

**DSRSD•EBMUD Recycled Water Authority
(DERWA)
Board of Directors**

NOTICE OF REGULAR MEETING

TIME: 6:00 p.m.
PLACE: Dublin San Ramon Services District Boardroom
7051 Dublin Boulevard
Dublin, California 94568

DATE: Monday, October 22, 2012

AGENDA

The mission of the DSRSD•EBMUD Recycled Water Authority is to maximize the amount of recycled water delivered while recovering its costs; in doing so it will provide a reliable and consistent supply of recycled water to DSRSD and EBMUD for service to each of the agencies' customers.

(Next Resolution No. 12-2)

**Recommended
Action**

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL - Members: Coleman, Howard, Mellon and Vonheeder-Leopold
Alternates: Foulkes
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES
5. PUBLIC COMMENT (Meeting Open to Public)
At this time, those in the audience may address the Board on any item not already included in the agenda. Comments should not exceed five minutes. If this is not considered sufficient time to address the issue, please arrange with the Secretary to have that item placed on the agenda for a future Board meeting.
6. APPROVE MINUTES
Regular Board Meeting of August 27, 2012 and Special Board Meeting of September 24, 2012 Approve
by Motion
7. CONSENT CALENDAR
Matters listed under this item are considered routine and will be enacted by one action in the form listed below. There will be no separate discussion of these items unless requested by a Member of the Board or the public prior to the time the Board votes on the Motion to adopt.
 - A. Treasurer's Reports for August 31, 2012 and September 30, 2012 Approve
by Motion
 - B. Quarterly Investment Report – September 30, 2012 Approve
by Motion

**Recommended
Action**

8. **BOARD BUSINESS**

- A. Transmittal of the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2012 and 2011

Accept
by Motion

9. **MANAGER'S REPORTS**

- Contracts Initiated Since the Board Meeting of August 27, 2012
- Army Corps of Engineers Construction Project Status
- Cancel Regular Meeting December 24, 2012

10. **BOARDMEMBER ITEMS**

11. **CLOSED SESSION**

- A. Conference with Real Property Negotiator-Pursuant to Government Code Section 54956.8

Property: Water Supply Contract

Agency Negotiator: James B. Bewley, Authority Manager

Negotiating Parties: City of Pleasanton and DERWA

Under Negotiation: Price and Terms

- B. Pursuant to Government Code Section 54957 – Public Employee Performance Evaluation

Title: Authority Manager

- C. Pursuant to Government Code 54957.6 - Conference with Labor Negotiator

Agency Designated Representative: General Counsel

Unrepresented Employee: James B. Bewley, Authority Manager

12. **REPORT FROM CLOSED SESSION**

13. **ADJOURNMENT**

Information about and copies of supporting materials on agenda items are available for public review at 7051 Dublin Boulevard, Dublin, at the Reception Desk, or by calling the Authority Secretary at (925) 828-0515. A fee may be charged for copies. During the meeting, information and supporting materials are available by the doorway into the Boardroom. Authority facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the Authority Secretary as soon as possible, but at least two days prior to the meeting.

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Regular Meeting Minutes
Monday, August 27, 2012**

Dublin San Ramon Services District
7051 Dublin Boulevard, Dublin, California

1. CALL TO ORDER – Chair Vonheeder-Leopold called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:00 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Georgean Vonheeder-Leopold, Vice Chair Frank Mellon, Director Dwight (Pat) Howard and Director Katy Foulkes. DERWA Staff present: James Bewley, Authority Manager; Robert Maddow, General Counsel; and Nancy Gamble Hatfield, Authority Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES – Authority Manager Bewley announced that there was an agenda management item. The Summary & Recommendation for Item 8.A noted that the Board would address this item after the Closed Session. However, after further deliberation, Mr. Bewley recommended Item 8.A be delayed until a subsequent meeting.

Chair Vonheeder-Leopold confirmed that Item 8.A would be delayed until a future meeting.

5. PUBLIC COMMENT – 6:02 p.m. – None received.

6. APPROVE MINUTES – Regular Meeting of April 23, 2012

Motion by V.C. Mellon, Second by Director Howard to approve the minutes from the Regular Meeting of *April 23, 2012*. Motion carried (3-0-1) by the following vote:

AYES: Mellon, Howard, Vonheeder-Leopold

NOES:

ABSTAIN: Foulkes

7. CONSENT CALENDAR

A. Treasurer's Report for April 30, May 31, June 30 and July 31, 2012

B. Quarterly Investment Report – June 30, 2012

Motion by V.C. Mellon, Second by Director Foulkes to approve the Consent Calendar.

Chair Vonheeder-Leopold noted that the July 31, 2012 Treasurer's Report seemed to reflect the agency's cash available as overdrawn in the amount of \$85,000.

Authority Manager Bewley confirmed that Chair Vonheeder-Leopold was correct and explained that the EBMUD Treasurer's office manages the short term cash flow for

-DRAFT-

DERWA. A transfer from a Member Agency may not have been made by the date the Treasurer's Report was generated, thereby reflecting a deficit.

Motion carried (4-0) by the following vote:

AYES: Mellon, Foulkes, Howard, Vonheeder-Leopold

NOES:

8. BOARD BUSINESS

A. Agreement to Provide Recycled Water Treatment and Delivery Services by and between DERWA and the City of Pleasanton

This item was not discussed.

9. MANAGER'S REPORTS

- Contracts Initiated Since the Board Meeting of April 23, 2012 – None.
- Army Corps of Engineers Construction Project Status – The initial two projects for the EBMUD distribution system, also known as Phase 2 3 4, were completed over a year ago and are now closed out. The design of Pump Station R200A and Pipeline IH project was started in 2005 and construction started in 2008, with beneficial occupancy in 2010. In mid-2011, a claim was filed by the contractor and that claim is still in negotiation. The Army solicited assistance from DERWA, which DERWA provided, and the information was used by the Army to prepare their recommendations and negotiations with the contractor. It was anticipated that the negotiations would be completed by December 2011; however, the parties are still negotiating. Authority Manager Bewley noted that there were some federal claims procedural deadlines and asked General Counsel Maddow to comment on these.

General Counsel Maddow reported that the Army's contracting officer had a deadline by which they were supposed to make a decision, and with the contractor's concurrence, that deadline was extended a few times, most recently to May or June. Technically, the contractor now has the right to either go to the Armed Services Board of Contract Appeals for an administrative remedy for its claim or to file suit in the U.S. Court of Federal Claims—which would be a lawsuit solely for money. Often contractors avoid the Armed Services Board of Contract Appeals and prefer the federal court. Earlier this month, nothing had been filed and negotiations were still underway.

Mr. Bewley reported that the most recent email he received a few days earlier stated that nothing has happened because the contractor has been unavailable. It appears the actual deadlines are not firm if the two parties agree to keep conversing. The magnitude of the claim is near \$1.5 million and DERWA staff believes the contractor owes the Army several hundred thousand dollars in liquidated damages beyond the value of the claim.

Mr. Bewley commented that as a side note, credit is given to Major Kaulfers, the

Army Corps of Engineers representative, who became involved in this project in 2009 and facilitated the successful completion of the construction phase of the project. He will be promoted to Lieutenant Colonel at a ceremony on August 31.

- Initiation of Consultant Selection Process for Supplemental Water Program – Ground Water Studies Update – DERWA adopted consultant selection guidelines in 1995. In April of this year, the Board received a presentation on the supplemental groundwater project. That project may be organized into several phases. The project team consensus is to prepare a Request for Qualifications (RFQ) with a key qualification focusing on groundwater hydrology experience and the ability to work with the Tri-Valley water and wastewater agencies, as well as possessing an understanding of those dynamics. The RFQ will be issued in the next couple of months. DERWA has invited Zone 7's involvement to act as a technical advisor and participate in the consultant selection process. Zone 7 will not participate in the decision making, but their advice is desired considering their role in groundwater or surface storage projects. DERWA's consultant selection guidelines, adopted by motion by the Board September 18, 1995, require the Authority Manager to notify the Board at the start of a consultant selection process for projects with an anticipated consultant budget of greater than \$50,000.
- Confirm Next Meeting Date – October 22, 2012 – After the Closed Session this evening a Special Board meeting may be scheduled before the next Regular Board meeting on October 22, 2012.

10. BOARDMEMBER ITEMS – None.

11. CLOSED SESSION

Before the Board went into Closed Session, General Counsel Maddow announced that the DERWA negotiating team, consisting of chief negotiator and Authority Manager Jim Bewley, DSRSD District Engineer Dave Requa and EBMUD Director of Water and Natural Resources Richard Sykes, would attend.

The Board went into Closed Session at 6:10 p.m.

- A. Conference with Real Property Negotiator - Pursuant to Government Code Section
- Property: Water Supply Contract
- Agency Negotiator: James B. Bewley, Authority Manager
- Negotiating Parties: City of Pleasanton and DERWA
- Under Negotiation: Price and Terms

12. REPORTS FROM CLOSED SESSION

At 6:48 p.m. the Board came out of Closed Session. Chair Vonheeder-Leopold announced that there was no reportable action.

13. ADJOURNMENT

Chair Vonheeder-Leopold adjourned the meeting at 6:49 p.m.

Submitted by,

Nancy Gamble Hatfield
Authority Secretary

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)**

**Board of Directors Special Meeting Minutes
Monday, September 24, 2012**

Dublin San Ramon Services District
7051 Dublin Boulevard, Dublin, California

1. CALL TO ORDER – Chair Vonheeder-Leopold called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:00 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Georgan Vonheeder-Leopold, Vice Chair Frank Mellon, and Director Katy Foulkes. DERWA Staff present: James Bewley, Authority Manager; and Robert Maddow, General Counsel.

Director Dwight (Pat) Howard participated in the meeting starting at 6:03 p.m. from teleconference location 1286 Timber Lane, South Lake Tahoe, California.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

5. PUBLIC COMMENT – None received.

6. CLOSED SESSION

Before the Board went into Closed Session, General Counsel Maddow announced that the DERWA negotiating team, consisting of chief negotiator and Authority Manager Jim Bewley, DSRSD District Engineer Dave Requa, and EBMUD Director of Water and Natural Resources Richard Sykes, would attend.

The Board went into Closed Session at 6:05 p.m.

- A. Conference with Real Property Negotiator-Pursuant to Government Code Section 54956.8
- | | |
|----------------------|------------------------------------|
| Property: | Water Supply Contract |
| Agency Negotiator: | James B. Bewley, Authority Manager |
| Negotiating Parties: | City of Pleasanton and DERWA |
| Under Negotiation: | Price and Terms |

7. REPORT FROM CLOSED SESSION

At 6:48 p.m. the Board came out of Closed Session. Chair Vonheeder-Leopold announced that there was no reportable action.

8. ADJOURNMENT

Chair Vonheeder-Leopold adjourned the meeting at 6:49 p.m.

Submitted by,

Nancy Gamble Hatfield
Authority Secretary

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Item 7.A

DERWA Summary & Recommendation

August 31, 2012 Treasurer's Report September 30, 2012 Treasurer's Report

Summary:

Attached is the Treasurer's Report for the months ending August 31 and September 30, 2012 submitted by Treasurer Richard Lou.

Recommendation:

The Treasurer recommends the Board approve, by Motion, the Treasurer's report for August 31, and September 30, 2012 submitted by the Treasurer Richard Lou.

October 22, 2012

Attachments

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT FOR AUGUST 31, 2012**

STAFF REPORT

Attached is the DERWA Treasurer's Report for the month ending August 31, 2012. A summary of transactions and recommendation follows.

Revenues/Funding: During the month, no contributions were received. Fiscal year-to-date Revenues/Funding totaled \$322,243 of which \$322,243 represents agency reimbursements.

Expenses: Current month expenditures totaled \$25,088 of which \$1,846 was capitalized and \$23,242 was expensed. Fiscal year-to-date expenditures for FY13 totaled (\$176,226). This year-to-date total is derived after the reversal of accrued expenses of \$209,535, incurred in FY12 and paid in FY13. Expenditures do not reflect all staff and consultant costs incurred but not yet billed to DERWA in FY13.

Cash: The cash balance at July 31, 2012 was (\$110,316).

Submitted by:




Richard Lou
Treasurer

Dated: September 5, 2012

Prepared by  (D. Gulseth)

Reviewed by  (L. Fan)

Reviewed by  (S. Klein)

File: W:\Derwa\Treasurer's Report\Summary & Recommendation.doc

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT
FOR THE PERIOD ENDED AUGUST 31, 2012**

CAPITAL - PROJECT	Program Budget	Expenditures FY 12 and Prior (a)	Expenditures Current Month	Expenditures FY 13 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
Pipeline Reach 1	7,561,000	7,560,517	0	0	7,560,517	4,383,920	3,176,597
Pipeline Reach 2	4,558,000	4,558,120	0	0	4,558,120	3,882,264	675,856
Pipeline Reach 3	2,286,000	2,286,003	0	0	2,286,003	1,719,204	566,799
Pipeline Reach 4	1,615,000	1,614,959	0	0	1,614,959	363,685	1,251,274
Pipeline Reach 5	1,431,000	1,430,991	0	0	1,430,991	200,195	1,230,796
Pipeline Reach 6	6,760,000	6,759,869	0	0	6,759,869	430,784	6,329,085
Treatment Plant	15,733,000	15,732,794	0	0	15,732,794	8,948,843	6,783,951
Pump Stations	8,558,000	8,559,375	0	0	8,559,375	6,772,729	1,786,646
Water Tanks	12,393,000	12,393,483	0	0	12,393,483	7,221,552	5,171,931
Phase 2 Pipeline & Pump Station	3,408,000	3,460,712	457	(23,850)	3,436,862	0	3,436,862
Backbone Corrosion	1,109,000	1,109,004	0	0	1,109,004	122,302	986,702
SCADA	295,000	15,410	0	0	15,410	8,784	6,626
EBMUD Pipeline Phase 2, 3 & 4	2,477,000	400,555	375	780	401,335	0	401,335
Fine Screening	667,000	667,096	0	0	667,096	380,244	286,852
New/Replacement Capital <50K	1,278,000	131,750	0	0	131,750	75,098	56,652
MF/UV Control Programing Update	144,000	144,366	0	0	144,366	82,289	62,077
Program Planning & Air Relief	11,788,000	5,705,265	1,014	1,014	5,706,279	2,824,216	2,882,063
Planning FY02 and Prior Years	0	3,585,898	0	0	3,585,898	1,757,090	1,828,808
Design FY02 and Prior Years	0	79,432	0	0	79,432	38,922	40,510
Contingency	1,000,000	0	0	0	0	0	0
Capitalized Interest	2,000,000	1,960,872	0	0	1,960,872	960,827	1,000,045
Total Capital Impr. Proj. Element	85,061,000	78,156,471	1,846	(22,056)	78,134,415	40,172,948	37,961,467

OPERATING - ITEM	Budget FY 12	Expenditures FY 12 and Prior (a)	Expenditures Current Month	Expenditures FY 13 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
DERWA Program Manager	166,750	2,425,629	23,242	18,279	2,443,908	1,930,686	513,222
Treasurer	65,000	2,595,706	0	0	2,595,706	2,050,608	545,098
Legal Counsel	7,500	414,399	0	0	414,399	327,375	87,024
Secretary	12,750	181,740	0	(299)	181,441	143,338	38,103
Other	100,000	774,529	0	0	774,529	611,878	162,651
Operation and Maintenance Detail	1,663,131	7,676,073	0	(172,150)	7,503,923	5,928,099	1,575,824
Debt Service	1,650,000	13,801,486	0	0	13,801,486	10,903,174	2,898,312
Total Operating Program Element	3,665,131	27,869,562	23,242	(154,170)	27,715,392	21,895,158	5,820,234

PROJECT TOTALS	88,726,131		25,088	(176,226)	105,849,807	62,068,106	43,781,701
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REVENUES & FUNDING	Current Month
Agency Contribution	0
DSRSD	0
EBMUD	0
Agency Reimbursements - DSRSD	0
Agency Reimbursements - EBMUD	0
Commercial Paper Issued	0
Corps of Engineer Funded	0
Grants	0
Loans	0
Interest Income	0
Misc Income	0
TOTAL REVENUES & FUNDING	0

CASH AVAILABLE	Current Month
Beginning Cash	(85,228)
Beginning Balance Adjustment	0
LAIF Int Adjustment	0
Commercial Paper payoff	0
Total Revenues & Funding	0
Total Expenditures	(25,088)
Ending Cash	(110,316)

Prepared by *Pana Gulseth* Date: 8-31-12
Reviewed by *Pana Gulseth* Date: 9/4/12
Approved by *Scott Klein* Date: 9/4

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT FOR SEPTEMBER 30, 2012**

STAFF REPORT

Attached is the DERWA Treasurer's Report for the month ending September 30, 2012. A summary of transactions and recommendation follows.

Revenues/Funding: During the month, no contributions were received. Fiscal year-to-date Revenues/Funding totaled \$344,066 of which \$344,066 represents agency reimbursements.

Expenses: Current month expenditures totaled \$437,665 of which \$34,440 was capitalized and \$403,225 was expensed. Fiscal year-to-date expenditures for FY13 totaled \$261,439. This year-to-date total is derived after the reversal of accrued expenses of \$209,535, incurred in FY12 and paid in FY13. Expenditures do not reflect all staff and consultant costs incurred but not yet billed to DERWA in FY13.




Cash: The cash balance at September 30, 2012 was (\$526,157).

Submitted by:



Richard Lou
Treasurer

Dated: October 5, 2012

Prepared by  (D. Gulseth)
Reviewed by  (L. Fan)
Reviewed by  (S. Klein)

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

CAPITAL - PROJECT	Program Budget	Expenditures FY 12 and Prior (a)	Expenditures Current Month	Expenditures FY 13 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
Pipeline Reach 1	7,561,000	7,560,517	0	0	7,560,517	4,383,920	3,176,597
Pipeline Reach 2	4,558,000	4,558,120	0	0	4,558,120	3,882,264	675,856
Pipeline Reach 3	2,286,000	2,286,003	0	0	2,286,003	1,719,204	566,799
Pipeline Reach 4	1,615,000	1,614,959	0	0	1,614,959	363,685	1,251,274
Pipeline Reach 5	1,431,000	1,430,991	0	0	1,430,991	200,195	1,230,796
Pipeline Reach 6	6,760,000	6,759,869	0	0	6,759,869	430,784	6,329,085
Treatment Plant	15,733,000	15,732,794	0	0	15,732,794	8,948,843	6,783,951
Pump Stations	8,558,000	8,559,375	3,919	3,919	8,563,294	6,776,648	1,786,646
Water Tanks	12,393,000	12,393,483	0	0	12,393,483	7,221,552	5,171,931
Phase 2 Pipeline & Pump Station	3,408,000	3,460,712	26,766	2,916	3,463,628	0	3,463,628
Backbone Corrosion	1,109,000	1,109,004	0	0	1,109,004	122,302	986,702
SCADA	295,000	15,410	0	0	15,410	8,784	6,626
EBMUD Pipeline Phase 2, 3 & 4	2,477,000	400,555	150	930	401,485	0	401,485
Fine Screening	667,000	667,096	0	0	667,096	380,244	286,852
New/Replacement Capital <50K	1,278,000	131,750	488	488	132,238	75,376	56,862
MF/UV Control Programing Update	144,000	144,366	0	0	144,366	82,289	62,077
Program Planning & Air Relief	11,788,000	5,705,265	3,117	4,130	5,709,395	2,826,016	2,883,379
Planning FY02 and Prior Years	0	3,585,898	0	0	3,585,898	1,757,090	1,828,808
Design FY02 and Prior Years	0	79,432	0	0	79,432	38,922	40,510
Contingency	1,000,000	0	0	0	0	0	0
Capitalized Interest	2,000,000	1,960,872	0	0	1,960,872	960,827	1,000,045
Total Capital Impr. Proj. Element	85,061,000	78,156,471	34,440	12,383	78,168,854	40,178,945	37,989,909

OPERATING - ITEM	Budget FY 12	Expenditures FY 12 and Prior (a)	Expenditures Current Month	Expenditures FY 13 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
DERWA Program Manager	166,750	2,425,629	12,402	30,681	2,456,310	1,940,485	515,825
Treasurer	65,000	2,595,706	5,536	5,536	2,601,242	2,054,981	546,261
Legal Counsel	7,500	414,399	516	516	414,915	327,783	87,132
Secretary	12,750	181,740	665	367	182,107	143,865	38,242
Other	100,000	774,529	87,316	87,316	861,845	680,857	180,988
Operation and Maintenance Detail	1,663,131	7,676,073	296,790	124,640	7,800,713	6,162,564	1,638,149
Debt Service	1,650,000	13,801,486	0	0	13,801,486	10,903,174	2,898,312
Total Operating Program Element	3,665,131	27,869,562	403,225	249,056	28,118,618	22,213,709	5,904,909

PROJECT TOTALS	88,726,131		437,665	261,439	106,287,472	62,392,654	43,894,818
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REVENUES & FUNDING	Current Month
Agency Contribution	0
DSRSD	0
EBMUD	0
Agency Reimbursements - DSRSD	17,788
Agency Reimbursements - EBMUD	4,035
Commercial Paper Issued	0
Corps of Engineer Funded	0
Grants	0
Loans	0
Interest Income	0
Misc Income	0
TOTAL REVENUES & FUNDING	21,823

CASH AVAILABLE	Current Month
Beginning Cash	(110,315)
Beginning Balance Adjustment	0
LAIF Int Adjustment	0
Commercial Paper payoff	0
Total Revenues & Funding	21,823
Total Expenditures	(437,665)
Ending Cash	(526,157)

Prepared by *[Signature]* Date: 10-1-12
Reviewed by *[Signature]* Date: 10/2/12
Approved by *[Signature]* Date: 10/2
Scott Klein

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
SUMMARY OF EXPENDITURES
FOR THE PERIOD ENDED
SEPTEMBER 30, 2012**

Check Date	Check Number	Payee	Category	TOTAL Amount	DSRSD Amount	EBMUD Amount	Operating	Capital	CK	CK-OP		
09/07/12	2399642	EBMUD	Op-Cost Acct (77/23)	1,289.75	993.11	296.64	0	1,289.75	0.00	1,289.75	77.0%	23.0%
09/07/12	2399642	EBMUD	Op- Treasurer (77/23)	686.17	528.35	157.82	0	686.17	0.00	686.17	77.0%	23.0%
09/14/12	2400055	Office Team (Robt. Half International)	Op-Pgr Mgr Staff(77/23)	585.42	450.77	134.65	0	585.42	0.00	585.42	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11777 for July 2012	Cap-Construction New Cap <50K (100% E)	487.50	0.00	487.50	C	0.00	487.50	0.00	0.0%	100.0%
09/07/12	2399637	DSRSD Invoice 11777 for July 2012	Op- pgm Magr Other (77/23)	700.40	539.31	161.09	0	700.40	0.00	700.40	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11777 for July 2012	Op-Sec Salary (77/23)	363.64	280.00	83.64	0	363.64	0.00	363.64	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11777 for July 2012	Op-Sec Expense (77/23)	1.35	1.04	0.31	0	1.35	0.00	1.35	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11777 for July 2012	Op-Operations (77/23)	124,270.00	95,687.90	28,582.10	0	124,270.00	0.00	124,270.00	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Cap-Const Pump st B (100% D)	3,918.75	3,918.75	0.00	C	0.00	3,918.75	0.00	0.0%	100.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Cap-Const Pump Station A (100% E)	1,165.20	0.00	1,165.20	C	0.00	1,165.20	0.00	0.0%	100.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Cap-Const Pump St 2 A (100% E)	25,376.22	0.00	25,376.22	C	0.00	25,376.22	0.00	0.0%	100.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Op- pgm Magr Other (77/23)	1,338.32	1,030.51	307.81	0	1,338.32	0.00	1,338.32	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Op-Sec Salary (77/23)	295.52	227.55	67.97	0	295.52	0.00	295.52	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Op-Sec Expense (77/23)	4.45	3.43	1.02	0	4.45	0.00	4.45	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Op-Operations (77/23)	172,520.46	132,840.75	39,679.71	0	172,520.46	0.00	172,520.46	77.0%	23.0%
09/07/12	2399637	DSRSD Invoice 11736 for June 2012	Op-Public Info (D-49%/E-51%)	649.96	318.48	331.48	0	649.96	0.00	649.96	49.0%	51.0%
09/14/12	2399933	James Bewley (August 2012 Inv)	Op- Pgr Mgr (77/23)	1,725.00	1,328.25	396.75	0	1,725.00	0.00	1,725.00	77.0%	23.0%
09/14/12	2399933	James Bewley (August 2012 Inv)	Cap- PSR200A Adm Mgt (100%-E)	225.00	225.00	0.00	C	0.00	225.00	0.00	0.0%	100.0%
09/14/12	2399933	James Bewley (August 2012 Inv)	Cap- Phase 2, 3, 4 Adm Mgt (100%-E)	150.00	150.00	0.00	C	0.00	150.00	0.00	0.0%	100.0%
09/14/12	2399933	James Bewley (August 2012 Inv)	Op-PP supplm water (58/42)	4,312.50	2,501.25	1,811.25	0	4,312.50	0.00	4,312.50	58.0%	42.0%
09/14/12	2399933	James Bewley (August 2012 Inv)	Cap- Pub Info Plan Update(49/51)	75.00	36.75	38.25	C	0.00	75.00	0.00	49.0%	51.0%
09/14/12	2400055	Office Team (Robt. Half International)	Op-Pgr Mgr Staff(77/23)	638.64	491.75	146.89	0	638.64	0.00	638.64	77.0%	23.0%
09/14/12	2399955	Ed Cummings (Aug Inv)	Cap-PP supplm water (58/42)	87,316.26	404.98	293.27	C	0.00	698.25	0.00	58.0%	42.0%
09/14/12	2399911	Alliant Insurance Fiscal Yr 2012	Op- Insurance (77/23 split)	87,316.26	67,233.52	20,082.74	0	87,316.26	0.00	87,316.26	77.0%	23.0%
09/14/12	2399938	Bold, Polinsner, et al (August Inv)	Cap-PP supplm water (58/42)	2,343.50	1,359.23	984.27	C	0.00	2,343.50	0.00	58.0%	42.0%
09/14/12	2399938	Bold, Polinsner, et al (August Inv)	Op- Legal (77/23)	516.00	397.32	118.68	0	516.00	0.00	516.00	77.0%	23.0%
09/21/12	2400402	Office Team (Robt. Half International)	Op-Pgr Mgr Staff(77/23)	638.64	491.75	146.89	0	638.64	0.00	638.64	77.0%	23.0%
09/28/12	2400677	EBMUD	Op-Cost Acct (77/23)	1,229.83	946.97	282.86	0	1,229.83	0.00	1,229.83	77.0%	23.0%
09/28/12	2400677	EBMUD	Op-Audit (77/23)	2,330.00	1,794.10	535.90	0	2,330.00	0.00	2,330.00	77.0%	23.0%
09/28/12	2400716	HF&H Consultants	Op-PP supplm water (58/42)	105.00	60.90	44.10	0	105.00	0.00	105.00	58.0%	42.0%
09/28/12	2400724	ICF Jones & Stokes	Op-Public Info (D-49%/E-51%)	457.69	224.27	233.42	0	457.69	0.00	457.69	49.0%	51.0%
09/28/12	2400816	Office Team (Robt. Half International)	Op-Pgr Mgr Staff(77/23)	1,250.68	963.02	287.66	0	1,250.68	0.00	1,250.68	77.0%	23.0%
				437,665.10	315,054.01	122,611.09		403,225.68	34,439.42	0.00	403,225.68	

Certificates of Disb.	
Wk Ending	Amount
9/7/12	\$ 333,067.69
9/14/12	\$ 98,585.57
9/21/12	\$ 638.64
9/28/12	\$ 5,373.20
\$	-
\$	-
\$	-
\$	-
\$	437,665.10

\$ - Reconciled
\$ - Reconciled
\$ - Reconciled

Prepared by  Date: 10-1-12
 Reviewed by  Date: 10/2/12
 Approved by  Date: 10/2

Item 7.B

DERWA Summary & Recommendation

Quarterly Investment Report – September 30, 2012

Summary:

Section 53646 of the Government Code allows the Treasurer of the Authority to submit to the Authority Manager, the Internal Auditor, and the Board of Directors a quarterly investment report. It also stipulates that the investment report must include the types of investments in which the Authority has invested its funds, the issuer, date of maturity, the value of the investment at maturity, and the dollar amount that is invested in the security.

The investments held by the Authority on September 30, 2012 were \$0.00. The investment portfolio is in full compliance with the Board's adopted policy regarding the Authority's investments.

In compliance with Section 53646(b)3 of the Government Code, this report denotes that the Authority will be able to meet expenditure requirements for the next six months from revenues/reimbursements/contributions from member agencies.

Recommendation:

The Treasurer recommends the Board approve, by Motion, the Quarterly Investment Report.

October 22, 2012

Item 8.A

DERWA Summary & Recommendation

Transmittal of the DERWA Independent Auditor's Report Financial Statements for Years Ending June 30, 2012 and 2011

Summary:

Attached are the report on the audited DERWA Financial Statements as of June 30, 2012 and 2011 and the Memorandum on Internal Control Structure. The audit did not find any issues, deficiencies, material weaknesses or findings with the DERWA accounting practices and internal controls.

Recommendation:

Staff recommends that the DERWA Board of Directors accept, by Motion, the DERWA Independent Auditor's Report.

October 22, 2012

Attachment

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

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**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY
BASIC FINANCIAL STATEMENTS
For The Years Ended June 30, 2012 and 2011**

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Statements of Net Assets	7
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Statements of Cash Flows	9
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INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority

We have audited the financial statements of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority "Authority" as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance as to whether the financial statements referred to above 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 basic financial statements referred to above present fairly in all material respects the financial position of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads 'Maze & Associates' with a stylized flourish at the end.

August 24, 2012

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**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Management's Discussion and Analysis

June 30, 2012 and 2011

This section presents management's analysis of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the Authority) financial condition and activities as of and for the years ended June 30, 2012 and 2011. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Agency's basic financial statements. The MDA represents management's examination and analysis of the Authority's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Request for Information

Organization and Business

The Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the Authority) is a public entity established pursuant to California Government Code Section 6500 et seq. The Authority was created in accordance with the terms of a Joint Exercise of Powers Agreement, dated June 28, 1995, between Dublin San Ramon Services District (DSRSD) and East Bay Municipal Utility District (EBMUD). The Authority was established to supply recycled water to DSRSD and EBMUD through the construction and operation of a water recycling facility with a planned capacity of a minimum of 5.2 million gallons per day. The water recycling facility started operation on February 1, 2006.

For additional information, please see the notes to the basic financial statements.

Overview of the Financial Statements

The basic financial statements include a *statement of net assets*, a *statement of revenues, expenses, and changes in net assets*, a *statement of cash flows*, and *notes to financial statements*. The report also contains other required supplementary information in addition to the basic financial statements.

The Authority's basic financial statements include:

The *statement of net assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. It provides information about the nature and amount of resources and obligations at year-end.

The *statement of revenues, expenses, and changes in net assets* presents the results of the Authority's operations over the course of the fiscal year and information as to how the *net assets* changed during the year.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operational, capital and related financing, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Management's Discussion and Analysis

June 30, 2012 and 2011

The *notes to basic financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 11 to 18 of this report.

Financial Analysis:

Table 1 summarizes net assets at June 30, 2012 and 2011, and Table 2 summarizes revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011. Both tables also include variances from the prior year.

Table 1
Summary of Net Assets
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Assets:			
Current assets	\$ (76,986)	\$ (212,528)	\$ 135,542
Capital assets	<u>67,978,692</u>	<u>69,493,313</u>	<u>(1,514,621)</u>
Total assets	<u>67,901,706</u>	<u>69,280,785</u>	<u>(1,379,079)</u>
Liabilities:			
Current liabilities	1,406,295	1,503,565	(97,270)
Long-term liabilities	<u>17,349,808</u>	<u>18,532,022</u>	<u>(1,182,214)</u>
Total liabilities	<u>18,756,103</u>	<u>20,035,587</u>	<u>(1,279,484)</u>
Net assets:			
Invested in capital assets, net of related debt	49,446,671	49,807,913	(361,242)
Unrestricted	<u>(301,068)</u>	<u>(562,714)</u>	<u>261,646</u>
Total net assets	<u>\$ 49,145,603</u>	<u>\$ 49,245,199</u>	<u>\$ (99,596)</u>

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Management's Discussion and Analysis

June 30, 2012 and 2011

Table 2
Summary of Revenues, Expenses and Changes in Fund Net Assets
Years ended June 30, 2012 and 2011

	2012	2011	Variance
Operating revenues:	\$ 3,749,811	\$ 2,991,456	\$ 758,355
Operating expenses:			
Professional services	(8,585)	(9,485)	900
General and administrative	(277,159)	(519,660)	242,501
Operation and maintenance	(1,320,171)	(1,160,006)	(160,165)
Depreciation	(1,751,357)	(1,784,996)	33,639
Total operating expenses	(3,357,272)	(3,474,146)	116,874
Nonoperating income (expenses):			
Investment and other income (expense)	-	46,615,997	(46,615,997)
Interest expense on commercial paper	-	(282,259)	282,259
Interest on state loan	(492,135)	(520,266)	28,131
Total other income (expenses)	(492,135)	45,813,472	(46,305,607)
Change in net assets	(99,596)	45,330,782	(45,430,378)
Total net assets - beginning	49,245,199	3,914,417	45,330,782
Total net assets - ending	\$ 49,145,603	\$ 49,245,199	\$ (99,596)

- The total assets of the Authority in 2012 decreased by \$1.4 million from the prior year. The primary reason for this decrease was due to \$1.5 million reduction in the amount of capital investments, net of debt, and a \$0.1 increase in receivables.
- The State Water Resources Control Board had approved a 20-year loan in the amount of \$24.7 million bearing a 2.5% fixed interest rate to finance the program costs. As of June 30, 2012, \$17.3 million was the long term liability outstanding.
- Current liabilities as of June 30, 2012 decreased by \$0.1 million from the prior year. The principal reason for the decrease was the reduction in accounts payables to members.
- Capital assets as of June 30, 2012 decreased by \$1.5 million primarily due to the recording of the depreciation expense for the year.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Management's Discussion and Analysis

June 30, 2012 and 2011

- Long term liabilities as of June 30, 2011 decreased by \$1.2 million from the prior year. This is due to repayment of the sixth installment of \$1.2 million of the state loan principal.
- Operating revenue from member agencies in 2012 increased by \$0.8 million from the prior year, primarily attributable to a prior year one time reversal of billings from member agencies of \$0.7 million.
- Non-operating net income in 2012 decreased by \$46.3 million from the prior year, primarily attributable to a one time capital contribution from member agencies in the prior year. The money was used to retire DERWA's outstanding commercial paper.

Request for Information

This financial report is designed to provide readers with a general overview of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority's finances and demonstrate the Authority's accountability for the monies it manages. If you have any questions about this report or need additional information, please contact: DERWA Authority Treasurer, MS #809, P.O. Box 24055, Oakland, CA 94623-1055.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents (Note 2)	\$ (399,229)	\$ (410,521)
Receivables:		
East Bay Municipal Utility District	85,974	180,817
Dublin San Ramon Services District	<u>236,269</u>	<u>17,176</u>
Total Current Assets	<u>(76,986)</u>	<u>(212,528)</u>
Capital Assets (Note 3):		
Structures, buildings, and equipment	75,800,891	72,147,796
Less accumulated depreciation	<u>(10,177,772)</u>	<u>(8,426,415)</u>
Subtotal	<u>65,623,119</u>	<u>63,721,381</u>
Land and rights-of-way	1,891,242	1,625,377
Construction in progress	<u>464,331</u>	<u>4,146,555</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>67,978,692</u>	<u>69,493,313</u>
Total Assets	<u>67,901,706</u>	<u>69,280,785</u>
LIABILITIES		
Current Liabilities:		
Current portion of State loan payable (Note 5)	1,182,214	1,153,379
Accounts payable	14,613	16,482
Payable to members:		
East Bay Municipal Utility District	8,482	6,282
Dublin San Ramon Services District	<u>200,986</u>	<u>327,422</u>
Total Current Liabilities	<u>1,406,295</u>	<u>1,503,565</u>
Long-term Liabilities:		
State loan payable (Note 5)	<u>17,349,808</u>	<u>18,532,022</u>
Total Noncurrent Liabilities	<u>17,349,808</u>	<u>18,532,022</u>
Total Liabilities	<u>18,756,103</u>	<u>20,035,587</u>
NET ASSETS (Note 1B)		
Invested in capital assets, net of related debt	49,446,671	49,807,913
Unrestricted	<u>(301,068)</u>	<u>(562,714)</u>
Total Net Assets	<u>\$ 49,145,603</u>	<u>\$ 49,245,199</u>

See accompanying notes to financial statements.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Contributions from members	\$ 3,749,811	\$ 2,991,456
Operating (Expenses):		
Professional services	(8,585)	(9,485)
General and administrative	(277,159)	(519,660)
Operation and maintenance	(1,320,171)	(1,160,006)
Depreciation (Note 3)	(1,751,357)	(1,784,996)
Total Operating (Expenses)	<u>(3,357,272)</u>	<u>(3,474,146)</u>
Net Operating Income (Loss)	<u>392,539</u>	<u>(482,690)</u>
Nonoperating Revenue (Expense):		
Interest and other income		46,615,997
Interest on commercial paper		(282,259)
Interest on State loan	(492,135)	(520,266)
Total Nonoperating Revenue (Expenses)	<u>(492,135)</u>	<u>45,813,472</u>
Changes in Net Assets	(99,596)	45,330,782
Total Net Assets - Beginning	<u>49,245,199</u>	<u>3,914,417</u>
Total Net Assets - Ending	<u>\$ 49,145,603</u>	<u>\$ 49,245,199</u>

See accompanying notes to financial statements.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows used in operating activities:		
Cash received from members for sales of water	\$ 3,501,326	\$ 4,167,049
Cash paid for supplies and services	<u>(1,607,784)</u>	<u>(1,789,325)</u>
Net cash provided by operating activities	<u>1,893,542</u>	<u>2,377,724</u>
Cash flows from capital and related financing activities:		
Cash paid for maturity of commercial paper		(46,600,000)
Cash paid for interest	(492,135)	(802,525)
Cash paid on State loan	(1,153,379)	(1,125,248)
Cash paid for construction of capital assets	<u>(236,736)</u>	<u>(277,099)</u>
Net cash (used in) provided by capital and related financing activities	<u>(1,882,250)</u>	<u>(48,804,872)</u>
Cash flows provided by investing activities:		
Interest and other income received		<u>46,616,111</u>
Net change in cash and cash equivalents	11,292	188,962
Cash and investments at beginning of period	<u>(410,521)</u>	<u>(599,483)</u>
Cash and investments at end of period	\$ <u><u>(399,229)</u></u>	\$ <u><u>(410,521)</u></u>
Reconciliation of operating income/(loss) to net cash used in operating activities:		
Operating income (loss)	\$ 392,539	\$ (482,690)
Adjustments to reconcile operating income/(loss) to net cash used in operating activities:		
Depreciation	1,751,357	1,784,996
Changes in operating assets and liabilities:		
Accounts receivable	(124,250)	1,218,620
Accounts payable	<u>(126,104)</u>	<u>(143,202)</u>
Net cash provided by operating activities	\$ <u><u>1,893,542</u></u>	\$ <u><u>2,377,724</u></u>

See accompanying notes to financial statements.

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**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 –NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the Authority) is a public entity established pursuant to California Government Code Section 6500 et seq. The Authority was created in accordance with the terms of a Joint Exercise of Powers Agreement, dated June 28, 1995, between Dublin San Ramon Services District (DSRSD) and East Bay Municipal Utility District (EBMUD). The Authority was established to supply recycled water to DSRSD and EBMUD through the construction and operation of a water recycling facility with a planned capacity of a minimum of 5.2 million gallons per day. The water recycling facility is now in operation.

An additional member, or members, may be added to the Authority upon request evidenced by submission of a certified copy of a resolution adopted by the governing body of the public agency requesting membership in the Authority. Such request must be approved by the governing bodies of all the existing members. The Board may require a party seeking to become a member to meet any terms and conditions the Board deems appropriate.

The facilities became operational on February 1, 2006. Operation and maintenance expenses are allocated based on each member's actual usage. General and administrative expenses were allocated equally to DSRSD and EBMUD during the first year of operation ending on March 31, 2007; after the first operation year, the costs are allocated based on the member's actual water usage. Capital costs, including debt service, is allocated based on each member's proportional value of capital assets assigned to each member agency.

B. Basis of Accounting

The accompanying financial statements report the financial position of the Authority in accordance with accounting standards generally accepted in the United States of America. As the Authority is a governmental entity, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

The Authority, as a proprietary enterprise, is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority does not apply statements of Financial Accounting Standards Board (FASB) and interpretations issued after November 30, 1989. The Authority applies all applicable GASB pronouncements as well as statements and interpretations of the FASB, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the Authority. The Authority's fund equity is reported as net assets, which is the excess of all of the Authority's assets over all its liabilities. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets and are described below:

Invested in capital assets, net of related debt describes the Authority's capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted describes the portion of Net Assets which is not restricted to use.

Statement of Revenues, Expenses, and Changes in Net Assets – The statement of revenues, expenses, and changes in net assets is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

C. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 1 –NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets

The additions to capital assets are capitalized at historical cost. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest on borrowed funds during construction, net of interest earned on unspent construction proceeds. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

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

Depreciation of all capital assets in service, excluding land, is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

Capital assets are depreciated using the straight line method of depreciation, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the assets is fully depreciated. The Authority has assigned the useful lives listed below to capital assets:

Utility plant:	<u>Years</u>
Water Treatment	20-75
Pumping Plants	25-75
Reservoirs	25-100
Pipeline	25-75

E. Preoperating Costs

In accordance with accounting principles generally accepted in the United States of America, preoperating costs which have no discernible future economic benefit are expensed as incurred.

F. Cash and Cash Equivalents

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 2 – CASH AND CASH EQUIVALENTS

A. Composition

The Authority's cash and cash equivalents at June 30 consisted of the following deposits and investments held by EBMUD on the Authority's behalf:

	<u>2012</u>	<u>2011</u>
Demand deposits with banks	\$ <u>(399,229)</u>	\$ <u>(410,521)</u>

B. Collateralization of Cash and Cash Equivalents

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the Authority's name and places the Authority ahead of general creditors of the institution pledging the collateral. The Authority has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 3 – CAPITAL ASSETS

A. Additions and Retirements

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions and Transfers</u>	<u>Transfers</u>	<u>Balance at June 30, 2012</u>
Capital assets not being depreciated:				
Land and rights-of-way	\$1,625,377	\$265,865		\$1,891,242
Construction in progress	<u>4,146,555</u>	<u>236,736</u>	<u>(\$3,918,960)</u>	<u>464,331</u>
Total capital assets not being depreciated	<u>5,771,932</u>	<u>502,601</u>	<u>(3,918,960)</u>	<u>2,355,573</u>
Capital assets, being depreciated:				
Water treatment	19,723,056	238,724		19,961,780
Pumping plants	10,103,408	3,644,666		13,748,074
Reservoirs	14,540,281	(131,183)		14,409,098
Pipelines	<u>27,781,051</u>	<u>(99,112)</u>		<u>27,681,939</u>
Total capital assets being depreciated	<u>72,147,796</u>	<u>3,653,095</u>		<u>75,800,891</u>
Less accumulated depreciation for:				
Water treatment	(2,610,497)	(531,429)		(3,141,926)
Pumping plants	(1,338,023)	(401,857)		(1,739,880)
Reservoirs	(1,539,137)	(274,454)		(1,813,591)
Pipelines	<u>(2,938,758)</u>	<u>(543,617)</u>		<u>(3,482,375)</u>
Total accumulated depreciation	<u>(8,426,415)</u>	<u>(1,751,357)</u>		<u>(10,177,772)</u>
Net capital assets being depreciated	<u>63,721,381</u>	<u>1,901,738</u>		<u>65,623,119</u>
Capital assets, net	<u>\$69,493,313</u>	<u>\$2,404,339</u>	<u>(\$3,918,960)</u>	<u>\$67,978,692</u>

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 3 – CAPITAL ASSETS (Continued)

B. Construction in Progress

The Authority's Construction in Progress in fiscal year 2011-2012 is comprised of:

	<u>Expended to Date</u>
Pipeline & Pump Stations	\$30,929
Other Projects	433,402
	<u>\$464,331</u>

NOTE 4 - COMMERCIAL PAPER NOTES PAYABLE

The Authority's Board of Directors authorized a short-term commercial paper borrowing program of up to \$50,000,000 on December 15, 2003. The proceeds from the issuance of commercial paper are used to finance the acquisition and construction of facilities for the treatment, transmission, distribution and storage of recycled water. The Authority may issue commercial paper notes at the prevailing interest rate for periods not more than 270 days from the date of issuance. The commercial paper notes are collateralized solely by the revenues of the Authority, after payment of specific operating and maintenance expenses.

As of June 30, 2012, there were no commercial paper notes outstanding under this program.

To provide liquidity for the program, the Authority maintains a liquidity support agreement (line of credit) with a commercial bank. Combined borrowings by the East Bay Municipal Utility District Water System and Wastewater System, with the commercial paper and bank notes, cannot exceed the amount of this agreement. Drawings under the agreement are restricted to pay maturing commercial paper. There were no borrowings under the line of credit agreement during the years ended June 30, 2012 and 2011.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 5 – STATE WATER RESOURCES CONTROL BOARD LOAN

A. Composition and Change

The Authority's Board of Directors authorized a long-term borrowing program from the State Water Resource Control Board of up to \$24,764,850 on July 25, 2005. The Authority drew down \$22,993,368 as of the fiscal year ended June 30, 2006, the proceeds from which were used to finance the acquisition and construction of facilities for the treatment, transmission, distribution and storage of recycled water. As of June 30, 2008, the Authority drew down an additional amount of \$1,685,283. The loan has a 20-year term at a 2.5% fixed interest rate. The repayment of the loans and interest are made in annual installments commencing on July 1, 2007. The loan is collateralized solely by the revenues of the Authority, after payment of specific operating and maintenance expenses.

The following is the activity in the State Loan Program during the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Retirements	Balance June 30, 2012
2006 State Water Resource Loan 2.5%, due 07/25/2025	\$19,685,401	\$1,153,379	\$18,532,022
Less amount due within one year	1,153,379		1,182,214
Total long-term liabilities	\$18,532,022	\$1,153,379	\$17,349,808

B. Debt Service Requirements

Annual debt service requirements are shown below for the loan:

Year ending June 30	Principal	Interest	Total
2013	\$ 1,182,214	\$ 463,300	\$ 1,645,514
2014	1,211,769	433,745	1,645,514
2015	1,242,063	403,451	1,645,514
2016	1,273,115	372,399	1,645,514
2017	1,304,942	340,572	1,645,514
2018-2022	7,030,688	1,196,884	8,227,572
2023-2026	5,287,231	297,917	5,585,148
Totals	\$18,532,022	\$ 3,508,268	\$ 22,040,290

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 6 – RELATED PARTY TRANSACTIONS

DSRSD is responsible for the operation of the facility. DSRSD and EBMUD both provide professional services that are capitalized as well as administrative services. In addition, as the Authority does not have any employees, EBMUD provides certain treasury management and accounting services including conducting all cash transactions and providing for the annual audit. The two members received the following total reimbursements for their services for the years ended June 30:

	2012	2011
DSRSD	\$1,418,515	\$1,277,921
EBMUD	33,666	165,912
	\$1,452,181	\$1,443,833

NOTE 7 – RISK MANAGMENT

The Authority's liability and property risks are insured by commercial insurance carriers.

Selected insurance coverages include:

	<u>Coverage</u>	<u>Policy limit</u>
Bodily injury		\$ 10,000,000
Property damage		10,000,000
Personal injury		10,000,000
Non-owned and hired automobile liability		10,000,000
Public officials errors and omissions		10,000,000
Fire damage liability		1,000,000
Employment practices liability		5,000,000

Any liability the Authority may have for uninsured claims is limited to general liability claims. However, the Authority has experienced no losses from such claims during the preceding three years and it therefore believes there is no liability for claims incurred but not reported.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED
JUNE 30, 2012**

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**DUBLIN SAN RAMON SERVICES DISTRICT /
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2012

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water
Authority

In planning and performing our audit of the financial statements of the Dublin San Ramon Services District/EBMUD Recycled Water Authority (Authority) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates'.

August 24, 2012

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REQUIRED COMMUNICATIONS

To the Board of Directors
Dublin San Ramon Services District /East Bay Municipal Utility District Recycled Water Authority

We have audited the financial statements of the Dublin San Ramon Services District /East Bay Municipal Utility District Recycled Water Authority (Authority) as of and for the year ended June 30, 2012 and have issued our report thereon dated August 24, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements is depreciation. Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1 D. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the Authority's auditors.

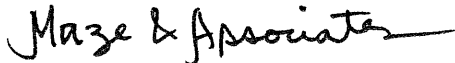
Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the Authority, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

Uncorrected Misstatements: There were no uncorrected financial statement misstatements.

This report is intended solely for the information and use of the Board Directors and management and is not intended to be and should not be used by anyone other than these specified parties.


August 24, 2012

ITEM 9

MANAGER'S REPORTS

- Contracts Initiated Since the Board Meeting of August 27, 2012 - None
- Army Corps of Engineers Construction Project Status
- Cancel Regular Meeting December 24, 2012