the same dollar amount, and the District makes matching contributions on their behalf. The District and the participants both contributed a total of \$34,185 and \$36,690 to the plans for the years ended June 30, 2013, and 2012, respectively.

C. Deferred Compensation Plan

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

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

NOTE #8 - RISK MANAGEMENT

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

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

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

UNION SANITARY DISTRICT

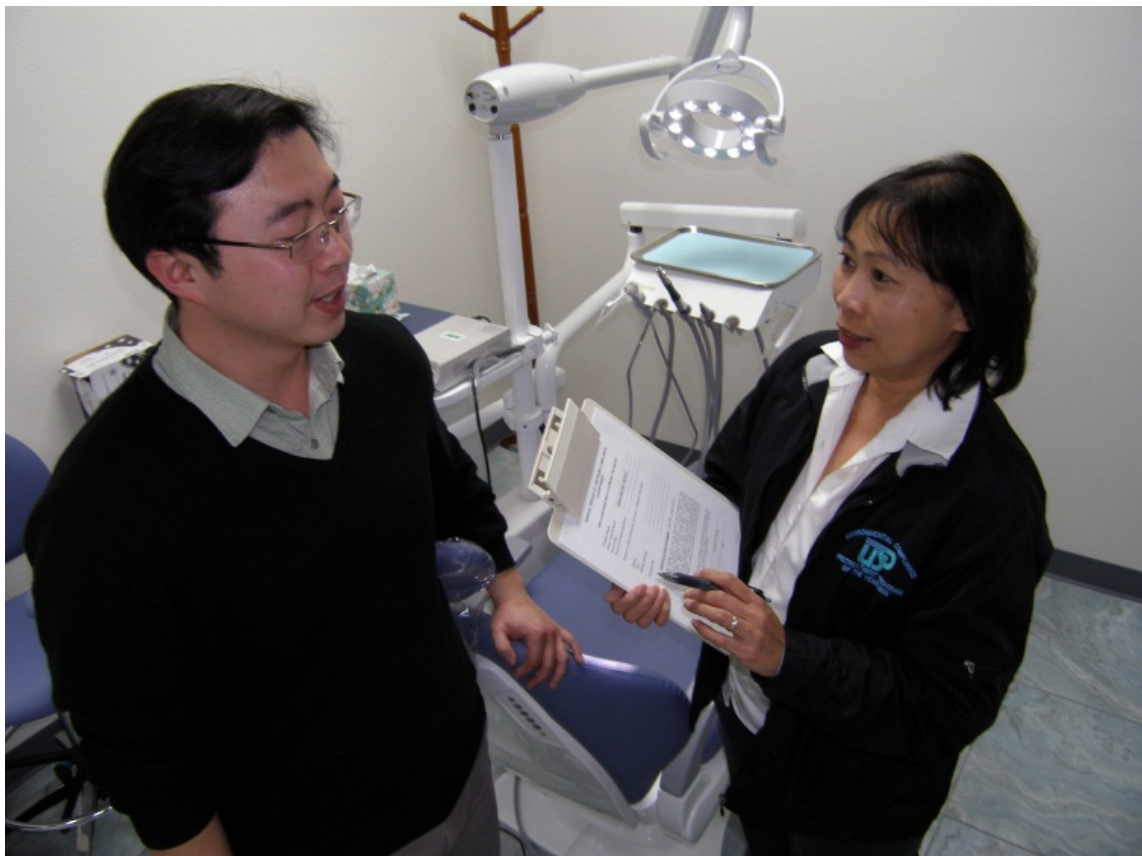
NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

NOTE #9 - COMMITMENTS AND CONTINGENT LIABILITIES

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



Supplementary Information



Industrial Pretreatment and Pollution Prevention

REQUIRED SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

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
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%
2009	70,490,768	83,558,837	13,068,069	84.4%	12,177,190	107.3%

Schedule of Funding Progress for Retiree Health Benefit Plan

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

SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

SCHEDULES OF COMPONENTS OF NET POSITION FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
NET INVESTMENT IN CAPITAL ASSETS		
Net capital assets	\$ 335,041,723	\$ 336,569,446
Less long term debt:		
State revolving fund	(40,648,331)	(39,630,289)
Net investment in capital assets	<u>294,393,392</u>	<u>296,939,157</u>
RESTRICTED		
Expendable:		
Capacity purposes	\$ 16,093,405	\$ 15,123,448
Nonexpendable:		
State revolving fund loan contingency requirement	<u>4,204,415</u>	<u>4,222,930</u>
Total restricted net assets	<u>\$ 20,297,820</u>	<u>\$ 19,346,378</u>
UNRESTRICTED		
Renewal and replacement:		
Structural	\$ 8,079,734	\$ 10,704,257
Vehicle and equipment	1,150,234	1,173,450
Information system	1,368,371	1,269,037
Plant and pump station	158,524	110,992
Non-capital project expense (NECB)	310,580	306,956
Investment in East Bay Dischargers Authority	6,472,447	6,561,617
Risk management	1,500,000	1,500,000
Cash flow	15,139,823	14,595,065
Emergency	2,000,000	1,250,000
Pretreatment	<u>112,797</u>	<u>110,339</u>
Total unrestricted	<u>\$ 36,292,510</u>	<u>\$ 37,581,713</u>
NET POSITION	<u>\$ 350,983,722</u>	<u>\$ 353,867,248</u>

UNION SANITARY DISTRICT

SCHEDULES OF COMPONENTS OF NET POSITION FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 AND 2012

	2013				2012			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	\$ 4,800,376	\$ 6,282,578	\$ 2,981,252	\$ 14,064,206	\$ 4,517,109	\$ 5,862,154	\$ 2,945,441	\$ 13,324,704
Employee benefits	1,918,094	2,645,861	1,574,478	6,138,433	1,707,279	2,382,945	1,439,396	5,529,620
Recruitment and development	89,445	98,160	196,330	383,935	79,764	84,957	212,550	377,271
Temporary help	-	10,476	31,253	41,729	-	15,170	-	15,170
Repairs and maintenance	1,482,668	509,882	11,213	2,003,763	1,570,105	546,929	12,459	2,129,493
Operating supplies	1,674,605	232,206	-	1,906,811	1,626,589	215,601	-	1,842,190
Office and safety supplies	144,142	179,200	245,880	569,222	140,006	152,172	216,153	508,331
Insurance	-	-	222,425	222,425	-	-	176,275	176,275
Contractual services	700,986	47,514	10,569	759,069	673,834	40,278	10,334	724,446
Professional services	168,316	35,027	534,404	737,747	181,917	51,187	471,113	704,217
Utilities	2,190,981	53,095	63,023	2,307,099	2,355,404	49,554	58,129	2,463,087
East Bay Dischargers Authority - operating charges	1,060,693	-	-	1,060,693	1,100,381	-	-	1,100,381
Non-capital projects	1,805,985	1,805,985	200,084	3,812,054	248,476	254,805	369,573	872,854
Sewer Service charge	35,084	35,084	35,084	105,252	34,983	34,983	34,982	104,948
administrative fee	17,554	19,277	5,473	42,304	19,419	21,910	5,413	46,742
Rents/Leases								
Total	\$16,088,929	\$ 11,954,345	\$ 6,111,468	\$ 34,154,742	\$ 14,255,266	\$ 9,712,645	\$ 5,951,818	\$ 29,919,729

UNION SANITARY DISTRICT

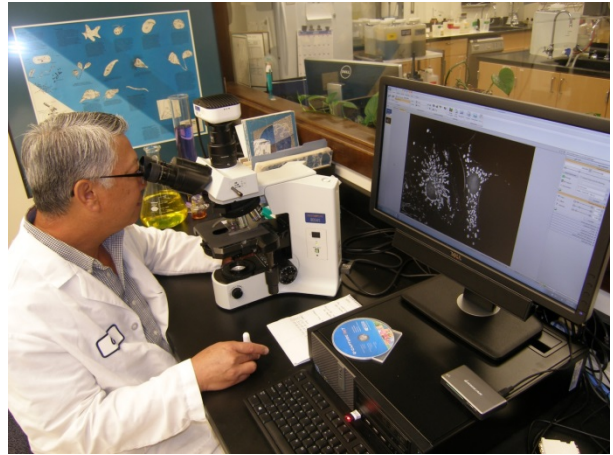
SCHEDULE OF INSURANCE COVERAGE FOR THE YEAR ENDED JUNE 30, 2013

The District's insurance policies and coverages in effect at June 30, 2013 are as follows:

General liability (pooled liability program)

Bodily injury, property damage, and personal injury	\$	25,500,000
Public entity errors and omissions and other related practices	\$	25,500,000
Employment related practices	\$	25,500,000

	Insured Value	
Auto physical damage (primary insurance program)	\$	3,290,105
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



Laboratory Testing and Analysis

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.

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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.	
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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

	Fiscal Year									
Changes in Net Position	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues										
Sewer Service Charges	\$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	\$27,075,598
Other Operating Revenues	1,163,802	1,027,357	987,948	968,475	809,171	922,013	1,099,925	1,118,247	1,097,871	1,247,850
Total Operating Revenues	<u>43,503,113</u>	<u>41,657,935</u>	<u>39,474,772</u>	<u>38,185,548</u>	<u>35,913,056</u>	<u>33,773,951</u>	<u>32,051,841</u>	<u>30,375,517</u>	<u>28,689,884</u>	<u>28,323,448</u>
Operating Expenses										
Sewage Treatment	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	10,300,254
Sewage Collection and Engineering	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	6,739,434
General and Administration	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	3,780,914
Total Operating Expenses Before Depr.	<u>34,154,742</u>	<u>29,919,729</u>	<u>30,449,295</u>	<u>28,656,785</u>	<u>26,797,875</u>	<u>24,638,396</u>	<u>23,853,636</u>	<u>23,100,338</u>	<u>21,844,369</u>	<u>20,820,602</u>
Depreciation	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 *	14,299,037
Total Operating Expenses	<u>50,931,049</u>	<u>46,710,006</u>	<u>46,773,153</u>	<u>44,900,320</u>	<u>43,178,385</u>	<u>40,467,396</u>	<u>40,981,297</u>	<u>39,194,125</u>	<u>49,514,345</u>	<u>35,119,639</u>
Operating Loss	<u>(7,427,936)</u>	<u>(5,052,071)</u>	<u>(7,298,381)</u>	<u>(6,714,772)</u>	<u>(7,265,329)</u>	<u>(6,693,445)</u>	<u>(8,929,456)</u>	<u>(8,818,608)</u>	<u>(20,824,461)</u>	<u>(6,796,191)</u>
Non-operating Revenues (Expenses)										
Investment Income	178,690	248,337	274,328	349,012	1,136,138	1,746,157	1,902,866	1,527,372	926,543	552,623
Interest Expense	(1,138,677)	(858,162)	(1,114,313)	(867,781)	(647,171)	(775,179)	(839,808)	(897,698)	(1,240,075)	(699,776)
Loss on Retirement of Utility in Capital Assets	(1,479,254) ***	(127,430)	(751,601)	(95,110)	(134,787)	(384,325)	(97,969)	(168,026)	(2,077,193)	(1,273,464)
Gain (loss) on Equity Investment in EBDA	(89,170)	(100,827)	(95,011)	(76,498)	(12,946)	(46,886)	(142,783)	(150,303)	(153,173)	(158,172)
Other Non-operating Expenses	0	0	0	0	0	0 **	0 **	(1,098,450)	(629,216)	(677,448)
Net Non-operating Revenues	<u>(2,528,411)</u>	<u>(838,082)</u>	<u>(1,686,597)</u>	<u>(690,377)</u>	<u>341,234</u>	<u>539,767</u>	<u>822,306</u>	<u>(787,105)</u>	<u>(3,173,114)</u>	<u>(2,256,237)</u>
Loss Before Contributions	(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)	(9,052,428)
Connection Fees and Other Contrib. Capital	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	4,988,881
Change in Net Position	(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)	(4,063,547)
Net Position, Beginning of Year	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	392,036,201
Net Position, End of Year	<u>\$350,983,722</u>	<u>\$353,867,248</u>	<u>\$355,370,629</u>	<u>\$356,504,838</u>	<u>\$360,713,640</u>	<u>\$363,100,316</u>	<u>\$363,022,293</u>	<u>\$367,626,389</u>	<u>\$370,712,758</u>	<u>\$387,972,654</u>
Statement of Net Position by Component										
Net investment in capital assets	\$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	\$336,649,401
Restricted	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	4,981,966
Unrestricted	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	2,215,053
Restricted-Retiree medical benefit plan	0	0	0	0	0	1,457,853	938,263	853,752	770,356	749,830
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,826,323</u>	<u>31,546,085</u>	<u>32,077,355</u>	<u>34,368,633</u>	<u>43,376,404</u>
Total USD net position	<u>\$350,983,722</u>	<u>\$353,867,248</u>	<u>\$355,370,629</u>	<u>\$356,504,838</u>	<u>\$360,713,640</u>	<u>\$363,100,316</u>	<u>\$363,022,293</u>	<u>\$367,626,389</u>	<u>\$370,712,758</u>	<u>\$387,972,654</u>

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

* Includes a correction to pre-1980 assets depreciated by a method other than straight-line.

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

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

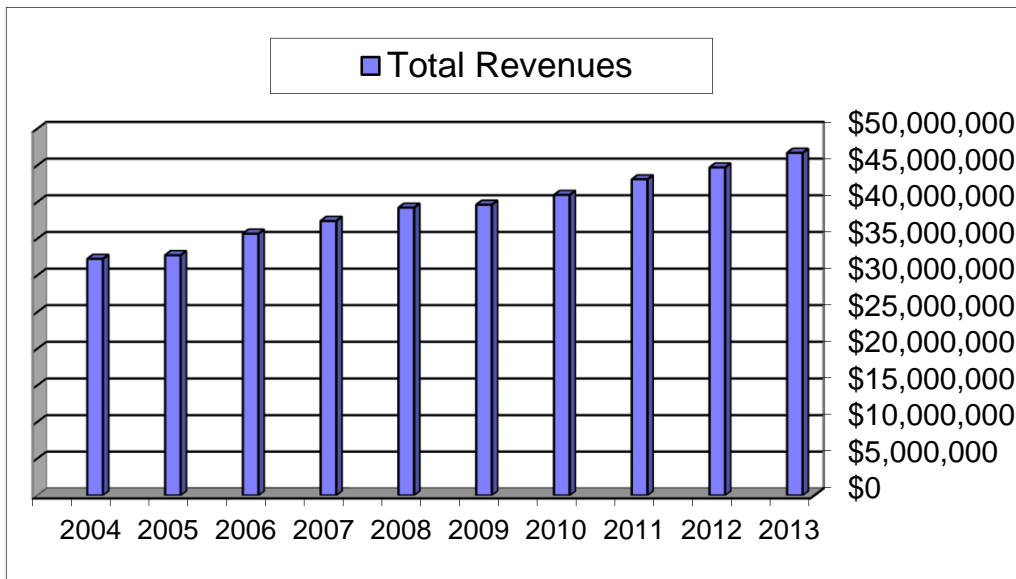
Source: USD Audited Financial Statements

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>
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
2004	27,075,598	3,411,559	552,623	1,247,850	32,287,630

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



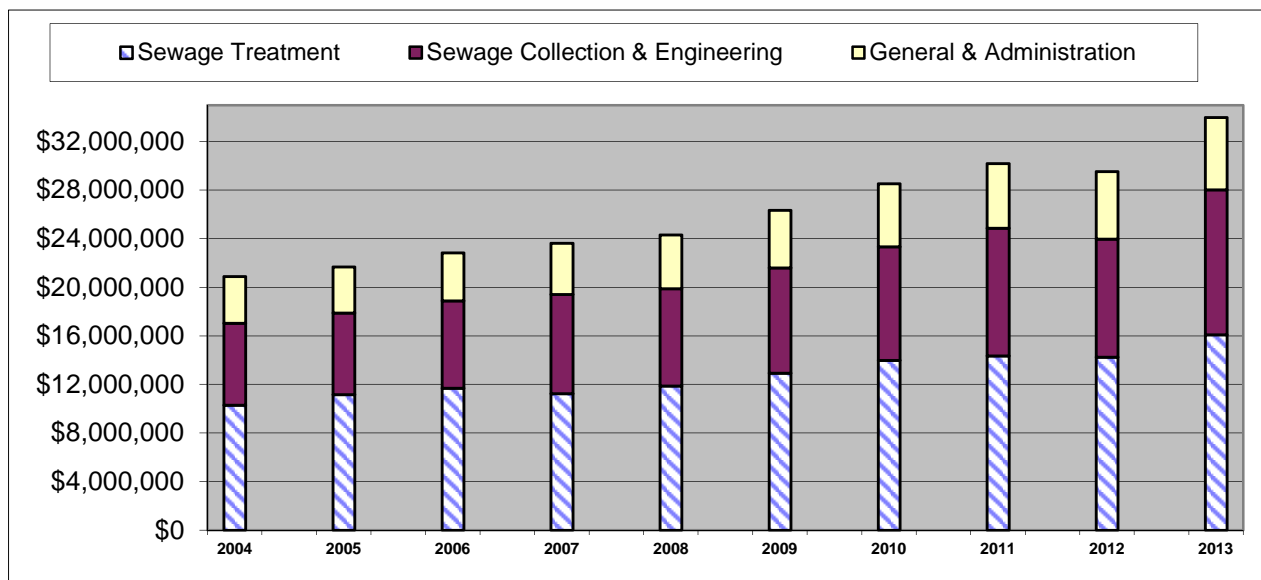
The District's main source of revenue is Sewer Service Charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

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>
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
2004	10,300,254	6,739,434	3,780,914	20,820,602

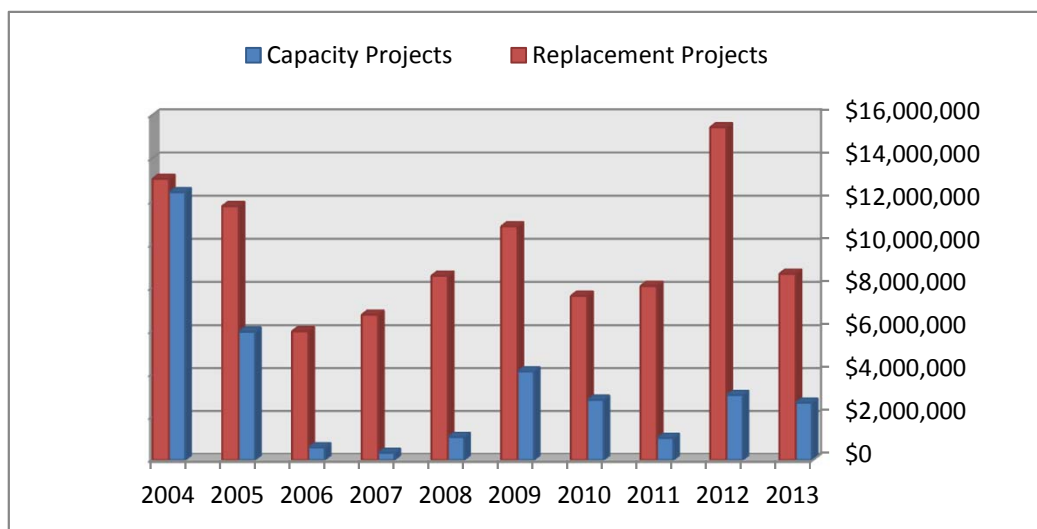


Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

UNION SANITARY DISTRICT

Capital Expenditures

<u>Fiscal Year</u>	<u>New Capacity Projects</u>	<u>Renewal & Replacement Projects</u>	<u>Total Capital Expenditures</u>
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
2004	12,443,532	13,061,112	25,504,644



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.

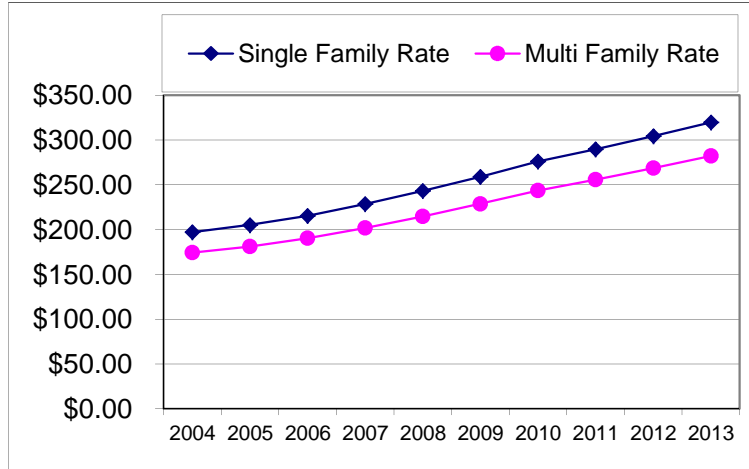
Structural renewal & replacement projects provide rehabilitation, replacement, or upgrade of existing facilities to prolong the useful life of the assets and to maintain the current service level of the facilities.

UNION SANITARY DISTRICT

Current and Historical Fees Last Ten Years

Sewer Service Charge Rates

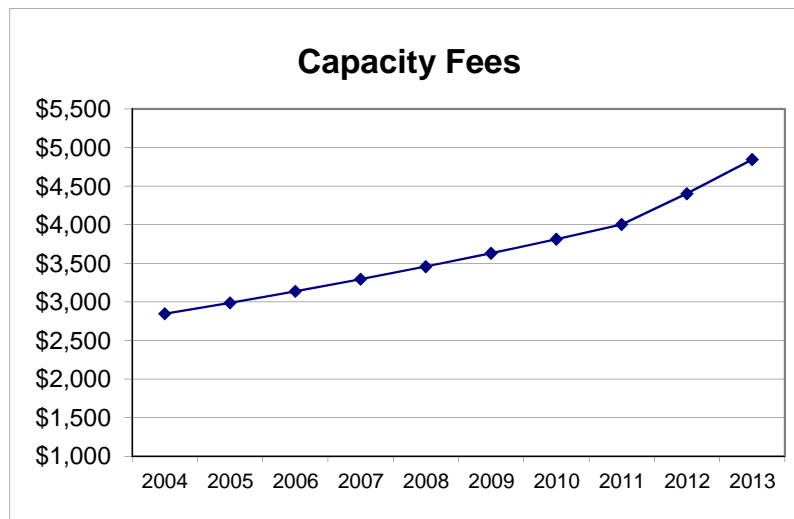
	Single Family Rate	Multi - Family Rate	SFD % Change
2013	\$319.55	\$282.17	5.0%
2012	304.33	268.73	5.0%
2011	289.84	255.93	5.0%
2010	276.04	243.74	6.5%
2009	259.18	228.86	6.5%
2008	243.36	214.90	6.5%
2007	228.52	201.78	6.0%
2006	215.57	190.33	5.0%
2005	205.30	181.27	4.0%
2004	197.40	174.30	



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$282.17 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
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	5.0%
2004	2,845.50	



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

UNION SANITARY DISTRICT
Ten Principal Industrial Rate Payers
June 30, 2013

Rate Payer	2012-13			2011-12			2010-11			2009-10			2008-09			2007-08		
	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	\$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%	\$274,533	2	0.84%
Seagate Technology	114,131	2	0.27%	---	---	---	82,333	8	0.21%	---	---	---	---	---	---	---	---	---
Washington Hospital	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%	139,089	3	0.42%
Pacific Commons	95,188	4	0.22%	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Ranch 99/Warm Springs Center	90,954	5	0.21%	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
The Benton in Fremont	90,859	6	0.21%	83,531	7	0.21%	82,409	7	0.21%	78,484	6	0.21%	73,693	7	0.21%	69,198	8	0.21%
US Pipe	90,780	7	0.21%	76,091	10	0.19%	---	---	---	---	---	---	---	---	---	82,993	5	0.25%
Solyndra	89,164	8	0.21%	210,366	2	0.52%	120,712	5	0.31%	73,694	8	0.20%	---	---	---	---	---	---
Lam Research	88,904	9	0.21%	---	---	---	---	---	---	73,316	9	0.20%	---	---	---	---	---	---
Kaiser Hospital	83,879	10	0.20%	84,813	8	0.21%	78,993	9	0.21%	---	---	---	67,333	10	0.19%	---	---	---
Total annual billing largest ten:	<u>\$1,066,186</u>		<u>2.52%</u>	<u>\$836,781</u>		<u>2.06%</u>	<u>\$716,441</u>		<u>1.86%</u>	<u>\$580,960</u>		<u>1.56%</u>	<u>\$560,654</u>		<u>1.60%</u>	<u>\$565,813</u>		<u>1.72%</u>
Total ALL annual billings	<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>			<u>\$32,851,938</u>		

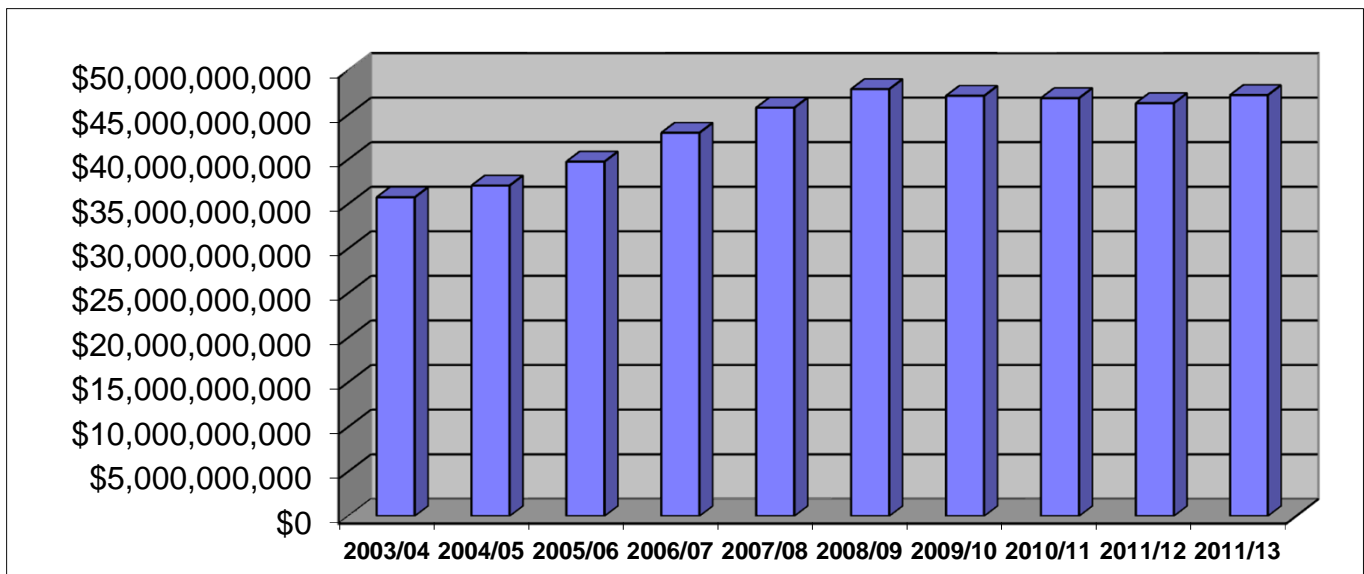
	2006-07			2005-06			2004-05			2003-04			2001/2002	2001-02 Revenues	2012-13 Revenues	Still USD Customer
	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings				
Western Digital	\$233,804	2	0.76%	\$201,825	2	0.69%	\$216,040	3	0.78%	\$158,686	3	0.59%	1 New United Motor Mfg.	590,799	---	No
Seagate Technology	---	---	---	---	---	---	106,163	5	0.38%	122,363	4	0.45%	2 Dreyers Grand Ice Cream	305,464	---	No
Washington Hospital	111,139	6	0.36%	78,911	7	0.27%	82,141	7	0.30%	64,280	8	0.24%	3 HMT Technology	151,445	---	No
Pacific Commons	---	---	---	---	---	---	---	---	---	---	---	---	4 Nancy's Specialty Foods	112,461	---	No
Ranch 99/Warm Springs Center	---	---	---	---	---	---	---	---	---	---	---	---	5 Evergreen Oil	94,399	47,172	Yes
The Benton in Fremont	64,973	10	0.21%	---	---	---	---	---	---	---	---	---	6 Read Rite (Western Digite	90,026	216,919	Yes
US Pipe	101,516	7	0.33%	86,484	4	0.30%	71,889	8	0.26%	81,083	6	0.30%	7 Agilent Technology	88,690	---	No
Solyndra	---	---	---	---	---	---	---	---	---	---	---	---	8 Dannon/Mckesson Water:	82,975	---	No
Lam Research	---	---	---	---	---	---	---	---	---	32,796	10	0.12%	9 Washington Hospital	76,952	105,407	Yes
Kaiser Hospital	---	---	---	---	---	---	---	---	---	---	---	---	10 Seagate Technology	76,726	114,131	Yes
Total annual billing largest ten:	<u>\$511,432</u>		<u>1.65%</u>	<u>\$367,220</u>		<u>1.26%</u>	<u>\$476,234</u>		<u>1.73%</u>	<u>\$459,208</u>		<u>1.70%</u>				
Total ALL annual billings	<u>\$30,951,916</u>			<u>\$29,257,270</u>			<u>\$27,592,013</u>			<u>\$27,075,598</u>						

UNION SANITARY DISTRICT

Fiscal Year Assessed Valuation

Valuation of taxable property within Union Sanitary District

		% Change
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	3.69%
2003/04	\$35,736,357,377	



Includes property in Fremont, Newark, and Union City.

UNION SANITARY DISTRICT

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Use Permit (1)</u>	<u>Loans Payable (2)</u>	<u>Principal Total</u>	<u># of Ratepayers*</u>	<u>Total Debt/ #Ratepayers</u>
2013	\$0	\$40,648,331	\$40,648,331	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
2004	3,104,897	31,292,792	34,397,689	90,120	382

* 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	\$1,907,804
	State Water Resources Control Board - Irvington Wastewater Equalization Storage Facility	2.4%	8/30/2023	\$908,164	\$8,689,163
	State Water Resources Control Board - Willow/Central Avenue	2.4%	11/16/2027	\$108,385	\$1,351,877
	State Water Resources Control Board - Newark Pump Stat. Upgrade	2.7%	1/26/2030	\$685,405	\$9,246,018
	State Water Resources Control Board - Lower Hetch Hetchy	2.7%	11/17/2028	\$139,634	\$1,794,865
	State Water Resources Control Board - Cedar Blvd.	2.5%	2/26/2030	\$127,349	\$1,746,236
	State Water Resources Control Board - Primary Clarifier (still drawing proceeds)	2.7%	1/15/2033	\$591,603	\$8,737,074
	State Water Resources Control Board - Substation 1	2.6%	2/28/2032	\$175,842	\$2,335,432
	State Water Resources Control Board - Boyce Road (still drawing proceeds)	2.6%	3/31/2033	\$401,263	\$4,839,862
Totals				\$5,098,028	\$40,648,331

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

UNION SANITARY DISTRICT

Pledged-Revenue Coverage Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Debt Coverage % (2)</u>
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%
2004	32,287,630	20,820,602	11,467,028	2,460,384	466%

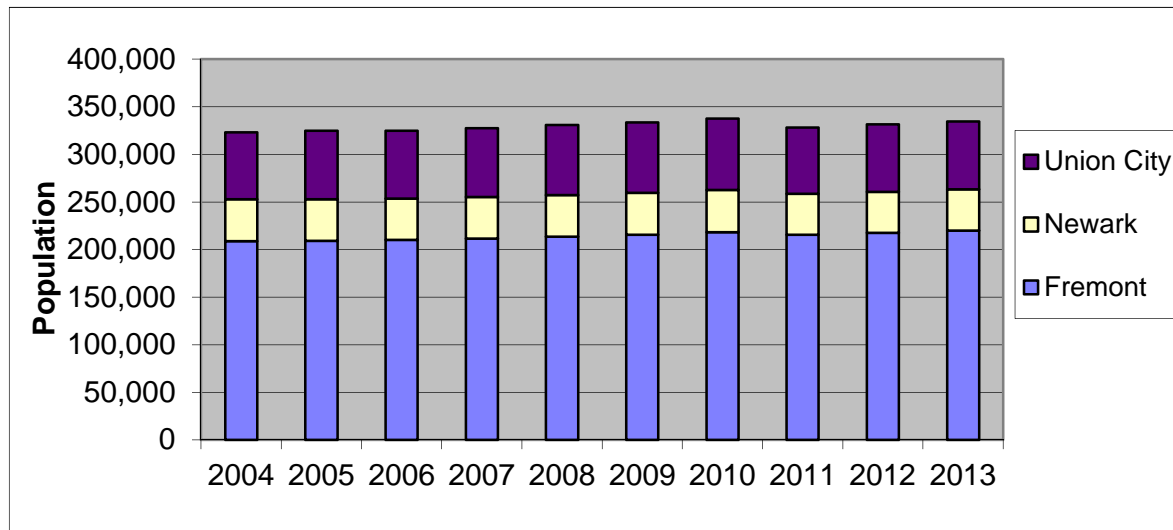
(1) Excludes depreciation; Operating Expenses do not include Capital Project Expenditures

(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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fremont	209,000	209,100	210,158	211,662	213,512	215,636	218,128	215,711	217,700	219,926
Newark	43,950	43,960	43,486	43,693	43,872	44,035	44,380	42,764	43,041	43,342
Union City	70,300	71,725	71,152	72,297	73,402	73,977	75,054	69,850	70,646	71,329
Total	323,250	324,785	324,796	327,652	330,786	333,648	337,562	328,325	331,387	334,597
Total % Change	0.25%	0.47%	0.003%	0.88%	0.96%	0.87%	1.17%	-2.74%	0.93%	0.97%



UNION SANITARY DISTRICT

Demographics of Population Served

Median Household Income

Fremont	\$99,169
Newark	\$84,922
Union City	\$93,963
CA	\$61,400

Median Home Value

Fremont	\$677,200
Newark	\$500,000
Union City	\$531,400
CA	\$398,100

UNION SANITARY DISTRICT

Demographics Major Employers in District Service Area

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

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

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
System operations and maintenance (CS Support, FMC, T&D, Warehouse)	51.45	51.45	50.45	51.45	51.00	51.23	49.23	49.23	48.00	47.00
Engineering and construction (CIP)	7.00	8.00	8.00	6.00	6.00	6.00	7.00	7.00	6.00	7.00
Collections System Maintenance (CS)	24.00	22.00	22.00	22.00	22.00	21.00	23.00	24.00	21.40	21.40
Office of the General Manager (GM)	2.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Finance (FIST)	5.00	5.00	5.00	5.00	5.00	5.00	4.00	5.00	5.00	5.00
Information systems (IT)	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration department (OA, Adm Specialist, MMT, non-HR OST)	15.00	14.00	16.00	15.00	15.50	15.50	16.00	15.40	17.55	17.55
Customer and community services (Rest of TSCS)	19.00	19.00	19.00	19.00	21.00	21.00	18.00	19.68	17.68	17.68
Human resources (HR)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Total	131.45	130.45	129.45	128.45	130.50	129.73	127.23	130.31	124.63	124.63
Average years of service of employees as of 6/30/13:	11.70	12.25	11.89	11.46	10.71	10.06	9.80	10.70	11.61	12.41

CIP = Capital Improvements Projects Team

FMC = Fabrication, Maintenance and Construction

MMT = Materials Management Team

OST = Organizational Support Team

T&D = Treatment & Disposal Work Group

TSCS = Technical Support & Customer Services Work Group

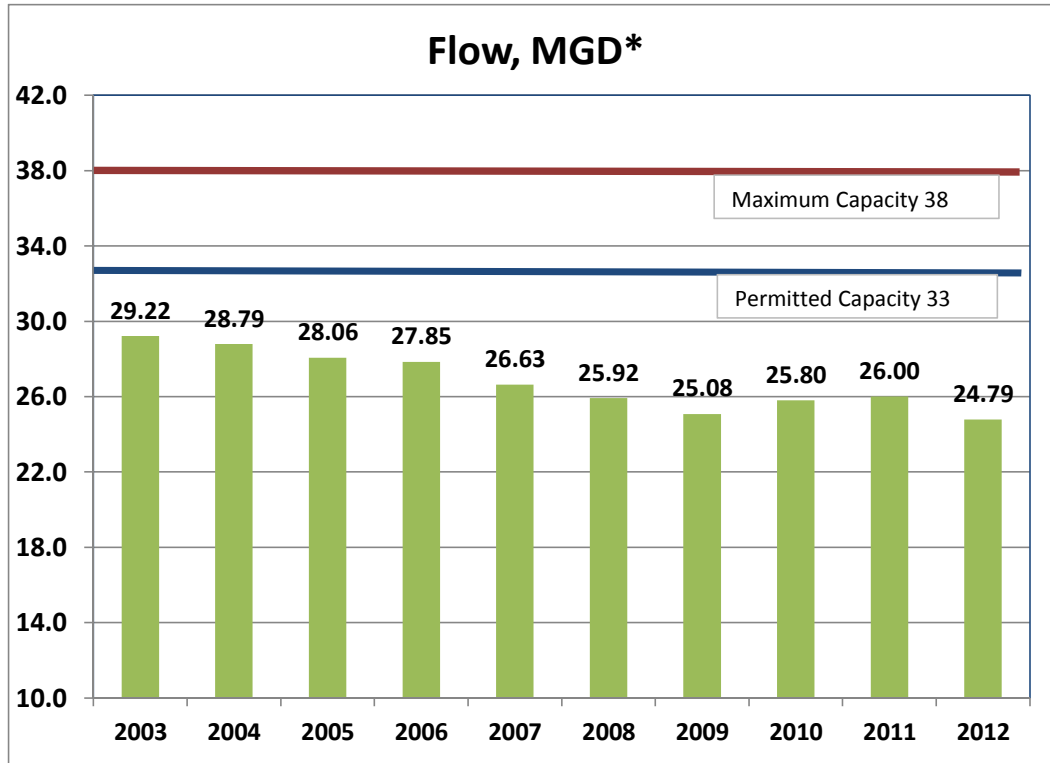
Additional years will be added until ten years worth of information is available.

UNION SANITARY DISTRICT

Operating Indicators by Function/Program Last Ten Calendar Years

Average Daily Flow

Plant Flow Data



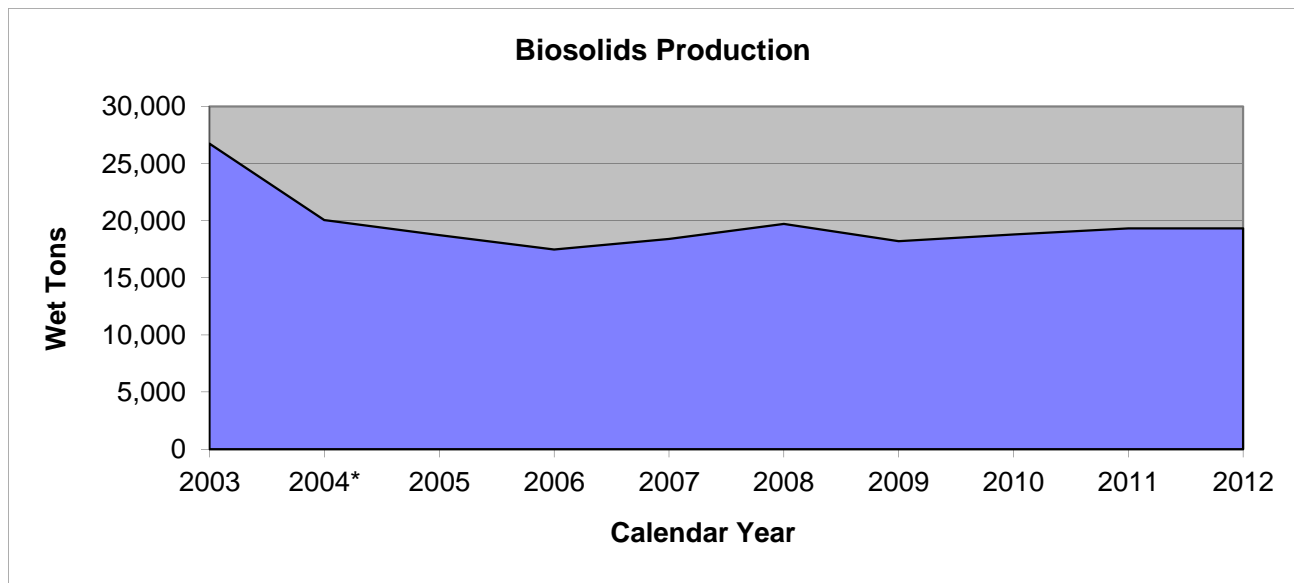
Plant 12-month average

*Million gallons per day.

UNION SANITARY DISTRICT

Operating Indicators - Biosolids Last Ten Calendar Years

<u>Function/Program</u>	<u>2003</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>
Biosolids										
Total to Land Application	16,783	14,357	11,838	12,558	16,549	14,697	15,891	15,037	16,160	14,770
Total to Landfill	9,949	5,679	6,893	4,447	748	491	0	0	571	1,187
Total to Compost	--	--	--	461	1,096	4,523	2,291	3,751	2,585	4,501
Total (in Wet Tons)	26,732	20,035	18,731	17,466	18,393	19,712	18,182	18,787	19,315	20,458



*Centrifuge dewatering began.

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	0	SSOs	• Zero Category 1 SSOs	
	• # of Category 2 SSOs	0	SSO	0	SSOs	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	N/A	Recovery	N/A	Recovery	• 50% Recovery	
	• SSO's # of Repeats	0	SSO Repeats	0	Repeats	0	Repeats	0	SSO Repeats	0	SSO Repeats	0	SSO Repeats	• Zero Repeats	
Manage and maintain assets and infrastructure	• Critical Asset Failures Sewer Main or MH Deficiency resulting in Category 1 SSO, sink hole, injury or resulting property damage > \$2,000 due to one or more of the following: – Break, collapse, offset or hole in pipe or – PMP not followed – Corrosion – Defect identified & corrective action not	0	Asset failure	0	Asset failure	0	Failures	0	Failures	0	Asset failure	0	Asset failure	• Zero	
	• Stoppage in > 12" diameter mainline	0	Stoppages	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	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	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	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	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 \$0.66 to \$1.05			
	Cost per feet/day	\$1.20	Per ft	\$1.23	Per ft	\$0.92	Per ft	\$0.84	Per ft	\$1.01	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	\$0	Total Claims	\$0	Total Claims	\$0	Total Claims	Claims ≤\$2000			
		\$0	Total Fines	\$0	Total Fines	\$0	Total Fines	\$0	Total Fines	\$0	Total Fines	Fines-\$0			
	Average cost per claim/fine	\$0	Avg Claims	\$0	Avg Claims	\$0	Avg Claims	\$0	Avg Claims	\$0	Avg Claims	Claims ≤\$1000			
		\$0	Avg Fines	\$0	Avg Fines	\$0	Avg Fines	\$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	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	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 Ft	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	3	Min. per mo	3	Min. per mo	3	Min. per mo	12	Min. per mo	Min. 1 per/mo			

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

Plant & Pump Station Process Scorecard
Fiscal Year 2013

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target
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
		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
		Number of critical asset failures Number with negative impact on the environment	0 Quarter Total 0 Quarter Total	0 Quarter Total 0 Quarter Total	0 Quarter Total 0 Quarter Total	0 Quarter Total 0 Quarter Total	0 Total 0 Total	0 0
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
		Energy & Chemical Usage:						
		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	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	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
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%
		% 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%
		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
	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
	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%
		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%
		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
	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%
		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%
Employees	Enhance employee skills.	TPO						
		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						
		No. of training modules developed vs. goal	0	0	0	1	1 Total	1

**Plant and Pump Station Process Scorecard
Fiscal Year 2012**

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target
Customer	Operate and maintain the Plant in compliance 24/365.	Number of adverse impacts (odor complaints, violations, spills, etc.)	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Total	0
		Number of priority 1 work orders	4 Ave per Month	6 Ave per Month	6 Ave per Month	5 Ave per Month	5 Ave per Month	Ave < 10/month
		Number of critical asset failures	0 Quarter Total	2 Quarter Total	0 Quarter Total	0 Quarter Total	2 Total	0
		Number with negative impact on the environment	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Quarter Total	0 Total	0
Financial	Optimize operating costs: Minimize energy, water, and chemical use.	Water Usage - Alvarado Site Gallons Used Per Day	28,096 Ave per Day	28,949 Ave per Day	27,320 Ave per Day	24,344 Ave per Day	27,177 Ave per Day	≤ 30,000
		Energy & Chemical Usage:						
		Average/Day Kwh/MG - Alvarado Site	2,019 Ave per Month	2,099 Ave per Month	2,045 Ave per Month	2,071 Ave per Month	2,058 Ave per Month	< 2,100
		Average Kwh/Day - Irvington Pump Station	3,757 Ave Kwh/Day	2,960 Ave Kwh/Day	3530 Ave Kwh/Day	901 Ave Kwh/Day	2,649 Ave Kwh/Day	TBD
		Average Kwh/Day - Newark Pump Station	4,757 Ave Kwh/Day	3,363 Ave Kwh/Day	2915 Ave Kwh/Day	3281 Ave Kwh/Day	3,579 Ave Kwh/Day	TBD
		On-site Power Generation - kwh/day	7,643 Ave per Day	6,770 Ave per Day	6,337 Ave per Day	9,002 Ave per Day	7,438 Ave per Day	9,000
		On-site Power Generation - kwh/year	701,779 Quarter Total	619,656 Quarter Total	579,887 Quarter Total	820,194 Quarter Total	2,721,516 Total	3,300,000
		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	TBD
		Hydrogen Peroxide						
		H2S Control - gal/hour	7.3 Ave GPH	6.8 Ave GPH	7.1 Ave GPH	6.6 Ave GPH	7.0 Ave GPH	8.5
		H2S Control - gal/year	16,016 Quarter Total	15,080 Quarter Total	15,489 Quarter Total	14,400 Quarter Total	60,985 FY Total	≤ 76,000
		Hypochlorite						
		Disinfection - gal/hour	44.1 Ave GPH	37.3 Ave GPH	38.3 Ave GPH	36.6 Ave GPH	39.1 Ave GPH	50
		Disinfection - gal/year	97,589 Quarter Total	82,368 Quarter Total	83,652 Quarter Total	79,824 Quarter Total	343,433 FY Total	438,000
		Polymer						
		GBT - lbs/dry ton	4.9 Ave lbs/dry ton	4.5 Ave per Day	3.3 Ave per Day	3.5 Ave per Day	4.1 Ave lbs/dry ton	5.5
		Dewatering - lbs/dry ton	31.2 Ave lbs/dry ton	31.2 Ave per Day	33.1 Ave per Day	31.2 Ave per Day	31.7 Ave lbs/dry ton	33

**Plant and Pump Station Process Scorecard
Fiscal Year 2012**

Financial (continued)	Optimize operating costs: Improve utilization of labor.	Overtime as % of base payroll:						
		FMC	11.9% Ave per Month	10.6% Ave per Month	6.3% Ave per Month	7.2% Ave per Month	9.0% Ave per Month	≤ 7%
		T&D	2.6% Ave per Month	2.9% Ave per Month	2.7% Ave per Month	3.2% Ave per Month	2.9% Ave per Month	≤ 5%
		% Total hours worked spent on maintenance work - FMC	83.7% Ave per Month	80.5% Ave per Month	79.7% Ave per Month	77.4% Ave per Month	80.3% Ave per Month	≥ 80%
		Time not charged	9.5% Ave per Month	9.0% Ave per Month	9.0% Ave per Month	11.3% Ave per Month	9.7% Ave per Month	< 20%

**Plant and Pump Station Process Scorecard
Fiscal Year 2012**

	Objectives	Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year-to-Date	Target
Financial (continued)	Optimize operating costs: Improve utilization of labor.	Overtime as % of base payroll: FMC T&D	11.9% Ave per Month 2.6% Ave per Month	10.6% Ave per Month 2.9% Ave per Month	6.3% Ave per Month 2.7% Ave per Month	7.2% Ave per Month 3.2% Ave per Month	9.0% Ave per Month 2.9% Ave per Month	≤ 7% ≤ 5%
		% Total hours worked spent on maintenance work - FMC	83.7% Ave per Month	80.5% Ave per Month	79.7% Ave per Month	77.4% Ave per Month	80.3% Ave per Month	≥ 80%
		Time not charged	9.5% Ave per Month	9.0% Ave per Month	9.0% Ave per Month	11.3% Ave per Month	9.7% 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	0% Ave per Month 0 Quarter Total	39% Ave per Month 1740 Quarter Total	29% Ave per Month 1169 Quarter Total	19% Ave per Month 752 Quarter Total	22% Ave per Month 3662 FY Total	20% by FY12 3800
	Maintain Plant processes within parameters.	Plant Operational Health Index Monthly Index Value Number of Days < 75% Maximum # of Consecutive Days < 75%	88% Ave 7 Days Total 1 Days	82% Ave 23 Days Total 4 Days	85% Ave 20 Days Total 3 Days	85% Ave 22 Days Total 3 Days	85% Ave 72 Days Total 4 Days	Ave ≥ 85 Track & Report ≤ 3
	Implement an effective predictive and preventative maintenance program.	Percent of time spent on Planned vs. Unplanned maintenance activities (Best in Class 90%)	99.4% Ave per Month	93.0% Ave per Month	96.6% Ave per Month	98.8% Ave per Month	97.0% Ave per Month	75% - 90%
		Percent preventative maintenance work orders completed within month scheduled	97.4% Ave per Month	98.5% Ave per Month	96.1% Ave per Month	97.0% Ave per Month	97.3% Ave per Month	≥ 95%
		Number corrective work orders over 90 days	194 End of Quarter	157 End of Quarter	125 End of Quarter	127 End of Quarter	151 Ave per Quarter	Track & Report
	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%
		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%
	Employees	Enhance employee skills.	TPO					
No. of training modules updated			3	2	3	2	10 Total	6
No. of training modules with competency assessment tools developed			1	0	0	1	2 Total	3
FMC								
No. of training modules developed vs. goal			0	0	0	2	2 Total	1

UNION SANITARY DISTRICT

Miscellaneous Statistics
6/30/2013

Governing Body:	Elected 5-Member Board of Directors Fremont - 3 Members Newark - 1 Member Union City - 1 Member
Governmental Structure:	Established in 1918 and reorganized in 1923 under the Sanitary District Act
Staff:	131.45 full-time equivalent employees
CEO:	General Manager
CFO:	Business Services Manager
Authority:	California Health and Safety Code Section 4700 et. Seq.
Services:	Wastewater collection, treatment and disposal
Service Area:	60.1 square miles (Fremont, Newark and Union City)
Total Population Served:	334,597
Number of Connections	108,074
Operations:	Total miles of pipeline - 763 gravity sewer, 25 force main, less than 1 mile of storm sewer at plant Number of pumping stations - 7 Larger: Irvington, Newark, Alvarado Smaller: Fremont, Boyce, Paseo Padre, Cherry Street
Permitted Plant Capacity:	33 mgd
Type of Treatment:	Secondary
Sewer Service Charge:	\$319.55 annually per residential equivalent unit