

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended June 30, 2007



EAST BAY MUNICIPAL UTILITY DISTRICT • OAKLAND, CALIFORNIA 94623
Prepared by Financial Reporting of the Finance Department

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Comprehensive Annual Financial Report
East Bay Municipal Utility District

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007



P.O. Box 24055
Oakland, California 94623-1055

Prepared by Financial Reporting
of the Accounting Department

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<i>INTRODUCTORY SECTION</i>	<u>Page</u>
Letter of Transmittal	1-13
The Reporting Entity.....	2
Fresh, Healthy Water is the Lifeblood of Any Community	2-3
EBMUD Mission Statement & Key Initiatives.....	4-5
EBMUD Administrative Profile.....	6
Financial Strength & Stability.....	7-8
Looking to the Future	9-13
GFOA Award Certificate	15
Board of Directors	17
Organizational Staffing	18
District Organizational Chart.....	19
<i>FINANCIAL SECTION</i>	
Independent Auditor’s Report on Basic Financial Statements	23
Management’s Discussion and Analysis	25-33
Basic Financial Statements	
Balance Sheets – Proprietary Funds – Enterprise.....	34-35
Statements of Revenue, Expenses and Changes in Net Assets – Proprietary Funds – Enterprise.....	36
Statements of Cash Flows – Proprietary Funds – Enterprise	37-38
Statements of Fiduciary Net Assets – Fiduciary Fund – Pension and Other Employee Benefit Trust (Component Unit).....	39
Statements of Changes in Fiduciary Net Assets – Fiduciary Fund- Pension and Other Employee Benefit Trust (Component Unit).....	40
Notes to Basic Financial Statements.....	41-77
Required Supplemental Information	
Schedule of Employer Contribution	78
Schedule of Funding Progress	79

STATISTICAL SECTION (Continued)

Financial Trends

Comparative Highlights 81-82
 Ten-Year Summary of Financial Data 83-84
 Changes in Net Assets 85-86
 Net Assets by Component..... 87

Revenue Capacity

Ten-Year Summary of Revenue by Source (Water System) 89
 Ten-Year Summary of Revenue by Source (Wastewater System)..... 90
 Rate History..... 91
 Ten-Year Summary of Net Revenue and Debt
 Service Coverage (Water System) 92
 Ten-Year Summary of Net Revenue and Debt
 Service Coverage (Wastewater System)..... 93

Debt Capacity

Debt Ratings..... 95
 Outstanding Debt by Type..... 96
 Authorized but Unissued Revenue Bonds and Outstanding Short-Term Debt 97
 Ratio of Net General Obligation Bonded Debt to Annual Billings
 and Net General Bonded Debt per Account 98
 Assessed Valuation of Taxable Property 99-100
 Summary of Debt Outstanding 101

Demographic and Economic Information

District Information 103
 Principal Rate Payers..... 104
 Water Sold by Type of Customer 105
 Consumption and Account Comparative Highlights..... 106

Operating Information

Full-time Equivalent District Employees by Function/Program	107
Assessed Valuation of Taxable Property.....	108
Ten-Year Summary of Property, Plant & Equipment (Water System)	109
Ten-Year Summary of Property, Plant & Equipment (Wastewater System)	110
Capital Asset Statistics by Function/Program.....	111
Operating Indicators by Function/Program	112
Ten-Year Summary of Expense by Source	113

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Letter of Transmittal

GFOA Award Certificate

CSMFO Award Certificate

Board of Directors

Organizational Staffing

Organization Chart

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December 26, 2007

Board of Directors
East Bay Municipal Utility District
Oakland, California

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the East Bay Municipal Utility District (EBMUD, or District) for the fiscal year ended June 30, 2007, as prepared by the staff of the Financial Reporting Section of the Accounting Division.

The District's management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included.

Maze & Associates, Accountancy Corporation, have issued an unqualified ("clean") opinion on the East Bay Municipal Utility District's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada. The District is submitting the CAFR for review and possible certification.



The Reporting Entity

The East Bay Utility District is a publicly owned utility formed under the Municipal Utility District Act passed by the California Legislature in 1921. The Act permits formation of multi-purpose government agencies to provide public services on a regional basis. In accordance with the Act's provision, voters in the east San Francisco Bay Area created EBMUD in 1923 to provide water service. The MUD Act was amended in 1941 to enable formation of special district. In 1944, Voters in six East Bay cities elected to form EBMUD's Special District No. 1 to treat wastewater released in the Bay. Wastewater treatment for those cities began in 1951 and was expanded 20 years later to include Kensington, El Cerrito and a part of Richmond.

EBMUD supplies water and provides Wastewater treatment for parts of Alameda and Contra Costa counties. The District's water system collects, transmits, treats, and distributes high-quality water to approximately 60% of the developed area within Alameda and Contra Costa counties of California. The water is supplied to approximately 1.3 million users of industrial, commercial, residential, and public authority in a 325 square mile service area extending from Crockett in the north, southward to San Lorenzo (encompassing Oakland, Berkeley and Alameda), eastward from San Francisco Bay to Walnut Creek, and south through the San Ramon Valley.

The Wastewater system intercepts and treats wastewater from residences and industries. It serves 642,000 customers in an 83-square-mile area of Alameda and Contra Costa counties along the Bay's east shore, extending from Richmond in the north to San Leandro in the south.

EBMUD takes pride in providing a reliable, high-quality supply of water for the East Bay and for future generations. Our mission statement guides us as responsible stewards of a shared water resource.

Fresh, Healthful Water is the Lifeblood of Any Community

Today, 1.3 million customers count on EBMUD to deliver the best water and wastewater services. Surveys of our customers reaffirm what we suspect: that water is something we all know we can't live without, yet most of us don't want to worry about it – and expect that anytime we turn on our taps, that high-quality EBMUD water will be there. EBMUD staff work around the clock while our customers lead busy lives, confidently leaving the challenges of drought protection, water supply planning, infrastructure maintenance, watershed protection wastewater treatment and financial stability to us. Providing a reliable water supply and protecting San Francisco Bay is our core mission.

Rather than rely on a single water source, EBMUD continues to pursue an array of solutions to meet water needs now and for the future. EBMUD is committed to working collaboratively with neighboring agencies and stakeholders to develop constructive regional solutions for watershed issues that affect us all. Along with other Bay Area water partners, EBMUD is exploring construction of a regional desalination facility that could provide supplemental water for millions of Bay Area residents and businesses.

To stretch our water supply even further, EBMUD is constructing facilities to bring recycled water to the East Bayshore for the first time. Our water conservation programs, including education and cash incentives for water-saving devices, help communities use water in a sustainable way. Our most critical water supply initiative is the Freeport Regional Water Project. EBMUD and its partners, the Sacramento County Water Agency and the City of Sacramento, are currently designing this project after searching for 30 years for a practical, reliable drought solution for the East Bay.

This year's efforts to improve treated water delivery included unprecedented seismic upgrades for the Claremont Tunnel to protect supplies for more than 800,000 customers west of the Oakland-Berkeley Hills. Completion of this work brought the formal Seismic Improvement Program to a close, carrying forward EBMUD's leadership in earthquake safety planning and preparation. As further advances in earthquake engineering are made, we will develop new ways to improve our water and wastewater systems for the future.

Like maintaining a home, maintaining our complex water and wastewater systems always leaves us with more to do. We will continue our practice of sensible infrastructure investment and manage the public's investment to keep our services affordable. We will continue to search for new materials, methods and techniques that offer more dependable service and cost savings. We will continue our efforts to earn the trust and satisfaction of our customers and provide water quality and service that is second to none.



To manage the natural resources with which the District is entrusted; to provide reliable, high-quality water and wastewater services at fair and reasonable rates for the people of the East Bay; and to preserve and protect the environment for future generations.



In carrying out this mission, we will:

- Exercise Responsible Financial Management
- Ensure Fair Rates and Charges
- Provide Responsive Customer Service
- Promote Ethical Behavior in the Conduct of District Business
- Ensure Fair and Open Processes Involving the Public
- Provide a Healthy Work Environment
- Promote Diversity and Equality in Personnel Matters and Contracting
- Promote Environmental Responsibility and Sustainability

EBMUD Key Initiatives for the Fiscal Year July 2007–June 2008

- Long Term Water Supply

Ensure a reliable high quality water supply for the future through:

- Preserving current entitlements and obtaining additional supplemental supplies sufficient to meet customer demands with minimal rationing.
- Conservation, reduce potable water demand by 35 million gallons per day (mgd) from the 2020 forecast of 277 mgd.
- Recycling, reduce potable water demand by 14 mgd from the 2020 forecast of 277 mgd.

- Water Quality and Environmental Protection

Meet or surpass environmental and public health standards and protect public trust values by:

- Managing the Mokelumne and East Bay watersheds in a way that ensures a high quality water supply and protects natural resources while providing appropriate public access.
- Operating and maintaining District facilities to surpass federal and state drinking water regulations with a margin of safety to meet customer expectations.
- Operating and maintaining District facilities to anticipate and meet all air, land and water discharge requirements.
- Minimizing impacts to the environment by reducing, recycling, reusing and reclaiming waste and by conserving natural resources.
- Ensuring protection and stewardship of San Francisco Bay.
- Advocating for water quality and environmental regulations that are based on sound science, are protective of public health and beneficial uses and that are attainable.

- **Long Term Infrastructure Investment**

Maintain and improve the District's infrastructure in a cost effective manner to ensure delivery of reliable, high quality service now and in the future by:

- Maintaining coordinated master plans for all facilities based on condition and performance assessments and anticipated future needs.
- Meeting operational needs and reliability goals by implementing effective maintenance practices.
- Enhancing infrastructure planning and management and maintenance practices by evaluating and implementing changes in technology as appropriate.
- Implementing the master plans and set priorities in the operating and capital budget process to reflect the needs identified in those plans.
- Evaluate and implement technologies that lower cost and/or improve service.

- **Long Term Financial Stability**

Maintain District financial strength and stability through:

- Ensuring sufficient revenues to cover the District's needs.
- Maintaining a strong financial position to meet short and long-term needs.
- Maintaining the integrity of District financial systems.
- Making the best use of every dollar spent.

- **Customer Service**

Understand and be responsive to customer expectations for service through:

- Obtaining reliable information on customer expectations, opinions and satisfaction levels through regularly gathering, analyzing and reporting customer feedback.
- Responding to and incorporating customer input in long range planning, setting project priorities, developing improvement initiatives and identifying new research needs.
- Maintaining an active Emergency Preparedness Program to plan for and manage the District's functions during an emergency and allow for an efficient and effective recovery following an emergency.

- **Workforce Planning and Development**

Ensure ample talent to do the District's work today and tomorrow by:

- Developing and implementing workforce plans that ensure critical work is performed, identify new ways to perform work and meet future workforce needs.
- Enhancing the District's ability to recruit a highly qualified, diverse staff.
- Developing employees to meet workforce demands.
- Actively managing employee performance to ensure that District goals are met.
- Creating an environment that encourages retention of employees.

Administrative Profile

East Bay Municipal Utility District



EBMUD has approximately 1,900 full-time employees under the administrative direction of an appointed General Manager and management staff at the end of the fiscal year. Groups of employees are represented by the American Federation of State, County and Municipal Employees, Locals 444 and 2019, International Federation of Professional, Technical Engineers Local 21, and International Union of Operating Engineers Local 39. EBMUD is an equal opportunity employer and encourages diversity in contracting and in the workforces of District contractors.

Following is the fiscal year 2006-2007 budgeted full-time equivalent employee details by Function/Program, as opposed to the actual headcount listed above.

<u>Function/Program</u>	<u>Fiscal Year 2007</u>
System Operations and Maintenance	611.5
Water Operations and Maintenance	278.5
Water Resources	42.0
Natural Resources	68.0
Engineering and Construction	260.5
Office of the General Manager	34.5
Finance	65.0
Information Systems	91.0
Administration Department	99.5
Customer and Community Services	137.0
Human Resources	49.5
Office of General Counsel	16.5
Water Recycling Program	8.0
Wastewater	286.5
Total	2,048.0

Profile



EBMUD continues to carry out our mission: to be a financially sound, responsible agency. EBMUD keeps rates fair, provides a healthy work environment, gives back to the community, protects the environment and ensures a reliable water supply for future generations. The undertaking of significant projects is essential to meeting the District's goals, but is only part of the district's story. EBMUD's strategic plan places priorities on maintenance and upgrades of a complex water system that stretches 90 miles from Pardee Reservoir, through the Delta, until it ultimately reaches a network of facilities in the East Bay delivering Sierra snowflakes to EBMUD customers.

Stability

As many experienced managers and staff retire, EBMUD is focused on developing the talent the District relies on. A Management Leadership Academy and other developmental training programs prepare employees to be future leaders. The academy cultivates key skills and attributes that prepare workers to compete for management positions, and helps participants achieve results in new leadership roles. New leaders will help support the District's mission to provide high-quality water and wastewater services.

Meeting Our Goals

Reliability is a key driver of EBMUD's thinking about the future, and much has changed since the last update of the long-term Water Supply Master Plan 14 years ago. EBMUD experts in water supply modeling and environmental protection are gathering input from economic modelers, other specialists, and a community liaison committee to identify water supply and demand options for the next 30 years and beyond. Land use trends, new regulations, emerging issues and other factors will be included to produce a plan that is environmentally, fiscally and operationally sound. It will address global climate change, California's evolving water supply picture, and regional partnerships like the Freeport Regional Water Project, which will come online in 2009 to help alleviate dry-year shortages. Whatever the future brings, our commitment is clear: a portfolio of initiatives to ensure a sufficient and healthy water supply for the next generation.

Financial Strength & Stability_(cont.) East Bay Municipal Utility District

Financial Highlights

- The total assets of the District exceeded the total liabilities by \$1.6 billion (*net assets*).
- Net assets increased by \$51 million or 4% during the fiscal year.
- Capital assets increased by \$156 million or 5% to \$3.3 billion.
- During the year, operating revenue increased by \$18 million or 5% to \$343 million.
- Operating expense increased by \$14 million or 5% to \$310 million.
- Capital contributions, consisting of capital facility fees, decreased by \$5 million or 8% from the prior fiscal year to \$51 million.

Financial Position

The District's net assets increased by \$51 million or 4% during the year. There was an increase of \$485 million in the level of current and other assets that were used for investment in capital assets. By far the largest portion of the District's net assets (75%) or \$1.2 billion represents its investment in capital assets necessary to provide services. The increase of 4% in Total Net Assets is consistent with the District's implementation of a five-year capital improvement program.

Budget and Rates



The EBMUD Board of Directors approved a two year 5 percent rate increase overall on water bills in both FY08 and FY09. Wastewater customers will also face a modest 4 percent increase in FY08 and a 3.75 percent increase in FY09.

The total water system budget for FY08 (\$732 million) and FY 09 (\$492 million) are driven by the District's commitment to maintain and enhance infrastructure and acquire a much needed supplemental water supply. Over the next several years, the District anticipates spending \$460 million on the Freeport regional Water Project to ensure adequate water supplies during times of drought and \$122 million on water treatment and transmission improvements to meet current and projected water needs in Lafayette, Orinda, Moraga, western Walnut Creek, and unincorporated Contra Costa County.

The District will spend \$77 million to seismically retrofit the San Pablo Reservoir dam and \$75 million on water recycling and water conservation programs. The increase in rates is being driven too by rising health care and retirement system costs.

Similarly, wastewater costs are driven by infrastructure improvements that will improve the plants' efficiency and allow more energy to be generated, which supplies much of the power needed to run the plant and to sell on the open market. Overall, the District's outlook remains bright.

Strategic Purchasing



Being cost-effective has always been part of EBMUD's business practices. A novel approach to purchasing goods and services builds on this commitment, while providing flexibility for us and our suppliers. With multi-year contracts, EBMUD helps ensure an uninterrupted supply of materials and avoids the administrative expenses of annual bid processes. In 2007, we reduced purchase prices by \$1,900,000. Even though the consumer price index has risen 35 percent since 1996, material price increases at EBMUD rose by only 22 percent in that same period.

The National Institute of Governmental Purchasing gave EBMUD a Presidential Citation for Best Practices for Strategic Planning (one of only three awards presented to public agencies in North America). The National Purchasing Institute recognized EBMUD for innovation, efficiency and leadership with the internationally recognized Achievement of Excellence in Procurement Award. EBMUD is the only water or wastewater agency in the U.S. to be honored with the award eight or more consecutive times.

Green Power

EBMUD is helping the state of California meet its goal of getting 20 percent of energy from renewable sources by 2010. In March 2007, EBMUD began generating electricity from a 430 kilowatt photovoltaic project (solar), which will generate 10 percent of the total power needs at EBMUD's water treatment plant in El Sobrante. Thanks to a \$1.3-million rebate, project costs were kept down for EBMUD and its customers. As more California utilities bring renewable energy online, we expect the technology to continue improving and costs to go down, making renewable energy even more feasible in the future.

Hydropower

EBMUD generates hydropower from Pardee and Camanche Dams. One benefit of the extremely wet weather during winter 2005-2006 was a boost in electric power production from Camanche and Pardee dams and \$11.2 million in hydropower sales – more than double what was anticipated – which helped keep EBMUD rates low. In fiscal year 2007, net revenue from hydropower sales fell to \$4.4 million, a result of one of the driest winters in years. Though the drop seems large compared to 2006, sales were only slightly less than the forecasted \$4.5 million, resulting in no impact on water rates.

Turning Waste Into Energy

For several years, EBMUD has worked to convert various waste products into energy with increasing success. A new EBMUD pilot study uses fats, oils, and greases collected from restaurants to create quality bio-diesel to fuel EBMUD trucks. At EBMUD's wastewater treatment plant, a portion of this grease waste becomes bio-diesel – and thus helps solve the problem of sewer overflows while producing a green alternative fuel. If the pilot study confirms the process to be technically feasible and cost-effective and also shows improved vehicle emissions, EBMUD may pursue a full-scale facility to fuel our entire diesel fleet.

Creative Solutions

Water Supply



EBMUD's long-term plan is to ensure a reliable high quality water supply for the future. The strategy is to preserve current entitlements and obtain additional supplemental supplies sufficient to meet customer demands with minimal rationing and environmental impact.

EBMUD has entered into a partnership with the Sacramento County Water Agency (SCWA) to design and build a regional water supply project near Freeport on the Sacramento River that will provide an additional water supply for East Bay customers in dry years. The project will provide up to 100 million gallons a day (mgd) for EBMUD customers and 85 mgd for future needs in Sacramento County. The project includes a 185 mgd intake and pump station on the Sacramento River and 17 miles of large-diameter pipe extending to the Folsom South Canal. EBMUD's share will flow south down the canal to a 100 mgd pumping plant, then 19 more miles to a second pumping plant near Camanche Reservoir and into the Mokelumne Aqueducts. Construction for the intake structure and four segments of pipelines began in 2007. The project is scheduled for completion in 2009.

In August 2000, EBMUD and 5 other public agencies interested in Mokelumne River water resources established the Upper Mokelumne River Watershed Authority (UMRWA) to cooperatively develop supply alternatives that improve water quality and reliability, while protecting the watershed resources and economic health of the region. A comprehensive assessment of the Upper Mokelumne River watershed, the principal source of the District's drinking water supply, is being conducted by the Authority.

Water recycling is a critical part of EBMUD's water portfolio. EBMUD partnered with the Dublin – San Ramon Services District (DSRSD) to develop a joint project to supply recycled water to San Ramon region valley.

The Phase I portion of the DSRSD/EBMUD Recycled Water Authority (DERWA) project consists of a maximum 9.7 mgd recycled water treatment facility, two storage reservoirs totaling 9.0 million gallons (mg), two transmission pump stations (3.1 mgd and 7.4 mgd, respectively), and 16 miles of transmission pipelines. The construction of Phase I was completed in January 2006 and the treatment plant started to deliver highly-treated recycled water in February 2006. DERWA has supplied 800,000 CcF (hundred cubic feet) of recycled water since the first delivery. EBMUD provides up to 2.0 mgd of recycled water to its customers.

The Phase II portion of the DERWA project started in fall 2006. The project includes a new underground pump station and a 1 mile pipeline. Completion is anticipated in the middle of 2008.

Environmental Protection with Low Price Tag



In 1983, EBMUD, as a leader, teamed with the other 4 largest wastewater agencies in the Bay Area, and 55 associate and affiliate wastewater agencies who collectively serve over five million people in the nine counties in San Francisco Bay Area to establish the Bay Area Clean Water Agencies (BACWA). BACWA's Vision Statement exemplifies its primary environmental mission, as follows:

"To develop a region-wide understanding of the watershed protection and enhancement needs through reliance on sound science, environmental and economic information and ensure this understanding leads to long-term stewardship of the San Francisco Bay Estuary."

To help achieve this regional vision of San Francisco Bay protection, BACWA has developed a comprehensive Strategic Plan which is supported through nine BACWA enterprises and nine committees.

BACWA's strong leadership within the region in regulatory advocacy for the wastewater community, and as a champion for sound science as a basis for regulations ensures they lead to benefits to the environment at a reasonable cost to ratepayers. In large part due to BACWA's efforts over the past two decades, San Francisco Bay is one of the best studied estuaries in the world.

In 2007, on behalf of 13 water entities including EBMUD in the San Francisco Bay Area, BACWA applied for a Proposition 50 Chapter 8 Grant from the State of California Department of Water Resources (DWR), that would be used to help fund the implementation and operation of various regional water conservation, water recycling, desalination and groundwater projects to be carried out by the 13 Water Entities. The DWR awarded BACWA a grant for \$12.5 million in State funding and over \$150 million in matching fund.

Participation in BACWA also provides the District with significant benefits. The "economy-of-scale" in conducting regional studies (vs. individual agency efforts) reduces District costs on a broad variety of projects. This leveraging of funding and staffing resources through BACWA provides a very cost-effective approach for completing work which recently has included a regional biosolids management project, the development of best management practices for collection systems, and the development of an electronic reporting system for NPDES Permits.

Savings and Efficiencies



Prudent financial management policies have resulted in bond ratings of Aa2 from Moody's and a ratings change from AA to AA+ from Standard & Poor's subsequent to the publishing of the Audited Financials of June 30, 2007. Our high ratings keep debt costs low, which keeps rates low. By financing at favorable interest rates, the District carries a lower debt service, saving ratepayers' money.

In May 2007, the District issued Water and Wastewater Series 2007 Bonds to refund Water Series 1996, 1998 and 2001 Bonds and Wastewater Series 1996 and 1998 Bonds respectively. The District completed the advance refunding to reduce its total debt services payments over the next 31 years by \$53.0 million and to obtain an economic gain of \$35.3 million due to the lower interest rates.

As part of the District's ongoing plan to reduce energy costs and consumptions, EBMUD has invested consistently in the energy saving equipment and projects in the Operating Distribution Pumping Plant. This has resulted in substantial savings in the energy costs. At the end of fiscal year 2007, the savings in the Pacific Gas and Electric costs has already surpassed the District investments in the equipment.

Strategic Plan

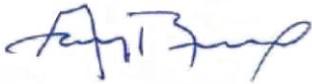
In 2007, EBMUD continued to refine a comprehensive strategic planning process. It sets the stage for a biennial budget process, incorporating diverse District-wide plans, such as workforce development, water supply and watershed management. The strategic plan is a blueprint for how EBMUD will respond to future challenges and changing priorities. It reaffirms the District's mission and values as a public utility dedicated to high quality service and preservation of District's precious resources for future generations. It also outlines the specific goals, strategies, and objectives the District will pursue to meet those future challenges and establishes some key performance indicators to measure our progress.

Awards and Acknowledgements

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to EBMUD for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the second consecutive year that EBMUD has received this award. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

I want to thank the Financial Reporting Section of the Accounting Division and the District's external auditors for completing this report in a timely and comprehensive manner.

Respectfully submitted,



Gary Breaux
Director of Finance



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GFOA Award



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

East Bay Municipal
Utility District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2006

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.



Thomas J. Blum
President

Jeffrey L. Esser
Executive Director

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Organization Information

East Bay Municipal Utility District



Board of Directors

Organizational Staffing

District Organizational Chart

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EBMUD has a seven-member Board of Directors publicly elected from wards within the EBMUD service area.

[John A. Coleman](#)

Director Coleman represents EBMUD's Ward No. 2 which is comprised of the cities of Blackhawk, Diablo, Lafayette and the towns of Alamo and Danville as well as portions of Pleasant Hill, San Ramon and Walnut Creek.

[Katy H. Foulkes](#)

Director Foulkes represents EBMUD's Ward No. 3 which is comprised of the cities of Piedmont, Orinda, Moraga and El Sobrante as well as portions of Oakland, Pinole and Richmond.

[Andy Katz](#)

Director Katz represents EBMUD's Ward No. 4 which is comprised of the cities Albany, Berkeley, Emeryville, El Cerrito and Kensington as well as a portion of Oakland.

[Doug A. Linney](#)

Director Linney represents EBMUD's Ward No. 5 which is comprised of the cities of Alameda and San Lorenzo as well as West Oakland and the Oakland Airport Area and a portion of San Leandro.

[Lesia R. McIntosh](#)

Director McIntosh represents EBMUD's Ward No. 1 which is comprised of the cities of Crocket, Hercules, Rodeo and San Pablo as well as portions of Richmond and Pinole.

[Frank G. Mellon](#)

Director Mellon represents EBMUD's Ward No. 7 which is comprised of the town of Castro Valley and portions of San Leandro, Hayward and San Ramon.

[William B. Patterson](#)

Director Patterson represents EBMUD's Ward No. 6 which is comprised of portions of Oakland (East Oakland and south of Park Blvd/5th Ave) to the San Leandro boundary.

Organizational Staffing

East Bay Municipal Utility District

BOARD OF DIRECTORS

Lesa R. McIntosh	President
Doug A. Linney.....	Vice President
John A. Coleman.....	Director
Katie H. Foulkes.....	Director
Andy Katz.....	Director
Frank G. Mellon.....	Director
William B. Patterson.....	Director

GENERAL MANAGER..... Dennis M. Diemer

FINANCE DIRECTOR Gary M. Breaux

CONTROLLER D. Scott Klein

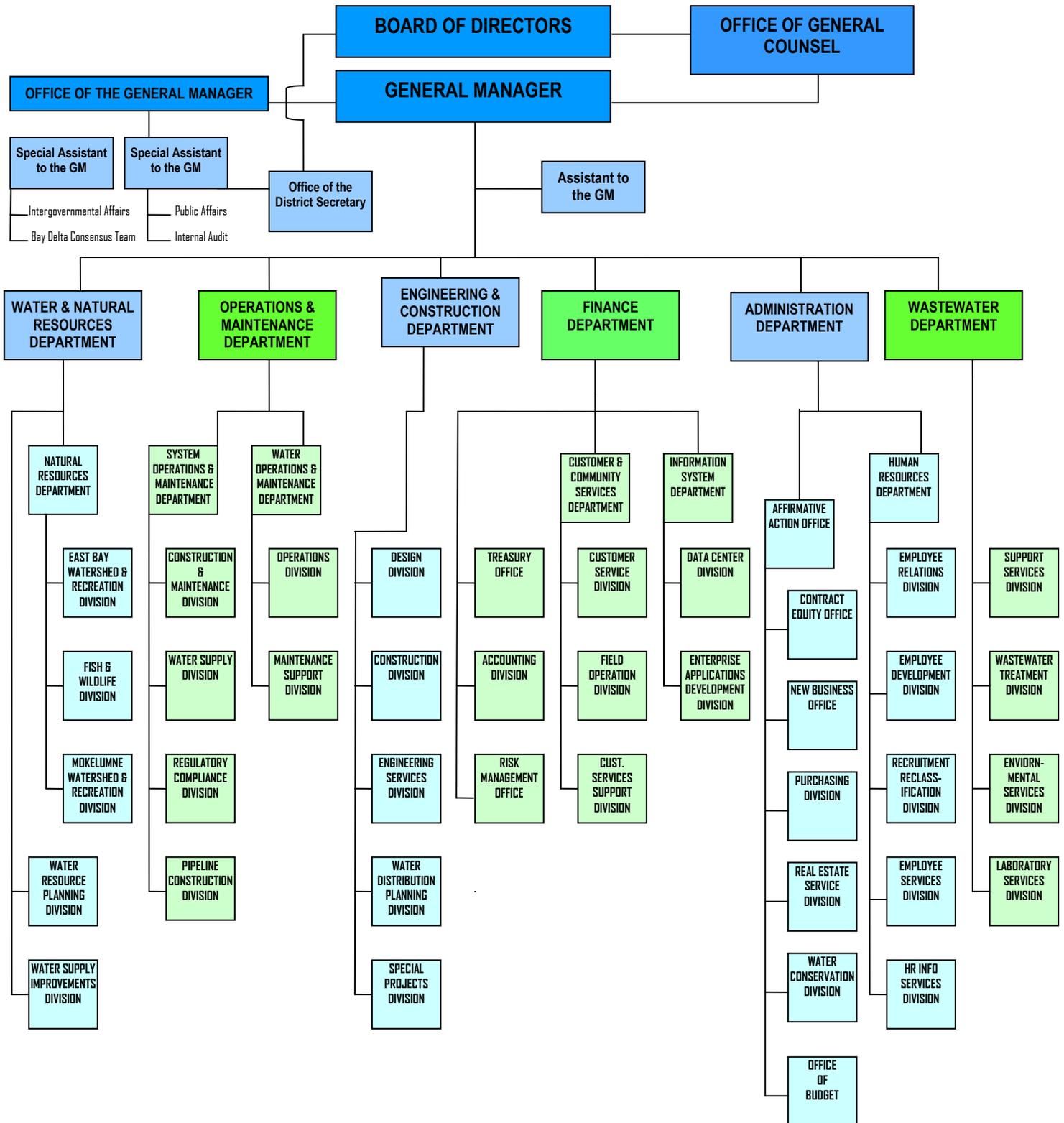
PREPARED BY

Deborah A. Barone.....	Financial Reporting Supervisor
Gary T. Tominaga.....	Accounting & Financial Systems Analyst
Bernard Atendido.....	Accountant III
Queenie Chen	Accountant III
Rick Y. Hu.....	Accountant III
Kirk E. Hutchins.....	Accountant III
Ye (Crystal) Zhang	Accountant II
Tiffany H. Tran.....	Accounting Technician
Virginia Y. Wong.....	Accounting Technician
Patty Seu.....	Account Clerk II
Anne Y. Subercaseaux.....	Graphic Designer II
Mary R. Orr.....	Graphic Design Supervisor

P.O. Box 24055, Oakland, California 94623-1055
1-866-403-2683, FAX (510) 287-0315

Organization Chart

East Bay Municipal Utility District



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Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplemental Information

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EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

PREPARED BY THE
FINANCE DEPARTMENT

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**EAST BAY MUNICIPAL UTILITY DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Years Ended June 30, 2007 and 2006**

Table of Contents

	<u>Page</u>
<i>Independent Auditor's Report on Basic Financial Statements</i>	23
<i>Management's Discussion and Analysis</i>	25
 <i>Basic Financial Statements</i>	
Balance Sheets - Proprietary Funds - Enterprise	34
Statements of Revenues, Expenses and Changes in Net Assets – Proprietary Funds – Enterprise	36
Statements of Cash Flows - Proprietary Funds – Enterprise	37
Statements of Fiduciary Net Assets – Fiduciary Fund – Pension and Other Employee Benefit Trust (Component Unit)	39
Statements of Changes in Fiduciary Net Assets – Fiduciary Fund – Pension and Other Employee Benefit Trust (Component Unit)	40
Notes to Basic Financial Statements	41
 <i>Required Supplemental Information</i>	
Schedule of Funding Progress	78

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Bay Municipal Utility District
Oakland, California

We have audited the financial statements of the business-type activities, each major fund and the discretely presented component unit, of the East Bay Municipal Utility District as of and for the years ended June 30, 2007 and 2006, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the District'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 and the standards for the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance as to 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 basic financial statements referred to above present fairly in all material respects the respective financial position of the business-type activities, each major fund and the discretely presented component unit of the East Bay Municipal Utility District at June 30, 2007 and 2006 and the respective changes in the financial position and cash flows, where applicable, thereof for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards* we have also prepared our report on the District's internal controls and compliance with law, rules, and regulations and other matters dated August 17, 2007.

Management's Discussion and Analysis and Required Supplemental Information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

The introduction and statistical section listed in the table on contents was not audited by us, and we do not express an opinion on this information.



August 17, 2007

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EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

This section presents management's analysis of the East Bay Municipal Utility District's (the District) financial condition and activities as of and for the years ended June 30, 2007. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The District, as the primary governmental entity, includes within the financial statements, the financial position and activities of the District's Employees' Retirement System (Employees' Retirement System) as a component unit. The Employees' Retirement System issues its own financial statements and MDA under separate cover. Significant matters pertaining to the Employees' Retirement System have been included in the notes to the financial statements as deemed appropriate.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets and Debt Administration
- Request for Information

ORGANIZATION AND BUSINESS

The District provides water and wastewater services. The Water System collects, transmits, treats, and distributes high-quality water to approximately 60% of the developed area within Alameda and Contra Costa counties of California. The Wastewater System intercepts and treats wastewater from residences and industries in the communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and Stege Sanitary District. The District's water system serves approximately 1.3 million people. The water is supplied to industrial, commercial, residential, and public authority users in a 325 square mile service area. The wastewater system serves about 600,000 within a 70 square mile service area. The District recovers cost of service through user fees.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of two components: (1) Fund Financial Statements and (2) Notes to Basic Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Proprietary Funds. The District's proprietary funds consist of two enterprise funds, the Water System and the Wastewater System. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

The District's proprietary fund statements include:

The *balance sheet* presents information on the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

While the balance sheet 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 District's operations over the course of the fiscal year and information as to how the net assets changed during the year. This statement can be used as an indicator of the extent to which the District has successfully recovered its costs through user fees and other charges. All changes in net assets are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expense of employee earned but unused vacation leave.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operational, capital, noncapital, 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 and excludes noncash accounting measures of depreciation or amortization of assets.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District's fiduciary fund consists of the Pension and Other Employee Benefit Trust fund, which is maintained to account for assets held by the Employees' Retirement System in a trustee capacity for vested and retired employees. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to Basic Financial Statements. The notes 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 41 to 77 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *certain required supplementary information* concerning the District's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found on pages 78-79 of this report.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

FINANCIAL ANALYSIS

Financial Highlights

- The total assets of the District exceeded the total liabilities by \$1.6 billion (*net assets*).
- Net assets increased by \$62 million or 4% during the fiscal year.
- Capital assets increased by \$156 million or 5% to \$3.3 billion.
- During the year, operating revenue increased by \$18 million or 5% to \$343 million.
- Operating expense increased by \$14 million or 5% to \$310 million.
- Capital contributions, consisting of capital facility fees, decreased by \$5 million or 8% from the prior fiscal year.

Financial Position

The District's net assets increased by \$62 million or 4% during the year (*see Table 1 on the following page*). There was an increase of \$485 million in the level of current and other assets. By far the largest portion of the District's net assets (76%) or \$1.2 billion represents its investment in capital assets necessary to provide services. The increase of 4% in Total Net Assets is consistent with the District's implementation of a five-year capital improvement program.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

Table 1

Net Assets

Water and Wastewater

June 30, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Current and other assets	\$ 1,008,449	523,611	484,838
Capital assets	<u>3,337,081</u>	<u>3,181,030</u>	<u>156,051</u>
Total assets	<u>4,345,530</u>	<u>3,704,641</u>	<u>640,889</u>
Current and other liabilities	152,041	152,317	(276)
Long-term liabilities	<u>2,639,139</u>	<u>2,060,455</u>	<u>578,684</u>
Total liabilities	<u>2,791,180</u>	<u>2,212,772</u>	<u>578,408</u>
Net assets:			
Invested in capital assets, net of related debt	1,174,486	1,226,133	(51,647)
Restricted	130,641	119,236	11,405
Unrestricted	<u>249,223</u>	<u>146,500</u>	<u>102,723</u>
Total net assets	<u>\$ 1,554,350</u>	<u>1,491,869</u>	<u>62,481</u>

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

Results of Operations

The following table (Table 2) shows changes in the District's net assets for the year:

Table 2

Changes in Net Assets

Water and Wastewater

June 30, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Water	\$ 260,678	244,280	16,398	7%
Sewer	44,593	42,581	2,012	5%
Power	4,236	11,006	(6,770)	(62)%
System capacity charges	19,703	13,730	5,973	44%
Wet weather facilities charges	13,735	13,839	(104)	(1)%
Total operating revenues	<u>342,945</u>	<u>325,436</u>	<u>17,509</u>	5%
Operating Expenses:				
Raw Water	25,252	24,239	1,013	4%
Water treatment & distribution	77,021	75,983	1,038	1%
Recreation areas, net	9,449	8,293	1,156	14%
Sewer lines & pumps	12,270	11,725	545	5%
Sewer treatment plant operations	22,972	22,062	910	4%
Customer accounting & collecting	13,992	13,267	725	5%
Financial risk management	15,732	17,491	(1,759)	(10)%
Facilities management	11,579	10,923	656	6%
General administration	37,151	34,712	2,439	7%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	84,494	76,894	7,600	10%
Total operating expenses	<u>309,912</u>	<u>295,589</u>	<u>14,323</u>	5%
Net operating income	33,033	29,847	3,186	11%
Nonoperating income (expense):				
Investment income	24,444	20,482	3,962	19%
Taxes & subventions	28,468	24,466	4,002	16%
Interest & amortization or bond expenses, net	(88,914)	(88,863)	(51)	0%
Other income (expense)	14,117	9,343	4,774	51%
Total other expense, net	<u>(21,885)</u>	<u>(34,572)</u>	<u>12,687</u>	(37)%
Income (Loss) before contributions	11,148	(4,725)	15,873	(336)%
Capital contributions	<u>51,333</u>	<u>55,992</u>	<u>(4,659)</u>	(8)%
Change in net assets	62,481	51,267	11,214	22%
Total net assets – beginning	<u>1,491,869</u>	<u>1,440,602</u>	<u>51,267</u>	4%
Total net assets – ending	\$ <u>1,554,350</u>	<u>1,491,869</u>	<u>62,481</u>	4%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

The District's total operating revenue of \$343 million for the year increased by \$18 million and total operating expense increased by \$14 million, providing a 11% increase in net operating income. The District's change in net assets for the year, including capital contributions, increased by \$62 million or 4%. The major components of this increase were:

- Water revenue increased by \$16 million, mainly reflecting the 3.75% rate increase and the 3.4% consumption increase in fiscal year 2007.
- Other revenue increased by \$1 million, primarily reflecting an increase in revenue from system capacity charges and sewer revenue offset by a decrease in power generation.
- Operating expense increased by \$14 million, primarily reflecting increases in raw water, recreation areas, general administration and depreciation expense across both water and wastewater systems.
- Nonoperating expense (net of nonoperating revenue) decreased by \$13 million, primarily reflecting an increase in investment income, taxes revenue and other income.
- Capital contributions decreased by \$5 million primarily reflecting a reduction in mitigation fees received and an increase in the amount of system capacity fees applied to construction revenue in the current year.

Capital Assets

The District had \$3.3 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2007. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, pump stations, water reclamation facilities, wastewater and wet weather treatment facilities, machinery and equipment (see Table 3 below). This amount represents an increase of \$156 million or 5% over the prior fiscal year, consistent with the District's implementation of a five-year (FY 03 to FY 07) capital improvement program. The District's net revenue, long-term debt, and contributions from customers are used to finance capital investments. More detailed information about the District's capital assets is presented in Note 3 to the basic financial statements.

Table 3
Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2007 and 2006
(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Districtwide</u>		<u>Increase/(decrease)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, and equipment	\$ 2,504,980	2,303,555	472,424	478,696	2,977,404	2,782,251	195,153	7.0%
Land and rights of way	48,956	49,020	16,087	5,587	65,043	54,607	10,436	19.1%
Construction work in progress	<u>243,707</u>	<u>314,159</u>	<u>50,927</u>	<u>30,013</u>	<u>294,634</u>	<u>344,172</u>	<u>(49,538)</u>	<u>(14.4)%</u>
Totals	<u>\$ 2,797,643</u>	<u>2,666,734</u>	<u>539,438</u>	<u>514,296</u>	<u>3,337,081</u>	<u>3,181,030</u>	<u>156,051</u>	<u>4.9%</u>

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

This year's major capital additions included:

Water

Freeport Regional Water Project	\$	35,316
Pipeline Infrastructure Renewals		16,437
Claremont Corridor Seismic Improvement Project		15,909
Folsom South Canal Connection		13,946
Service Lateral Replacements Polybutylene		13,170
New Service Installations		12,369
Pipeline System Extensions		11,639
East Bayshore Recycled Water Transmission System		7,409
Walnut Creek - San Ramon Valley Transmission Improvements		6,554
Water Conservation Project		4,506

Wastewater

Main Wastewater Treatment Plant Master Plan	11,593
Digester Upgrade	11,485
Centrifuge Replacement	4,868
Wet Weather Master Plan Update	1,762

Long-Term Debt

As of June 30, 2007, the District had total long-term debt outstanding of \$2.7 billion (net of unamortized costs), increasing by \$582 million or 28%, as shown in Table 4.

Table 4
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2007 and 2006
(In thousands)

	Water System		Wastewater System		Districtwide		Increase (decrease)	
	2007	2006	2007	2006	2007	2006	Amount	%
General obligation bonds	\$ —	—	34,298	36,338	34,298	36,338	(2,040)	(5.6)%
Revenue bonds	1,970,253	1,516,564	315,863	234,345	2,286,116	1,750,909	535,207	30.6%
Commercial paper	315,000	260,000	—	—	315,000	260,000	55,000	21.2%
Loans	17,189	18,855	34,278	38,540	51,467	57,395	(5,928)	(10.3)%
	\$ <u>2,302,442</u>	<u>1,795,419</u>	<u>384,439</u>	<u>309,223</u>	<u>2,686,881</u>	<u>2,104,642</u>	<u>582,239</u>	<u>27.7%</u>

EAST BAY MUNICIPAL UTILITY DISTRICT

Management’s Discussion and Analysis

June 30, 2007

It is the policy of the District to maintain a reasonable balance between debt and current revenue financing of capital projects. The following targets provide the framework for financing capital projects:

Debt Service Coverage Ratio: Maintain an annual revenue bond debt coverage ratio of at least 1.6 times coverage.

Debt-Funded Capital Spending: Limit debt-funded capital to no more than 65% of the total capital program over each five-year planning period.

Commercial Paper: Limit to 25% of outstanding long-term debt.

The District’s debt ratings are outlined in Table 5.

Revenue-supported debt authorization for the District can be approved by the District’s board of directors, subject to a referendum process. At June 30, 2007, the District had \$1.3 billion in authorized but unissued revenue bonds (\$1.1 billion Water and \$169 million Wastewater).

Table 5

Debt Ratings

Water and Wastewater

June 30, 2007

District debt by type	Rating by	
	Moody’s Investors Service	Standard & Poor’s
Water system:		
Commercial Paper	P1	A1+
Subordinated Revenue Bonds	Aa2	AA
General Obligation Bonds	Aa2	AA
Wastewater system:		
Commercial Paper	P1	A1+
Subordinated Revenue Bonds	Aa3	AA
General Obligation Bonds	Aa3	AA

Additional information on the District’s long-term debt can be found in Note 6 to the financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2007

REQUEST FOR INFORMATION

This financial report is designed to provide ratepayers and creditors with a general overview of the District's finances and demonstrate the District's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact: the Controller, Accounting Division, P.O. Box 24055, Oakland, CA 94623-1055.

EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
PROPRIETARY FUNDS - ENTERPRISE
JUNE 30, 2007 AND 2006
(DOLLARS IN THOUSANDS)

Assets	Water System		Wastewater System		Total	
	2007	2006	2007	2006	2007	2006
Current assets:						
Cash and investments (Note 2)	\$232,897	\$124,870	\$11,219	\$28,113	\$244,116	\$152,983
Receivables:						
Customer	19,638	19,390	3,278	3,244	22,916	22,634
Interest and other	5,418	8,226	6,722	1,539	12,140	9,765
Materials and supplies	10,234	9,978			10,234	9,978
Prepaid insurance	1,909	3,039		165	1,909	3,204
Total current assets	270,096	165,503	21,219	33,061	291,315	198,564
Noncurrent assets:						
Restricted cash and investments (Note 2):						
Bond construction fund	457,203	149,743	67,083		524,286	149,743
Bond interest and redemption fund	211		206	87	417	87
Debt service reserve fund	33,793	33,793	3,860	3,813	37,653	37,606
Funds received for construction	100,731	91,833			100,731	91,833
FERC partnership fund	2,257	2,280			2,257	2,280
Monetary reserve	688	665			688	665
Total restricted cash and investments	594,883	278,314	71,149	3,900	666,032	282,214
Unrestricted investments (Note 2):						
Reserve funded CIP	4,426	4,069	12,665	12,111	12,665	12,111
Vehicle/equipment replacement fund			7,611	5,815	12,037	9,884
Total unrestricted cash and investments	4,426	4,069	20,276	17,926	24,702	21,995
Other assets:						
Deferred bond issuance costs	14,271	11,560	3,067	2,517	17,338	14,077
Other	7,903	5,753	1,159	1,008	9,062	6,761
Total other assets	22,174	17,313	4,226	3,525	26,400	20,838
Capital assets (Note 3):						
Structures, buildings, and equipment	3,470,290	3,221,486	711,581	703,555	4,181,871	3,925,041
Less accumulated depreciation	(965,310)	(917,931)	(239,157)	(224,859)	(1,204,467)	(1,142,790)
Subtotal	2,504,980	2,303,555	472,424	478,696	2,977,404	2,782,251
Land and rights-of-way	48,956	49,020	16,087	5,587	65,043	54,607
Construction in progress	243,707	314,159	50,927	30,013	294,634	344,172
Total capital assets, net	2,797,643	2,666,734	539,438	514,296	3,337,081	3,181,030
Total noncurrent assets	3,419,126	2,966,430	635,089	539,647	4,054,215	3,506,077
Total assets	\$3,689,222	\$3,131,933	\$656,308	\$572,708	\$4,345,530	\$3,704,641

(Continued)

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
PROPRIETARY FUNDS - ENTERPRISE
JUNE 30, 2007 AND 2006
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	2007	2006	2007	2006	2007	2006
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt and commercial paper (Note 5 and 6)	\$35,462	\$32,420	\$12,280	\$11,767	\$47,742	\$44,187
Accounts payable and accrued expenses (Note 4)	63,695	64,620	10,947	12,790	74,642	77,410
Accrued interest	9,039	7,871	2,185	2,031	11,224	9,902
Total current liabilities	108,196	104,911	25,412	26,588	133,608	131,499
Noncurrent liabilities:						
Other liabilities:						
Advances for construction	11,102	13,234	5,835	6,110	11,102	13,234
Other liabilities	1,496	1,474			7,331	7,584
Total other liabilities	12,598	14,708	5,835	6,110	18,433	20,818
Long-term liabilities, net of current maturities (Note 6)	2,266,980	1,762,999	372,159	297,456	2,639,139	2,060,455
Total noncurrent liabilities	2,279,578	1,777,707	377,994	303,566	2,657,572	2,081,273
Total liabilities	2,387,774	1,882,618	403,406	330,154	2,791,180	2,212,772
Net assets (Note 7):						
Invested in capital assets, net of related debt	952,404	1,021,059	222,082	205,074	1,174,486	1,226,133
Restricted for construction	89,628	78,599			89,628	78,599
Restricted for debt service	34,004	33,793	4,064	3,900	38,068	37,693
Restricted - other	2,945	2,944			2,945	2,944
Unrestricted	222,467	112,920	26,756	33,580	249,223	146,500
Total net assets	1,301,448	1,249,315	252,902	242,554	1,554,350	1,491,869
Total liabilities and net assets	\$3,689,222	\$3,131,933	\$656,308	\$572,708	\$4,345,530	\$3,704,641

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS - ENTERPRISE
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
 (DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	2007	2006	2007	2006	2007	2006
Operating revenue:						
Water	\$260,678	\$244,280			\$260,678	\$244,280
Sewer			\$44,593	\$42,581	44,593	42,581
Power	4,236	11,006			4,236	11,006
System capacity charges	19,703	13,730			19,703	13,730
Wet weather facilities charges			13,735	13,839	13,735	13,839
Total operating revenue	<u>284,617</u>	<u>269,016</u>	<u>58,328</u>	<u>56,420</u>	<u>342,945</u>	<u>325,436</u>
Operating expense:						
Raw water	25,252	24,239			25,252	24,239
Water treatment and distribution	77,021	75,983			77,021	75,983
Recreation areas, net	9,449	8,293			9,449	8,293
Sewer lines and pumping			12,270	11,725	12,270	11,725
Sewer treatment plant operations			22,972	22,062	22,972	22,062
Customer accounting and collecting	12,101	11,670	1,891	1,597	13,992	13,267
Financial risk management	14,652	16,690	1,080	801	15,732	17,491
Facilities management	11,579	10,923			11,579	10,923
General administration	33,166	30,871	3,985	3,841	37,151	34,712
Depreciation on utility plant	67,727	60,542	16,767	16,352	84,494	76,894
Total operating expense	<u>250,947</u>	<u>239,211</u>	<u>58,965</u>	<u>56,378</u>	<u>309,912</u>	<u>295,589</u>
Net operating income (loss)	<u>33,670</u>	<u>29,805</u>	<u>(637)</u>	<u>42</u>	<u>33,033</u>	<u>29,847</u>
Other income (expense):						
Investment income	21,780	18,404			21,780	18,404
Taxes and subventions	21,695	19,125	2,664	2,078	24,444	20,482
Interest and amortization of bond expenses, net of capitalized interest of \$9,938 and \$8,111 for the Water System in 2007 and \$717 for the Wastewater System in 2007 and 2006, respectively	(76,290)	(75,622)	(12,624)	(13,241)	(88,914)	(88,863)
Other income	6,927	4,425	7,190	4,918	14,117	9,343
Total other income (expense), net	<u>(25,888)</u>	<u>(33,668)</u>	<u>4,003</u>	<u>(904)</u>	<u>(21,885)</u>	<u>(34,572)</u>
Income (loss) before capital contributions	7,782	(3,863)	3,366	(862)	11,148	(4,725)
Capital contributions	44,351	53,517	6,982	2,475	51,333	55,992
Change in net assets	52,133	49,654	10,348	1,613	62,481	51,267
Total net assets - beginning	1,249,315	1,199,661	242,554	240,941	1,491,869	1,440,602
Total net assets - ending	<u>\$1,301,448</u>	<u>\$1,249,315</u>	<u>\$252,902</u>	<u>\$242,554</u>	<u>\$1,554,350</u>	<u>\$1,491,869</u>

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	2007	2006	2007	2006	2007	2006
Cash flows from operating activities						
Cash received from customers	\$282,219	\$266,760	\$58,294	\$56,407	\$340,513	\$323,167
Cash received from other income	6,927	4,425	7,190	4,918	14,117	9,343
Cash payments for judgments and claims	(6,980)	(1,678)	(714)	128	(7,694)	(1,550)
Cash payments to suppliers for goods and services	(12,049)	(3,266)	(16,391)	(6,055)	(28,440)	(9,321)
Cash payments to employees for services	(141,929)	(184,911)	(26,757)	(33,015)	(168,686)	(217,926)
Net cash provided by operating activities	128,188	81,330	21,622	22,383	149,810	103,713
Cash flows from noncapital financing activities:						
Tax receipts	21,695	19,125	6,773	5,341	28,468	24,466
Net cash provided by financing activities	21,695	19,125	6,773	5,341	28,468	24,466
Capital and related financing activities:						
Capital contributions	44,351	53,517	6,982	2,475	51,333	55,992
Proceeds from advances for construction	(2,132)	(1,985)			(2,132)	(1,985)
Proceeds from sale of capital assets	14	1,837			14	1,837
Net proceeds and premiums from sale of bonds	931,475		135,490		1,066,965	
Acquisition and construction of capital assets	(164,967)	(199,879)	(41,504)	(33,013)	(206,471)	(232,892)
Principal retirement on long-term debt and commercial paper	(32,421)		(11,768)	(11,288)	(44,189)	(11,288)
Amount paid to refunding bond escrow agent	(448,005)		(49,351)		(497,356)	
Costs and discounts from issuance on long-term debt	(6,177)		(984)		(7,161)	
Interest paid on long-term debt	(71,656)	(73,923)	(12,036)	(13,226)	(83,692)	(87,149)
Net cash provided by (used in) capital and related financing activities	250,482	(220,433)	26,829	(55,052)	277,311	(275,485)
Cash flows from investing activities:						
Proceeds from (purchases of) restricted securities	(316,569)	127,130	(67,249)	254	(383,818)	127,384
Interest received on investments	24,588	22,702	(2,519)	2,300	22,069	25,002
Net cash (used in) provided by investing activities	(291,981)	149,832	(69,768)	2,554	(361,749)	152,386
Net increase (decrease) in cash and cash equivalents	108,384	29,854	(14,544)	(24,774)	93,840	5,080
Cash and cash equivalents:						
Beginning of year	128,939	99,085	46,039	70,813	174,978	169,898
End of year	\$237,323	\$128,939	\$31,495	\$46,039	\$268,818	\$174,978

See accompanying notes to basic financial statements

(Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
 STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS - ENTERPRISE
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
 (DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	2007	2006	2007	2006	2007	2006
Reconciliation of net operating (loss) income to net cash provided by operating activities:						
Net operating income (loss)	\$33,670	\$29,805	(\$637)	\$42	\$33,033	\$29,847
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation	67,727	46,105	16,767	16,005	84,494	62,110
Amortization	22,291	14,437	440	347	22,731	14,784
Other income	6,927	4,425	7,190	4,918	14,117	9,343
Changes in assets/liabilities:						
Materials and supplies	(256)	(472)			(256)	(472)
Prepaid insurance	1,130	(2,330)	165	(165)	1,295	(2,495)
Customer receivables	(248)	(2,256)	(34)	(13)	(282)	(2,269)
Other receivables	(2,150)	(2,562)	(151)	(315)	(2,301)	(2,877)
Accounts payable and accrued expenses	(903)	(5,822)	(2,118)	1,564	(3,021)	(4,258)
Net cash provided by operating activities	\$128,188	\$81,330	\$21,622	\$22,383	\$149,810	\$103,713

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
(COMPONENT UNIT)
JUNE 30, 2007 AND 2006
(DOLLARS IN THOUSANDS)

	2007	2006
Assets:		
Cash and investments (Note 2)	\$48,695	\$12,009
Invested securities lending collateral (Note 1.L)	96,085	78,422
Receivables:		
Contributions	974	942
Interest and other	14,258	17,058
Prepaid insurance	355	317
Retirement system investments, at fair value (Note 2):		
U.S. government obligations	67,404	61,784
Domestic corporate bonds	157,059	148,300
International bonds	6,214	4,075
Domestic stocks	425,744	374,007
International stocks	236,095	189,674
Real estate	21,587	
Total assets	1,074,470	886,588
Liabilities:		
Accounts payable and accrued expenses	794	339
Retirement system liabilities	66,487	44,372
Securities lending collateral (Note 1.L.)	96,085	78,422
Total liabilities	163,366	123,133
Net assets:		
Held in trust for pension benefits	906,492	759,754
Held in trust for post-employment healthcare benefits	4,612	3,701
Total net assets	\$911,104	\$763,455

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the East Bay Municipal Utility District)
STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the Year Ended June 30, 2007

(With summarized comparative financial information for the year ended June 30, 2006)

(DOLLARS IN THOUSANDS)

	2007			Total 2006
	Pension plan benefits	Post- employment healthcare benefits	Total	
Additions:				
Contributions (Note 3):				
Employer	\$33,698	\$5,634	\$39,332	\$35,635
Plan members	9,891		9,891	9,426
Total contributions	<u>43,589</u>	<u>5,634</u>	<u>49,223</u>	<u>45,061</u>
Investment income:				
Net appreciation in fair value of investments:				
Traded securities	129,790	555	130,345	55,507
Interest	11,095	47	11,142	8,349
Dividends	9,934	42	9,976	8,370
Real estate operating income, net	<u>1,333</u>	<u>6</u>	<u>1,339</u>	
	152,152	650	152,802	72,226
Less:				
Investment expense	(2,767)	(12)	(2,779)	(2,092)
Borrowers' rebates and other agent fees on securities lending transactions	<u>(4,221)</u>	<u>(18)</u>	<u>(4,239)</u>	<u>(2,907)</u>
Net investment income	<u>145,164</u>	<u>620</u>	<u>145,784</u>	<u>67,227</u>
Total additions, net	<u>188,753</u>	<u>6,254</u>	<u>195,007</u>	<u>112,288</u>
Deductions:				
Benefits paid	40,850	5,339	46,189	42,298
Refund of contributions (Note 4)	319		319	336
Administrative expenses	<u>846</u>	<u>4</u>	<u>850</u>	<u>788</u>
Total deductions	<u>42,015</u>	<u>5,343</u>	<u>47,358</u>	<u>43,422</u>
Change in net assets	146,738	911	147,649	68,866
Net assets:				
Beginning of year	<u>759,754</u>	<u>3,701</u>	<u>763,455</u>	<u>694,589</u>
End of year	<u>\$906,492</u>	<u>\$4,612</u>	<u>\$911,104</u>	<u>\$763,455</u>

See accompanying notes to financial statements

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Primary Government

The East Bay Municipal Utility District (the District) was formed in May 1923 under the provisions of the Municipal Utility District Act of 1921, as amended in 1941. The District is comprised of two financially independent entities: the Water System and the Wastewater System. These two entities are governed by the same elected seven-member board of directors which determines such matters as rates and charges for services, approval of contracts, and District policies. The Water System provides administrative and other support services to the Wastewater System. These costs are charged to the Wastewater System.

B. Description of the Component Unit

The District's Employees' Retirement System (the Employees' Retirement System or the Plan) has been reported as if it was part of the District's operations as a Pension and Other Employee Benefit Trust fund (a fiduciary fund) in the accompanying basic financial statements and is discretely presented. The District appoints the voting majority of the governing body of the Employees' Retirement System and provides for its funding.

Copies of the audited financial statements of the Employees' Retirement System may be obtained by writing to the Controller, P.O. Box 24055, Oakland, CA 94623.

C. Basis of Presentation

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The basic financial statements include prior year comparative information. A complete presentation of the prior year information can be found in the District's financial statements for the year ended June 30, 2006.

The District reports the following major proprietary (enterprise) funds:

The **Water System** is engaged in the collection, transmission, and distribution of water to communities within Alameda and Contra Costa counties of California.

The **Wastewater System** is engaged in the interception and treatment of wastewater from residences and industries in the California communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and the Stege Sanitary District.

Additionally, the District reports the following fiduciary fund:

The **Pension and Other Employee Benefit Trust** is used to account for the resources held by the Employees' Retirement System which provides retirement, disability, and survivorship benefits for eligible directors, officers, and employees of the District.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Pension and Other Employee Benefit Trust fund is maintained to account for assets held by the Employees' Retirement System in a trustee capacity.

D. Basis of Accounting

Proprietary funds and the Pension and Other Employee Benefit Trust fund are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the balance sheet, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes system capacity and wet weather facilities charges as operating revenue. 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

For its proprietary activities, the District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as statements and interpretations of 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.

In addition, the accounting policies of the District conform to accounting policies generally accepted in the United States of America for water utilities. The accounts are maintained substantially in accordance with the Uniform System of Accounts for Water Utilities followed by investor-owned and major municipally owned water utilities.

Balance Sheet – The balance sheet is designed to display the financial position of the District. The District's fund equity is reported as net assets, which are broken down into three categories defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

E. Uses of Estimates and Assumptions

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 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.

F. Capital Assets

Utility Plant – at Original Cost

The cost of additions to utility plant and replacement of retired units of property are capitalized. 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 depreciated cost of capital assets, plus removal costs, less salvage, is charged to expense upon retirement.

Water Supply Management Program

Costs incurred in this program are debt funded and capitalized in construction in progress. These costs are transferred to utility plant upon completion of the project and depreciated over their useful life. Debt service costs on the debt used to finance the program are recovered in future periods through rates and charges for service to those benefiting from the program.

Preliminary Survey and Investigation Costs

The District capitalizes initial costs incurred to study and evaluate certain potential long-term capital projects. These costs are transferred to property, plant and equipment upon completion of the project and are depreciated over the life of the asset. In the event the project is abandoned, these costs are expensed.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Depreciation

Depreciation of capital assets is computed on a straight-line basis using the estimated service lives of the related assets (5 to 100 years). The aggregate provision for depreciation was 2.22% and 2.13% of the average net book value of capital assets for the years ended June 30, 2007 and 2006, respectively.

H. Restricted Assets

The District segregates certain cash and investments which have legal or other external restrictions.

The Bond Construction Fund is used to report proceeds of bond issuances that are restricted for use in the capital program. The Bond Interest and Redemption Fund is used to segregate resources accumulated for debt service payments. Funds received for construction represent capital contributions restricted to fund specific construction projects or amounts received by the District from applicants and developers to cover the cost of extending water and wastewater service to new customers or to fund large wastewater treatment equipment replacements.

I. Deferred Amount on Bond Refundings

Gains and losses incurred in connection with debt refunding transactions are deferred and amortized over the shorter of the life of the refunded debt or the new debt.

J. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (excluding restricted assets) with original maturities of three months or less at the date of purchase to be cash equivalents.

K. District Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality, and type as obtained from market makers.

Each of the financial instruments invested in by the District represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified, and issuers of securities are dispersed throughout many industries and geographic locations, the concentrations of credit risk are limited.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Retirement System Investments

Investments are reported at fair value. Securities and bonds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that have no quoted market price are reported at estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturity, quality, and type as obtained from market makers. Measurement of the fair value of real estate investments is estimated by the investment managers and reflects both internal and independent appraisals of real estate properties.

The System presents in the Statements of Changes in Plan Net Assets the net change in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Each of the financial instruments invested in by the System represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified and issuers of securities are dispersed throughout many industries and geographical locations, the concentrations of credit risk are limited.

Retirement Board policies permit the Employees' Retirement System to use investments of the pension plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return collateral for the same securities in the future. The System's securities custodian is an agent in lending the Plan's securities for cash collateral, U.S. government securities, and irrevocable letters of credit of 102% for domestic securities lent and 105% for international securities lent. As of June 30, 2007, the Employees' Retirement System had no credit risk exposure to borrowers because the amounts the Employees' Retirement System owes the borrowers exceed the amounts the borrowers owe the Employees' Retirement System.

Contracts with the lending agent require them to indemnify the Employees' Retirement System under certain circumstances if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers while the securities are on loan. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the agent in performing the duties allocated under the securities lending agreement with respect to collateral. During the year ended June 30, 2007, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

**EAST BAY MUNICIPAL UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
 (Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In lending securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2007, had a weighted average maturity of 39 days. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine. Cash collateral may also be invested separately in term loans, in which collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans for the System was approximately 89 days. There are no dividends or coupon payments owing on the securities lent. Cash received as collateral on securities lending transactions is reported as an asset of the System with a corresponding liability.

As of June 30, 2007, the fair value of securities on loan was \$96,085. The total cash and non-cash collateral held by the System's custodian to secure these securities on loan was valued at \$99,782, consisting of \$93,627 cash collateral and \$6,156 non-cash collateral.

M. Material and Supplies

Material and supplies inventories are valued at cost, which approximates market, using the average-cost method.

N. Compensated Absences

Compensated absences are accrued and reported as a current liability in the period earned. The District employees utilize the accruals annually. Amounts payable as of June 30 are included on the balance sheet in accounts payable and accrued expenses.

The changes in compensated absences were as follows:

Beginning Balance	\$23,017
Additions	26,886
Payments	<u>(26,685)</u>
Ending Balance	<u><u>\$23,218</u></u>

O. Revenue

Customer water meters are read on a cyclical basis throughout a monthly or bimonthly period. Bills are rendered and revenue is recognized in the period that meters are read.

Wastewater treatment billings are a combination of flow, strength charges, and a monthly service charge. Customer bills are rendered on a cyclical basis throughout a monthly or bimonthly period, and revenue is recognized in the period in which bills are rendered.

Wet weather facilities charges are designed to finance the operating costs related to wet weather sewage flows.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interest Rate Swap

The District enters into interest rate swap agreements to modify interest rates on some outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements.

NOTE 2 - CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of June 30, 2007 and 2006 are as follows:

	2007	2006
District Enterprise Funds:		
Cash and investments included in current assets	\$244,116	\$152,983
Cash and investments included in restricted assets	666,032	282,214
Cash and investments included in unrestricted assets	24,702	21,995
Total District cash and investments	934,850	457,192
Less cash and investments included in restricted assets	(666,032)	(282,214)
District cash and cash equivalents	\$268,818	\$174,978
 System Pension Trust Funds:		
Cash and investments	\$48,695	\$12,009
Invested securities lending collateral	96,085	78,422
Retirement system investments	914,103	777,840
Total System cash and investments	\$1,058,883	\$868,271

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. District Investments Authorized by the California Government Code and the District's Investment Policy

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	270 Days	N/A	20%	10%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$40,000 per account	N/A
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	0 to 100%	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligations	5 Years	N/A	0 to 100%	40% in each Agency
Bankers' Acceptances	180 Days	N/A	40%	10%
Commercial Paper	270 Days	A1, P1, F1	25%	10%
Negotiable Certificates of Deposit	5 Years	AA	30%	10%
Time Certificates of Deposit – Banks or Savings and Loans	5 Years	N/A	30%	10%
Medium Term Corporate Notes	5 Years	AA	30%	10%
Money Market Mutual Funds	N/A	AAA	40%	10%

The District does not enter into reverse repurchase agreements.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)
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C. District Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Minimum Credit Quality
Repurchase Agreements	Top Four Rating Category
U. S. Treasury Bonds, Notes and Bills	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligations	N/A
State Obligations	Not lower than their bond rating
Commercial Paper	Top Rating Category
Negotiable Certificates of Deposit	N/A
Time Certificates of Deposit – Banks or Savings and Loans	N/A
Corporate Notes and Bonds	Not lower than their bond rating
Variable Rate Obligations	Not lower than their bond rating
Cash Sweep Account	Top Rating Category
Guaranteed Investment Contract	Not lower than their bond rating
Shares of Beneficial Interest	Top Rating Category

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Employees Retirement System Authorized Investment Strategy

The System's investment policies authorize the System to invest in financial instruments in three broad investment categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the System investment policy adopted by the System with *Resolution No. 6443*.

The Retirement Board is authorized to designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and the Investment Guidelines established by the Retirement Board. Allocations of assets to the investment managers are determined by the Retirement Board to accommodate changing conditions and laws. The long-range asset allocation goal is as follows:

Fixed Income	25%
Domestic Equity	50%
International Equity	20%
Real Estate	5%
Allocation to Cash	0%

The composite asset allocation goal is pursued by the System on a long-term basis and revised if significant changes occur within the economic and/or capital market environment. Progress toward the goal is reviewed at least annually.

The Director of Finance is authorized to transfer assets from any asset class which exceeds the long-term asset allocation goal by more than 3% at the end of two or more consecutive quarters, allocating the excess assets to a manager or group of managers with the exception of real estate managers. The Director of Finance is further authorized to withdraw assets from assigned managers as necessary to efficiently meet operating needs.

The equity and fixed income asset allocation may range $\pm 5\%$ from the long-range asset allocation goals. The equity allocation target (70% of the total portfolio) will consist of approximately 45% in large cap market related growth and value (average risk) securities, (5%) in small capitalization securities, and (20%) in international equities with an expected higher return but not closely correlated to domestic returns.

Fixed income targets may also be met by allocating portions of assets among different types of funds or managers. Individual managers may invest up to 20% of their assets in international fixed income securities.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Allocation to Cash goal recognizes that at any time equity and fixed income managers will have transactional cash on hand and the District will maintain enough cash as working capital to effectively meet cash flow demands on the system. However, there is no specific allocation for cash as all investable cash is allocated to specific investment disciplines.

Holding of securities issued by the United States Government or any of its agencies need not be diversified. Securities of any one issuer with maturities of more than one year, other than the United States Government or any of its agencies, shall not exceed 5% of the value of the total portfolio. Securities of any one issuer of foreign government issues shall not exceed 10% of the value of the total portfolio at the time of purchase. Fixed income managers have the authority to make international investments, not to exceed 20% of their total portfolio.

The use of futures and options in the fixed income accounts may be used as part of their portfolio management strategy and will be incidental to their securities trading activities. The resulting aggregate risk profile (volatility) of the portfolio will not be different from that permissible by using securities only.

Short (sold) options positions will generally be hedged, either with current portfolio security holding, other options or futures options. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by position in other mortgage derivatives, or b) offset by other portfolio positions.

No derivatives will be executed which will increase the value at risk of the portfolio by more than 25 basis points of the portfolio's market value.

Structured notes with significant short options positions or increasing leverage will not be purchased, and in no case will structured notes exceed 5% of portfolio value.

Fixed income managers are authorized to use futures and options contracts to supplement their investment capabilities to provide flexibility in managing the fixed income portfolios and reduce the cost of implementing strategies to respond to changing market conditions without incurring the higher transaction costs associated with buying and selling specific securities. These transactions are authorized to enable the manager to reduce the exposure of the portfolio to interest rate changes by reducing or increasing the duration of the portfolio without selling any of the actual holding.

No more than 5% of the portfolio will be invested in original futures margin and options premiums, exclusive of any in-the-money portion of the premiums.

Each equity portfolio shall be diversified. When fully invested in equities or at its normal level of investment, a minimum of 20 securities should be held. At no time may a single equity investment exceed 5% of the value of the total retirement fund.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call date.

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies:				
Non-callable	\$36,940		\$2,547	\$39,487
Callable	133,148	\$13,969		147,117
Corporate Securities	121,623	9,784	8,365	139,772
Guaranteed Investment Contracts	559,379			559,379
Demand Deposits and Certificate of Deposit	1,795			1,795
Mutual Funds (U.S. Securities)	30,200			30,200
California Local Agency Investment Fund	6,212			6,212
	<u>\$889,297</u>	<u>\$23,753</u>	<u>\$10,912</u>	923,962
<i>Cash in banks</i>				<u>10,888</u>
				<u>\$934,850</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the System's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the System's investments by maturity or earliest call date:

Investment Type	Less than 12 Months	12 to 72 Months	72 to 120 Months	More than 120 Months	Maturity not Determined	Total
Asset Backed Securities	\$301	\$52	\$58	\$9,162		\$9,573
Equity Securities	620,406					620,406
Commercial Mortgage - Backed		43		2,590		2,633
Corporate Bonds	3,256	12,097	7,950	9,585	\$11,054	43,942
Corporate Convertible Bonds				100		100
Government Agencies	856	3,154	1,981	891		6,882
Government Bonds				10	515	525
Government Mortgage Backed Securities			114	1,964	51,718	53,796
Index Linked Government Bonds		51	2,141	4,413		6,605
Treasury Security Derivative Futures	2,340					2,340
Short Term Bills and Notes	222					222
Short Term Investment Funds					39,509	39,509
Mutual Funds				18,909	87,074	105,983
Real Estate					21,587	21,587
Total System Investments	<u>\$627,381</u>	<u>\$15,397</u>	<u>\$12,244</u>	<u>\$47,624</u>	<u>\$211,457</u>	<u>\$914,103</u>

The District and System are participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. They report their investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on 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. At June 30, 2007, these investments matured in an average of 176 days.

Highly Sensitive Investments	Fair Value at Year End
Commercial Mortgage - Backed Securities	\$2,633
Government Mortgage - Backed Securities	53,796

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. 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 credit rating organization. Presented below is the actual rating as of June 30, 2007, for each investment type as provided by Moody's.

District Enterprise Funds:

Investment Type	Aaa	Aa1	Aa2	Aa3	P1	Total
U.S. Government-Sponsored						
Enterprise Agencies:						
Non-Callable	\$39,487					\$39,487
Callable	147,117					147,117
Corporate Securities	32,195	\$18,008		\$5,580	\$83,989	139,772
Guaranteed Investment Contracts	79,601		\$479,778			559,379
Mutual Funds (U.S. Securities)	9,100					9,100
Totals	<u>\$307,500</u>	<u>\$18,008</u>	<u>\$479,778</u>	<u>\$5,580</u>	<u>\$83,989</u>	<u>894,855</u>
<i>Not rated:</i>						
Demand Deposits and Certificate of Deposit						1,795
Mutual Funds (U.S. Securities)						21,100
California Local Agency Investment Fund						6,212
Cash in Banks						<u>10,888</u>
Total District Cash and Investments						<u>\$934,850</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	\$7,505	\$239		\$320	\$103	\$313	\$106	\$178		\$809	\$9,573
Equity Securities										620,406	620,406
Commercial Mortgage - Backed	2,153									480	2,633
Corporate Bonds	923	3,663	\$2,876	9,915	6,360	3,741	2,041	5		14,418	43,942
Corporate Convertible Bonds					12		88				100
Government Agencies	5,917	166							\$598	201	6,882
Government Bonds	72			453							525
Government Mortgage Backed Securities									53,796		53,796
Index Linked Government Bonds	6,605										6,605
Treasury Security Derivative Futures										2,340	2,340
Short Term Bills and Notes										222	222
Short Term Investment Funds										39,509	39,509
Mutual Funds	18,909									87,074	105,983
Real Estate										21,587	21,587
Total System Investments	\$42,084	\$4,068	\$2,876	\$10,688	\$6,475	\$4,054	\$2,235	\$183	\$54,394	\$787,046	\$914,103

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Concentration Risk

Significant District investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds, are set forth below:

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide			
	FHLB	Federal Agency Securities	\$99,662
	FNMA	Federal Agency Securities	57,622
	FSA	Guaranteed Investment Contracts	251,177
	Trinity	Guaranteed Investment Contracts	228,601
	AIG	Guaranteed Investment Contracts	79,601
Major Funds:			
Water System			
	FHLB	Federal Agency Securities	81,982
	FNMA	Federal Agency Securities	48,973
	FSA	Guaranteed Investment Contracts	249,877
	Trinity	Guaranteed Investment Contracts	228,601
Wastewater System			
	FHLB	Federal Agency Securities	17,680
	FNMA	Federal Agency Securities	8,649
	AIG	Guaranteed Investment Contracts	67,083

Significant System Pension Trust Fund investments are:

Nature of investment	Fair Value at 2007	Fair Value at 2006
Northern Trust Collective Daily Aggregate Bond Index Fund	\$87,074	\$82,012
Northern Trust Collective Daily Russell 1000 Equity Index Fund	146,243	121,157
Templeton Institutional Funds, Inc. Foreign Equity Series	116,180	95,502

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2007:

Foreign Currency	Equity Securities Investment Type
Euro	\$26,810
Japanese Yen	24,947
British Pound Sterling	11,494
Australian Dollar	6,260
Swiss Franc	5,485
Norwegian Krone	4,963
Swedish Krona	3,149
Hong Kong Dollar	2,877
Mexican Peso	1,832
Canadian Dollar	1,808
Danish Krone	1,514
Singapore Dollar	1,148
Indonesian Rupiah	921
South African Rand	242
Malaysia Ringgit	170
Czech Republic Koruna	160
Total	\$93,780

The Fund's investment policy permits it to invest up to 17% of total investment on foreign currency-denominated investments. The Fund's current position is 10%

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

I. Custodial Credit Risk

Custodial credit risk for *cash on deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District or System will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District and System invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District and System employ the Trust Department of a bank or trustee as the custodian of certain District and System managed investments, regardless of their form.

As of June 30, 2007 and 2006, the System's brokers/dealers held \$54 and \$281, respectively, in cash and US government bonds exposed to custodial credit risk.

**EAST BAY MUNICIPAL UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
 (Dollars in Thousands)**

NOTE 3 – CAPITAL ASSETS

A. Summary

The District capitalizes all assets with a historical cost of at least \$5 and a useful life of at least three years. Contributed property is recorded at estimated fair market value at the date of donation.

The purpose of depreciation is to spread the cost of capital assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost 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 asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Utility plant:	Years
Source of supply	25-100
Raw water transmission and storage	20-100
Interception and outfall	60-75
Pumping	25-75
Treatment	20-75
Distribution	25-75
Power Generation	25-75
Equipment	5-20
Plant Structures	25-75
Other	5-40

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 3 – CAPITAL ASSETS (Continued)

B. Additions and Retirements

Capital assets activity for all business-type activities for the year ended June 30, 2007, was as follows:

	Balance at June 30, 2006	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2007
<i>Water System:</i>				
Capital assets, not being depreciated:				
Land and rights-of-way	\$49,020	\$47	(\$111)	\$48,956
Construction in progress	314,159	220,928	(291,380)	243,707
Total capital assets, not being depreciated	363,179	220,975	(291,491)	292,663
Capital assets, being depreciated:				
Buildings and improvements	173,118	6,982	(240)	179,860
System and improvements	2,960,675	279,276	(22,595)	3,217,356
Machinery and equipment	87,693	5,075	(19,694)	73,074
Total capital assets, being depreciated:	3,221,486	291,333	(42,529)	3,470,290
Less accumulated depreciation for:				
Buildings and improvements	(53,785)	(4,597)	240	(58,142)
System and improvements	(800,286)	(63,406)	5,867	(857,825)
Machinery and equipment	(63,860)	(5,140)	19,657	(49,343)
Total accumulated depreciation	(917,931)	(73,143)	25,764	(965,310)
Total capital assets, being depreciated, net	2,303,555	218,190	(16,765)	2,504,980
Water System capital assets, net	\$2,666,734	\$439,165	(\$308,256)	\$2,797,643
<i>Wastewater System:</i>				
Capital assets, not being depreciated:				
Land and rights-of-way	\$5,587	\$10,500		\$16,087
Construction in progress	30,013	32,110	(\$11,196)	50,927
Total capital assets, not being depreciated	35,600	42,610	(11,196)	67,014
Capital assets, being depreciated:				
Buildings and improvements	68,775	819		69,594
System and improvements	627,376	9,521		636,897
Machinery and equipment	7,404	156	(2,470)	5,090
Total capital assets, being depreciated	703,555	10,496	(2,470)	711,581
Less accumulated depreciation for:				
Buildings and improvements	(20,173)	(1,607)		(21,780)
System and improvements	(197,920)	(14,935)		(212,855)
Machinery and equipment	(6,766)	(225)	2,469	(4,522)
Total accumulated depreciation	(224,859)	(16,767)	2,469	(239,157)
Total capital assets, being depreciated, net	478,696	(6,271)	(1)	472,424
Wastewater System capital assets, net	\$514,296	\$36,339	(\$11,197)	\$539,438
Business-type activities capital assets, net	\$3,181,030	\$475,504	(\$319,453)	\$3,337,081

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 3 – CAPITAL ASSETS (Continued)

C. Construction in Progress

Construction in Progress in fiscal 2006-2007 comprises:

	Expended to Date
Water System:	
Freeport Regional Water Project	\$52,228
Folsom South Canal Connection	25,523
East Bayshore	21,536
Pipeline Infrastructure Renewals	16,808
Bayside Groundwater Project	10,058
Claremont Corridor Seismic Improvement Project	6,498
San Pablo Dam Seismic Models	5,466
Water Recycling Water Supply Master Program	4,725
Pumping Plant Rehabilitation	4,343
Pipeline System Improvements	3,929
Water Conservation Project	3,830
Upcountry Wastewater Treatment Improvements	3,702
OP/NET System	3,642
Vulnerability Assessment Security System Improvements	3,538
Dam Seismic Upgrades	3,147
Baseline/Laguna Pressure Zone Improvements	2,894
CIS Replacement Project	2,589
Meter Replacement	2,510
Additional Supplemental Supply Projects	2,509
Other Construction Projects	64,232
Total	\$243,707
Wastewater System:	
Digester Upgrade	\$25,322
Centrifuge Replacement	6,478
NPDES Compliance	2,828
Main Wastewater Treatment Plant Master Plan	2,790
Wet Weather Master Plan Update	2,661
Resource Recovery Project	1,885
Treatment Plant Infrastructure Upgrades	1,710
South Interceptor Relocation High Street	903
Waste to Energy Project	809
Routine Capital Equipment Replacement	663
Secondary Process Enhancement	493
Pump Station H Improvements	275
Information System Upgrades	244
Concrete Rehab at SD-1	238
MWWTP Power Distribution System Upgrade	207
Other Construction Projects	3,421
Total	50,927
Total Construction in Progress	\$294,634

At June 30, 2007, the District's remaining current major project commitments are estimated to be \$655,518 for the Water System and \$89,976 for the Wastewater System.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2007 and 2006 consist of:

	Water System		Wastewater System		Total	
	2007	2006	2007	2006	2007	2006
Accounts payable	\$18,038	\$13,611	\$3,641	\$5,135	\$21,679	\$18,746
Accrued salaries	2,307	2,020	394	361	2,701	2,381
Workers' compensation reserves	13,653	13,336	2,223	2,509	15,876	15,845
General liability reserves	3,319	4,714			3,319	4,714
Accrued compensated absences	19,875	19,615	3,344	3,403	23,219	23,018
Other	6,503	11,324	1,345	1,382	7,848	12,706
Total	<u>\$63,695</u>	<u>\$64,620</u>	<u>\$10,947</u>	<u>\$12,790</u>	<u>\$74,642</u>	<u>\$77,410</u>

NOTE 5 – COMMERCIAL PAPER NOTES

The District's Board of Directors has authorized a short-term commercial paper borrowing program of up to the lesser of either (1) the average of the total annual revenue for the three preceding years or (2) 25% of the District's total outstanding bonds. The proceeds from the issuance of commercial paper are restricted as to use. Under this program, which must be authorized by the Board of Directors every seven years and is subject to the right of referendum, the Water System or the Wastewater System may issue commercial paper and bank notes at prevailing interest rates for periods not more than 270 days from the date of issuance. The program was last authorized on October 24, 2000.

As of June 30, 2007 and 2006, \$315,000 and \$260,000 in commercial paper notes were outstanding under this program, with terms of 33 to 150 days and interest rates ranging from 3.52% to 3.68% as of June 30, 2007, and terms of 20 to 154 days and interest rates ranging from 3.30% to 3.72% as of June 30, 2006. There were no unused proceeds as of June 30, 2007. It is the District's policy to refinance its commercial paper notes with long-term bonds.

To provide liquidity for the program, the District maintains a liquidity support agreement (line of credit) with a commercial bank. Combined borrowings by the Water System and the 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, 2007 and 2006. The agreement expires on April 15, 2008 and is subject to renewal at the option of the District, in the amount of \$330,000.

NOTE 6 – LONG-TERM DEBT

A. Composition and Changes

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Amount due within one year
<i>Water System Revenue Bonds:</i>						
Subordinated Series 1996						
3.75 - 6.00%, due 6/1/26	\$290,475	\$151,650		\$148,945	\$2,705	\$2,705
Subordinated Series 1998						
4.00 - 5.25%, due 6/1/38	300,000	69,500		60,920	8,580	4,200
Subordinated Series 2001						
3.60-5.25%, due 6/1/26	250,000	247,720		234,420	13,300	2,455
Subordinated Series 2002						
3.685% variable rate, due 6/1/25	241,850	231,320		440	230,880	470
Subordinated Series 2003						
2.00 - 5.00%, due 6/1/21	115,730	114,720		20,080	94,640	20,845
Subordinated Series 2005 A						
5.00%, due 6/1/35	300,000	300,000			300,000	
Subordinated Series 2005 B						
3.625% variable rate, due 6/1/38	325,000	323,775		1,250	322,525	1,275
Subordinated Series 2005 C						
3.735% auction rate, due 6/1/35	100,000	100,000			100,000	
Subordinated Series 2007 A						
5.00%, due 6/1/37	450,000		\$450,000		450,000	
Subordinated Series 2007 B						
3.75 - 5.00%, due 6/1/19	54,790		54,790		54,790	
Subordinated Series 2007 C						
3.692% auction rate, due 6/1/26	391,950		391,950		391,950	1,800
<i>Wastewater System General Obligation Bonds:</i>						
Series F						
2.5 % - 5.00%, due 4/1/18	41,730	36,505		2,100	34,405	2,240
<i>Wastewater System Revenue Bonds</i>						
Subordinated Series 1996						
3.75 % - 6.00%, due 6/1/26	91,410	44,560		42,720	1,840	1,840
Subordinated Series 1998						
4.00-5.25%, due 6/1/38	50,000	11,530		8,560	2,970	695
Subordinated Series 2003 A						
3.700% auction rate, due 6/1/33	50,000	50,000			50,000	
Subordinated Series 2003 B						
3.700% variable rate, due 6/1/27	75,050	67,940		2,640	65,300	2,730
Subordinated Series 2005						
3.655%, variable rate, due 6/1/38	70,000	69,650		350	69,300	375
Subordinated Series 2007 A						
5.00%, due 6/1/37	80,630		80,630		80,630	
Subordinated Series 2007 B						
3.75 - 5.00%, due 6/1/26	46,670		46,670		46,670	
Total long-term bonds		<u>\$1,818,870</u>	<u>\$1,024,040</u>	<u>\$522,425</u>	<u>\$2,320,485</u>	<u>\$41,630</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Amount due within one year
Water Loans:						
1977 Federal Drought Loan						
5.00%, due 9/1/17	\$5,973	\$1,709		\$143	\$1,566	\$142
2003 California Energy Commission						
3.00%, due 6/22/13	1,992	1,463		191	1,272	197
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	2,188	1,971		91	1,880	94
State Water Resources Control Board						
1989 Galbraith Golf Course Project						
4.01%, due 2/28/09	122	26		8	18	8
1992 Alameda Reclamation Project						
3.20%, due 4/30/11	1,359	464		80	384	83
1993 Chevron Water Reclamation Project						
3.00%, due 8/8/15	22,292	13,222		1,153	12,069	1,188
Wastewater Loans:						
State Water Resources Control Board						
1989 Oakport Project						
4.01%, due 12/14/10	2,495	732		148	584	152
1991 Adeline Street Project						
3.50%, due 10/1/10	8,141	2,557		477	2,080	494
1991 South Foothill Project						
3.50%, due 10/1/10	14,293	4,487		837	3,650	866
1992 Point Isabel Wet Weather Project						
3.10%, due 10/2/13	21,515	10,547		1,183	9,364	1,219
1994 North Interceptor Project						
2.90%, due 12/31/14	10,091	5,358		530	4,828	545
1995 San Antonio Creek Project						
3.40%, due 11/30/16	15,331	9,956		761	9,195	788
1997 Pump Station C Project						
2.80%, due 1/31/17	3,849	2,602		185	2,417	191
2000 Pump Station B Project						
2.20%, due 2/1/09	3,088	2,301		142	2,159	145
Total long-term loans		<u>57,395</u>		<u>5,929</u>	<u>51,466</u>	<u>6,112</u>
Amount due within one year		(44,187)		3,555	(47,742)	
Less: Unamortized discount, net		<u>(31,623)</u>	<u>\$8,939</u>	<u>(22,614)</u>	<u>(70)</u>	
Total long-term liabilities, net		<u>\$1,800,455</u>	<u>\$1,032,979</u>	<u>\$509,295</u>	<u>\$2,324,139</u>	<u>\$47,742</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

B. Description of the District's Long-Term Debt Issues

General obligation and revenue bonds are generally callable at future dates. The general obligation bonds are backed by the assessed values of real property within the District.

Revenue-supported debt can be authorized by the District's Board of Directors, subject to a referendum process.

The net revenues of the Water System are pledged toward the repayment of the Water Revenue Bonds and the State Water Resources Control Board Parity Loans to the Water System. The net revenues of the Wastewater System are pledged toward the repayment of the Wastewater Revenue Bonds and the State Water Resources Control Board Parity Loans to the Wastewater System.

The District is subject to certain revenue bond covenants on outstanding debt, the most restrictive of which requires the setting of rates and charges to yield net revenue, as defined, equal to at least 110% of the current annual debt service requirements of the combined senior and subordinated Water System and Wastewater System Revenue Bonds, respectively. The District has designated \$65,000 (\$50,000 for the Water System and \$15,000 for the Wastewater System) in net revenues as a rate stabilization fund, which is available to satisfy the coverage requirements for debt service in future years. There have never been any draws for this purpose.

Water System

2007 Water System Subordinated Revenue Refunding Bonds, Series 2007A – The District issued Series 2007A on May 8, 2007, to purchase a portion of the District's share of Dedicated Capacity in the Freeport Regional Water Project from the Freeport Regional Water Authority, to finance improvements to the water system, to fund a reserve fund for the Series 2007A Bonds, and to pay costs of issuance incidental to the issuance of the Series 2007A Bonds. The Series 2007A Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2026 and are payable annually on June 1 thereafter. Interest payments commence on December 1, 2007 and are payable semi-annually on June 1 and December 1 thereafter.

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)

NOTE 6 – LONG-TERM DEBT (Continued)

2007 Water System Subordinated Revenue Refunding Bonds, Series 2007B – The District issued Series 2007B on May 8, 2007, to refund \$56.89 million principal amount of the District’s Water System Subordinated Revenue Bonds, Series 1998, to fund a reserve fund for the Series 2007B Bonds, and to pay costs of issuance incidental to the issuance of the Series 2007B Bonds. The Series 2007B Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2010 and are payable annually on June 1 thereafter. Interest payments commence on December 1, 2007 and are payable semi-annually on June 1 and December 1 thereafter.

Net proceeds of the Series 2007B Bonds amounting to \$58.040 million were used to purchase U.S. government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1998 bonds. As a result, the refunded portion of the 1998 Bonds are considered defeased and the liability for the defeased portion of the bonds along with the escrow account assets have been removed from the statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.643 million. This difference has been capitalized and reported in the accompanying financial statements as a deduction from long-term debt and is being amortized annually. The District completed the advance refunding to reduce its total debt service payments over the next 12 years by \$4.380 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.339 million.

2007 Water System Subordinated Revenue Refunding Bonds (Auction Rate Securities), Series 2007C – The District issued Series 2007C Bonds on May 21, 2007, to refund \$146.355 million principal amount of the District’s Water Subordinated Revenue Bonds, Series 1996, and \$232.055 million principal amount of the District’s Water Subordinated Revenue Bonds, Series 2001, to fund a reserve fund for the Series 2007C Bonds, and to pay costs of issuance incidental to the issuance of the Series 2007C Bonds. The Series 2007C Bonds are special obligations of the District, payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments are payable annually on June 1. Interest payments are payable on the business day immediately following each auction period.

Net proceeds of the Series 2007C Bonds amounting to \$389.965 million were used to purchase U.S. government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the 1996 and 2001 bonds. As a result, the refunded portions of the 1996 and 2001 Bonds are considered defeased and the liability for the defeased portion of those bonds along with the escrow account assets have been removed from the statement of net assets.

The advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$22.558 million. This difference has been capitalized and reported in the accompanying financial statements as a deduction from long-term debt and is being amortized annually. The District completed the advance refunding to reduce its total debt service payments over the next 19 years by \$44.881 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$29.410 million.

On June 12, 2007, the Board declared its intention to issue \$1.10 billion of Water Revenue Bonds. The declaration of the issuance is subject to the right of referendum for a period of sixty days that allows voters to protest the authorization of debt. The referendum period ended on August 26, 2007 without protest, which is the effective date of the bond issuance authorization.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

Wastewater System

2007 Wastewater System Subordinated Revenue Refunding Bonds, Series 2007A – The District issued Series 2007A on May 16, 2007, to finance improvements to the water system, to retire \$15 million principal amount of the District’s outstanding Commercial Paper Notes (Wastewater Series), to fund a reserve fund for the Series 2007A Bonds, and to pay costs of issuance incidental to the issuance of the Series 2007A Bonds. The Series 2007A Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principal payments commence on June 1, 2027 and are payable annually on June 1 thereafter. Interest payments commence on December 1, 2007 and are payable semi-annually on June 1 and December 1 thereafter.

2007 Wastewater System Subordinated Revenue Refunding Bonds, Series 2007B – The District issued Series 2007B Bonds on May 16, 2007, to refund \$40.975 million principal amount of the District’s Wastewater Subordinated Revenue Bonds, Series 1996, and \$7.890 million principal amount of the District’s Wastewater Subordinated Revenue Bonds, Series 1998, to fund a reserve fund for the Series 2007B Bonds, and to pay costs of issuance incidental to the issuance of the Series 2007B Bonds. The Series 2007B Bonds are special obligations of the District, payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principal payments commence on June 1, 2009 and are payable annually on June 1 thereafter. Interest payments commence on December 1, 2007 and are payable semi-annually on June 1 and December 1 thereafter.

Net proceeds of the Series 2007B Bonds amounting to \$49.351 million were used to purchase U.S. government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the 1996 and 1998 bonds. As a result, the refunded portions of the 1996 and 1998 Bonds are considered defeased and the liability for the defeased portion of those bonds along with the escrow account assets have been removed from the statement of net assets.

The advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.685 million. This difference has been capitalized and reported in the accompanying financial statements as a deduction from long-term debt and is being amortized annually. The District completed the advance refunding to reduce its total debt service payments over the next 31 years by \$3.768 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2.556 million.

On June 12, 2007, the Board declared its intention to issue \$169,370 of Wastewater Revenue Bonds. The declaration of the issuance is subject to the right of referendum for a period of sixty days that allows voters to protest the authorization of debt. The referendum period ended on August 26, 2007 without protest, which is the effective date of the bond issuance authorization.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

C. Debt Service Requirements

Annual debt service requirements, including the swap payments discussed in F., are shown below for the above debt issues:

For the Year Ending June 30	Water System		Wastewater System		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$35,462	\$83,791	\$12,280	\$15,627	\$47,742	\$99,418
2009	38,378	81,557	12,825	15,087	51,203	96,644
2010	39,874	79,899	13,376	14,415	53,250	94,314
2011	41,497	78,347	13,826	13,817	55,323	92,164
2012	43,156	76,827	12,689	13,374	55,845	90,201
2013-2017	242,442	357,238	66,438	60,415	308,880	417,653
2018-2022	296,073	303,793	49,590	47,635	345,663	351,428
2023-2027	356,589	240,424	54,435	37,324	411,024	277,748
2028-2032	440,260	155,516	65,415	26,507	505,675	182,023
2033-2037	438,081	43,324	80,795	9,149	518,876	52,473
2038-2040	14,745		3,725		18,470	
Totals	<u>\$1,986,557</u>	<u>\$1,500,716</u>	<u>\$385,394</u>	<u>\$253,350</u>	<u>\$2,371,951</u>	<u>\$1,754,066</u>

Interest payments on auction rate debt were calculated using the rate in effect at June 30, 2007. Interest payments on debt subject to swap agreements were calculated using the variable rates at June 30, 2007.

D. Prior-Year Defeasances

In prior years, the District defeased certain debt issues by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. On June 30, 2007, \$595.835 million of bonds outstanding are considered defeased.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

E. Variable Rate Debt

The District has several bond issues with variable interest rates. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest and delivery to the District's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. Under Standby Purchase Agreements issued by banks for each variable rate debt issue, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The District is required to pay to the Banks an initial take out agreement fee and an annual commitment fee. In addition, the remarketing agent receives an annual fee of four to six basis points of the outstanding principal amount of the bonds. Terms of these arrangements are presented below by debt issue.

Issue	Standby Purchase Agreement Terms		
	Expiration Date	Interest Rate	Interest Rate Swap
Water System Revenue Bonds:			
Subordinated Series 2002	3/17/2017	Variable Bank Rate	See below
Series 2005B	6/2/2020	Variable Bank Rate	See below
Wastewater System Revenue Subordinated Bonds:			
Series 2003B	3/5/2008	Variable Bank Rate	See below
Series 2005	6/2/2020	Variable Bank Rate	See below

F. Interest Rate Swap Agreements

The District has entered into a number of matched interest rate swap contracts with providers in which the District contracted to pay a fixed rate on the nominal amount of outstanding Bonds, in exchange for a floating rate payment, set monthly, two business days prior to the end of each month. The combination of variable rate bonds and a floating swap creates synthetic fixed-rate debt for the District. The transactions allow the District to create a synthetic fixed rate on the Bonds, protecting the District against increases in short-term interest rates. The terms, fair value, and credit risk of each of the swap agreements are disclosed below.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

Term and credit risks. The terms and credit ratings of the outstanding swaps, as of June 30, 2007, are included below. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Counterparty Credit Ratings	Issuer Pays	Issuer Receives	Maturity/ Termination Date
2002 Water System Refunding Bonds	\$154,215	3/6/2002	Salomon Brothers Holding Company	Aa1	3.835%	65% of 30-day LIBOR	6/1/2025
2002 Water System Refunding Bonds	77,105	3/6/2002	Bear Stearns Capital Markets	A1	3.835%	65% of 30-day LIBOR	6/1/2025
2005 B Water System Refunding Bonds	49,815	6/2/2005	SBS Financial Products Company	Aa3	3.115%	62.3% of 30-day LIBOR	6/1/2038
2005 B Water System Refunding Bonds	114,565	6/2/2005	Merrill Lynch Capital Services	Aa3	3.115%	62.3% of 30-day LIBOR	6/1/2038
2005 B Water System Refunding Bonds	44,830	6/2/2005	Lehman Brothers Special Financing	A1	3.115%	62.3% of 30-day LIBOR	6/1/2038
2005 B Water System Refunding Bonds	114,565	6/2/2005	Bear Stearns Capital Markets	A1	3.115%	62.3% of 30-day LIBOR	6/1/2038
2007C Water System Refunding Bonds	235,170	5/23/2007	SBS Financial Products Company	Aa3	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2007C Water System Refunding Bonds	78,390	5/23/2007	Merrill Lynch Capital Services	Aa3	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2007C Water System Refunding Bonds	78,390	5/23/2007	Citibank, N.A. New York	Aaa	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2003B Wastewater System Refunding Bonds	33,970	3/5/2003	Salomon Brothers Holding Company	Aa1	3.468%	65% of 30-day LIBOR	6/1/2027
2003B Wastewater System Refunding Bonds	33,970	3/5/2003	Bear Stearns Capital Markets	A1	3.468%	65% of 30-day LIBOR	6/1/2027
2005 Wastewater System Refunding Bonds	69,650	6/2/2005	Lehman Brothers Special Financing	A1	3.0975%	62.3% of 30-day LIBOR	6/1/2038

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

The effect of these transactions is structured to result in the approximate equivalent of the District paying a fixed rate on the Bonds, since the inflow of payments from the LIBOR-based swaps are anticipated to approximate the outflow of payments on the variable rate Bonds. Only the net difference in interest payments to the swap providers is made under the swap contracts.

Fair value. The fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. The fair values of each swap at June 30, 2007, are included below:

Related Bond Issue	Fair Value
2002 Water System Refunding Bonds	(\$2,994)
2005B Water System Refunding Bonds	15,975
2007 C Water System Refunding Bonds	8,931
2003B Wastewater System Refunding Bonds	802
2005 Wastewater System Refunding Bonds	3,197
	\$25,911

Credit risk. As of June 30, 2007, the District was exposed to credit risk on its outstanding swaps because the swaps had a positive fair value of \$25,911. The District faced a maximum possible loss equivalent to the swaps' fair value. This amount may increase if interest rates increase in the future. However, if interest rates decline and the fair value of the swaps were to become negative, the District would no longer be exposed to credit risk.

The District will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated. The swap agreements contain provisions determining if and when the District or the counterparty must provide collateral. The agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below a certain threshold. At June 30, 2007, neither the District nor the counterparty was required to provide collateral.

Basis risk. Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The District bears basis risk on its swaps. The swaps have basis risk since the District receives a percentage of LIBOR and/or SIFMA Municipal Swap Index to offset the actual variable bond rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 6 – LONG-TERM DEBT (Continued)

Termination risk. The District or the counterparty may terminate if the other party fails to perform under the terms of the respective contracts. The District will be exposed to variable rates if the providers to the swap contracts default or if the swap contracts are terminated. A termination of the swap contracts may also result in the District’s making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap’s fair value.

Swap payments and associated debt. Using rates as of June 30, 2007, debt service requirements of the District’s outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at C. above:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest	Interest	
2008	\$6,650	\$39,375	\$130	\$39,505
2009	27,905	38,347	60	38,407
2010	30,285	37,232	(10)	37,222
2011	31,530	36,070	(83)	35,987
2012	32,840	34,861	(159)	34,702
2013-2017	202,335	174,017	(780)	173,237
2018-2022	285,680	107,907	(897)	107,010
2023-2027	300,705	46,269	(1,637)	44,632
2028-2032	65,800	22,396	(1,246)	21,150
2033-2037	77,750	9,186	(512)	8,674
2038-2040	18,475			
Totals	<u>\$1,079,955</u>	<u>\$545,660</u>	<u>(\$5,134)</u>	<u>\$540,526</u>

NOTE 7 – NET ASSETS

Net Assets is the excess of all the District’s assets over all its liabilities, regardless of fund. 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 portion of Net Assets which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these 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 District 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 8 – EMPLOYEES’ RETIREMENT PLAN

A. Description

The Employees’ Retirement System is a single-employer, contributory, defined benefit pension plan (the Plan) which provides retirement, disability, survivorship, and post-employment healthcare benefits for eligible directors, officers, and employees of the District. The Plan is administered by a Retirement Board composed of three members appointed by the District’s board of directors and two members elected by and from the active membership of the Plan, and a nonvoting member elected by the retirees of the Plan. Retirement Ordinance No. 40 assigns the authority to establish Plan benefit provisions to the District’s board of directors.

All regular full-time employees of the District are members of the Plan. In accordance with the ordinance governing the Plan, eligible employees become members on the first day they are physically on the job. District-defined benefits vest in part with members after completion of five years of continuous, full-time employment.

The Plan is funded by contributions from its members and from the District. District contribution percentages are recommended by the Retirement Board, employee contribution rates are established by the Board of Directors pursuant to the Ordinance, giving consideration to actuarial recommendations and prospective changes in factors which affect funding.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

B. Post-employment Healthcare Cost

In addition to retirement benefits, the District provides post-employment health benefits assistance (administered by the Employees’ Retirement System) for employees who retire from the District or their surviving spouses. As of June 30, 2007, there were 1,048 participants receiving these health care benefits.

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Effective January 1, 1999, retired members who had separated from the District prior to their retirement and who had at least 10 years of service also became eligible for the post-employment health benefits based on the same sliding scale. The scale provides for 25% of healthcare benefits for service from 5 through 10 years, 50% of healthcare benefits for service from 10 through 15 years, 75% of healthcare benefits for service from 15 through 20 years, and 100% of healthcare benefits for service of 20 years or more. Effective July 1, 2003, the District reimbursed up to \$450 per month (\$550 per month effective July 1, 2004, for membership of a spouse or registered domestic partner) for any health, dental, or long-term care insurance premiums paid by the retiree for themselves, current spouse, or domestic partner, or any health, dental, or long-term care insurance premiums paid by the eligible surviving spouse of a retiree. These benefits are paid from a separate post-employment healthcare benefits fund which up until June 17, 2002, was advance funded entirely by the District on an actuarially determined basis. Cash reimbursement of these benefits totaled \$5,634 in the year ended June 30, 2007. Effective June 18, 2002, a portion of the post-employment healthcare benefit costs is recovered through employee contributions.

Through June 30, 1999, the medical premium subsidy was not a vested benefit and the District reserved the right to modify or terminate the benefit at any time. If the medical subsidy were terminated, assets accumulated from contributions made for the subsidy would be used to provide other pension benefits. Effective July 1, 1999, the medical premium subsidy became a vested benefit to a maximum of \$200 per month, was changed effective October 1, 2000, to a maximum of \$250 per month, and was changed effective July 1, 2002, to a maximum of \$400 per month, and was changed effective July 1, 2003, to a maximum of \$450 per month, and was changed again effective July 1, 2004, to a maximum of \$450 per month and \$550 per month for membership of a spouse or registered domestic partner.

C. Contributions Required and Contributions Made

The Plan’s funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by ordinance. The individual-entry-age-normal method is used to determine the normal cost, and the unfunded actuarial accrued liability (past service liability) is amortized as a level percentage of future covered payroll over 30 years for the pension plan and the post-employment healthcare benefit plan. District contributions for the year to cover normal cost and to amortize the unfunded actuarial liability approximated a total of 25.38% of covered payroll, increasing to 27.37% effective June 25, 2007, inclusive of post-employment health care benefits.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

Valuation date	June 30, 2006
Actuarial cost method	Individual entry age normal method
Amortization method	Level percent open
Remaining amortization period	Average – 18 years
Assets valuation method	5-year smoothing of market value
Actuarial assumptions:	
Investment rate of return	8.25%
Average projected salary increases	7.66%
Inflation rate	4.00%
Cost-of-living adjustments	3.50%

Contributions for the year ended June 30, 2007, based on the actuarial valuation (including amounts for post-employment healthcare benefits), were as follows:

	Water System Fund	Wastewater System Fund	Total
Regular contributions:			
District contributions	\$33,562	\$5,770	\$39,332
Member contributions	8,368	1,439	9,807
	41,930	7,209	49,139
Other contributions:			
Member buybacks	72	12	84
	\$42,002	\$7,221	\$49,223

Regular District and member contributions in fiscal 2007 represent an aggregate of 27.37% and 6.83% of covered payroll, respectively. The payroll for the District employees covered by the Plan for the year ended June 30, 2007, was \$143,689, which was 89.19% of the total District payroll of \$161,111. The total District contribution of \$39,332 consisted of \$16,385 for normal cost and \$22,960 for amortization of the unfunded actuarial accrued liability. The payroll for the District employees covered by the Plan for the year ended June 30, 2006, was \$140,371, which was 89.94% of the total District payroll of \$156,077. The total District contribution of \$35,635 consisted of \$16,499 for normal cost and \$19,136 for amortization of the unfunded actuarial accrued liability.

**EAST BAY MUNICIPAL UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
 (Dollars in Thousands)**

NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Member buyback contributions relate to prior years’ service credits for Plan participants. The Plan was amended in 1998 for limited temporary construction workers and in 2003 for intermittent employees to allow current members, who previously worked for the District in a status that did not qualify for membership in the Employees’ Retirement System, to establish retirement service credit for prior service with payments over a period of two to eight years.

D. Schedule of Employer Contributions

The schedule of employer contributions is shown below:

	Annual required contribution	Percentage contributed
Fiscal year ended June 30:		
2005	\$32,806	100%
2006	35,635	100%
2007	39,332	100%

The annual required contributions for fiscal years ended June 30, 2007 and 2006, include amounts for the pay-as-you-go amounts for post-employment healthcare benefits.

NOTE 9 - RISK MANAGEMENT

The District has purchased commercial insurance for general, property, public officials’ liability and workers’ compensation. During the fiscal year ended June 30, 2007, the District paid \$2,173 for current year coverage.

The District’s liability, property, and workers’ compensation risks are insured by commercial insurance carriers, all of which are subject to the District’s self-insurance retentions, which vary by type of coverage.

Selected other coverages are:

Coverage	Policy limit	Self-insured retention
Workers' compensation	Statutory Limit	\$5,000
All risk property (except flood)	\$125,000	100
Flood	25,000	1,000
Liability	90,000	10,000 Water 10,000 Wastewater
Crime	10,000	25

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)**

NOTE 9 – RISK MANAGEMENT (Continued)

Settled claims have not exceeded the District’s policy limits in any of the past five fiscal years.

Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As of June 30, 2007, the amount of these liabilities was \$19,195 and is included in accounts payable and accrued expenses and other non-current liabilities in the accompanying balance sheet. This amount (which has not been discounted) has been actuarially determined and includes an estimate of incurred but not reported losses. Changes in the reported liability are as follows:

	2007	2006
Liability at beginning of year	\$20,559	\$22,109
Current year claims and changes in estimates	4,620	7,408
Payments of claims	(5,984)	(8,958)
Liability at end of year	\$19,195	\$20,559

NOTE 10 - CONTINGENT LIABILITIES

The District is a defendant in a number of lawsuits which have arisen in the normal course of business including challenges over certain rates and charges. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007
(Dollars in thousands)

(1) Pension Plan

Schedule of funding progress for the pension plan (in thousands):

Actuarial valuation date	Actuarial value of assets (a)	Actuarial liability (AAL) – entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
06/30/94	\$271,293	\$374,495	\$103,202	72.4%	\$81,712	126.3%
06/30/95	292,629	413,471	120,842	70.8%	86,886	139.1%
06/30/96	324,580	417,606	93,026	77.7%	93,708	99.3%
06/30/97	371,172	428,589	57,417	86.6%	97,171	59.1%
06/30/98	426,193	466,387	40,194	91.4%	106,099	37.9%
06/30/99	491,935	512,074	20,139	96.1%	111,955	18.0%
06/30/00	556,759	611,441	54,682	91.1%	118,798	46.0%
06/30/01	606,896	663,763	56,867	91.4%	125,313	45.4%
06/30/02	631,700	719,660	87,960	87.8%	129,791	67.8%
06/30/03	639,382	838,385	199,003	76.3%	133,678	148.9%
06/30/04	662,387	886,663	224,276	74.7%	137,138	163.5%
06/30/05	692,945	946,616	253,671	73.2%	139,514	181.8%
06/30/06	740,622	1,039,750	299,128	71.2%	142,373	210.1%

Unaudited

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007
(Dollars in thousands)

(2) Post-Employment Healthcare Plan

Schedule of funding progress for the post-employment healthcare plan (in thousands):

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial liability accrued (AAL) – entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
6/30/1997	\$0	\$15,829	\$15,829	0.0%	\$97,171	16.3%
6/30/1998	—	15,978	15,978	0.0%	106,099	15.1%
6/30/1999	357	23,132	22,775	1.5%	111,955	20.3%
6/30/2000	805	29,581	28,776	2.7%	118,798	24.2%
6/30/2001	841	30,971	30,130	2.7%	125,313	24.0%
6/30/2002	1,265	50,358	49,093	2.5%	129,791	37.8%
6/30/2003	2,113	58,752	56,639	3.6%	133,678	42.4%
6/30/2004	2,715	62,357	59,642	4.4%	137,138	43.5%
6/30/2005	3,409	71,892	68,483	4.7%	139,514	49.1%
6/30/2006	3,608	71,409	67,801	5.1%	142,373	47.6%

Unaudited.

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Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the District's revenue sources and rate structures.

Debt Capacity

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

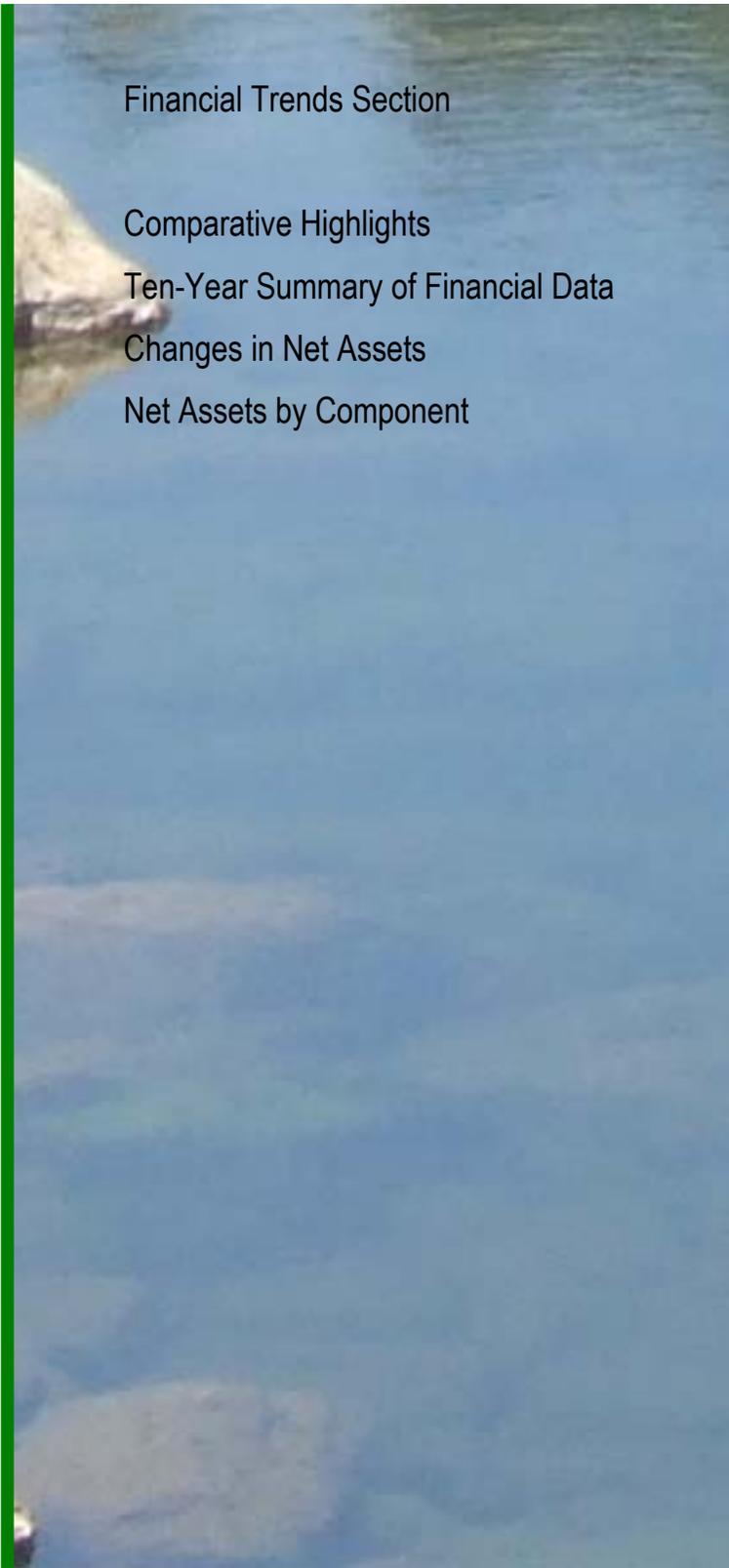
Demographic and Economic Information

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

Operating Information

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

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Financial Trends Section

Comparative Highlights

Ten-Year Summary of Financial Data

Changes in Net Assets

Net Assets by Component

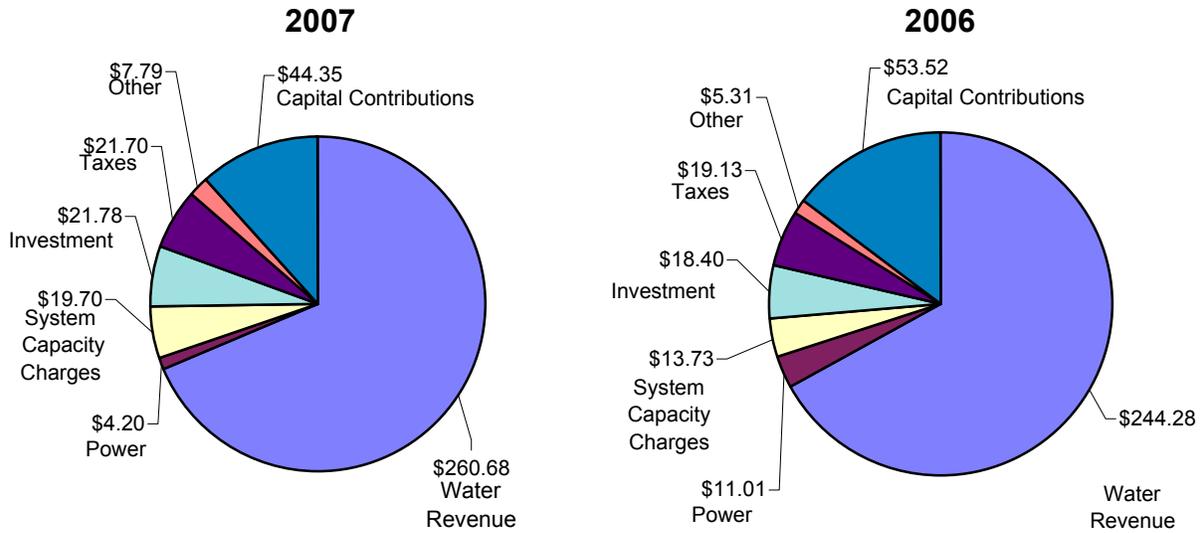
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Financial Trends
Comparative Highlights

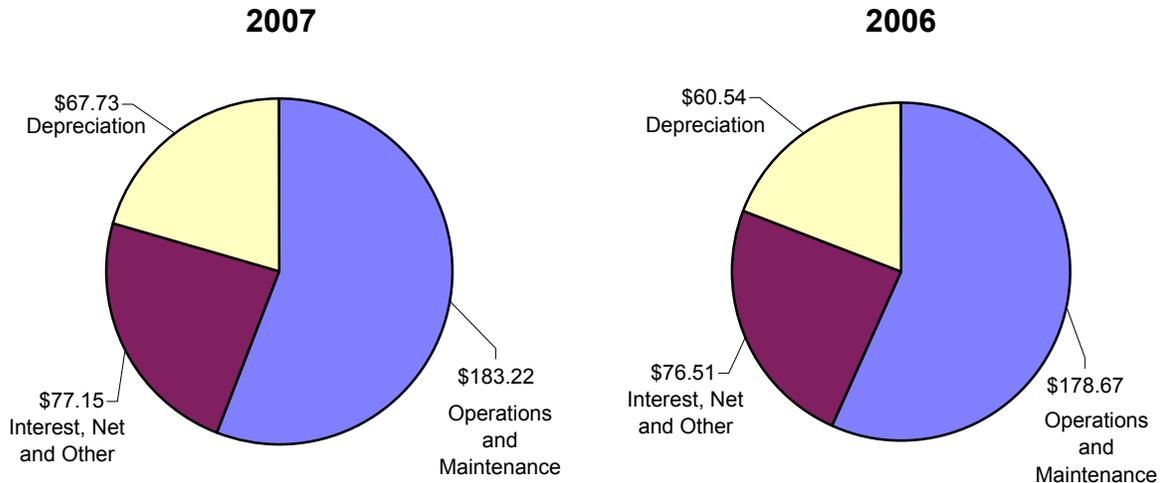
Fiscal Year 2007 and 2006

Water System

What We Received:
(In Millions)



How It Was Used:
(In Millions)

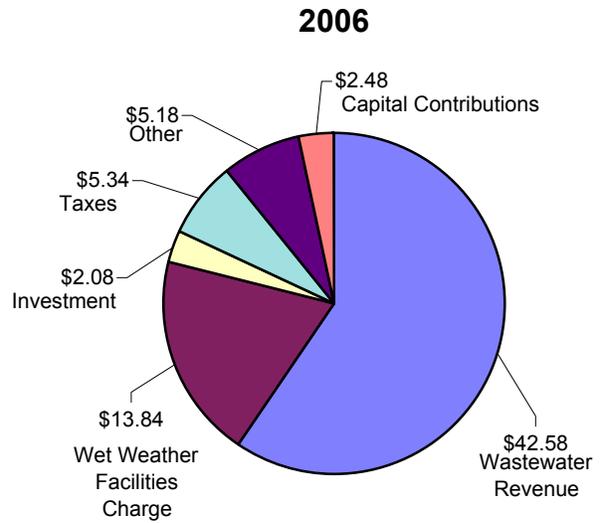
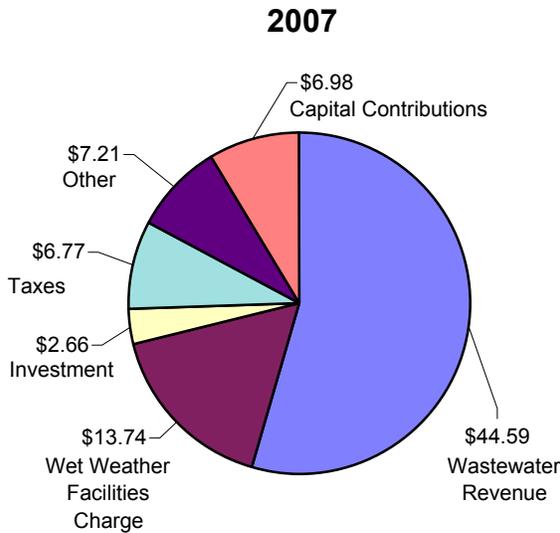


Financial Trends
Comparative Highlights

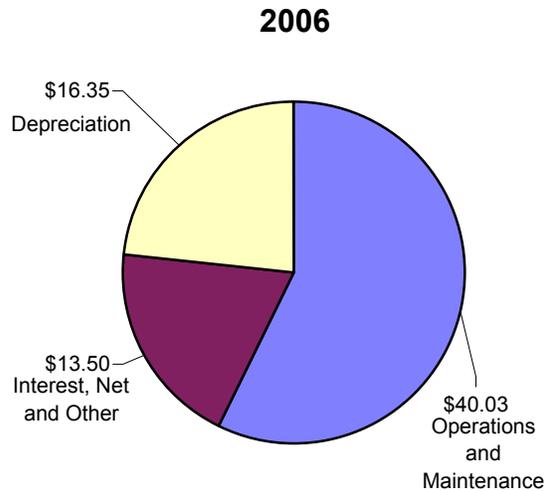
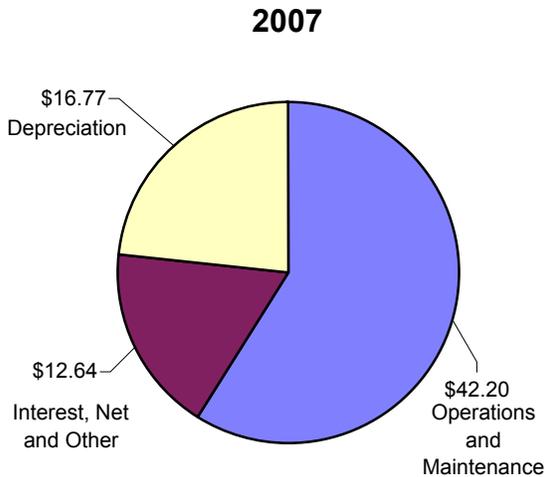
Fiscal Year 2007 and 2006

Wastewater System

What We Received:
(In Millions)



How It Was Used:
(In Millions)



Financial Trends
Ten-Year Summary of Financial Data

Fiscal Years 1998 to 2007
 (in Millions)

Fiscal Year Ended June 30

2007 2006 2005 2004 2003 2002 2001 2000 1999 1998

Water System

Revenues

Water Revenue	\$ 260.7	\$ 244.3	\$ 235.8	\$ 241.9	\$ 223.2	\$ 214.0	\$ 206.8		
System Capacity Charges	19.7	13.7	12.8	12.9	12.3	11.6	11.9		
Taxes	21.7	19.1	18.3	17.4	16.5	15.6	14.3		
Investment	21.8	18.4	7.7	11.1	13.3	25.4	20.8		
Power	4.2	11.0	7.0	2.8	4.1	3.1	7.3		
Capital Contributions	44.4	53.5	32.0	26.5	31.9	26.3	42.5		
Other	7.8	5.3	6.2	2.7	12.9	5.3	3.0		
Total Revenues	380.2	365.4	319.8	315.4	314.1	301.3	306.6		

The District implemented GASB 34 for the fiscal year ended June 30, 2001, information for fiscal years prior to the implementation of GASB 34 are unavailable.

Expenses

Operations and Maintenance	183.2	178.7	166.4	156.4	145.3	132.7	133.4		
Depreciation	67.7	60.5	62.3	54.6	51.9	49.1	46.9		
Interest, Net and Other	77.2	76.5	69.3	64.4	64.9	63.9	52.1		
Total Expenses	328.1	315.7	298.1	275.4	262.0	245.8	232.5		

Changes in Net Assets

	\$ 52.1	\$ 49.7	\$ 21.8	\$ 40.0	\$ 52.0	\$ 55.5	\$ 74.1		
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Financial Trends
Ten-Year Summary of Financial Data

Fiscal Years 1998 to 2007
 (in Millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Fiscal Year Ended June 30										
Wastewater System										
Revenues										
Wastewater Revenue	\$ 44.6	\$ 42.6	\$ 42.2	\$ 42.8	\$ 41.6	\$ 39.9	\$ 38.7			
Wet Weather										
Facilities Charges	13.7	13.8	13.9	13.9	13.9	13.5	13.2			
Taxes	6.8	5.3	4.7	6.3	5.8	5.9	5.3			
Investment	2.7	2.1	1.9	2.6	3.0	4.3	4.9			
Capital Contributions	7.0	2.5	1.7	2.1	0.3	5.9	8.7			
Other	7.2	5.2	4.1	(0.9)	2.5	0.2	1.0			
Total Revenues	82.0	71.5	68.5	66.8	67.0	69.6	71.7			
Expenses										
Operations and Maintenance	42.2	40.0	38.4	36.8	35.6	35.3	35.3			
Depreciation	16.8	16.4	16.4	15.9	15.9	15.4	14.0			
Interest, Net and Other	12.6	13.5	15.7	13.8	16.1	13.3	14.1			
Total Expenses	71.6	69.9	70.5	66.5	67.5	64.0	63.4			
Changes in Net Assets	\$ 10.3	\$ 1.6	\$ (1.9)	\$ 0.2	\$ (0.5)	\$ 5.6	\$ 8.3			

The District implemented GASB 34 for the fiscal year ended June 30, 2001, information for fiscal years prior to the implementation of GASB 34 are unavailable.

Financial Trends
Changes in Net Assets

Fiscal Years 1998 to 2007
(In Millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
	Fiscal Year Ended June 30									
Expenses										
Business-type activities:										
Water	\$ 250.9	\$ 239.2	\$ 228.7	\$ 211.0	\$ 197.2	\$ 181.8	\$ 180.3			
Wastewater	59.0	56.4	54.8	52.7	51.4	50.7	49.2			
Total business-type activities expenses	309.9	295.6	283.5	263.7	248.6	232.6	229.6			
Program Revenues										
Business-type activities										
Charges for services:										
Water	280.4	258.0	248.6	254.8	235.4	225.6	218.6			
Wastewater	58.3	56.4	56.1	56.7	55.5	53.4	51.9			
Power	4.2	11.0	7.0	2.8	4.1	3.1	7.3			
Capital grants and contributions	51.3	56.0	33.7	28.6	34.3	32.1	51.2			
Total business-type activities program revenues	394.3	381.4	345.5	342.9	329.3	314.3	329.0			

The District implemented GASB 34 for the fiscal year ended June 30, 2001, information for fiscal years prior to the implementation of GASB 34 are unavailable.

Financial Trends
Changes in Net Assets (continued)

Fiscal Years 1998 to 2007
(In Millions)

Fiscal Year Ended June 30

2007 **2006** **2005** **2004** **2003** **2002** **2001** **2000** **1999** **1998**

Net (Expense)/Revenue

Business-type activities

84.4 85.8 62.0 79.2 80.7 81.7 99.4

The District implemented GASB 34 for the fiscal year ended June 30, 2001, information for fiscal years prior to the implementation of GASB 34 are unavailable.

General Revenues and

Other Changes in Net Assets

Business-type activities

Investment income

24.4 20.5 9.6 13.7 16.3 29.7 25.7

Taxes and subventions

28.5 24.5 22.9 23.7 22.2 21.4 19.5

Interest and amortization of bond expenses

(88.9) (88.9) (84.1) (72.2) (74.9) (75.6) (66.3)

Other income (expense)

14.1 9.3 9.4 (4.2) 7.1 3.9 4.0

Total business-type activities

(21.9) (34.6) (42.1) (39.0) (29.3) (20.6) (17.0)

Changes in Net Assets

Business-type activities

\$ 62.5 \$ 51.3 \$ 19.8 \$ 40.2 \$ 51.4 \$ 61.1 \$ 82.4

**Financial Trends
Net Assets by Component**

Fiscal Years 1998 to 2007
(In Millions)

	2007	2006	2005	2004	2003	2002	2001*	2000*	1999*	1998*
	\$ 1,174.5	\$ 1,226.1	\$ 1,213.2	\$ 1,090.0	\$ 1,006.5	\$ 998.2	\$ 942.1	\$ 850.5	\$ 866.8	\$ 858.1
Invested in capital assets, net of related debt	89.6	78.6	54.0	64.4	65.8	61.2	59.7	101.0	65.5	59.1
Restricted for construction	38.1	37.7	35.2	0.1	-	0.8	0.8	0.8	4.5	1.6
Restricted for debt service	2.9	2.9	2.9	2.9	2.9	2.8	2.5	-	142.2	0.7
Restricted-other	249.2	146.5	135.3	263.4	305.4	266.2	262.9	233.3	50.4	147.6
Unrestricted										
Total business-type activities net assets	\$ 1,554.4	\$ 1,491.9	\$ 1,440.6	\$ 1,420.8	\$ 1,380.5	\$ 1,329.1	\$ 1,268.0	\$ 1,185.6	\$ 1,129.4	\$ 1,067.1

* Restated to meet current formatting.

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Revenue Capacity

Ten-Year Summary of Revenue by Source

Rate History

Ten-Year Summary of Net Revenue and
Debt Service Coverage

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**Revenue Capacity
Ten-Year Summary of Revenue by Source**

Fiscal Years 1998 to 2007

Water System
(In Millions)

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Water	\$260.7	\$244.3	\$235.8	\$241.9	\$223.1	\$214.0	\$206.8	\$197.8	\$184.0	\$174.9
Taxes	21.7	19.1	18.3	17.5	16.5	15.6	14.3	13.5	12.6	11.8
Construction from SCC	19.7	13.7	12.8	12.9	12.3	11.6	11.8	12.0	11.4	10.9
Interest	20.3	16.5	7.6	11.1	13.3	25.4	20.8	17.5	21.3	11.9
Power	4.2	11.0	7.0	2.8	4.0	3.1	7.3	5.6	5.5	3.9
Rental & Other	8.4	6.3	5.5	2.1	7.2	4.4	4.3	7.8	7.7	4.2
Total	\$335.0	\$310.9	\$287.0	\$288.3	\$276.4	\$274.1	\$265.3	\$254.2	\$242.5	\$217.6

Note: Interest is exclusive of the change in fair market value of investments in the year, which was included in Rental & Other on this page.

**Revenue Capacity
Ten-Year Summary of Revenue by Source**

Fiscal Years 1998 to 2007

Wastewater System

(In Millions)

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Wastewater	\$ 44.6	\$ 42.6	\$ 42.2	\$ 42.8	\$ 41.6	\$ 39.8	\$ 38.7	\$ 37.5	\$ 37.4	\$ 37.8
Wet Weather Facilities	13.7	13.8	13.9	13.9	13.9	13.5	13.2	13.8	13.3	13.3
Taxes	6.8	5.3	4.7	6.2	5.8	5.9	5.2	5.1	5.3	4.9
Interest	2.1	1.8	2.1	2.6	2.9	4.3	4.9	4.0	4.9	3.4
Other	7.8	5.2	4.0	(0.9)	0.3	0.2	1.0	(1.0)	0.1	0.1
Total	\$ 75.0	\$ 68.7	\$ 66.9	\$ 64.6	\$ 64.5	\$ 63.7	\$ 63.0	\$ 59.4	\$ 61.0	\$ 59.5

Note: Interest is exclusive of the change in fair market value of investments in the year, which was included in Rental & Other on this page.

**Revenue Capacity
Rate History**

Fiscal Years 1998 to 2007

Fiscal Year	Water		Wastewater	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
1998	\$ 6.21	\$ 1.19	\$ 6.63	\$ 0.39
1999	6.44	1.23	6.86	0.41
2000	6.67	1.27	6.86	0.41
2001	6.92	1.32	7.45	0.39
2002	7.20	1.37	7.45	0.39
2003	7.47	1.42	7.45	0.39
2004	7.75	1.47	8.23	0.44
2005	8.04	1.53	8.56	0.46
2006	8.34	1.59	8.93	0.47
2007	8.65	1.65	9.27	0.49

Notes: Rates are based on a 5/8" meter, which is the standard household meter size. The District charges an excess-use rate above normal demand.

Revenue Capacity
Ten-Year Summary of Net Revenue and Debt Service Coverage

Fiscal Years 1998 to 2007

Water System

(In Millions)

Fiscal Year	Total Revenue (1)	Operations & Maintenance Expense (2)	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio
1998	\$ 204.1	\$ 110.1	\$ 94.0	\$ 50.4	\$ 1.87
1999	229.9	114.2	115.7	60.6	1.91
2000	251.9	118.2	133.7	65.9	2.03
2001	267.9	114.2	153.7	68.4	2.25
2002	273.1	109.3	163.8	75.1	2.18
2003	279.5	119.1	160.4	79.0	2.03
2004	285.5	132.7	152.8	81.3	1.88
2005	283.6	136.1	147.5	81.7	1.81
2006	298.2	143.9	154.3	88.2	1.75
2007	328.5	146.1	182.4	98.6	1.90

(1) Gross Revenues include operating revenue, investment earnings, facilities reserve charges, grant revenues, rent and other revenues, and rate stabilization fund withdrawals.

(2) Operating & Maintenance Costs include operating expenses and rate stabilization fund deposits before depreciation, amortization, debt service, and expenses paid with property tax revenues.

Revenue Capacity

Ten-Year Summary of Net Revenue and Debt Service Coverage

Fiscal Years 1998 to 2007

Wastewater System

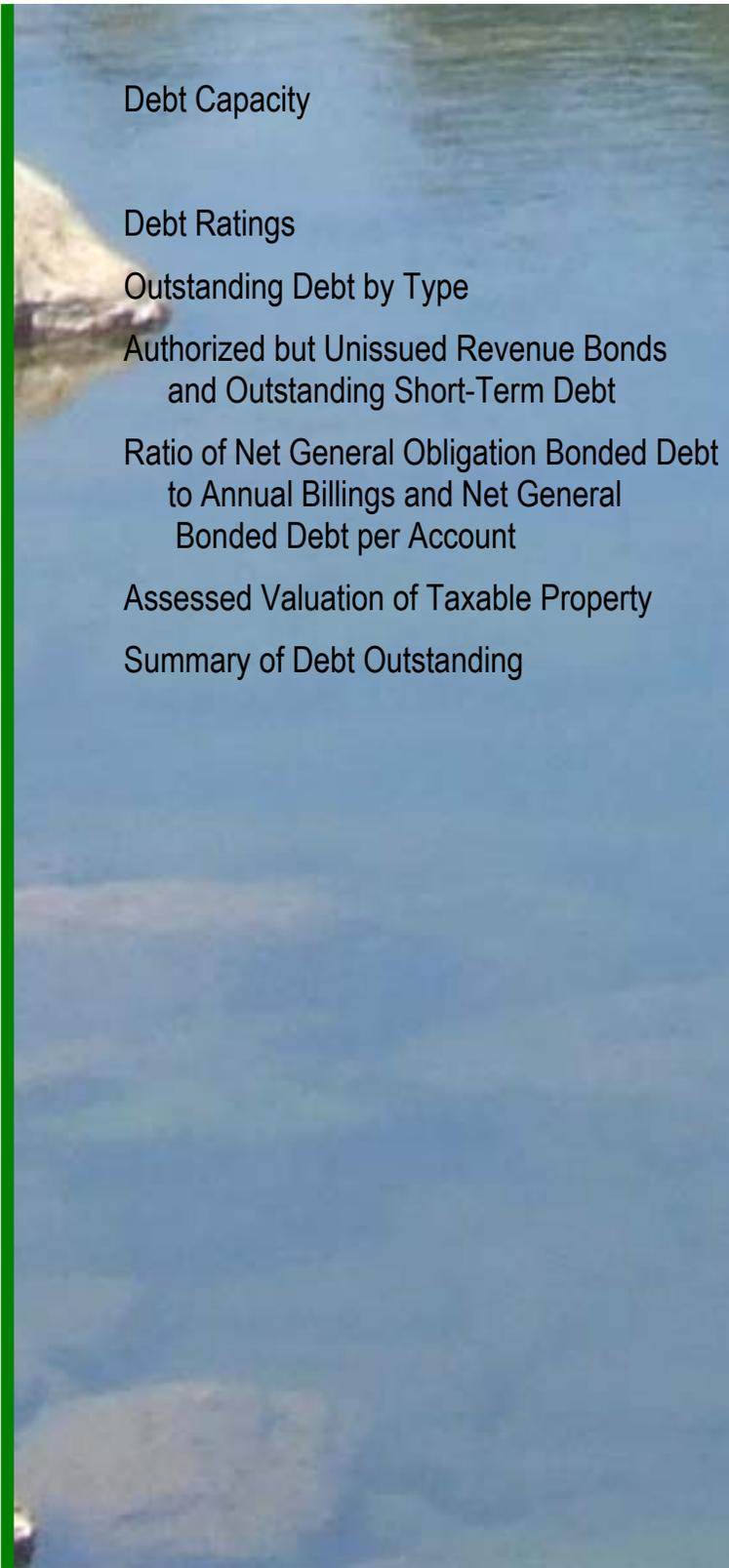
(In Millions)

Fiscal Year	Total Revenue (1)	Operations & Maintenance Expense (2)	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio
1998	\$ 54.5	\$ 29.4	\$ 25.1	\$ 10.7	2.35
1999	55.7	26.8	28.9	11.1	2.60
2000	54.2	28.2	26.0	15.1	1.72
2001	57.9	28.9	29.0	17.3	1.67
2002	57.9	28.9	29.0	17.0	1.71
2003	58.7	29.4	29.3	17.4	1.69
2004	58.4	30.6	27.8	15.5	1.79
2005	62.2	33.2	29.0	15.9	1.82
2006	63.6	34.2	29.4	15.8	1.86
2007	68.2	35.3	32.9	16.0	2.05

(1) Gross Revenues include operating revenue, investment earnings, facilities reserve charges, grant revenues, rent and other revenues, and rate stabilization fund withdrawals.

(2) Operating & Maintenance Costs include operating expenses and rate stabilization fund deposits before depreciation, amortization, debt service, and expenses paid with property tax revenues.

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Debt Capacity

Debt Ratings

Outstanding Debt by Type

Authorized but Unissued Revenue Bonds
and Outstanding Short-Term Debt

Ratio of Net General Obligation Bonded Debt
to Annual Billings and Net General
Bonded Debt per Account

Assessed Valuation of Taxable Property

Summary of Debt Outstanding

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Debt Capacity
Debt Ratings

District Debt by Type	Rating by	
	Moody's Investors Service	Standard & Poor's
Water System		
Commercial Paper	P1	A1+
Subordinated Revenue Bonds	Aa2	AA
General Obligation Bonds	Aa2	AA
Wastewater System		
Commercial Paper	P1	A1+
Subordinated Revenue Bonds	Aa3	AA
General Obligation Bonds	Aa3	AA

**Debt Capacity
Outstanding Debt by Type**

Fiscal Years 1998 to 2007

Water System

(In thousands)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans Payable	Total
1998	\$ 8,916	\$ 721,720	\$ 26,082	\$ 756,718
1999	8,310	996,148	24,289	1,028,747
2000	7,679	981,020	23,140	1,011,839
2001	7,017	1,189,102	21,954	1,218,073
2002	6,274	1,182,044	20,616	1,208,934
2003	5,540	1,163,796	21,363	1,190,699
2004	4,757	1,141,046	22,054	1,167,857
2005	3,922	1,540,834	20,476	1,565,232
2006	0	1,516,562	18,855	1,535,417
2007	0	1,970,254	17,189	1,987,443

Wastewater System

(In thousands)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans Payable	Total
1998	\$ 45,780	\$ 166,711	\$ 64,644	\$ 277,135
1999	45,392	212,309	60,088	317,789
2000	44,974	208,985	60,498	314,457
2001	44,526	197,359	57,945	299,830
2002	42,787	193,457	54,307	290,551
2003	42,079	241,613	50,543	334,235
2004	41,380	238,373	46,668	326,421
2005	40,031	238,237	42,668	320,936
2006	38,252	234,345	38,539	311,136
2007	34,298	315,863	34,277	384,438

Debt Capacity
Authorized but Unissued Revenue Bonds
and Outstanding Short-Term Debt

As of June 30, 2007
(In Thousands)

Water System

Authorized but unissued revenue bonds	\$	1,100,000
Outstanding short-term debt (due within one year)	\$	33,750

Wastewater System

Authorized but unissued revenue bonds	\$	169,370
Outstanding short-term debt (due within one year)	\$	7,880

Debt Capacity

**Ratio of Net General Obligation Bonded Debt to Annual Billings
and Net General Bonded Debt per Account**

Fiscal Years 1998 to 2007
(In Millions)

Water System					
Fiscal Year	Accounts (1)	General Obligation Bonded Debt (2)	General Bonded Debt Per Account (In Dollars)	Annual Billings (2)	Percentage of General Bonded Debt To Annual Billings
1998	362,000	8,310	23	174,862	4.75%
1999	364,000	7,679	21	183,965	4.17%
2000	366,000	7,017	19	197,772	3.55%
2001	368,000	6,274	17	206,791	3.03%
2002	370,000	5,541	15	214,000	2.59%
2003	373,000	4,757	13	223,126	2.13%
2004	375,000	3,922	10	241,927	1.62%
2005	376,000	0	0	235,790	0.00%
2006	379,000	0	0	244,280	0.00%
2007	381,000	0	0	260,678	0.00%

Wastewater System					
Fiscal Year	Accounts (1)	General Obligation Bonded Debt (2)	General Bonded Debt Per Account (In Dollars)	Annual Billings (2)	Percentage of General Bonded Debt To Annual Billings
1998	174,000	45,392	261	37,840	119.96%
1999	175,000	44,974	257	37,426	120.17%
2000	176,000	44,526	253	37,518	118.68%
2001	177,000	42,787	242	38,666	110.66%
2002	177,000	42,078	238	39,862	105.56%
2003	177,000	41,333	234	41,590	99.38%
2004	177,000	40,031	226	42,822	93.48%
2005	177,000	38,252	216	42,244	90.55%
2006	177,000	36,338	205	42,581	85.34%
2007	178,000	34,298	193	44,593	76.91%

Source: (1) CIS
(2) Financial and Statistical Reports

**Debt Capacity
Assessed Valuation of Taxable Property**

Fiscal Year 2007

EAST BAY MUNICIPAL UTILITY DISTRICT, SPECIAL DISTRICT NO. 1

2006-07 Assessed Valuation:	\$ 66,677,314,885
Redeveloped Incremental Valuation:	12,545,935,158
Adjusted Assessed Valuation:	54,131,379,727

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable</u>	<u>Debt 6/30/07</u>
Bay Area Rapid Transit District	13.727 %	\$ 11,967,885
Peralta Community College District	100.000	269,680,000
Alameda Unified School District	100.000	88,220,326
Albany Unified School District	100.000	38,125,000
Berkeley Unified School District	100.000	222,639,526
Oakland Unified School District	100.000	571,456,867
Piedmont Unified School District	100.000	47,194,934
West Contra Costa Unified School District	18.771	100,707,076
Other School Districts	Various	23,390,294
City of Alameda	100.000	10,135,000
City of Albany	100.000	7,550,000
City of Berkeley	100.000	60,000,000
City of Oakland	99.974	233,498,638
East Bay Municipal Utility District	39.269	429,996
East Bay Municipal Utility District, Special District No. 1	100.000	34,405,000
East Bay Regional Park District	19.954	33,182,504
West Contra Costa Healthcare District Parcel Tax Obligations	17.369	4,396,962
City of El Cerrito Lease Tax Obligations	99.825	3,823,298
City of Alameda Community Facilities District Nos. 1 and 2	100.000	15,535,000
City of Berkeley Community Facilities District No. 1	100.000	8,285,000
1915 Act bonds	100.000	64,185,000
Total Gross Direct and Overlapping Tax and Assessment Debt		\$ 1,848,808,306
Less: East Bay Municipal Utility District (100% Self Supporting)		429,996
Total Net Direct and Overlapping Tax and Assessment Debt		\$ 1,848,378,310

(continued)

Debt Capacity
Assessed Valuation of Taxable Property

Fiscal Year 2007

<u>Overlapping General Fund Debt:</u>	<u>% Applicable</u>	<u>Debt 6/30/07</u>
Alameda County General Fund Obligations	32.319 %	\$ 188,335,417
Alameda County Pension Obligations	32.319	82,357,487
Alameda County Board of Education Certificates of Participation	32.319	158,363
Contra Costa County General Fund Obligations	2.708	10,337,384
Contra Costa County Pension Obligations	2.708	13,965,427
Contra Costa County Board of Education Certificates of Participation	2.708	24,372
Alameda-Contra Costa Transit District Certificates of Participation	41.533	7,851,814
Peralta Community College District Pension Obligations	100.000	152,024,832
Oakland Unified School District Certificates of Participation	100.000	81,745,000
Other School District Certificates of Participation	Various	7,137,037
City of Alameda Cetificates of Participation	100.000	15,660,145
City of Berkeley General Fund Obligations and Pension Obligations	100.000	40,210,000
City of Oakland General Fund Obligations	99.974	515,066,048
City of Oakland Pension Obligations	99.974	313,543,300
Other City General Fund Obligations	Various	26,073,686
Total Overlapping General Fund Debt		\$ 1,454,490,312
Gross Combined Total Debt		(1) \$ 3,303,298,618
Net Combined Total Debt		\$ 3,302,868,622

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:

Direct Debt (\$34,405,000)	0.05 %
Total Gross Direct and Overlapping Tax and Assessment Debt	2.77 %
Total Net Direct and Overlapping Tax and Assessment Debt	2.77 %

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	6.1 %
Net Combined Total Debt	6.1 %

State School Building Aid Repayable as of 6/30/07: \$ 48,370

**Debt Capacity
Summary of Debt Outstanding***

As of June 30, 2007
(Thousands of Dollars)

Water System

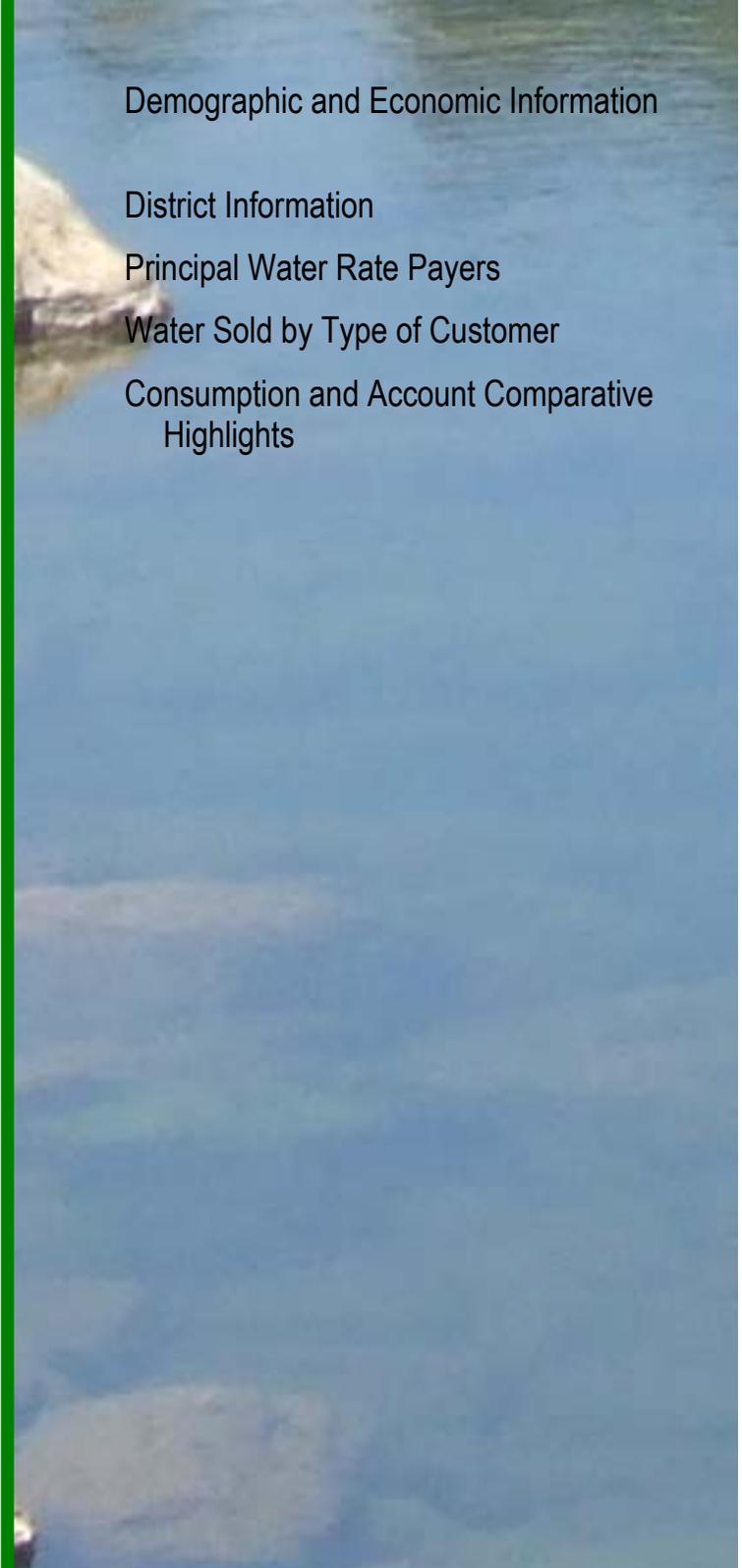
General Obligation Bonds	None Outstanding
Revenue Bonds	
Series 1996	\$ 2,705
Series 1998	8,580
Series 2001	13,300
Series 2002	230,880
Series 2003	94,640
Series 2005A	300,000
Series 2005B	322,525
Series 2005C	100,000
Series 2007A	450,000
Series 2007B	54,790
Series 2007C	391,950
Senior Lien Revenue Bonds	None Outstanding
Total Water System Debt Outstanding	<u>\$ 1,969,370</u>

Wastewater System

General Obligation Bonds	
Series F	\$ 34,405
Revenue Bonds	
Series 1996	1,840
Series 1998	2,970
Series 2003	115,300
Series 2005	69,300
Series 2007A	80,630
Series 2007B	46,670
Senior Lien Revenue Bonds	None Outstanding
Total Wastewater System Debt Outstanding	<u>\$ 351,115</u>

*Debt outstanding does not include State low interest loans, commercial paper or outstanding refunded but not yet called debt.

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Demographic and Economic Information

District Information

Principal Water Rate Payers

Water Sold by Type of Customer

Consumption and Account Comparative
Highlights

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Demographic and Economic Information

District Information

Fiscal Year 2007

		<u>Water System</u>	<u>Wastewater System</u>
Established		1928	1944
Service Area	(square miles)	325	83
Population Served	(in thousands)	1,300	642
Unemployment Rate	(Alameda County - %)	4.7	4.7
Facilities:			
Miles of aqueducts		91.5	
Miles of pipeline		4,110	
Miles of tunnels		23.6	
Miles of interceptors			29
Number of treatment plants		13	
Number of pumping stations		142	24
Number of treated water reservoirs		156	
Number of reservoirs		161	
Total District reservoir capacity	(acre feet)	754,375	
Water demand per fiscal year			
District-provided water	(acre feet)	24,470	
Water recycling per day	(in million gallons)		7
Wastewater treatment capacity			
Primary treatment			320
Secondary treatment			168
Energy Recovery	(%)		85
Number of employees		1,640	261
Average years of service of employees		13.2	14.3

Sources: State of California, Environmental Compliance, Urban Water Management Plan, Engineering, Finance, Water Consumption Report and Human Resources

Demographic and Economic Information

Principal Water Rate Payers

Fiscal Years 2005 to 2007
(In Thousands)

	2007		2006		2005	
	Billings	Percentage	Billings	Percentage	Billings	Percentage
Total annual billing	\$ 28,265	10.84%	\$ 27,136	11.11%	\$ 25,823	11.50%
Total annual billings	\$ 260,678		\$ 244,280		\$ 224,631	

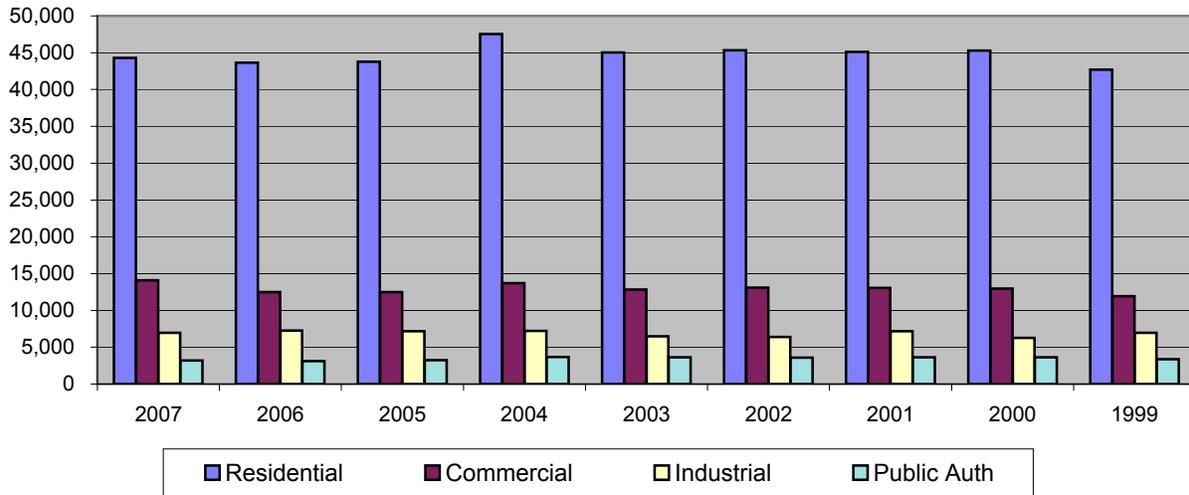
REDACTED JUNE 18, 2019, PER CALIFORNIA GOVERNMENT CODE SECTION 6254.16.

Source data not available for Fiscal Years 1998-2004.

Source: CIS

Demographic and Economic Information
Water Sold by Type of Customer

Fiscal Years 1999 to 2007
(In millions of gallons)



Fiscal Year	Type of Customer				Total
	Residential	Commercial	Industrial	Public Auth	
1999	42,680	11,929	6,937	3,390	64,936
2000	45,285	12,981	6,248	3,619	68,133
2001	45,107	13,061	7,159	3,614	68,941
2002	45,350	13,106	6,409	3,583	68,448
2003	45,034	12,838	6,488	3,610	67,970
2004	47,555	13,702	7,199	3,681	72,137
2005	43,796	12,483	7,177	3,254	66,710
2006	43,660	12,495	7,270	3,102	66,527
2007	44,300	14,084	6,973	3,178	68,535

Source data not available for Fiscal Year 1998.

**Demographic and Economic Information
Consumption and Account Comparative Highlights**

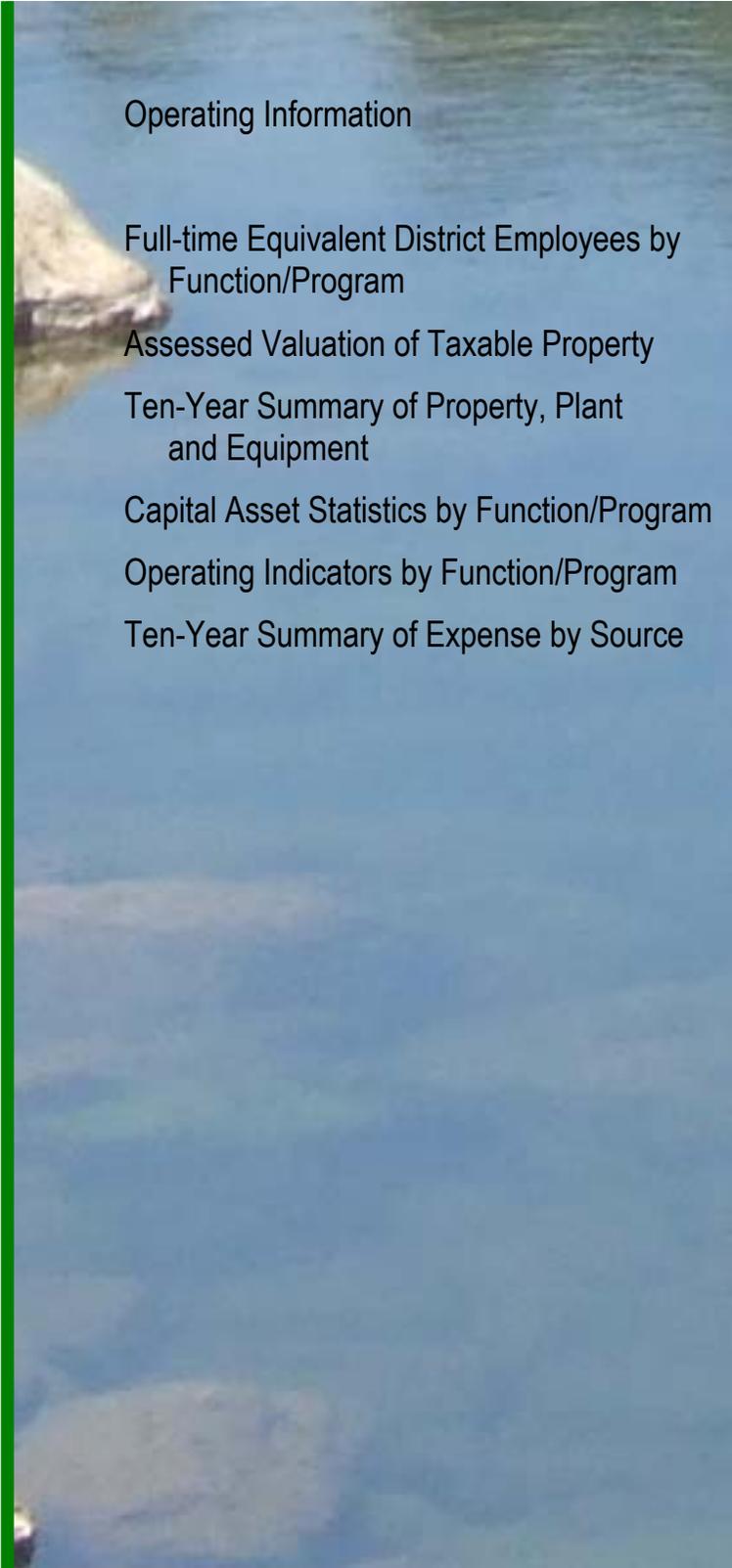
Fiscal Years 2007 and 2006

Water System	2007	2006
During the Year:		
Total Water Consumption, millions of gallons	78,357	77,178
Average Daily Water Consumption, MGD*	214	211
Maximum Daily Water Consumption, MGD	336	311
Minimum Daily Water Consumption, MGD	139	131
 At Year End:		
Number of Accounts	381,415	379,827
Number of Employees	1,640	1,646
Miles of Water Distribution Pipe	4,110	4,085
Operating Distribution Storage Capacity, millions of gallons	774	833

Wastewater System

During the Year:		
Average Daily Wastewater Flow, MGD	67	82
 At Year End:		
Number of Accounts	177,831	177,366
Number of Employees	261	262

*=millions of gallons per day



Operating Information

Full-time Equivalent District Employees by
Function/Program

Assessed Valuation of Taxable Property

Ten-Year Summary of Property, Plant
and Equipment

Capital Asset Statistics by Function/Program

Operating Indicators by Function/Program

Ten-Year Summary of Expense by Source

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Operating Information
Full Time Equivalent District Employees by Function/Program

Fiscal Years 1998 to 2007

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
System Operations and Maintenance	611.5	574.5	578.5	567.5	567.5	545.5	537.5	533.5	867.0	855.5
Water Operations and Maintenance	278.5	309.5	311.5	312.5	314.5	328.5	334.5	331.5	N/A	N/A
Water Resources	42.0	42.0	43.0	45.0	45.0	47.0	47.0	47.0	48.0	49.0
Natural Resources	68.0	68.0	63.0	63.0	63.0	62.0	62.0	64.0	60.0	59.0
Engineering and Construction	260.5	266.5	275.5	274.5	275.5	267.5	267.5	266.5	258.5	258.0
Office of the General Manager	34.5	34.5	37.5	40.0	39.5	47.0	49.0	49.0	51.0	51.0
Finance	65.0	67.0	68.0	112.5	111.5	112.5	113.5	108.0	112.5	113.0
Information Systems	91.0	92.0	79.0	75.0	75.0	73.0	74.0	73.0	71.0	72.0
Administration Department	99.5	100.5	103.5	40.5	39.5	40.0	40.0	40.0	38.0	32.0
Customer and Community Services	137.0	138.0	130.0	149.0	152.0	149.0	151.5	154.5	154.5	154.5
Human Resources	49.5	49.5	50.5	50.5	50.5	48.5	48.5	49.5	47.5	47.5
Office of General Counsel	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Water Recycling Program	8.0	8.0	9.0	9.0	9.0	11.0	11.0	11.0	11.0	11.0
Wastewater	286.5	284.5	281.0	278.0	284.5	284.5	292.5	296.0	299.0	304.5
Total	2,048.0	2,051.0	2,046.5	2,033.5	2,043.5	2,032.5	2,045.0	2,040.0	2,034.5	2,023.5

Note: Budgeted full-time equivalent positions available by Function/Program, actual headcount at year end for Water System and Wastewater System listed in Table 2.

Operating Information
Assessed Valuation of Taxable Property

Fiscal Years 1998 to 2007
(In Millions)

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Water System										
Alameda County	\$ 62,405	\$ 58,190	\$ 55,508	\$ 51,866	\$ 49,437	\$ 46,919	\$ 44,199	\$ 41,861	\$ 40,753	\$ 39,042
Contra Costa County	64,099	60,592	55,475	51,916	48,479	43,849	41,091	38,926	38,212	36,243
Total	\$ 126,504	\$ 118,782	\$ 110,983	\$ 103,782	\$ 97,916	\$ 90,768	\$ 85,290	\$ 80,787	\$ 78,965	\$ 75,285
Wastewater System										
Alameda County	\$ 43,534	\$ 41,216	\$ 38,517	\$ 36,135	\$ 33,389	\$ 31,115	\$ 29,651	\$ 29,000	\$ 28,422	\$ 27,403
Contra Costa County	2,898	2,677	2,469	2,314	2,119	1,982	1,842	1,768	1,738	1,683
Total	\$ 46,432	\$ 43,893	\$ 40,986	\$ 38,449	\$ 35,508	\$ 33,097	\$ 31,493	\$ 30,768	\$ 30,160	\$ 29,086

Net assessed valuations, plus homeowners' exemptions, the taxes on which are paid by the State.
All valuations are stated on a 100% of full cash value basis.

Operating Information
Ten-Year Summary of Property, Plant and Equipment

Fiscal Years 1998 to 2007

Water System
(In Millions)

Fiscal Year Ended June 30

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Structures, Buildings and Equipment	\$ 3,470.3	\$ 3,221.5	\$ 3,037.4	\$ 2,824.3	\$ 2,533.9	\$ 2,338.0	\$ 2,211.6	\$ 2,039.7	\$ 1,891.2	\$ 1,730.4
Less Accumulated Depreciation	(965.3)	(917.9)	(857.1)	(801.3)	(744.9)	(695.4)	(645.6)	(600.5)	(563.1)	(526.4)
Subtotal	<u>2,505.0</u>	<u>2,303.6</u>	<u>2,180.3</u>	<u>2,023.0</u>	<u>1,789.0</u>	<u>1,642.6</u>	<u>1,566.0</u>	<u>1,439.2</u>	<u>1,328.1</u>	<u>1,204.0</u>
Land and Rights-of-Way	48.9	49.0	49.0	48.9	48.9	48.8	46.1	39.0	38.4	38.2
Construction in Progress	<u>243.7</u>	<u>314.1</u>	<u>295.8</u>	<u>322.2</u>	<u>421.0</u>	<u>419.8</u>	<u>341.6</u>	<u>354.8</u>	<u>373.4</u>	<u>386.0</u>
Total Capital Assets, Net	<u>\$ 2,797.6</u>	<u>\$ 2,666.7</u>	<u>\$ 2,525.1</u>	<u>\$ 2,394.1</u>	<u>\$ 2,258.9</u>	<u>\$ 2,111.2</u>	<u>\$ 1,953.7</u>	<u>\$ 1,833.0</u>	<u>\$ 1,739.9</u>	<u>\$ 1,628.2</u>

Operating Information
Ten-Year Summary of Property, Plant and Equipment

Fiscal Years 1998 to 2007

Wastewater System
(In Millions)

Fiscal Year Ended June 30

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Structures, Buildings and Equipment	\$ 711.6	\$ 703.6	\$ 677.7	\$ 662.7	\$ 653.4	\$ 633.7	\$ 603.1	\$ 529.7	\$ 485.6	\$ 481.5
Less Accumulated Depreciation	<u>(239.2)</u>	<u>(224.9)</u>	<u>(208.3)</u>	<u>(192.4)</u>	<u>(176.5)</u>	<u>(160.7)</u>	<u>(144.9)</u>	<u>(130.8)</u>	<u>(116.5)</u>	<u>(105.8)</u>
Subtotal	<u>472.4</u>	<u>478.7</u>	<u>469.4</u>	<u>470.3</u>	<u>476.9</u>	<u>473.0</u>	<u>458.2</u>	<u>398.9</u>	<u>369.1</u>	<u>375.7</u>
Land and Rights-of-Way	16.1	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.3
Construction in Progress	<u>50.9</u>	<u>30.0</u>	<u>21.3</u>	<u>20.3</u>	<u>14.1</u>	<u>23.9</u>	<u>38.1</u>	<u>89.2</u>	<u>106.5</u>	<u>92.1</u>
Total Capital Assets, Net	\$ 539.4	\$ 514.3	\$ 496.3	\$ 496.2	\$ 496.6	\$ 502.5	\$ 501.9	\$ 493.7	\$ 481.2	\$ 473.1

**Operating Information
Capital Asset Statistics by Function/Program**

Fiscal Years 1998 to 2007

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Water System										
Water mains (miles)	4,110	4,085	4,065	4,033	4,032	4,031	4,018	3,996	3,981	3,956
Fire hydrants	29,916	29,532	28,817	28,499	28,380	Data not available for 2002 and prior.				
Storage capacity (thousands of gallons)	774,000	833,000	785,000	848,000	840,000	847,000	843,000	829,000	824,000	820,000
Wastewater System										
Sanitary sewers (miles)	Owned by various communities									
Storm sewers (miles)	Owned by various communities									
Treatment capacity (thousands of gallons per day)	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000

Operating Information
Operating Indicators by Function/Program

Fiscal Years 1998 to 2007

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Water System										
New connections	1,994	2,230	1,928	1,925	2,455	1,164	1,612	1,336	1,978	1,573
Water main breaks	938	842	855	876	747	793	795	704	812	909
Average daily consumption (thousands of gallons)	214,000	211,000	205,000	224,000	213,000	211,000	216,000	215,000	211,000	201,000
Peak daily consumption (thousands of gallons)	336,000	311,000	310,000	373,000	373,000	312,000	312,000	341,000	322,000	304,000
Wastewater System										
Average daily sewage treatment (thousands of gallons)	67,000	82,000	76,000	72,000	73,000	74,000	73,000	81,000	79,000	97,000

**Operating Information
Ten-Year Summary of Expense by Source**

Fiscal Years 1998 to 2007
(In Millions)

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Interest and Amortization of Bonds	\$ 88.9	\$ 88.9	\$ 84.1	\$ 72.2	\$ 74.9	\$ 75.6	\$ 66.3	\$ 65.0	\$ 62.9	\$ 54.7
Depreciation on Utility Plant	84.5	76.9	78.7	70.4	67.7	64.5	60.9	58.4	48.8	46.2
Water Treatment and Distribution	77.0	76.0	72.7	72.5	62.3	61.2	58.8	61.0	59.7	54.7
General Administration	37.2	34.7	28.9	21.2	26.2	19.1	21.7	18.2	15.2	21.0
Raw Water	25.3	24.2	23.1	22.8	22.9	21.7	24.2	24.0	22.0	21.0
Sewer Treatment Plant Operations	23.0	22.1	20.9	19.8	19.3	20.0	18.9	19.7	18.8	18.2
Financial and Risk Management	15.7	17.5	15.2	15.5	13.1	11.2	11.2	11.4	11.4	11.3
Customer Accounting and Collecting	14.0	13.3	13.0	12.6	11.7	11.4	10.7	10.9	9.2	9.5
Facilities Management	11.6	10.9	12.5	10.2	9.0	7.8	8.0	8.5	7.4	7.2
Sewer Lines and Pumping	12.3	11.7	10.7	10.9	9.4	8.8	8.7	9.3	8.9	11.2
Recreation Areas, Net	9.4	8.3	7.8	7.8	7.0	6.9	6.4	6.2	6.8	7.3
Total:	\$ 398.9	\$ 384.5	\$ 367.6	\$ 335.9	\$ 323.5	\$ 308.2	\$ 295.8	\$ 292.6	\$ 271.1	\$ 262.3

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