Union Sanitary District

Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Union Sanitary District

Union City, California

Comprehensive Annual Financial Report

Prepared by

Business Services

Fiscal Year Ended June 30, 2011

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Introductory Section

Primary Clarifier Construction

Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard B. Currie
General Manager/
District Engineer

David M. O'Hara
Attorney

November 23, 2011

Board of Directors
Union Sanitary District
Union City, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

I am pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

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

District Profile

The Reporting Entity

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

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations. District policy requires that its financial statements be audited on an annual basis by an independent certified public accounting firm approved by the Board of Directors. The independent auditor's report for the Fiscal Years ended June 30, 2011 and 2010 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 133 staff, operates in a Team-based environment and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

Local Economic Condition and Outlook

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

Fremont is the 4^{th} largest city in the Bay Area in population and 2^{nd} largest in size with an area of 93 square miles. A major employer, New United Motor Manufacturing (NUMMI) which manufactured the Toyota Corolla and the Toyota Tacoma, ceased production in 2010. Employing over 4,000 people, the closure has had a devastating effect on the city. The plant is scheduled to re-open in 2012 as Tesla Motors in cooperation with Toyota Corporation, producing the Model S, an electric premium sedan. Significantly fewer people will be employed at the new facility. Other major employers include Western Digital, Lam Research, Boston Scientific, and Washington Township Hospital. Solar panel manufacturer, Solyndra, considered a major potential District ratepayer, has also ceased operations and filed for bankruptcy. The City of Fremont is focusing on new developments in the Pacific Commons area and the area of the future Warm Springs BART station. According to the City of Fremont, while seeing signs of slow recovery, the City is doing "less with less" and has had to use its Budget Uncertainty Reserve to balance its budget. There are no contributions planned for capital projects, nor prefunding of OPEB. Slight improvements are projected for the coming year.

The City of Newark is pleased that its voters passed Measure U, a temporary utility users tax, which cannot be taken by the State. The Measure sunsets in 2015. Newark has implemented a hiring freeze, furloughs, and used their reserves in the past year. Since 2007 there has been a 30% reduction in the City's workforce. Major employer Cargill Salt, has invested $10M in capital improvements. Newark projects the 3.5% tax on utility services will enable the City to slowly restore some services that were deeply cut in recent years, as well as replenish their Fiscal Uncertainty Fund, which is depleted. New businesses such as Stem Cells Inc. are beginning to come in to the area that Sun Microsystems once occupied; about 45% of the 1.4M square footage is now occupied. According to the City's latest State of the City address, they feel that the worst is over.

The City of Union City has suffered from rising foreclosure rates, service reductions, and increased unemployment. There is a glimmer of hope, however. The voters approved Measure AA, a ½ cent sales tax which will enable restoration of some services. There will still be no cost of living increases for employees - only step increases, but the sales tax increase will help prevent layoffs and further service reductions.

Region-wide, while there are signs of economic recovery, the tri-cities faced many fiscal challenges in FY11, including declining property and sales tax revenues combined with increased expenses for pension and medical costs. Unemployment rates for the cities of Fremont, Newark and Union City as of June were 8.3%, 9.9%, and 10.7% respectively, compared with 8.4%, 10.8%, and 10.8% a year ago. The District will be impacted by the loss of revenues from major companies like NUMMI and Solyndra. The District has several necessary CIP projects to complete in FY11, and fortunately has been able to secure State Revolving Fund financing at relatively low interest rates.

Major Initiatives

During fiscal year 2011, the District completed or initiated a number of significant projects:

Solar Panels at Irvington Pump Station – The District plans to install solar panels at the Irvington Pump Station to produce enough energy in order to minimize/eliminate the PG&E bill for the facility. These solar panels will be installed in the 4-acre emergency storage pond and above the proposed water level in the pond. The District plans to complete the design of the facility by December, 2010 and construction by November, 2011.

Permit Renewal – The Hayward Marsh NPDES Permit was reissued by the Regional Water Quality Control Board and is valid for five years. The air emissions permit effort to move from a major facility to a minor facility is ongoing. Progress on the air permit is controlled by the Bay Area Air Quality management District. Permit renewal efforts for the joint East Bay Dischargers Authority (EBDA) outfall are underway.

Capacity Fee Study – A new Capacity Fee Ordinance was developed based on the recommendations of the study. The ordinance was presented and adopted by the

Board. Besides updating the rate structure, it also includes expanding the defined uses of capacity funds.

Safety Strategies – Each team looked closely at their record and potential hazards, and developed strategies to prevent accidents in the future and improve our safety record.

Electricity Purchases – USD completed an in-depth analysis of Direct Access electricity purchase and determined that it was not economically advantageous for us.

Odor Scrubber System Improvements – An odor control improvements study was completed for the District in 2009 that recommended the retrofit or replacement of the existing 18 odor control scrubbers. The District completed the design of the retrofit/replacement of the odor control scrubbers at the headworks building and the Alvarado Pump station in June 2011. Construction is scheduled for 2012-13.

NeoGov implemented – Software was implemented for the online recruitment process. This software allows recruitment candidates to fill out and submit employment applications online and to receive notices for scheduling interviews and tests through the system. The new process has saved a significant amount of Human Resources labor hours.

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

Plant GIS – Software was implemented to expand functionality and access to buried pipe data. The new system graphically displays buried pipe at the treatment plant by type of product conveyed. This will facilitate locating pipe for new designs to avoid existing pipe, and allow operators to respond more quickly to pipe breaks.

Process Optimization – USD hired Tetra Tech to provide a comprehensive performance evaluation to identify potential causes and remedies for poor sludge settleability. Tetra Tech concluded that the process changes necessary to allow biological rather than chemical controls to be effective would likely result in more costly treatment overall. Some of the recommendations will be implemented in FY12.

Improve and Define Process for Estimating Volume of an SSO – Currently the District uses industry-approved methods that we believe are not as accurate as they could be. Methods have been developed in-house and SOPs and JCRs will be re-written.

Leadership Training Program – A new program was initiated to provide leadership training to highly qualified employees. The program consists of more than a dozen internal training sessions, several college classes, and a mentoring component with senior management. The goal of the program is to enhance leadership skills now and to provide an internal pool of employees for future management recruitments.

Niles Blvd. Sewer Relocation Project – This project was required to accommodate the City of Fremont's Street Improvement Project that included the lowering of the existing street pavement. It included the construction of approximately 2032 feet of an 8-inch sewer and replacement of 37 house laterals. Construction was completed in June, 2011.

Job Competency Requirements (JCRs) – Continued training employees on our new JCRs including Easement Maintenance, USA Marking, and Paving. After training, assessments were conducted to verify employees understood the training they received.

Future Initiatives

IT Master Plan – Complete a study that will include consultant recommendations of technology projects for the next 5-7 years and present findings to the Board for adoption. This study will update the last IT Master Plan completed in 2002. In addition to recommending projects, the current effort will address SCADA system administration, perform an IT security audit, and create a request for proposals for a new CMMS.

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

Boyce Road Lift Station – The existing lift station was constructed in 1959 and has outlived its useful life. The State Water Resources Control Board approved the SRF loan for the project in 2010. Construction is under way and is expected to be completed in July/August, 2012.

Conduct a Work Group Safety Summit – Following the District's model of holding a Safety Summit to identify areas for improvement, the Collection service Work Group will conduct a Safety Summit this FY to gather suggestions and ideas to improve our safety record.

Permit Renewal – USD will participate in the reissuance of the NPDES Permit for East bay Discharger's Authority (EBDA). USD will continue to pursue air emissions reclassification from a major facility to a minor facility. The District will utilize the services of a consultant to set up the first year reporting of Greenhouse Gas Emissions as a General Stationary Combustion Source with AB-32 requirements.

Thickeners 3 and 4 Rehabilitation Project – In 2011, the District did a condition assessment of Thickeners 3 and 4, constructed in 1985, and found that the steel mechanism and the rake arms were badly corroded along with the concrete above the liquid levels inside the concrete tanks. Design is expected to be completed in December, 2011, and construction will start in April/May, 2012, with completion in December/January, 2013.

Develop Safety Strategies for each Team – Each team will look closely at their record and potential hazards, and develop strategies to avoid accidents and injuries.

I-680 Sewer Crossing at Sabercat Project – Due to the movement of the Hayward Fault over the past several years, the existing sewer pipe which crosses it has developed off-set joints under the freeway. A new sewer pipe will be placed inside a steel casing to provide additional protection to the sewer pipe. Design should be completed in January, 2012, with construction beginning in summer, 2012.

Overhead Rate Study – Complete a study to update overhead rates used at the District. The study will follow Generally Accepted Accounting Principles using a full cost allocation methodology. It will provide a defensible basis for allocation of the District's indirect overhead costs.

Equipment Renewal and Replacement – Plant Operations will be occupied in FY12 with providing support for a number of construction projects managed by the CIP Team to replace electrical and mechanical equipment in the treatment plant that has reached the end of its service life.

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

Job Competency Requirements (JCRs) – Planned for FY12: Plugging, Winch Truck Operations, and SSO response.

Upgrade of #6 Boiler – The Air Board requirements for this piece of equipment have changed so in order to meet these new requirements, we need to upgrade the controls, the burner, and other components.

Process Optimization – The District is planning to test Tetra Tech's recommendation to reduce the number of exit ports on the secondary clarifier sludge collection mechanisms in order to increase the concentration of the Return Activated Sludge and we plan to test operating the aeration system at ultra-low dissolved oxygen levels in the Spring. The District will also pursue pilot scale testing of the zeolite/anamox process for ammonia removal at the Hayward Marsh.

Cogen Replacement Project – Currently the District has two generators that run on treated digester gas to produce energy for the wastewater plant. One of the generators has outlived its useful life and has been taken out of service. A new Cogen System is planned with design expected in September, 2011. The new Cogen facility will come on-line in 2013.

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 2011 was $289.84 for a single family dwelling.

Capacity Fees

The District charges a sewer connection fee of $4,003.91 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 newly established California Asset Management Program (CAMP) vehicle, which is allocated to the major funds (Capacity and Sewer Service) monthly by percentage of fund balance.

Other Information

Debt Administration – The District has outstanding debt of $32,457,157 as of June 30, 2011. This includes $31,985,449 in State Revolving Fund Loans and $471,698 in use permit fees with the City of Union City. The use permit fee will be paid off in 2012. The District anticipates applying for State Revolving Fund loans in the next fiscal year for upcoming capital projects.

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

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

Financial Policies – In fiscal year 2011, the District updated the Investment policy and the Reserve Fund policy.

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

District Financing Authority – During FY 2011, the District terminated the Joint Exercise of Powers Agreement with Dublin San Ramon Services District and dissolved the Union Sanitary District Financing Authority (The Authority) because it is no longer needed. The Authority was organized to provide assistance to the Districts in financing public improvements for the residents of the Districts and surrounding areas.

On July 6, 1994, the Authority undertook its first financial transaction with the issuance of $6,525,000 principal amount of Sewer Revenue Bonds. There was no activity with the Authority during FY 2011.

Awards & Acknowledgements

Awards/Recognition

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

- ❖ California Water Environment Association (CWEA) – Treatment Plant Safety Award – San Francisco Bay Section
- ❖ Government Finance Officers Association (GFOA) Award of Financial Reporting Achievement
- ❖ National Purchasing Institute (NIGP) – Award for Achievement of Excellence in Procurement
- ❖ National Purchasing Institute (NIGP) – Outstanding Agency Accreditation Achievement
- ❖ The Training Magazine Top 125 Global Training Organizations

Acknowledgements

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

Respectfully submitted,

Maria Scott

Maria Scott
Principal Financial Analyst

MISSION STATEMENT

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

How we accomplish our Mission:

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

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

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

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

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

MISSION STATEMENT

UNION SANITARY DISTRICT

We benefit our customers by:

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

We benefit our employees by:

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

We benefit the community by:

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

Board of Directors

Pat Kite

Jennifer Toy

Anjali Lathi

Tom Handley

Manny Fernandez

Principal Officials

		City Represented	Year Elected	Term Expires
Jennifer Toy	President	Fremont (Ward 3)	1998	2014
Tom Handley	Vice President	Fremont (Ward 3)	2007	2014
Pat Kite	Secretary	Newark (Ward 2)	1992	2012
Anjali Lathi	Board Member	Fremont (Ward 3)	2002	2012
Manny Fernandez	Board Member	Union City (Ward 1)	2011 (Appointed)	2012

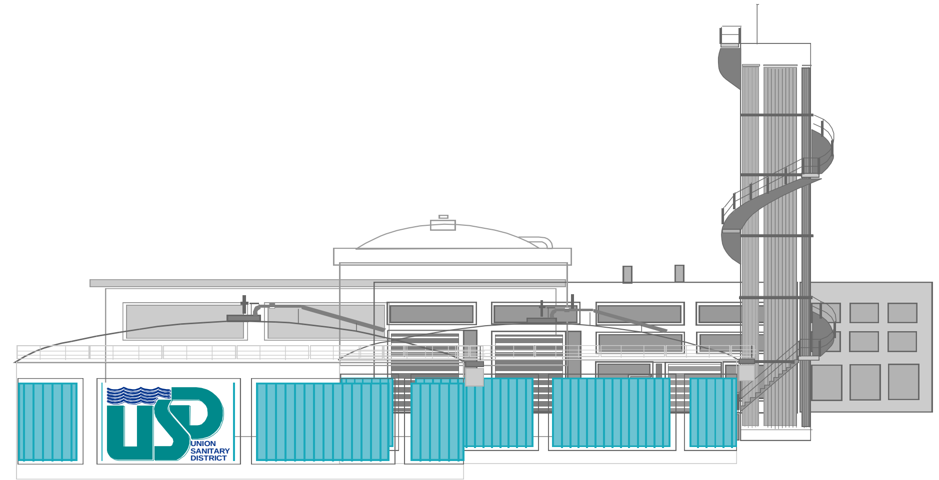
David M. O'Hara	General Counsel

Staff

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

UNION SANITARY DISTRICT

Summary
5 Work Group Managers
11 Coaches
13 Teams
132 Total Positions



Board of Directors (5)

General Manager — Steering Committee

Technical Support & Customer Services Manager

- Coach — Capital Improvements Projects Team (7)
  - •Assistant Engineer (3)
  - •Associate Engineer (1)
  - •Engineering Technician III (1)
  - •Principal Engineer (1)
  - •Office Assistant III (1)
- Coach — Customer Service Team (11)
  - • Assistant to the General Manager(1)
  - •Associate Engineer (1)
  - •Communication Coordinator (1)
  - •Construction Inspector I (1)
  - •Construction Inspector III (1)
  - •Customer Service Fee Analyst (2)
  - •Engineer Technician I (1)
  - •Engineer Technician II (1)
  - •Office Assistant II (1)
  - •Office Assistant III (1)
- Coach — Environmental Compliance Team (11)
  - •EC Inspector II (4)
  - •EC Inspector III (2)
  - •EC Inspector IV (2)
  - •Environmental Program Coordinator (1)
  - •Office Assistant III (2)

Collection Services Manager

- Coach — Maintenance/TV Team (9)
  - •Collection System Worker I (1)
  - •Collection System Worker II (5)
  - •Lead Collection System Worker (3)
- Coach
  - Support Team (8)
    - •Fleet Mechanic I (1)
    - •Fleet Mechanic II (1)
    - •Janitor (2)
    - •Maintenance Assistant (1)
    - •Mechanic II (1)
    - •Office Assistant III (1)
    - •Planner /Scheduler (1)
  - Construction Team (10)
    - •Collection System Worker II (7)
    - •Lead Collection System Worker (3)

Treatment & Disposal Services Manager

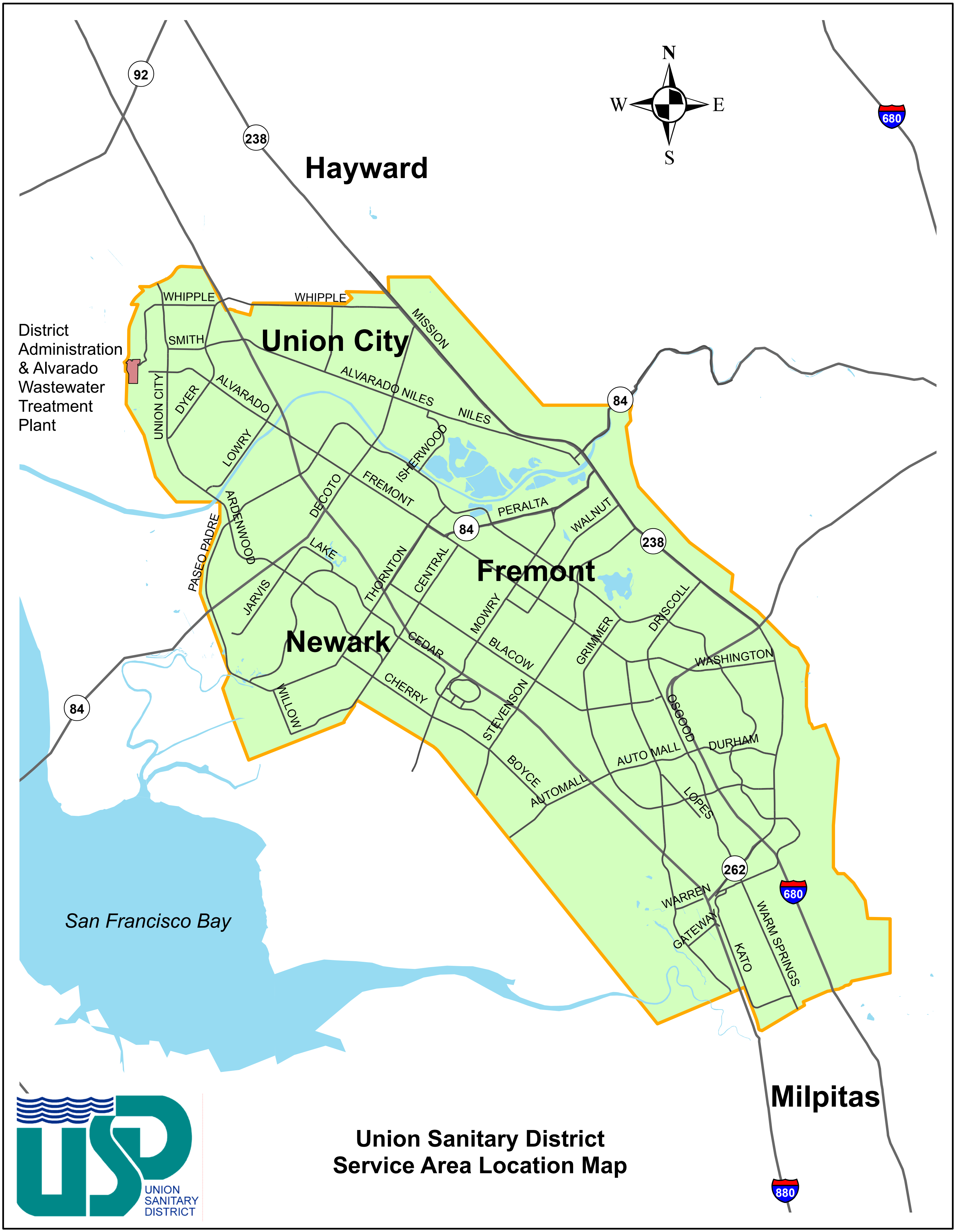
- Coach — Research & Support Team (5)
  - •Chemist I (3)
  - •Office Assistant III (1)
  - •Senior Chemist (1)
- Coach (Nights), Coach (Days) — Total Productive Operations (18)
  - •Plant Operator I (1)
  - •Plant Operator II (2)
  - •Plant Operator III (12)
  - •Plant Operator III Trainee (2)

Fabrication, Maintenance, and Construction Manager

- Coach, Coach — Fabrication Maintenance & Construction Team (17)
  - •Instrument Technician/ Electrician (4)
  - •Mechanic I (2)
  - •Mechanic II (7)
  - •Painter (1)
  - •Sr. Planner/ Scheduler (1)
  - •Utility Worker (1)

Business Services Manager

- Information Technology Team (5)
  - • Database Administrator (1)
  - • GIS Database Administrator (1)
  - • Information System Administrator (1)
  - • Information System Analyst (1)
  - • Network Administrator (1)
- Coach
  - Organizational Support Team (6)
    - •Environmental Health & Safety Program Manager (1)
    - •Human Resources Administrator (1)
    - •Human Resources Analyst II (1)
    - •Office Assistant III (1)
    - •Quality Coordinator (1)
    - •Technical Training Coordinator (1)
  - Financial Internal Support Team (5)
    - •Accounting Technical Specialist (3)
    - •Principal Financial Analyst (1)
    - •Sr. Accountant (1)
  - Materials Management Team (5)
    - •Buyer II (1)
    - •Office Assistant III (1)
    - •Purchasing Agent (1)
    - •Stock Clerk (1)
    - •Storekeeper II (1)



Union Sanitary District
Service Area Location Map

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Union Sanitary District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

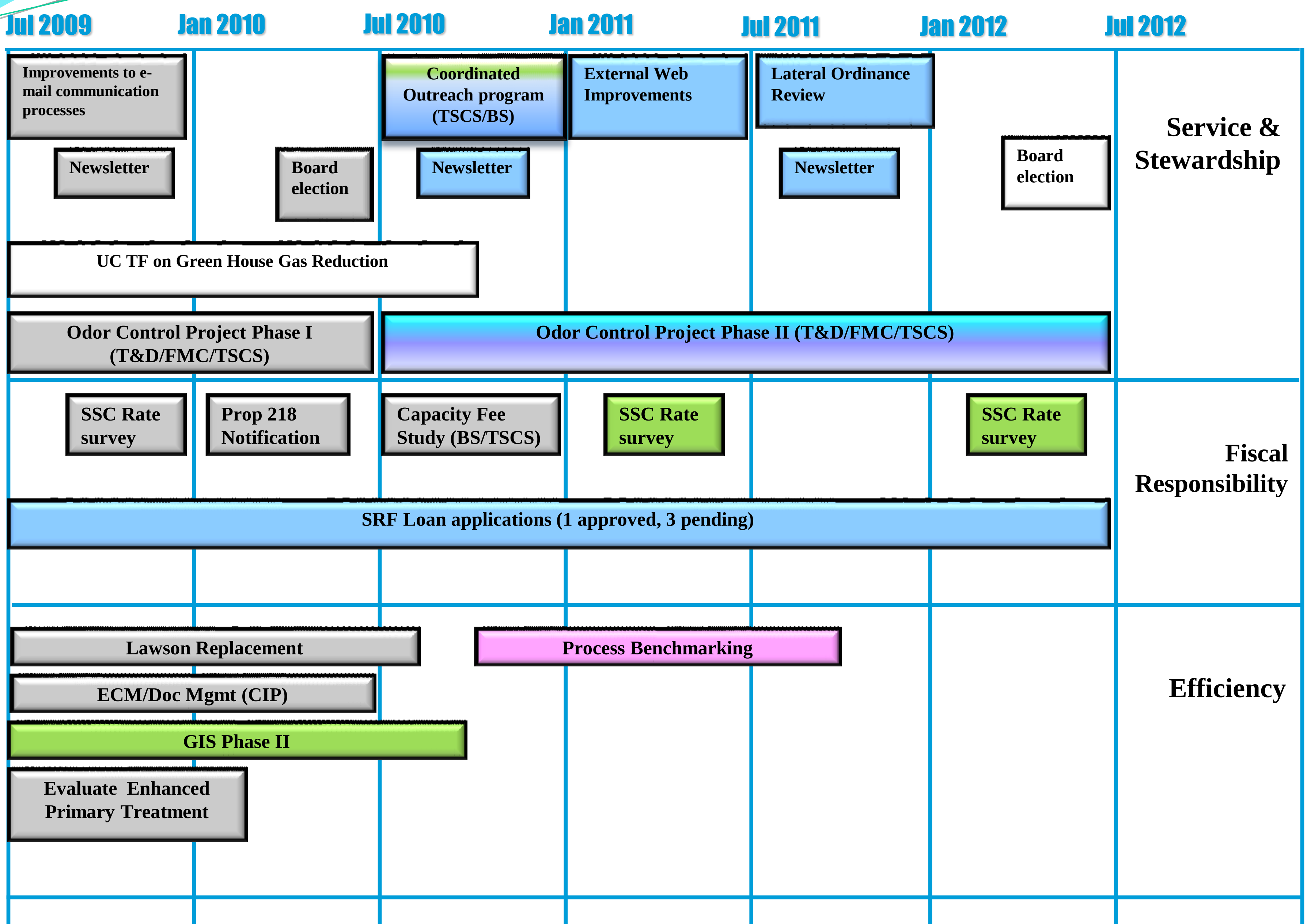
President

Executive Director

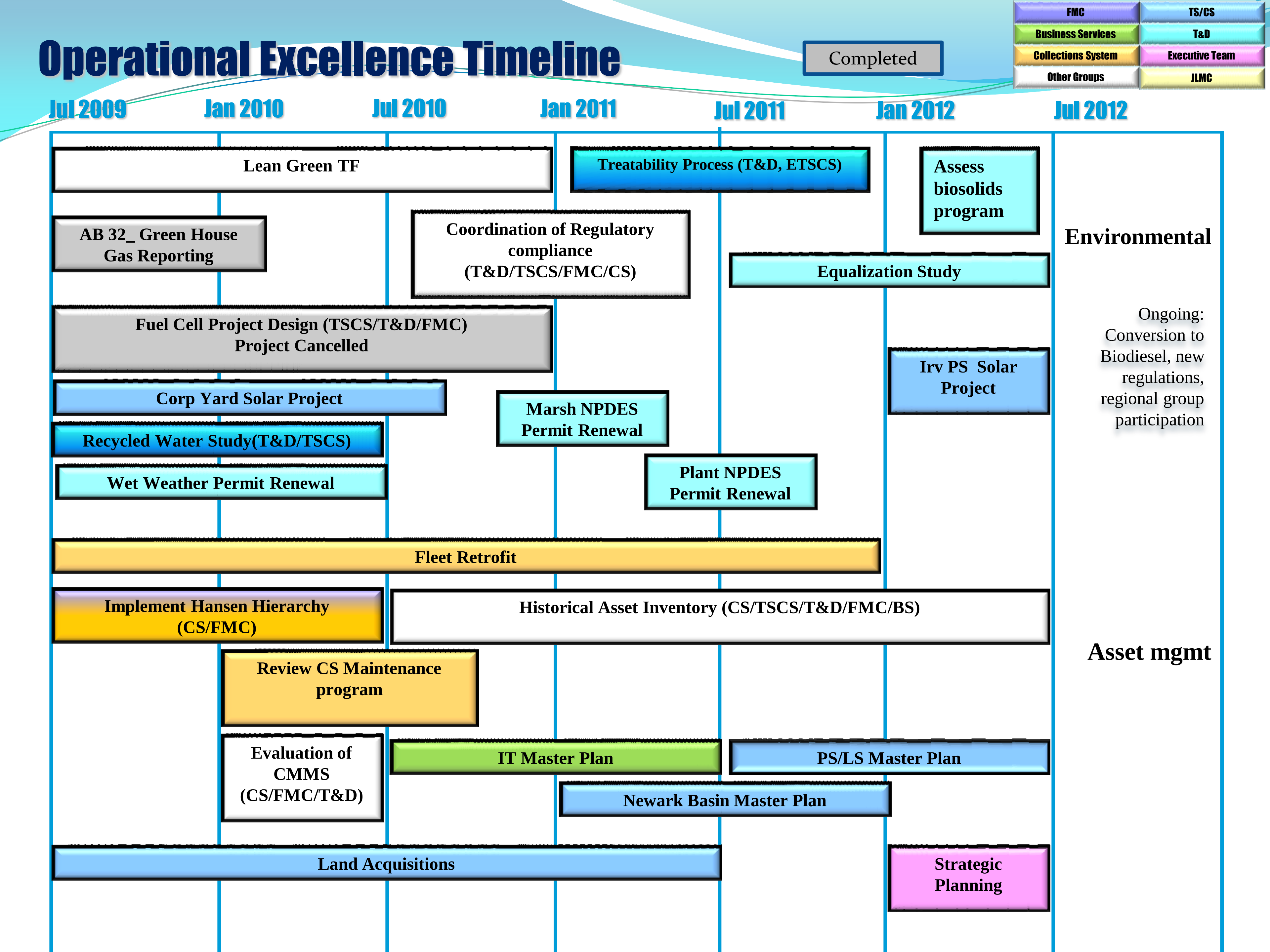
Operational Excellence Timeline

Completed

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



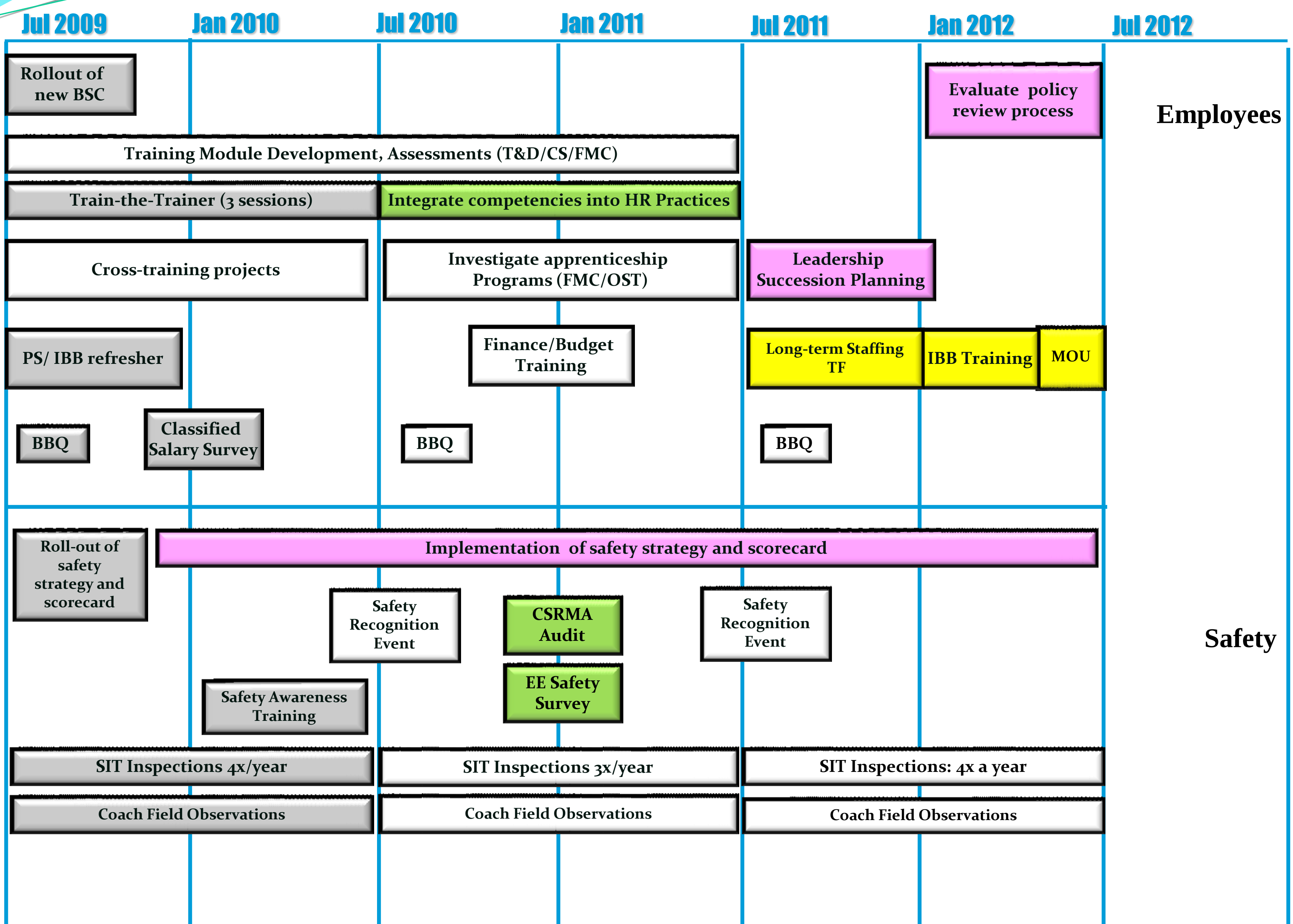
Operational Excellence Timeline



"Operational Excellence" Timeline

Completed

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



Financial Section

Substation 1

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Sanitary District
Union City, California

We have audited the accompanying statements of net assets of Union Sanitary District as of June 30, 2011 and 2010, and the related statements of revenue and expenses and changes in net assets, and cash flows for the years then ended, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Sanitary District as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems provided by the State Comptroller's Office for Special Districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
October 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. This information is presented in conjunction with the audited financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- The District's total ending net assets decreased by $1.1 million as a result of this year's operations. At June 30, 2011 net assets totaled $355.4 million. That is, the District's total assets exceeded liabilities by $355.4 million.

- During the year, the District had expenses, including depreciation of $16.3 million, which exceeded sewer service charges, contributed capital, interest, and other operating revenues by $1.1 million. This compares to last year when expenses exceeded revenues by $4.2 million.

- Long-term liabilities decreased by $2.2 million during the current fiscal year due to repayments of State Revolving Fund loans.

- The District placed $26.4 million in assets into service compared to $8.8 million last year.

USING THIS ANNUAL REPORT

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

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

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

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

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

Reporting the District as a Whole

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

DISTRICT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's business-type activities decreased from $356.5 million to $355.4 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 $38.0 million at June 30, 2011. The decrease in total net assets was the result of an increase in total current assets of $2.3 million, mainly cash in bank, a decrease in total capital assets of $3.9 million, due to increased depreciation, an increase in current liabilities of approximately $1.6 million, and a decrease in long term obligations of $2.2 million.

Table 1 – Condensed Statement of Net Assets

	Fiscal Year 2010-11	Fiscal Year 2009-10	Fiscal Year 2008-09
Current and other assets	$ 60,345,735	$ 58,103,609	$ 57,462,626
Capital assets	332,946,978	336,918,388	339,589,085
Total assets	393,292,713	395,021,997	397,051,711
Long-term liabilities	29,013,000	31,254,548	28,688,186
Other liabilities	8,909,084	7,262,611	7,649,885
Total liabilities	37,922,084	38,517,159	36,338,071
Net Assets:			
Invested in capital assets, net of related debt	300,489,831	302,407,235	308,753,429
Restricted	16,877,836	14,818,413	14,290,870
Unrestricted	38,002,962	39,279,190	37,669,341
Total net assets	$ 355,370,629	$ 356,504,838	$ 360,713,640

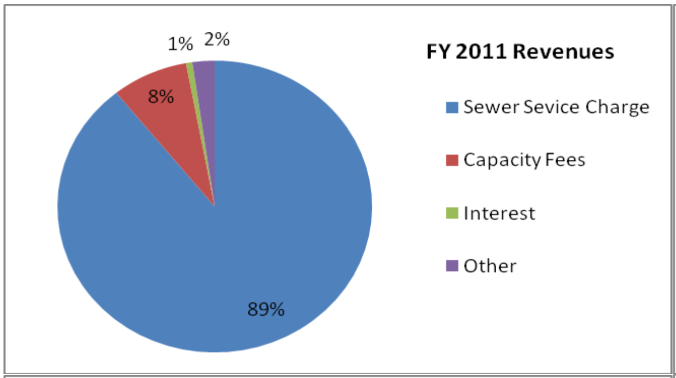
In the prior year, Net Assets decreased from $361 million to $356 million, due mainly to an increase in total current and other assets of $858K, mainly cash in bank, a decrease in total capital assets of $2.7 million, due to increased depreciation, a decrease in current liabilities of approximately $387K, and an increase in long term debt of $2.2 million.

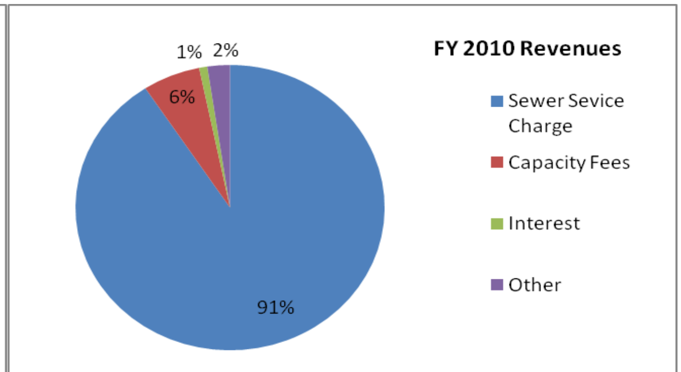
Table 2 – Condensed Statement of Revenues, Expenses, and Changes in Net Assets

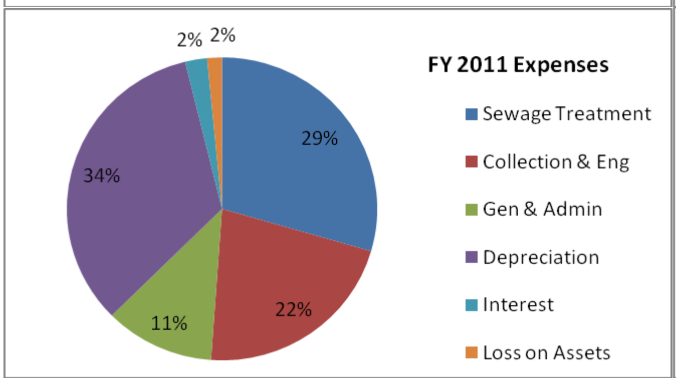
	Fiscal Year 2010-11	Fiscal Year 2009-10	Fiscal Year 2008-09
Revenues:			
Sewer service charges (SSC)	$ 38,486,824	$ 37,217,073	$ 35,103,885
Other revenues	987,948	968,475	809,171
Investment income and net gains	274,328	349,012	1,136,138
Connection fees	3,381,963	2,467,083	2,621,801
Total revenues with connection fees	43,131,063	41,001,643	39,670,995
Expenses:			
Sewage treatment	14,342,352	13,995,781	12,938,404
Sewage collection and engineering	10,532,692	9,338,919	8,658,679
General and administration	5,574,251	5,322,085	5,200,792
Interest	1,114,313	867,781	647,171
Depreciation	16,323,858	16,243,535	16,380,510
Loss on retirement of capital assets	751,601	95,110	134,787
Total operating expenses	48,639,067	45,863,211	43,960,343
Decrease in net assets before contributions and special items	(5,508,004)	(4,861,568)	(4,289,348)
Contributed capital and EBDA loss	4,373,795	652,766	14,037
Change in Net Assets	(1,134,209)	(4,208,802)	(4,275,311)
Beginning Net Assets	356,504,838	360,713,640	364,988,951
Ending Net Assets	$ 355,370,629	$ 356,504,838	$ 360,713,640

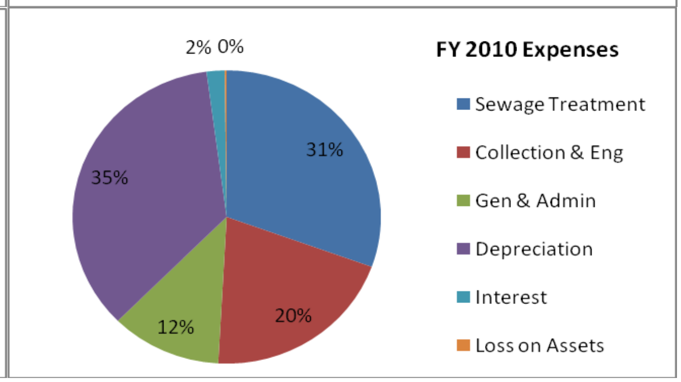
The District's total revenues such as capacity fees and sewer service charges increased by $2.1 million, or 5.2% for the year ended June 30, 2011. This is due mainly to a 5.0% increase in the sewer service charge rate, an increase in capacity fee revenue, and a decrease in interest. The total cost of all programs and services, including depreciation, was 6.0% higher than last year. Most major cost categories increased over 2010 costs except for benefits , operating supplies and contract services expenses.

In the prior year, total revenues such as capacity fees and sewer services charges increased by $1.3M. This was due mainly to a 6.5% increase in the sewer service charge rate, a decrease in capacity fee revenue and interest. The total cost of all programs and services, including depreciation, was 4.3% higher than FY 2009, or $1.9 million. Most major cost categories increased except for Insurance expenses.









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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had approximately $333 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 $3.9 million, or 1.18%, compared to last year. The main reason for this is the depreciation expense in FY 2011. Total assets placed into service were $26.4 million in FY 2011 vs. $8.8 million in FY 2010 and $18.4 in FY 2009. Additions to Construction in Progress were $9.5 million in FY 2011 vs. $13.6 million in FY 2010 and $14.6 million in FY 2009.

Additions to Construction in Progress totaled $9.5 million. Major projects included:

Table 3 – Additions to Construction in Progress

Primary Clarifier Rehabilitation 1-4	$	1,482,025
Boyce Road Lift Station		1,239,942
Primary Effluent Lift Pump Rehabilitation		932,311
Solar Photvoltaric Array Installation		898,175
Niles Sewer Construction		635,363
Irvington Pump Station Solar Panels		461,783
Headworks Odor Control Improvements		353,464
MCC Replacement		338,675
Substation No. 1 Replacement		326,274
Others		2,819,065
Total	$	9,487,077

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

Table 4 – Total Assets Placed into Service

Newark Pump Station Upgrade	$	13,874,410
Primary Effluent Lift Pump Rehabilitation		1,183,415
Solar Photvoltaric Array Installation		1,088,637
Odor Control System Improvements		823,852
Blacow Road Sewer Replacement		652,543
Vehicles		519,803
Misc. Spot Repairs		446,237
Newark Equalization Basin		423,343
Boyce Road Sewer		348,142
Lawson ERP Replacement		344,795
Cast Iron Pipe Lining		276,916
Plant GIS - Phase II		261,808
Contributed Assets		4,468,806
Others		1,647,965
Total	$	26,360,672

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 $32.5 million in notes outstanding versus $34.5 million last year. This debt consists of eight State Revolving Fund loans and a Use Permit with the City of Union City.

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

ECONOMIC AND OTHER FACTORS

The District's elected and appointed officials considered many factors when setting the fiscal year 2011 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 5%. The net operating budget was increased 2.8%, using a projected staff vacancy factor of 2%.

The District's fiscal year 2011 capital budget called for expenditures of $13.7 million for Solar Panels at Irvington Pump Station, Boyce Road Lift Station Replacement, Substation No., 1 Odor Scrubber System Improvements, and Primary Clarifier Rehabilitation among others. The Engineering group prioritized and rescheduled CIP projects in order to help achieve our goal of positive net assets. The CIP budget decreased by $10 million from fiscal year 2010.

The District's fiscal year 2012 budget includes a 2.77% increase in the operating budget with a 2% staff vacancy factor, and a capital budget which calls for expenditures of $20.0 million for Boyce Road Lift Station Replacement, primary Clarifier Rehabilitation, Secondary digester Dome Replacement, Emergency Outfall and Substation No. 1 projects. Sewer service charges will increase 5% and Capacity fee rates will increase 10%.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

UNION SANITARY DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
CURRENT ASSETS		
Cash, cash equivalents	$ 963,372	$ 796,256
Investments	47,723,978	45,889,541
Accounts receivable, net	2,835,878	2,567,226
Interest receivable	166,452	89,350
Inventory	482,914	466,638
Other	26,626	28,996
Total current assets	52,199,220	49,838,007
NONCURRENT ASSETS		
Capital Assets		
Non depreciable capital assets:		
Land	5,395,902	4,624,417
Construction in progress	8,443,102	21,699,726
Capacity Permit	6,043,632	6,043,632
Depreciable assets		
Utility plant in service	601,762,157	580,437,704
Less: Accumulated depreciation	(288,697,815)	(275,887,091)
Net capital assets	332,946,978	336,918,388
OTHER ASSETS		
Restricted cash and cash equivalents	50,000	92,092
Restricted investments	25,000	25,000
OPEB asset	1,409,071	1,391,055
Investment in East Bay Dischargers Authority	6,662,444	6,757,455
Total other assets	8,146,515	8,265,602
Total non-current assets	341,093,493	345,183,990
TOTAL ASSETS	393,292,713	395,021,997
CURRENT LIABILITIES		
Accounts payable and accrued expenses	3,309,747	1,817,541
Customer deposits	362,212	462,636
Accrued payroll and related expenses	566,685	609,131
Interest payable	394,482	307,677
Current portion of compensated absences	675,549	573,620
Current portion of long-term debt	3,600,409	3,492,006
Total current liabilities	8,909,084	7,262,611
LONG-TERM LIABILITIES		
Compensated absences, net of current portion	156,262	235,401
Long-term debt, net of current portion	28,856,738	31,019,147
Total long-term liabilities	29,013,000	31,254,548
TOTAL LIABILITIES	37,922,084	38,517,159
NET ASSETS		
Invested in capital assets, net of related debt	300,489,831	302,407,235
Restricted for:		
Capacity purposes, expendable	13,237,951	11,758,907
SRF loan contingency reserve, non-expendable	3,639,885	3,059,506
Unrestricted	38,002,962	39,279,190
TOTAL NET ASSETS	$ 355,370,629	$ 356,504,838

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

UNION SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUE		
Sewer service charges	$ 38,486,824	$ 37,217,073
Other operating revenues	987,948	968,475
Total operating revenue	39,474,772	38,185,548
OPERATING EXPENSES		
Sewage treatment	14,342,352	13,995,781
Sewage collection and engineering	10,532,692	9,338,919
General and administration	5,574,251	5,322,085
Total operating expenses before depreciation	30,449,295	28,656,785
DEPRECIATION	16,323,858	16,243,535
Total operating expenses	46,773,153	44,900,320
OPERATING LOSS	(7,298,381)	(6,714,772)
NON-OPERATING REVENUES (EXPENSES)		
Net investment income and net realized gains and losses	274,328	349,012
Interest Expense	(1,114,313)	(867,781)
Loss on retirement of capital assets	(751,601)	(95,110)
Gain (loss) on equity investment in East Bay Dischargers Authority	(95,011)	(76,498)
Net non-operating revenue (expense)	(1,686,597)	(690,377)
LOSS BEFORE CONTRIBUTED CAPITAL	(8,984,978)	(7,405,149)
Connection fees and other contributed capital	7,850,769	3,196,347
CHANGE IN NET ASSETS	(1,134,209)	(4,208,802)
NET ASSETS, BEGINNING OF YEAR	356,504,838	360,713,640
NET ASSETS, END OF YEAR	$ 355,370,629	$ 356,504,838

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

UNION SANITARY DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 39,206,120	$ 38,121,267
Payments to suppliers	(10,970,857)	(12,569,331)
Payments to employees	(12,958,539)	(12,137,255)
Payments for benefits on behalf of employees	(4,729,961)	(5,024,245)
Receipts (disbursements) for deposits	(100,424)	5,935
Payments related to postemployment benefits	(351,680)	(1,321,414)
Other operating receipts (disbursements)	2,370	(6,024)
Cash flows provided by (used in) operating activities	10,097,029	7,068,933
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Principal payments on long-term debt	(3,519,457)	(2,903,936)
Proceeds from state revolving loan funds	1,347,804	6,478,164
Interest paid on long-term debt	(909,861)	(781,333)
Acquisition and construction of capital assets	(8,635,243)	(12,837,415)
Connection fees and other related revenues from developers	3,381,963	2,467,083
Cash flows provided by (used in) capital and related financing activities	(8,334,794)	(7,577,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	197,226	461,214
Purchase of investments	(62,484,437)	(82,776,844)
Proceeds from sales and maturities of investments	60,650,000	82,056,000
Cash flows provided by (used in) investing activities	(1,637,211)	(259,630)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	125,024	(768,134)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	888,348	1,656,482
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,013,372	$ 888,348
RECONCILIATION OF CASH AND EQUIVALENTS		
Unrestricted cash and cash equivalents	$ 963,372	$ 796,256
Restricted cash and cash equivalents	50,000	92,092
Total cash and cash equivalents	$ 1,013,372	$ 888,348
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITES		
Operating loss	$ (7,298,381)	$ (6,714,772)
Adjustments to reconcile operating loss to cash flows provided by operating activities		
Depreciation	16,323,858	16,243,535
(Increase) decrease in accounts receivable and other assets	(268,652)	(64,281)
Increase (decrease) in accounts payable and accrued expenses	1,492,206	(1,796,752)
(Increase) decrease in inventory and other	(51,578)	(604,732)
Increase (decrease) in customer deposits	(100,424)	5,935
Cash flows provided by operating activities	$ 10,097,029	$ 7,068,933
NON MONETARY TRANSACTIONS		
Contributions of capital assets	$ 4,468,806	$ 729,264
Decrease in equity in East Bay Dischargers Authority	95,011	76,498

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

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

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

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

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

The Financial Reporting Entity

For financial reporting purposes component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District. Accordingly, the District has determined it is financially accountable for the Union Sanitary District Financing Authority. The Authority was incorporated on March 1, 1994 as a non-profit public benefit corporation under the general laws of the State of California. The specific and primary purposes for which this Authority was formed are: (1) to render financial assistance to Union Sanitary District, (2) to acquire and make available to the District real and personal property, and (3) to borrow funds necessary for financing properties and facilities for the District. Accordingly, the Authority is included as a blended component unit in these basic financial statements. However, the Authority was inactive and had no outstanding liabilities or assets as of June 30, 2010, and was dissolved in March 2011.

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

Measurement Focus and Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

The District considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of June 30, 2011 and 2010, 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, 2011 and 2010, are recorded at fair value using quoted market prices. The related net realized and unrealized gains (losses) on investments are recognized in the accompanying statement of revenues expenses, and changes in net assets.

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

Inventory

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

Capital Assets

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

Depreciation

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

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

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

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

The aggregate provision for depreciation was 2.98% and 3.12% of average depreciable plant during the years ended June 30, 2011 and 2010, respectively.

Compensated Absences

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

Net Assets

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

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

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

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

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

Classification of Revenues

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

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

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

Use of Estimates

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

Subsequent Events

Management has considered subsequent events through October 16, 2011, the date which the financial statements were available to be issued.

Change in Accounting Principles

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

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

New Governmental Accounting and Reporting Standards

In December 2009, the GASB issued GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions related to the use and reporting of the alternative measurement method are effective on the date of issuance. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2012, and does not believe it will have a significant impact on the financial statements.

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

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

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

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

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

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

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The District will be required to implement the provisions of this Statement in fiscal year ending June 30, 2012, and does not believe it will have a significant impact on the financial statements as it does not engage in investing or trading of derivative instruments.

NOTE #2 – CAPITAL ASSETS

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

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

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 $20,102,000 at June 30, 2011.

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

	Balance June 30, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
Capital assets, not being depreciated:					
Land	$ 4,624,417	$ -	$ -	$ -	$ 4,624,417
Construction in progress	15,316,184	13,605,085	-	(7,221,543)	21,699,726
Capacity Permit	6,043,632	-	-	-	6,043,632
Total Capital assets, not being depreciated:	25,984,233	13,605,085	-	(7,221,543)	32,367,775
Capital assets, being depreciated:					
Sewage collection facilities	376,506,310	742,133		3,094,795	380,343,238
Sewage treatment facilities	156,417,737	-	(1,518,818)	2,910,976	157,809,895
District facilities	36,344,411	744,033	(487,518)	1,076,181	37,677,107
General equipment	4,386,569	95,517	(14,213)	139,591	4,607,464
Total Capital assets, being depreciated:	573,655,027	1,581,683	(2,020,549)	7,221,543	580,437,704
Less: Accumulated depreciation					
Sewage collection facilities	(175,875,134)	(9,258,878)	-	-	(185,134,012)
Sewage treatment facilities	(70,245,213)	(4,666,834)	531,610	-	(74,380,437)
District facilities	(11,294,361)	(2,256,502)	375,186	-	(13,175,677)
General equipment	(2,635,467)	(575,711)	14,213	-	(3,196,965)
Total Accumulated depreciation:	(260,050,175)	(16,757,925)	921,009	-	(275,887,091)
Total capital assets, being depreciated , net	319,648,484	(15,176,242)	(1,099,540)	7,221,543	310,594,245
Total Capital Assets, net	$ 339,589,085	$ (1,571,157)	$ (1,099,540)	$ -	$ 336,918,388

NOTE #3 – CASH AND INVESTMENTS

A. Summary of Cash and Cash Equivalents and Investments

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

Financial Statement Presentation:

	2011	2010
Cash and cash equivalents	$ 963,372	$ 796,256
Restricted cash and cash equivalents	50,000	92,092
Investments	47,723,978	45,889,541
Restricted investments	25,000	25,000
Total Cash and Cash Equivalents and Investments	$ 48,762,350	$ 46,802,889

B. Authorized Investments by the District

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

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

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

b) Banker's Acceptances issued by institutions the short term obligations of which are rated at a minimum of "A1" by Moody's Investor Services (Moody's) and A1 by Standard & Poor'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 Moody's and S&P.

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

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

C. Interest Rate Risk

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

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:

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

2010	Maturies of			
	12 months or less	12-24 months	25 - 60 months	Total
U.S. Treasury Obligations	$ 4,016,177	$ 6,035,230	$ -	$ 10,051,407
U.S. Agency Obligations:				
FHLB	-	-	2,003,750	2,003,750
FNMA	-	2,002,040	-	2,002,040
FFCB	2,013,125	-	-	2,013,125
Corporate Notes	1,988,413	2,095,300	-	4,083,713
Certificates of Deposit	25,000	-	-	25,000
LAIF	25,702,052	-	-	25,702,052
Mutual fund (CAMP)	33,454	-	-	33,454
Total Investments	33,778,221	10,132,570	2,003,750	45,914,541
Cash in bank and money market funds	888,348	-	-	888,348
Total Cash and Investments	$ 34,666,569	$ 10,132,570	$ 2,003,750	$ 46,802,889

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, 2011, these investments mature in an average of 237 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, 2011 for each investment type:

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

Presented below is the actual rating as of June 30, 2010 for each investment type:

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

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, 2011, more than 5% of the District's investments were held in UBS commercial paper and in General Electric corporate notes. Such concentrations are permitted by the District's investment policy.

G. Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2011, the District's total bank balance of $649,860 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. Additionally, collateralization will be required on certificates of deposit. Collateral must be held by a third party trustee and valued on a monthly basis. The collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC Section 53601(i) (2).

NOTE #4 - INVESTMENT IN EAST BAY DISCHARGERS AUTHORITY

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

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

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

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

Summary financial information for EBDA, as of June 30, 2010 and 2009 and for the years then ended, the most recent audited information available, is as follows:

	2010	2009
Total Assets	$ 36,021,695	$ 36,557,438
Total liabilities	393,652	421,323
Net asset value of EBDA	35,628,043	36,136,115
District's share at 18.7%	6,662,444	6,757,455
Net loss on equity investment in EBDA	$ 95,011	$ 76,498

EBDA has no outstanding debt.

During fiscal year ended June 30, 2011 and 2010, the District was charged $969,969 and $881,554, respectively, by EBDA primarily for operating costs. Such costs are included in the sewage treatment expenses by the District for financial reporting purposes.

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

NOTE #5 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2011 are summarized as below:

	Maturity Date	Interest Rate	Balance 7/1/2010	Additions	Retirements	Balance 6/30/2011	Current Portion
1994 State Revolving Fund Loan - Plant Upgrade	06/17/14	2.7%	$ 7,338,558	$ -	$ 1,762,243	$ 5,576,315	$ 1,809,823
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	10,691,179	-	651,576	10,039,603	667,214
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	1,569,182	-	70,723	1,498,459	72,422
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	10,142,626	350,561	409,713	10,083,474	413,151
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	2,059,450	-	89,368	1,970,082	86,441
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,793,462	204,922	90,836	1,907,548	79,660
2011 State Revolving Fund Loan - Primary Cl.	01/15/33	2.7%	-	909,968	-	909,968	-
Use Permit	06/01/12	6.0%	916,696	-	444,998	471,698	471,698
Compensated absences	n/a	n/a	809,021	980,055	957,265	831,811	675,549
			$ 35,320,174	$ 2,445,506	$ 4,476,722	$ 33,288,958	$ 4,275,958

A. 1994 State Revolving Fund Loan – Plant Upgrade

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

B. 2003 State Revolving Fund Loan - Irvington

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

C. 2008 State Revolving Fund Loan – Willow

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.4% and is payable in twenty annual installments, beginning one year after initial loan disbursement. The purpose of this loan was to finance the Willow/Central Avenue sanitary sewer rehabilitation project. The maximum amount of this agreement is $1,749,329 based upon projected costs to be incurred. As of June 30, 2011, $1,710,471 has been advanced under this agreement.

D. 2008 State Revolving Fund Loan – Newark Pump Station

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

E. 2008 State Revolving Fund Loan – Hetch Hetchy

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7% and will be payable in twenty annual installments beginning one year after initial loan disbursements. The purpose of this loan is to finance the lower Hetch Hetchy sewer rehabilitation project. The maximum amount of this agreement is $2,212,432 based upon projected costs to be incurred. As of June 30, 2011, $2,113,379 has been advanced under this agreement.

F. 2009 State Revolving Fund Loan – Cedar Boulevard

During 2009, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.5% and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the Cedar Boulevard Sanitary Sewer Rehabilitation Project. The maximum amount of this agreement is $2,052,841 based upon projected costs to be incurred. As of June 30, 2011, $1,998,384 has been advanced under this agreement.

G. 2011 State Revolving Fund Loan – Primary Clarifier

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7% and will be pay able 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, 2011, $909,968 has been advanced under this agreement.

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

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6% 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, 2011, $0 has been advanced under this agreement.

I. Use Permit

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

J. Debt Service Requirements

Future annual repayment requirements as of June 30, 2011 are as follows:

Fiscal Year		Principal	Interest	Total
2012		$ 3,600,409	$ 421,575	$ 4,021,984
2013		3,210,808	330,592	3,541,400
2014		3,293,995	564,387	3,858,382
2015		1,458,831	462,689	1,921,520
2016		1,495,666	434,733	1,930,399
2017-2021		8,064,343	1,728,564	9,792,907
2022-2026		7,297,582	926,584	8,224,166
2027-2031		3,925,608	1,291,766	5,217,374
2032-2033		109,906	4,334	114,240
	Totals	$ 32,457,147	$ 6,165,224	$ 38,622,371

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, 2011 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	11.957%

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, 2011 and 2010 were $1,509,890 and $1,498,262 respectively. In addition, the District is currently obligated to pay 6% of the employee's 8% contribution as per collective bargaining agreements. That obligation is not reflected within the actuarial accrued liability disclosed in the required supplementary information section. The annual pension costs, including both the employer and employee portion paid by the District, for the years ended June 30, 2011 and 2010 were $2,268,175 and $2,252,529, respectively.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 2,268,175	100%	$ -
6/30/2010	2,252,529	100%	-
6/30/2009	2,017,035	100%	-

CALPERS uses the Entry-age normal cost method to value Plan obligations and the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are tracked and amortized over 30 years. Salaries are projected to increase from 3.25% to 14.45% depending on the age, service, and type of employment.

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

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

NOTE #7 - OTHER RETIREMENT BENEFITS

A. Postemployment Healthcare Plan (OPEB)

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

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

Funding Policy. The District's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a closed basis. The current ARC rate is 3% of the annual covered payroll, based on the most recent actuarial report dated July 1, 2010. The plan members receiving benefits currently do not make contributions.

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

Annual Required Contribution (ARC)	$ 351,679
Interest on net OPEB	(107,807)
Adjustment to ARC	89,791
Annual OPEB cost	333,663
Contributions made	351,679
Change in net OPEB obligation (asset)	(18,016)
OPEB obligation (asset) - beginning of year	(1,391,055)
OPEB obligation (asset) - end of year	$ (1,409,071)

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)
6/30/2011	$ 333,663	$ 351,679	105%	$ (1,409,071)
6/30/2010	521,414	1,321,414	253%	(1,391,055)
6/30/2009	505,002	1,096,057	217%	(591,055)

Funded Status. The schedule of funded status of the plan as of July 1, 2010 was as follows:

Actuarial accrued liability (AAL)	$ 5,120,503
Actuarial value of plan assets	2,202,422
Unfunded actuarial accrued liability (UAAL)	$ 2,918,081
Funded ratio (actuarial value of plan assets/ AAL)	43%
Covered payroll (active plan members)	$ 11,590,155
UAAL as a percentage of covered payroll	25.18%

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

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

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

Valuation date	July 1, 2010
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)	7.75%
Salary increase	3.25%
Healthcare cost trend rate	9.25% initial; 4.5% ultimate

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 $37,105 and $35,635 to the plans for the years ended June 30, 2011, and 2010, respectively.

C. Deferred Compensation Plan

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

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

NOTE #8 - RISK MANAGEMENT

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

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

The District's liability for uninsured claims is limited to general liability claims, as discussed above. Management's estimate at June 30, 2011 of the future liability is based on the net loss reserve of $23,000 for general liability.

NOTE #9 - COMMITMENTS AND CONTINGENT LIABILITIES

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

Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

Schedule of Funding Progress for Pension Plan

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	$ 70,490,768	$ 83,558,837	$ 13,068,069	84.4%	$ 12,177,190	107.3%
2008	67,804,209	74,379,293	6,575,084	91.2%	11,514,701	57.1%
2007	63,873,097	70,375,975	6,502,878	90.8%	10,653,816	61.0%

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, 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

SCHEDULE OF COMPONENTS OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	2011	2010
NET INVESTMENT IN CAPITAL ASSETS		
Net capital assets	$ 332,946,978	$ 336,918,388
Less long term debt:		
State revolving fund	(31,985,449)	(33,594,457)
Union City use permit	(471,698)	(916,696)
Net investment in capital assets	300,489,831	302,407,235
RESTRICTED NET ASSETS		
Expendable:		
Capacity purposes	13,237,951	11,758,907
Nonexpendable:		
State revolving fund loan contingency requirement	3,639,885	3,059,506
Total restricted net assets	16,877,836	14,818,413
UNRESTRICTED		
Renewal and replacement:		
Structural	3,174,948	12,204,876
Vehicle and equipment	902,267	930,527
Information system	888,894	1,053,320
Plant and pump station	69,307	-
Non-capital project expense	260,420	-
Investment in East Bay Dischargers Authority	6,662,444	6,757,455
Risk management reserve	1,500,000	1,500,000
Cash flow reserve	14,182,230	13,670,859
Undesignated	10,362,452	3,162,153
Total unrestricted	38,002,962	39,279,190
NET ASSETS	$ 355,370,629	$ 356,504,838

Note A – Restricted Net Assets

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

Note B – Unrestricted Assets

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

UNION SANITARY DISTRICT

SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	$ 4,400,401	$ 5,761,486	$ 2,865,404	$ 13,027,291	$ 4,407,381	$ 5,462,439	$ 2,887,289	$ 12,757,109
Employee benefits	1,587,692	2,123,326	1,264,199	4,975,217	1,628,649	2,066,424	1,438,692	5,133,765
Recruitment and development	56,239	60,518	197,620	314,377	61,504	88,266	189,535	339,305
Temporary help	-	7,959	-	7,959	-	6,333	-	6,333
Repairs and maintenance	1,596,455	567,047	11,534	2,175,036	1,584,453	444,077	14,330	2,042,860
Operating supplies	1,826,366	201,437	-	2,027,803	2,189,563	199,340	-	2,388,903
Office and safety supplies	122,237	212,484	223,801	558,522	127,648	243,967	138,969	510,584
Insurance	-	-	225,434	225,434	-	-	192,577	192,577
Contractual services	670,922	40,291	10,079	721,292	692,657	62,462	-	755,119
Professional services	212,723	40,895	419,765	673,383	228,306	62,778	386,654	677,738
Utilities	2,224,416	47,250	56,285	2,327,951	2,059,951	50,602	64,793	2,175,346
East Bay Dischargers Authority - operating charges	969,969	-	-	969,969	881,554	-	-	881,554
Non-capital projects	632,015	1,415,567	257,127	2,304,709	21,467	616,153	-	637,620
Sewer Service charge administrative fee	34,967	34,967	34,967	104,901	104,225	-	-	104,225
Rents/Leases	7,950	19,465	8,036	35,451	8,423	36,078	9,246	53,747
Total	$14,342,352	$ 10,532,692	$ 5,574,251	$ 30,449,295	$ 13,995,781	$ 9,338,919	$ 5,322,085	$ 28,656,785

UNION SANITARY DISTRICT

SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2011

General liability (pooled liability program)		
Bodily injury, property damage, and personal injury	$	25,500,000
Public entity errors and omissions and other related practices	$	25,500,000
Employment related practices	$	25,500,000
		Insured Value
Auto physical damage (primary insurance program)	$	2,817,689
Workers' Compensation	$	1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	$	208,743,313
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

Heat Exchanger

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

UNION SANITARY DISTRICT

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

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

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

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

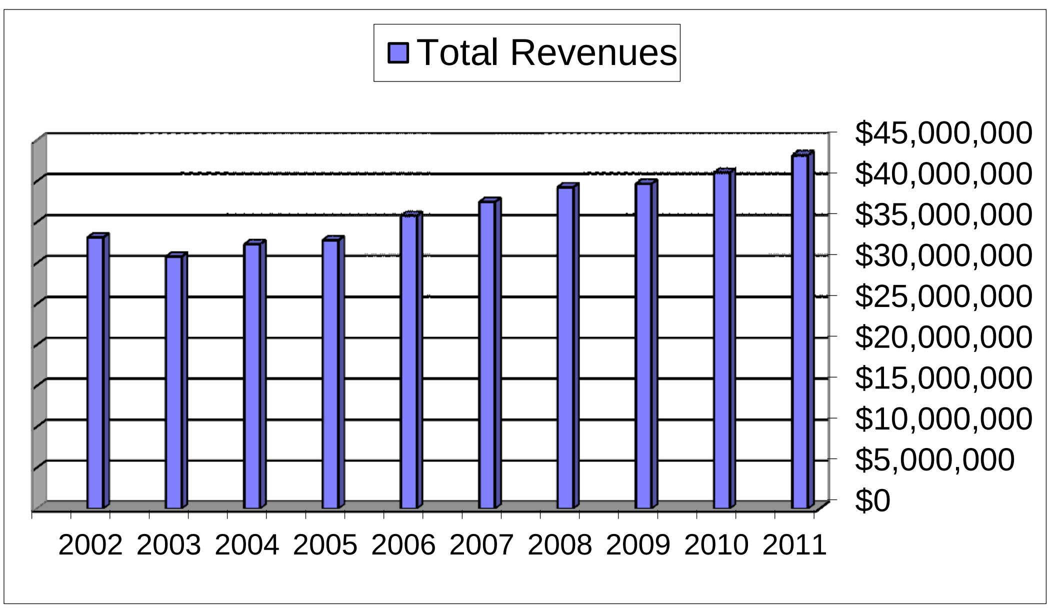
Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

District-Wide Revenues and Other Financing Sources

Fiscal Year	Sewer Service Charges	Capacity Fees	Interest	Others*	Total Revenues
2011	$38,486,824	$3,381,963	$274,328	$987,948	$43,131,063
2010	37,217,073	2,467,083	349,012	968,475	41,001,643
2009	35,103,885	2,621,801	1,136,138	809,171	39,670,995
2008	32,851,938	3,746,046	1,746,157	922,013	39,266,154
2007	30,951,916	3,503,054	1,902,866	1,099,925	37,457,761
2006	29,257,270	3,819,854	1,527,372	1,118,247	35,722,743
2005	27,592,013	3,173,183	926,543	1,097,871	32,789,610
2004	27,075,598	3,411,559	552,623	1,247,850	32,287,630
2003	25,146,104	1,665,970	2,933,175	1,034,706	30,779,955
2002	25,330,711	2,188,019	3,997,156	1,611,958	33,127,844

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



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

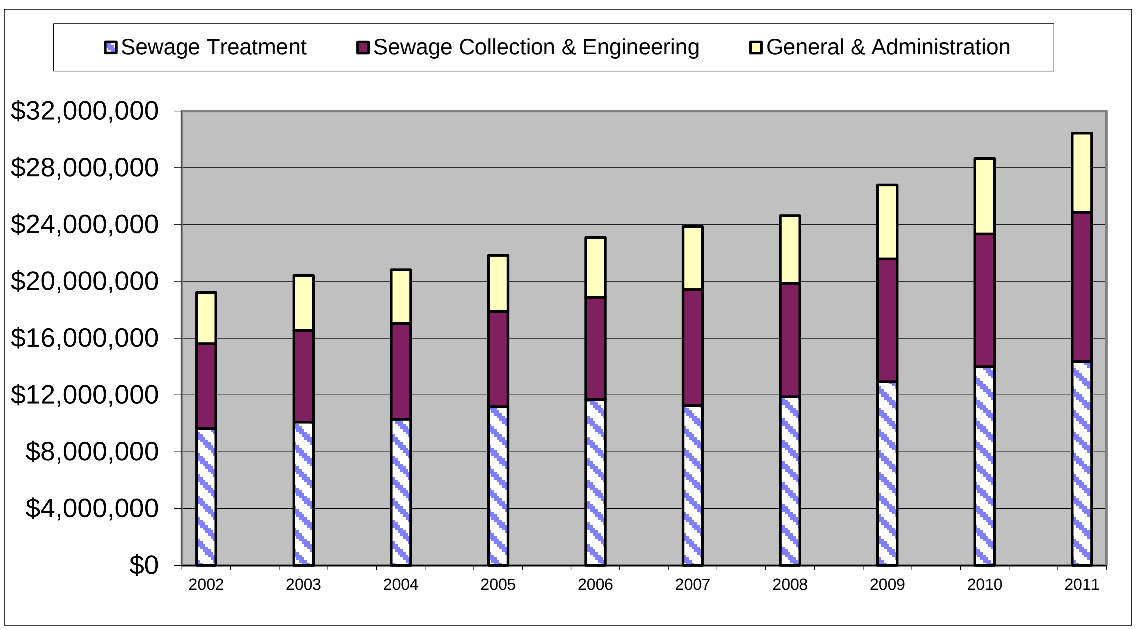
Total of Capacity Fees received is closely tied to economic conditions in the tri-city area.

Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

Operating Expenses By Major Function

Fiscal Year	Sewage Treatment	Sewage Collection & Engineering	General & Administration	Total Expenses
2011	$14,342,352	$10,532,692	$5,574,251	$30,449,295
2010	13,995,781	9,338,919	5,322,085	28,656,785
2009	12,938,404	8,658,679	5,200,792	26,797,875
2008	11,881,805	7,998,961	4,757,630	24,638,396
2007	11,250,875	8,160,123	4,442,638	23,853,636
2006	11,688,666	7,188,088	4,223,584	23,100,338
2005	11,166,304	6,719,421	3,958,644	21,844,369
2004	10,300,254	6,739,434	3,780,914	20,820,602
2003	10,093,698	6,452,533	3,860,606	20,406,837
2002	9,628,969	5,979,352	3,608,146	19,216,467



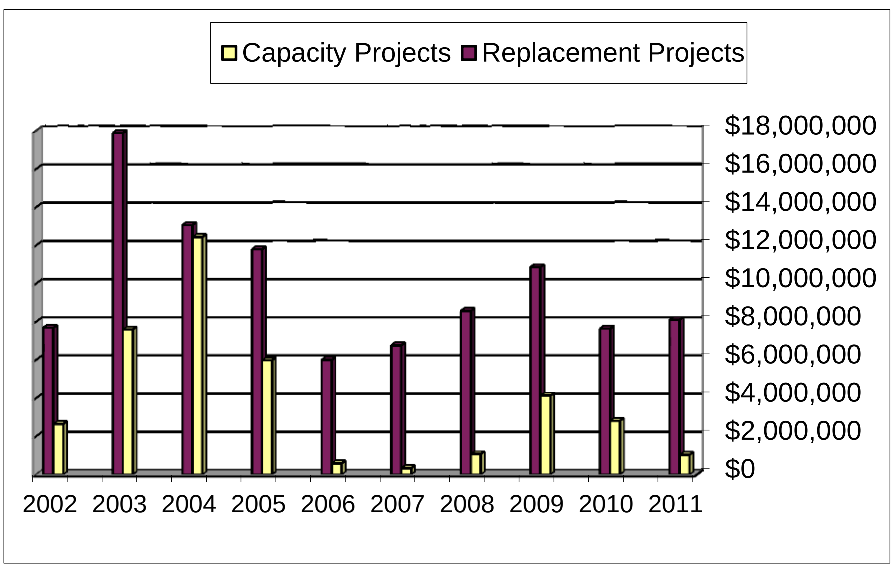
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

Capital Expenditures

Fiscal Year	New Capacity Projects	Renewal & Replacement Projects	Total Capital Expenditures
2011	$1,030,689	$8,099,110	$9,129,799
2010	2,809,723	7,641,018	10,450,741
2009	4,134,515	10,861,404	14,995,919
2008	1,070,104	8,571,513	9,641,617
2007	333,087	6,765,850	7,098,937
2006	584,634	5,999,203	6,583,837
2005	5,981,158	11,800,550	17,781,708
2004	12,443,532	13,061,112	25,504,644
2003	7,591,834	17,887,144	25,478,978
2002	2,648,809	7,685,830	10,334,639



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

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

Source: USD Finance Department

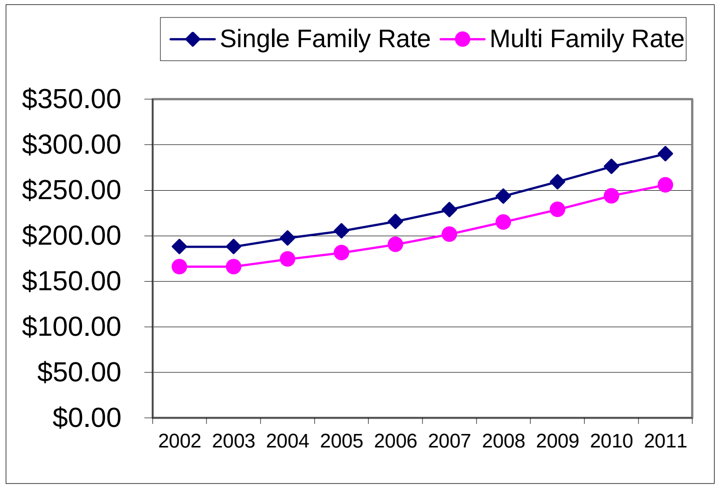
UNION SANITARY DISTRICT

Current and Historical Fees

Last Ten Years

Sewer Service Charge Rates

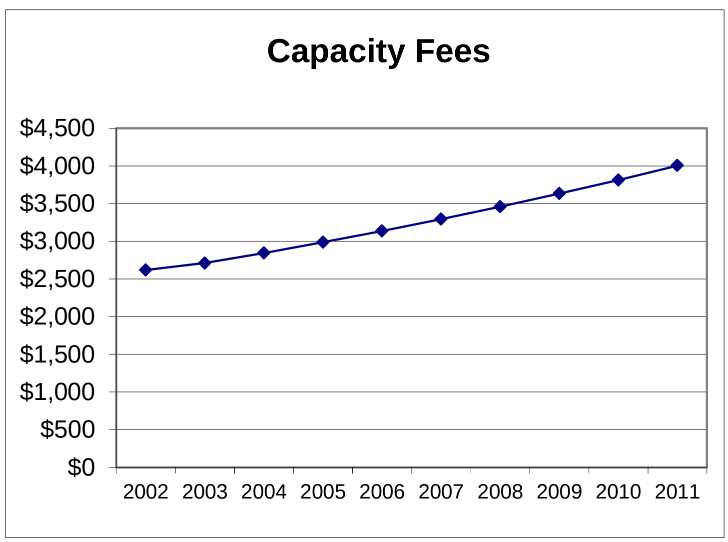
	Single Family Rate	Multi - Family Rate	SFD % Change
2011	$289.84	$255.93	5.0%
2010	276.04	243.74	6.5%
2009	259.18	228.86	6.5%
2008	243.36	214.90	6.5%
2007	228.52	201.78	6.0%
2006	215.57	190.33	5.0%
2005	205.30	181.27	4.0%
2004	197.40	174.30	5.0%
2003	188.00	166.00	0.0%
2002	188.00	166.00	



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged $243.74 for each dwelling unit on the property. Fees for commercial and industrial customers are based on the volume and pollutant strength of the wastewater being treated.

Capacity Fee Rates

		% Change
2011	$4,003.91	5.0%
2010	3,813.25	5.0%
2009	3,631.67	5.0%
2008	3,458.73	5.0%
2007	3,294.03	5.0%
2006	3,137.17	5.0%
2005	2,987.78	5.0%
2004	2,845.50	5.0%
2003	2,710.00	3.5%
2002	2,618.00	



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

Source: USD Finance Department

UNION SANITARY DISTRICT
Ten Principal Industrial Rate Payers
June 30, 2011

	2010-11			2009-10			2008-09			2007-08			2006-07		
Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings
New United Motor Mfg. Co.	$391,105	1	1.02%	$549,041	1	1.48%	$525,177	1	1.50%	$496,063	1	1.51%	$544,105	1	1.76%
Western Digital	215,190	2	0.56%	227,410	2	0.61%	273,113	2	0.78%	274,533	2	0.84%	233,804	2	0.76%
Washington Hospital	136,804	3	0.36%	128,056	4	0.34%	146,515	3	0.42%	139,089	3	0.42%	111,139	6	0.36%
Evergreen Oil	124,684	4	0.32%	136,078	3	0.37%	136,727	4	0.39%	114,815	4	0.35%	124,993	5	0.40%
Solyndra	120,712	5	0.31%	73,694	8	0.20%	---	---	---	---	---	---	---	---	---
Full Bloom Bakery	109,681	6	0.28%	122,577	5	0.33%	75,086	6	0.21%	---	---	---	---	---	---
The Benton in Fremont	82,409	7	0.21%	78,484	6	0.21%	73,693	7	0.21%	69,198	8	0.21%	64,973	10	0.21%
Seagate Technology	82,333	8	0.21%	---	---	---	---	---	---	---	---	---	---	---	---
Kaiser Hospital	78,993	9	0.21%	---	---	---	67,333	10	0.19%	---	---	---	---	---	---
Amgen	75,741	10	0.20%	---	---	---	---	---	---	---	---	---	---	---	---
Total annual billing largest ten	$1,417,654		3.68%	$1,315,340		3.53%	$1,297,644		3.70%	$1,093,698		3.33%	$1,079,014		3.49%
Total ALL annual billings	$38,486,824			$37,217,073			$35,103,885			$32,851,938			$30,951,916		

	2005-06		
	Total Annual Billing	Rank	% of Total Annual Billings
New United Motor Mfg. Co.	$715,870	1	2.45%
Western Digital	201,825	2	0.69%
Washington Hospital	78,911	7	0.27%
Evergreen Oil	---	---	---
Solyndra	---	---	---
Full Bloom Bakery	---	---	---
The Benton in Fremont	---	---	---
Seagate Technology	---	---	---
Kaiser Hospital	---	---	---
Amgen	---	---	---
Total annual billing largest ten	$996,606		3.41%
Total ALL annual billings	$29,257,270		

Customer Type	Number of Parcels '09/10	Percent of Total
Domestic/Residential	85,117	90.6%
Commercial	1,050	1.1%
Industrial	1,336	1.4%
Institutional	350	0.4%
Multiple Use/Misc.	6,109	6.5%
Total	93,962	100.0%

	2001/2002	2001/2002 Revenues	2010/2011 Revenues	Still USD Customer
1	New United Motor Mfg.	590,799	549,041	No
2	Dreyers Grand Ice Cream	305,464	---	No
3	HMT Technology	151,445	---	No
4	Nancy's Specialty Foods	112,461	---	No
5	Evergreen Oil	94,399	124,684	Yes
6	Read Rite	90,026	---	No
7	Agilent Technology	88,690	---	No
8	Dannon/Mckesson Waters	82,975	---	No
9	Washington Hospital	76,952	136,804	Yes
10	Seagate Technology	76,726	82,333	Yes

Additional years will be added as information becomes available.

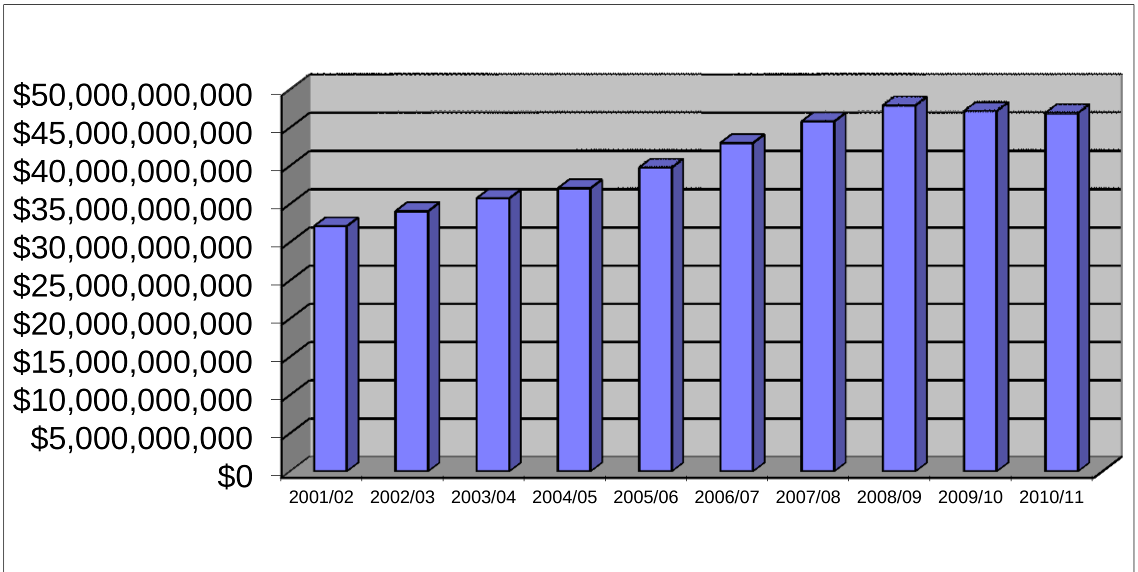
Source: USD Customer Service Team

UNION SANITARY DISTRICT

Fiscal Year Assessed Valuation

Valuation of taxable property within Union Sanitary District

		% Change
2010/11	$46,871,083,762	-0.54%
2009/10	$47,125,012,456	-1.57%
2008/09	$47,878,943,360	4.55%
2007/08	$45,796,626,625	6.56%
2006/07	$42,977,256,903	8.13%
2005/06	$39,744,688,309	7.26%
2004/05	$37,056,029,834	3.69%
2003/04	$35,736,357,377	4.97%
2002/03	$34,043,976,999	6.07%
2001/02	$32,096,327,100	



Includes property in Fremont, Newark, and Union City.

Source: Alameda Count Office of the Auditor-Controller

UNION SANITARY DISTRICT

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds (1)	Use Permit (2)	Loans Payable (3)	Principal Total	# of Ratepayers*	Total Debt/ #Ratepayers
2011	$0	$471,698	$31,985,449	$32,457,147	94,231	$344
2010	0	916,696	33,594,457	34,511,153	93,962	367
2009	0	1,336,506	29,499,150	30,835,656	93,666	329
2008	0	1,732,553	25,367,381	27,099,934	92,427	293
2007	0	2,106,182	24,908,737	27,014,919	91,896	294
2006	0	2,458,662	27,085,423	29,544,085	91,315	324
2005	0	2,791,171	29,206,575	31,997,746	90,472	354
2004	0	3,104,897	31,292,792	34,397,689	90,120	382
2003	0	3,400,846	18,443,838	21,844,684	84,713	258
2002	865,000	3,680,043	19,867,882	24,412,925	84,050	290

* Based on parcels

	Purpose	Rate	Maturity Date	Annual Total Payment	Outstanding Principal Balance
(1) Revenue Bonds	Refunding of 1989 Revenue Bonds	4.6%	2003	$0	$0
(2) Use Permit	Union City Use Permit - to increase capacity to maximum of 38 mg/d	6.0%	2012	$500,000	$471,698
(3) Loans Payable	State Water Resources Control Board - Wastewater Treatment Plant Upgrade Project	2.7%	2014	$1,960,384	$5,576,315
	State Water Resources Control Board - Irvington Wastewater Equalization Storage Facility	2.4%	2024	$908,164	$10,039,603
	State Water Resources Control Board - Willow/Central Avenue	2.4%	2027	$108,385	$1,498,459
	State Water Resources Control Board - Newark Pump Stat. Upgrade	2.7%	2030	$685,405	$10,083,474
	State Water Resources Control Board - Lower Hetch Hetchy	2.7%	2028	$139,634	$1,970,082
	State Water Resources Control Board - Cedar Blvd.	2.5%	2030	$127,349	$1,907,548
	State Water Resources Control Board - Primary Clarifier	2.7%	2033	$127,349	$909,968
Totals				**$4,556,669**	**$32,457,147**

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.

Source: USD internal accounting records

UNION SANITARY DISTRICT

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage % (2)
2011	$43,131,063	$30,449,295	$12,681,768	$4,429,320	286%
2010	41,001,643	28,656,785	12,344,858	3,584,000	344%
2009	39,670,995	26,797,875	12,873,120	3,476,933	370%
2008	39,266,154	24,638,396	14,627,758	3,368,548	434%
2007	37,457,761	23,853,636	13,604,125	3,368,548	404%
2006	35,722,743	23,100,338	12,622,405	3,368,548	375%
2005	32,789,610	21,844,369	10,945,241	3,368,548	325%
2004	32,287,630	20,820,602	11,467,028	2,460,384	466%
2003	30,779,955	20,406,837	10,373,118	2,460,384	422%
2002	33,127,844	19,216,467	13,911,377	2,460,393	565%

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

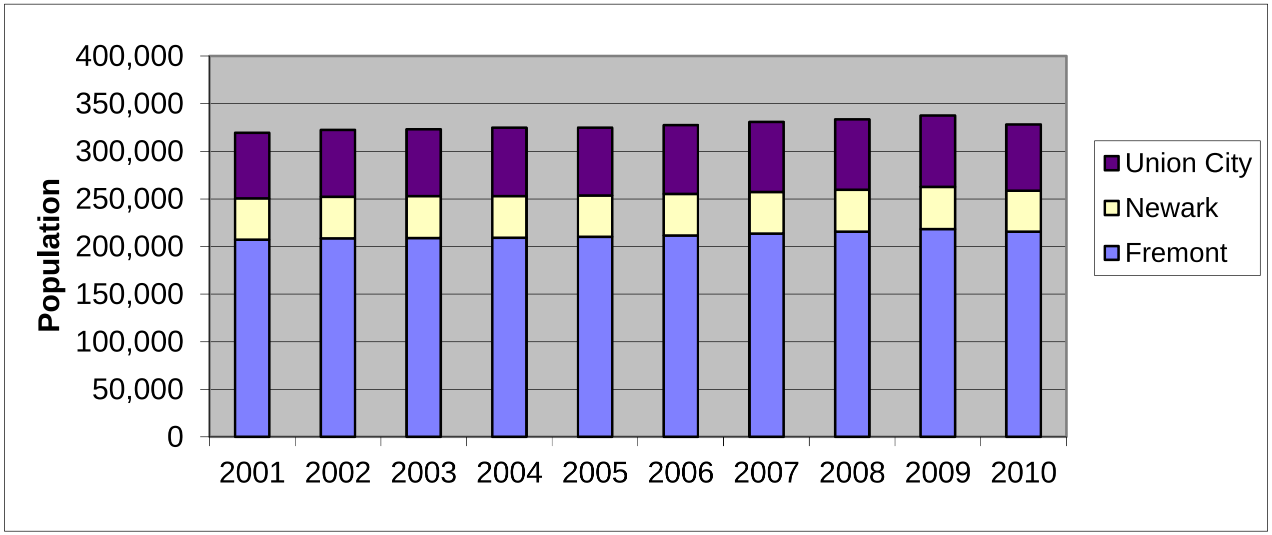
(2) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 130%, which is higher than the standard 120% typically used to secure revenue bonds.

Source: USD internal accounting records

UNION SANITARY DISTRICT

Demographics
Population Served

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fremont	207,200	208,600	209,000	209,100	210,158	211,662	213,512	215,636	218,128	215,711
Newark	43,500	43,650	43,950	43,960	43,486	43,693	43,872	44,035	44,380	42,764
Union City	68,700	70,200	70,300	71,725	71,152	72,297	73,402	73,977	75,054	69,850
Total	**319,400**	**322,450**	**323,250**	**324,785**	**324,796**	**327,652**	**330,786**	**333,648**	**337,562**	**328,325**
Total % Change	1.56%	0.95%	0.25%	0.47%	0.00%	0.879%	0.96%	0.87%	1.17%	-2.74%



Source: CA Dept. of Finance website

UNION SANITARY DISTRICT

Demographics of Population Served

Median Household Income

Fremont	$76,579
Newark	$69,350
Union City	$71,926
US	$44,512

Median Home Value

Fremont	$491,000
Newark	$365,000
Union City	$381,000
CA	$302,000
US	$150,000

Source: Zillow.com

UNION SANITARY DISTRICT

Demographics
Major Employers in District Service Area

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

Employer Name	Type of Business	% of Total City Employment 2010	2009	2008	2007
Fremont					
Fremont Unified School District	Education	3.02%	1.52%	1.51%	1.57%
Washington Hospital	Healthcare	1.81%	2.18%	2.16%	2.25%
Boston Scientific/Target Therapeuti	Medical Devices and Products	1.81%	1.09%	1.08%	1.12%
Western Digital	Hard Drives and Electronics	1.81%	0.91%	1.05%	1.03%
Seagate Magnetics	Computer Components	1.06%	0.96%	0.99%	N/A
Newark					
Newark Unified School District	Education	3.40%	3.40%	N/A	N/A
WorldPac	Auto Part Distribution	1.40%	1.40%	N/A	N/A
Full Bloom Baking Company	Baking Products	1.40%	1.40%	N/A	N/A
Risk Management Solutions	Catastrophe Risk Management	1.30%	1.30%	N/A	N/A
Smart Modular Technologies	Electronics	1.20%	1.20%	N/A	N/A
Union City					
Axygen Bioscience	Biotechnology	3.96%	N/A	N/A	N/A
New Haven Unified School District	Education	3.76%	3.70%	3.84%	4.18%
Wal Mart	Retailer	1.65%	1.86%	1.77%	2.41%
Young's Market Co. LLC	Grocery	1.32%	N/A	N/A	N/A
City of Union City	Local Government	1.17%	1.13%	1.13%	1.11%

More years will be added as the data becomes available.

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

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

UNION SANITARY DISTRICT

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

Function/Program	Fiscal Year 2011	2010	2009	2008	2007
System operations and maintenace (CS Support, FMC, T&D, Warehouse)	50.45	51.45	51.00	51.23	49.23
Engineering and construction (CIP)	8.00	6.00	6.00	6.00	7.00
Collections System Maintenance (CS)	22.00	22.00	22.00	21.00	23.00
Office of the General Manager (GM)	2.00	2.00	2.00	2.00	2.00
Finance (FIST)	5.00	5.00	5.00	5.00	4.00
Information systems (IT)	4.00	5.00	5.00	5.00	5.00
Administration department (OA, MMT, non-HR OST)	16.00	15.00	15.50	15.50	16.00
Customer and community services (Rest of TSCS)	19.00	19.00	21.00	21.00	18.00
Human resources (HR)	3.00	3.00	3.00	3.00	3.00
Total	129.45	128.45	130.50	129.73	127.23
Average years of service of employees as of 6/30/11:	11.89	11.46	10.71	10.06	9.80

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

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

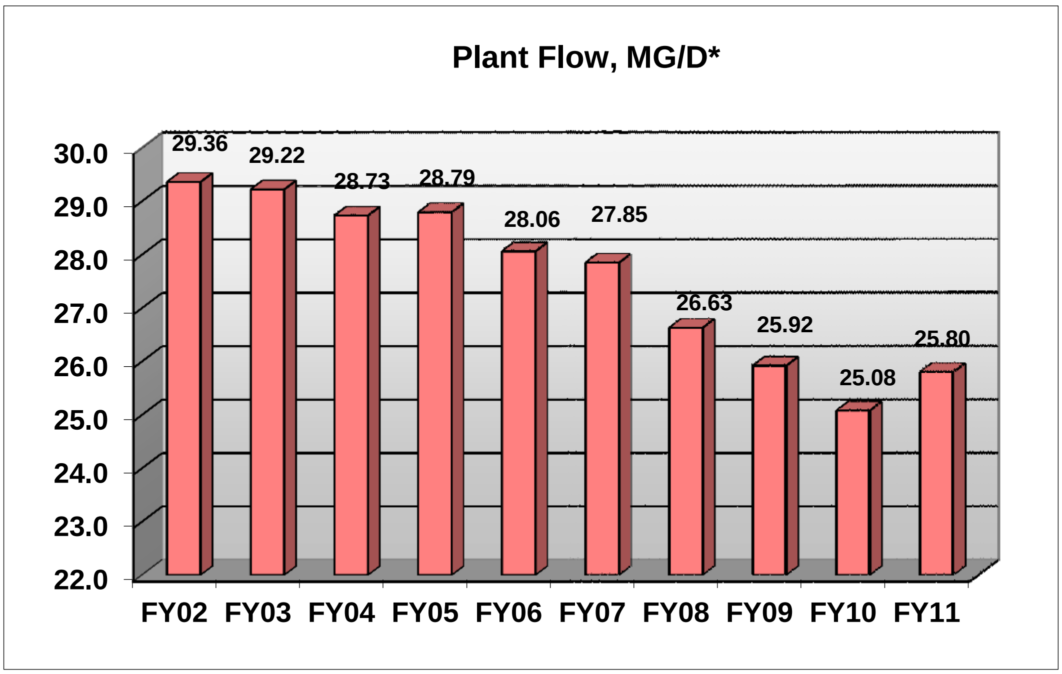
Source: USD Human Resources Dept.

UNION SANITARY DISTRICT

Operating Indicators by Function/Program
Last Ten Calendar Years

Average Daily Plant Effluent Flow

Plant Flow Data



Plant 12-month average

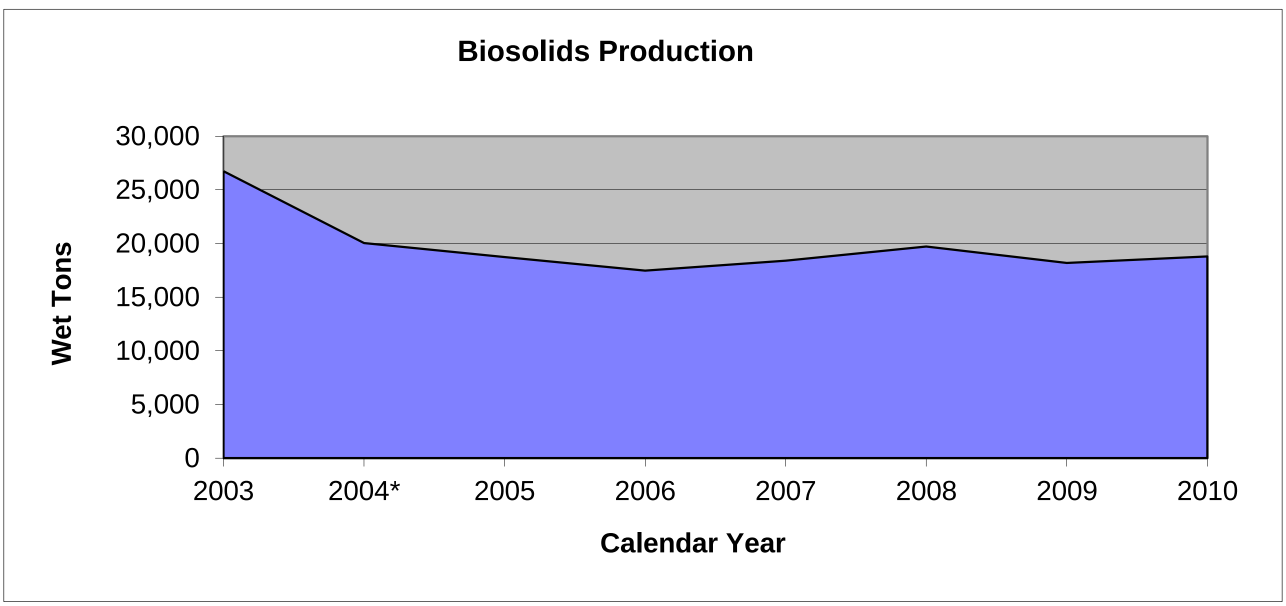
*Million gallons per day. Permitted capacity is 33 MG/D.

Source: Union Sanitary District Research Support Team

UNION SANITARY DISTRICT

Operating Indicators - Biosolids
Last Eight Calendar Years

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



*Centrifuge dewatering began.

Additional years will be added as information becomes available.

Source: USD Treatment Disposal Work Group

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

Source: USD Collection Services Dept.

Union Sanitary District
Operating Indicators by Program/Function
Collection Services

Objectives	FY10 Collection Services BSC Measures	Qtr 1		2nd Qtr		3rd Qtr		4th Qtr		FY 10 Total		FY 10 Target
Customer Perspective:												
• Minimize Overflows SSO's	· # of Category 1 SSOs	0	SSOs	1	SSO	1	SSOs	0	SSOs	2	SSOs	• Zero Category 1 SSOs
	· # of Category 2 SSOs	0	SSO	2	SSOs	3	SSOs	3	SSOs	8	SSOs	≤ 10 Category 2 SSOs
• Minimize Negative Impact on Environment	· Percent of spill recovery	0%	None to recover	45.0%	Recovery	99.0%	Recovery	100%	Recovery	50.9%	Recovery	• 50% Recovery
	· SSO's # of Repeats	0	SSO Repeats	0	Repeats	0	Repeats	0	SSO Repeats	0	SSO Repeats	• Zero Repeats
Manage and maintain assets and infrastructure	• Critical Asset Failures Sewer Main or MH Deficiency resulting in Category 1 SSO, sink hole, injury or resulting property damage > $2,000 due to one or more of the following: – Break, collapse, offset or hole in pipe or – PMP not followed – Corrosion – Defect identified & corrective action not	0	Asset failure	0	Asset failure	0	Failures	0	Failures	0	Asset failure	• Zero
	• Stoppage in > 12" diameter mainline	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	0	Stoppages	• Zero
	• # of times building becomes dangerous or unsuitable for occupation.	0	Incidents	0	Incidents	0	Incidents	0	Incidents	0	Incidents	• Zero
	Critical asset failure with a negative impact on customers or the environment	0	Incidents	0	Incidents	1	Incidents	0	Incidents	1	Incidents	Zero Incidents
• Provide Uninterrupted Service	Response Time from notification thru initial contact includes dispatch time	95.2%	w/i 1 hour	99.0%	w/i 1 hour	95.0%	w/i 1 hour	95.8%	w/i 1 hour	96.3%	w/i 1 hour	≥ 95% w/i 1 hr
• Reduce negative impacts of District	Number of odor complaints attributable to sewer.	0	Odors	0	Odors	0	Odor	0	Odors	0	Odor	≤ 2
Financial Perspective:												
• Provide competitive service	Cleaning – cost per ft/day/crew	$0.30	Per ft	$0.32	Per ft	$0.34	Per ft	$0.57	Per ft	$0.38	Clean Per Ft	Clean $.33 to $.53
Cost per feet/day	Televising – cost per ft/day/crew	$0.59	Per ft	$0.57	Per ft	$0.60	Per ft	$0.74	Per ft	$0.63	TV Per Ft	TV - $.38 to $.67
• Minimize Claims & Fines	Total Cost of Claims/Fines (from SSO's)	$0	Total Claims	$0	Total Claims	$0	Total Claims	$11,601	Total Claims	$11,601	Total Claims	Claims ≤$2000
		$0	Total Fines	$0	Total Fines	$0	Total Fines	$0	Total Fines	$0	Total Fines	Fines-$0
	Average cost per claim/fine	$0	Avg Claims	$0	Avg Claims	$0	Avg Claims	$5,801	Avg Claims	$5,801	Avg Claims	Claims ≤$1000
		$0	Avg Fines	$0	Avg Fines	$0	Avg Fines	$0	Avg Fines	$0	Avg Fines	Fines-$0
Internal Process Perspective:												
• Trouble Call & SSO response	Response Time	95.2%	w/i 1 hour	99.0%	w/i 1 hour	95.0%	w/i 1 hour	95.8%	w/i 1 hour	96.3%	w/i 1 hour	≥ 95% w/i 1 hr
• Pipe/Problem Assessment	Number of Repeat Spills	0	Zero	0	Zero	0	Zero	0	Zero	Zero	per year	≤ 2 per year
• Preventative Maint. Program	Cycle Started versus Target Start Date-72 Mo.	On	Schedule	On	Schedule	0	Schedule	0	On Schedule	On	Schedule	72 mo – w/i 3 mos.
• Cleaning	Per Month Cleaning Footages	85,107	Avg Ft Per Mo	106,015	Avg Ft Per Mo	96,418	Avg Per Mo *	78,816	Avg Per Mo	91,589	Avg Mo	93,082 Avg Mo, 1.117K YE
o Feet per crew day	o Feet Per Crew/Day	5,006	Ft Per Crew/Day	6,236	Ft Per Crew/Day	4,821	Ft Per Crew/D	4,222	Ft Per Crew/Day	5,071	Ft Per Crew/Day	3,500 Per Crew Day
o # of Crew Days	o # of Crew Days	17	# of Crew Days	17	# of Crew Days	20	# of Crew Day	18.7	# of Crew Days	18	# of Crew Days	27 Crew Days
• Televising	Per Month Televising Footages	65,366	Avg Ft Per Mo	66,499	Avg Ft Per Mo	58,744	Avg Per Mo	38,470	Avg Per Mo	57,270	Avg Mo	62,636 Avg Mo, 752K YE
o Feet per crew day	o Feet Per Crew/Day	3,845	Ft Per Crew/Day	4,071	Ft Per Crew/Day	3,389	Ft Per Crew/D	2,456	Ft Per Crew/Day	3,440	Ft Per Crew/Day	2,750 Per Crew Day
o # of Crew Days	o # of Crew Days	17	# of Crew Days	16	# of Crew Days	17.3	# of Crew Day	15.7	# of Crew Days	17	# of Crew Days	24 Crew /dats
• Key Vehicles Available For	Days Per Mo 2 Hydrojets Not Available	0	Days	0	Days	0	Days	0	Days	0	Days	< 3 Days
Preventative Maintenance Program	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	3	Modules	3	Modules	6 Modules
	# of Training Modules w/instuction completed	0	Module	1	Module	1	Modules	2	Modules	4	Modules	6 Modules
	# of individual Competency Assessments passed	0	Assessments	10	Assessments	10	Assessments	30	Assessments	50	Assessments	42 Assessments
• Communicate Performance Data to Teams	# of time info shared with Team	3	Min. per mo	3	Minimum per m	3	Minimum per	3	Mini per mo	12	Min. per mo	Min. 1 per/mo

Source: USD Collection Services Dept.

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

Fiscal Year 2011

	Objectives	Measures	Fiscal Year-to-Date		Target	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Customer	Operate and maintain the Plant in compliance 24/365.	Number of adverse impacts (odor complaints, violations, spills, etc.)	2	Total	0	0 Total	3 Total	16 Total
		Number of priority 1 work orders	6	Ave per Month	Ave < 10/month	8 Ave/Month	6 Ave/Month	7 Ave/Month
		Number of critical asset failures	1	Total	0	1 Total	2 Total	4 Total
		Number with negative impact on the environment	0	Total	0	0 Total	1 Total	0 Total
Financial	Optimize operating costs: Minimize energy, water, and chemical use.	Water Usage - Alvarado Site			Track & Report			
		Gallons Used Per Day	23,371	Ave per Day	TBD	21,572 Ave per Day	32,575 Ave per Day	35,502 Ave per Day
		Energy & Chemical Usage:						
		Average/Day Kwh/MG - Alvarado Site	2,027	Ave per Month	< 2,100	2,078 Ave/Month	2,214 Ave/Month	2,001 Ave/Month
		Average Kwh/Day - Irvington Pump Station	3,621	Ave Kwh/Day	TBD	3,337 Ave Kwh/Day	3,153 Ave Kwh/Day	3,439 Ave Kwh/Day
		Average Kwh/Day - Newark Pump Station	2,839	Ave Kwh/Day	TBD	2,242 Ave Kwh/Day	3,080 Ave Kwh/Day	4,058 Ave Kwh/Day
		On-site Power Generation - kwh/day	11,776	Ave per Day	11,000	13,036 Ave/Day	14,075 Ave/Day	14,825 Ave/Day
		On-site Power Generation - kwh/year	4,299,353	Total	4,000,000	4,762,374 Total	5,156,083 Total	5,432,255 Total
		Ferrous Chloride						
		H2S Control - gal/hour	32	Ave GPH	≤ 35	32 Ave GPH	36 Ave GPH	62.3 Ave GPH
		H2S Control - gal/year	280,320	FY Total	TBD	280,320 FY Total	313,416 FY Total	545,352 FY Total
		Hydrogen Peroxide						
		H2S Control - gal/hour	9.5	Ave GPH	8.5	7.8 Ave GPH	7.4 Ave GPH	N/A
		H2S Control - gal/year	71,215	FY Total	≤ 70,000	66,657 FY Total	59,660 FY Total	N/A
		Hypochlorite						
		Disinfection - gal/hour	52.8	Ave GPH	50	65.3 Ave GPH	52.2 Ave GPH	50.6 Ave/Day
		Disinfection - gal/year	449,075	FY Total	438,000	562,212 FY Total	331,590 FY Total	331,119 FY Total
		Polymer						
		GBT - lbs/dry ton	5.2	Ave lbs/dry ton	6.5	4.6 Ave lbs/dry ton	4.9 Ave lbs/dry ton	4.48 Ave lbs/dry ton
		Dewatering - lbs/dry ton	30.7	Ave lbs/dry ton	33	30.8 Ave lbs/dry ton	28.7 Ave lbs/dry ton	24.3 Ave lbs/dry ton

Source: USD Treatment Disposal Services Dept.

Fiscal Year 2011

Financial (continued)	**Optimize operating costs: Improve utilization of labor.**	Overtime as % of base payroll: FMC T&D	 7.1% Ave per Month 3.8% Ave per Month	 ≤ 5% ≤ 5%	 9.3% Ave/Month 2.7% Ave/Month	 7.2% Ave/Month 2.6% Ave/Month	 8.2% Ave/Month 3.7% Ave/Month
		% Total hours worked spent on maintenance work - FMC Time not charged	81.0% Ave per Month 9.5% Ave per Month	80% < 20%	80.8% Ave/Month 7.2% Ave/Month	79.0% Ave/Month 7.6% Ave/Month	81.6% Ave/Month 7.8% Ave/Month
Internal Processes	**Environmental Protection - District-wide**	Biosolids Class A Disposal Percent Disposed of as Class A Number of Wet Tons Disposed Class A	 17% Ave per Month 3189 FY Total	 20% by FY12 3800	 16.7% Ave per Month 3,005 FY Total	 13.5% Ave per Month 2,545 FY Total	 14.5% Ave per Month 2,672 FY Total
	Maintain Plant processes within parameters.	Plant Operational Health Index Monthly Index Value Number of Days < 75% Maximum # of Consecutive Days < 75%	 89% Ave 22 Days Total 2 Days	 Ave ≥ 85 Track & Report ≤ 3	 90% Ave 16 Days Total 2 Days	 86% Ave 46 Days 3 Days	 89% Ave 25 Days 4 Days
	Implement an effective predictive and preventative maintenance program.	Percent of time spent on Planned vs. Unplanned maintenance activities (Best in Class 90%)	98.5% Ave per Month	75% - 90%	97.9% Ave/Month	98.2% Ave/Month	97.8% Ave/Month
		Percent preventative maintenance work orders completed within month scheduled	96.9% Ave per Month	≥ 95%	96.4% Ave/Month	98.4% Ave/Month	98.3% Ave/Month
		Number corrective work orders over 90 days	201 Ave per Quarter	Track & Report	260 Ave/Quarter	287 Ave/Quarter	284 Ave/Quarter
	Provide effective regulatory & laboratory services to support compliance.	Percent of Environmental Compliance Samples that Meet Turnaround Time (12 days)-R&S Lab	100% Ave per Quarter	90%	100% Ave/Quarter	100% Ave/Quarter	N/A
		Percent of Immediate Notifications to TPO for Analyses that Exceed Action Limits-R&S Lab	100% Ave per Quarter	95%	100% Ave/Quarter	100% Ave/Quarter	N/A
		Percent passed, State Proficiency Test (DHS-ELAP)	100% Areas Passed	85%	100% Areas Passed	95% Areas Passed	100% Areas Passed
Employees	**Enhance employee skills.**	TPO No. of competency assessments completed	 0 Total	 Track & Report	 1 Total	 2 Total	 3 Total
		FMC No. of training modules developed vs. goal	 1 Total	 1	 1 Total	 1 Total	 2 Total

UNION SANITARY DISTRICT

Miscellaneous Statistics
6/30/2011

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:	129.45 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:	328,325
Number of Connections	88,543
Operations:	Total miles of pipeline - 778 gravity sewer, 25 force main, less than 1 mile of storm sewer at plant Number of pumping stations - 7 Larger: Irvington, Newark, Alvarado Smaller: Fremont, Boyce, Paseo Padre, Cherry Street
Permitted Plant Capacity:	33 mgd
Type of Treatment:	Secondary
Sewer Service Charge:	$289.84 annually per residential equivalent unit