

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended June 30, 2009



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Letter of Transmittal

GFOA Award Certificate

Board of Directors

Organizational Staffing

Organization Chart

December 31, 2009

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, 2009.

The CAFR has been prepared by the Finance Department in compliance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not surpass their benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

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, 2009. The purpose of the independent audit was to provide reasonable assurance that the financial statements of EBMUD for the year ended June 30, 2009, are free of material misstatements. 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. This transmittal is designed to complement the MD&A 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 East Bay Utility District is a publicly owned utility formed in 1923 under the Municipal Utility District Act of 1921 (MUD Act) to provide water services to part of Alameda and Contra Costa counties. 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.

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 331-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 650,000 customers in an 88-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, since its formation has continually pursued an array of solutions to provide reliable water supply and protecting the San Francisco Bay now and for the future. EBMUD employs approximately 1,900 full-time employees at the end of fiscal year 2009. All the staff at EBMUD works diligently around the clock on water supply and planning, drought protection, water conservation, infrastructure maintenance and improvements, watershed protection, wastewater treatment, and fiscal integrity and stability.

EBMUD is dedicated to being a "green company" generating 90 percent of the electricity needed to power our main wastewater plant by creating renewable energy using waste from food, wineries, fats, oils and greases. This reduced green-house gas emissions by 14,000 metric tons of carbon dioxide and avoided the need to haul these wastes long distances for composting or to landfills where they release methane – a potent greenhouse gas. This resource recovery project also provides \$7 million in revenue, helping keep wastewater rates low.

In the coming years, EBMUD 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.

Mission

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.

Values

- 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

Goals

- Long Term Water Supply
Ensure a reliable high quality water supply for the future.
- Water Quality and Environmental Protection
Meet or surpass environmental and public health standards and protect public trust values.
- 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.
- Long Term Financial Stability
Manage the District's finances to support District needs and maintain reasonable water and wastewater rates.
- Customer Service
Understand and be responsive to customer expectations for service.
- Workforce Planning and Development
Ensure ample talent to do the District's work today and tomorrow.

EBMUD faced two major challenges in FY09. The national financial crisis hits EBMUD with decreased revenue and higher operation costs. After three years of low rainfall, Governor Schwarzenegger declared a drought emergency and called on all Californian to cut water use. EBMUD once again demonstrated that through cooperative efforts with all the stakeholders, EBMUD were able to maneuver through the challenges with strength and stability.

Major Initiatives in Fiscal Year 2009

Drought Conservation and Management

The fiscal year followed two extremely dry winters from 2006-2008. In May 2008, EBMUD's water supply outlook was so poor that for the first time in nearly twenty years EBMUD Board of Directors declared a water shortage emergency and mandated water rationing to protect against a third dry year. In conjunction with water rationing, EBMUD conducted a successful outreach campaign informing our customers the need to conserve water, how to do so, what were the water-use restrictions, and how the drought rate were structured. Even with slightly warmer than average temperature during the drought, both residential and commercial customers stepped up to respond like they have done in the past, and reduced water use by an average of 13 percent. Customer efforts and ample rainfall in spring 2009 allowed the District to lift mandatory restrictions, followed by a request for 10 percent voluntary conservation to further protect future supplies and support Governor Schwarzenegger's request for water savings from all Californians.

Water Supply Management Program 2040

EBMUD completed development of Water Supply Management Program (WSMP) 2040. This 30 year plan calls for maintaining a reliable, high-quality water supply by aggressively conserving, recycling, and rationing (in dry years) water. Additional new water supply from water transfers, groundwater storage and regional supply projects will be developed. Two major regional supply projects under consideration are the desalination of ocean, bay or Delta water and enlargement of Pardee Reservoir to meet future growing regional water needs.

Drought Relief Management

Working together with Sacramento County and the City of Sacramento, the Freeport Regional Water project is near completion. During FY09, EBMUD completed the final miles of pipeline that allow water to be moved from the Sacramento River to EBMUD's system through the Folsom South Canal. This major California water supply project will deliver up to 100 million gallons of water per day to EBMUD during droughts providing much needed relief to our customers.

Rebuilding San Pablo Dam

FY09 saw the start of construction of new safeguards to protect San Pablo Dam from the damaging effect of earthquakes. The dam was built in 1921 and provides water to two water treatment plants. The project is moving ahead of schedule and is on tract for returning the reservoir to normal operating levels in early 2010.

Weathering a Financial Storm

FY 09 was a year of fiscal crisis for many public water utility agencies all over the country. EBMUD reacted quickly to the national recession and effectively managed our finance overcoming many extraordinary financial challenges. EBMUD aggressively conserved our financial resources, implemented cost cutting measures, re-prioritized projects, re-organized staffing, and leveraged on the technical capabilities and administrative knowledge of the organization to keep vital services in place so our customers could continue to receive high-quality water and reliable service at reasonable rates.

New Phase in Bay Protection

The East Bay has separate systems for storm water runoff and sewage, but storm water can seep into cracks in aging sewer system during storms, resulting in excess flow and the runoff partially treated sewage into the Bay. Under a settlement agreement with the U.S. Environmental Protection Agency, the State Water Resources Control Board and the Regional Water Quality Control Board, EBMUD will assist cities in our wastewater service area to repair damaged pipelines as quickly as possible, provide an incentive program for the repair of leaking private sewers servicing business or residences, and seek improvements in our wastewater transmission system.

The Delta: Watershed of Common Concern

The Mokelumne River, EBMUD's primary water source, flows into the Sacramento-San Joaquin Delta. While EBMUD's supplies are not taken directly from the Delta, the entire Delta watershed is critical to our water supply reliability and fishery protection program. The Delta's environment health has been a concern for decades, but in recent years real alarm has developed over its aging earthen levees. EBMUD has tirelessly advocated for a long-term sustainability plan that address both ecosystem and levee restoration. The impacts of far-reaching statewide legislation affecting the Delta will be taken into account as EBMUD implements WSMP 2040, our long-term water supply plan.

Financial Position and Highlights

During the past fiscal year, EBMUD faced a breakdown in the financial markets, severe reduction in local growth and development, a drought, and rising costs including health care and energy. Despite these challenges, EBMUD was able to sustain strong financial performance. While reserves dropped due to a reduction in local development and mandatory reduction in water use from the drought, EBMUD responded by introducing drought rates, implementing a hiring freeze and cost saving measures to ensure that spending matched revenue. As a result, EBMUD was able to maintain its strong and stable fiscal position and continue to meet its financial goals.

In FY09, the total assets of the District exceeded the total liabilities by \$1.6 billion (*net assets*). Net assets increased by \$15 million or 1% during the fiscal year. Capital assets increased by \$346 million or 10% to \$3.9 billion. There was a decrease of \$199 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 (81%) or \$1.3 billion represents its investment in capital assets necessary to provide services. The increase of 1% in Total Net Assets is consistent with the District's implementation of a five-year capital improvement program.

In FY09, Operating revenues and expenses have continued to grow at a steady rate over the past ten years. During the year, operating revenue increased by \$20 million or 6% to \$361 million and operating expense increased by \$20 million or 6% to \$364 million.

As of June 30th, 2009, Cash reserves are \$151 million or \$29 million above the target of \$122 million. These excess reserves will be used to fund future capital improvements.

Audit of Financial Statements

The accounting firm of Maze and Associates, Accountancy Corporation, was selected by EBMUD to perform the audit for fiscal year 2008-2009. The independent auditor's report on the Financial Statements is included in the financial section of this report and states that EBMUD's Financial Statements present fairly, in all material respect, the financial position of EBMUD, as of June 30, 2009, and the changes in its financial position and the cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Debt Administration

Prudent financial management policies have resulted in bond ratings of AAA from Standard & Poor's, Aa2 from Moody's and AA from Fitch. Our high ratings keep debt costs low, which keep rates low. By financing at favorable interest rates, the District carries a lower debt service, saving ratepayers' money. Due to the unprecedented changes in the financial markets, the District issued Water series 2009A Bonds in March of 2009 to refund Water Series 2008C Bonds. As of June 30, 2009, EBMUD had total long-term debt outstanding of \$2.6 billion (net of unamortized costs), decreasing by \$27 million or 1% from the prior year.

Budget and Rates

The adopted budget for Fiscal Year 2010 and 2011 supports the District's mission and goals. The Board of Directors approved a water system rate increase of 7.5 percent for both FY10 and FY11, and a wastewater system rate increase of 5 percent for both FY10 and FY11.

This budget funds the highest priority projects and tasks necessary to achieve our goals while keeping our costs and projected rate increases as low as possible. This was more difficult to achieve compared to previous years. The nationwide economic crisis, the California drought, and some EBMUD-specific program elements have created a perfect storm, driving down our expected revenue and escalating our anticipated costs for the next two-year budget cycle. The District will employ several different strategies to balance the budget given anticipated cost increases during FY10-FY11. These strategies include deferral of discretionary expenses, operational efficiencies, implementing a hiring freeze with limited exceptions for operational necessity and reductions in contract related services.

The total water system budget is \$526 million in FY10, and \$542 million in FY11. The District has committed to maintain and enhance infrastructure and acquire a much needed supplemental water supply. Over the next five years, the District anticipates spending \$34 million to complete the Freeport Regional Water Project to ensure adequate water supplies during times of drought; \$37 million to complete seismic modifications to San Pablo Dam; \$25 million on water treatment and transmission improvements to meet current and projected water needs in Lafayette, Orinda, Moraga, and western Walnut Creek; \$30 million on water recycling and water conservation programs; and hundreds of millions to maintain the District's pipelines, aqueducts, pumping plants and other infrastructure.

The total wastewater system budget is \$137 million in FY10, and \$102 million in FY11. Over the next five years, the District anticipates spending over \$20 million on a newly required infiltration/inflow control program for the District's wet weather facilities which requires extensive flow monitoring and modeling, inspection of the entire EBMUD interceptor system, and a private sewer lateral incentive program. Other projects include \$43 million to upgrade the digesters and \$26 million to expand the power generation station to use digester gas as a renewable resource to generate power.

Internal Controls

The management of EBMUD is responsible for establishing and maintaining adequate internal controls to assure that EBMUD's operations are effective and efficient, applicable laws and regulations are followed, and financial reports are reliable. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management.

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, 2008. 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 CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. This is the third consecutive year that EBMUD has received this award. We are submitting our current CAFR to determine its eligibility for another certificate.

In addition, the District also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 9, 2009. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

I would like to thank the staff of the Financial Reporting Section in the Accounting Division, the Controller, the entire Finance Department, and staff members of other departments for their efforts put into the preparation of this report. I would also like to thank the Board of Directors for their continued interest and support towards achieving excellence in financial management.

Respectfully submitted,



Gary M. Breaux
Director of Finance

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, 2008

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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.

BOARD OF DIRECTORS

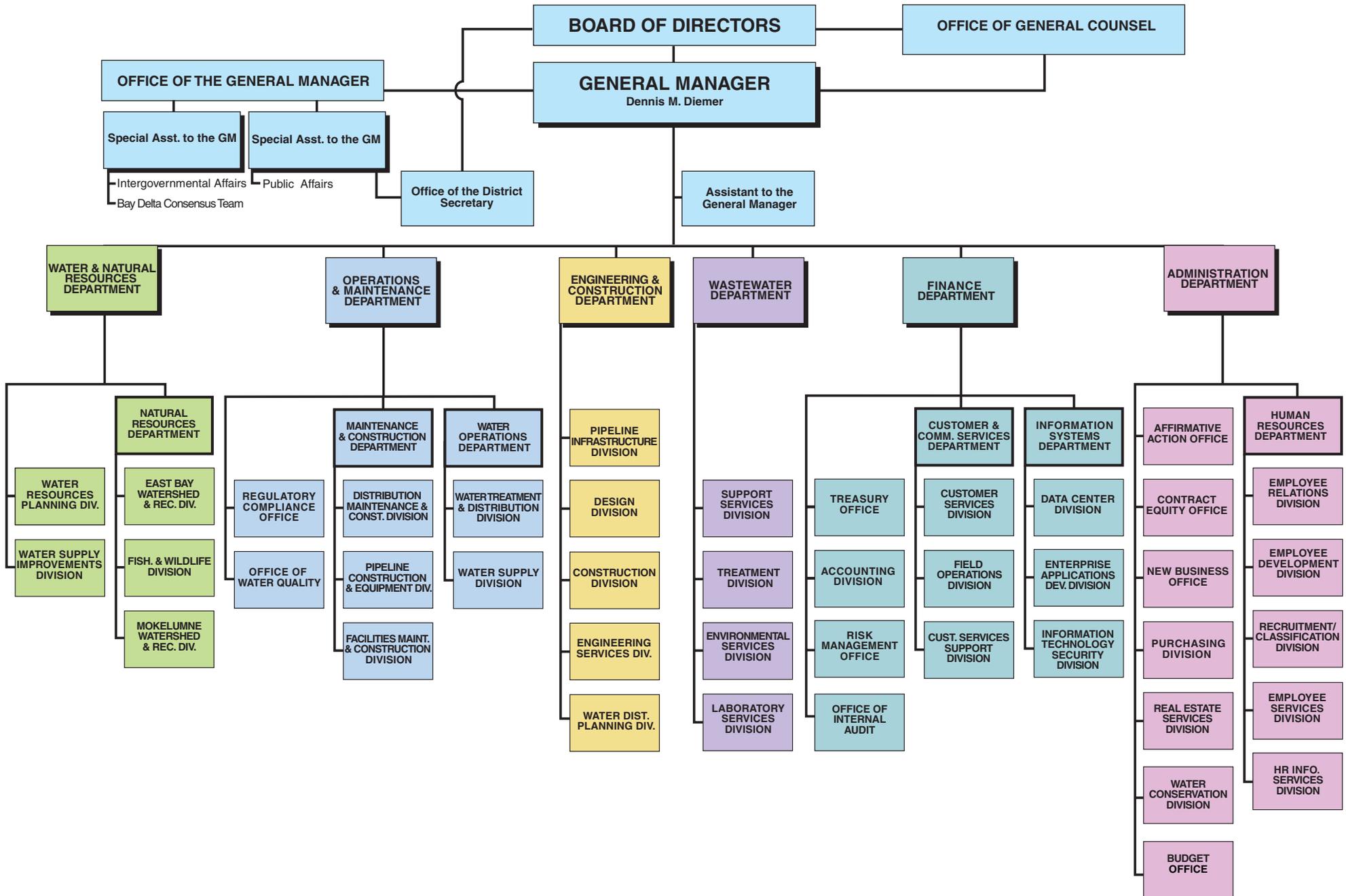
Doug A Linney	President
John A Coleman	Vice President
Katie H. Foulkes.....	Director
Andy Katz.....	Director
Lesa R. McIntosh.....	Director
Frank G. Mellon	Director
William B. Patterson.....	Director

GENERAL MANAGER Dennis M. Diemer

FINANCE DIRECTOR Gary M. Breaux

CONTROLLER D. Scott Klein

PREPARED Accounting Division of the
Finance Department





Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplemental Information

EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

PREPARED BY THE
FINANCE DEPARTMENT

**EAST BAY MUNICIPAL UTILITY DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Years Ended June 30, 2009 and 2008**

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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, 2009 and 2008, 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, 2009 and 2008, 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 issued our report dated August 17, 2009 on our consideration of the East Bay Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, 2009

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EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

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, 2009. 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
- 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 331 square mile service area. The wastewater system serves about 650,000 within an 88 square mile service area. The District recovers cost of service primarily 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, 2009

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 21 to 55 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 57 to 61 of this report.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

FINANCIAL ANALYSIS

Financial Highlights

- The total assets of the District exceeded the total liabilities by \$1.6 billion (*net assets*).
- Net assets increased by \$15 million or 1% during the fiscal year.
- Capital assets increased by \$346 million or 10% to \$3.9 billion.
- During the year, operating revenue increased by \$20 million or 6% to \$361 million.
- Operating expense increased by \$20 million or 6% to \$364 million.
- Capital contributions, consisting of capital facility fees, decreased by \$6 million or 11% from the prior fiscal year.

Financial Position

The District's net assets increased by \$15 million or 1% during the year (*see Table 1 on the following page*). There was a decrease of \$365 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, 81% or \$1.3 billion represents its investment in capital assets necessary to provide services. The increase of 1% 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, 2009

Table 1

Net Assets

Water and Wastewater

June 30, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 444,554	809,873	(365,319)	(45)%
Capital assets	3,929,880	3,584,180	345,700	10%
Total assets	<u>4,374,434</u>	<u>4,394,053</u>	<u>(19,619)</u>	<u>(0)%</u>
Current and other liabilities	186,977	191,691	(4,714)	(2)%
Long-term liabilities	2,571,183	2,600,899	(29,716)	(1)%
Total liabilities	<u>2,758,160</u>	<u>2,792,590</u>	<u>(34,430)</u>	<u>(1)%</u>
Net assets:				
Invested in capital assets, net of related debt	1,304,624	1,182,822	121,802	10%
Restricted	146,330	143,489	2,841	2%
Unrestricted	165,320	275,152	(109,832)	(40)%
Total net assets	<u>\$ 1,616,274</u>	<u>1,601,463</u>	<u>14,811</u>	<u>1%</u>

Table 1 (Continued)

Net Assets

Water and Wastewater

June 30, 2008 and 2007

(In thousands)

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 809,873	1,008,449	(198,576)	(20)%
Capital assets	3,584,180	3,337,081	247,099	7%
Total assets	<u>4,394,053</u>	<u>4,345,530</u>	<u>48,523</u>	<u>1%</u>
Current and other liabilities	191,691	152,041	39,650	26%
Long-term liabilities	2,600,899	2,639,139	(38,240)	(1)%
Total liabilities	<u>2,792,590</u>	<u>2,791,180</u>	<u>1,410</u>	<u>0%</u>
Net assets:				
Invested in capital assets, net of related debt	1,182,822	1,174,486	8,336	1%
Restricted	143,489	130,641	12,848	10%
Unrestricted	275,152	249,223	25,929	10%
Total net assets	<u>\$ 1,601,463</u>	<u>1,554,350</u>	<u>47,113</u>	<u>3%</u>

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

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, 2009 and 2008
(In thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Water	\$ 287,313	270,564	16,749	6%
Sewer	54,749	53,119	1,630	3%
Power	4,318	3,091	1,227	40%
Wet weather facilities charges	14,343	13,669	674	5%
Total operating revenues	<u>360,723</u>	<u>340,443</u>	<u>20,280</u>	6%
Operating Expenses:				
Raw Water	36,235	29,586	6,649	22%
Water treatment & distribution	83,490	80,822	2,668	3%
Recreation areas, net	9,043	8,633	410	5%
Sewer lines & pumps	13,204	12,031	1,173	10%
Sewer treatment plant operations	25,925	24,839	1,086	4%
Customer accounting & collecting	16,518	14,781	1,737	12%
Financial risk management	20,807	17,930	2,877	16%
Facilities management	8,665	10,018	(1,353)	(14)%
General administration	63,746	61,910	1,836	3%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	86,820	84,004	2,816	3%
Total operating expenses	<u>364,453</u>	<u>344,554</u>	<u>19,899</u>	6%
Net operating income (expense)	(3,730)	(4,111)	381	(9)%
Nonoperating income (expense):				
Investment income	28,602	46,290	(17,688)	(38)%
Taxes & subventions	30,795	29,922	873	3%
Interest & amortization or bond expenses, net	(92,260)	(106,705)	14,445	(14)%
Other income (expense)	4,092	28,407	(24,315)	(86)%
Total other income (expense), net	<u>(28,771)</u>	<u>(2,086)</u>	<u>(26,685)</u>	1,279%
Income (Loss) before contributions	(32,501)	(6,197)	(26,304)	424%
Capital contributions	47,312	53,310	(5,998)	(11)%
Change in net assets	14,811	47,113	(32,302)	(69)%
Total net assets – beginning	<u>1,601,463</u>	<u>1,554,350</u>	<u>47,113</u>	3%
Total net assets – ending	<u>\$ 1,616,274</u>	<u>1,601,463</u>	<u>14,811</u>	1%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

Table 2 (Continued)
 Changes in Net Assets
 Water and Wastewater
 June 30, 2008 and 2007
 (In thousands)

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Water	\$ 270,564	260,678	9,886	4%
Sewer	53,119	50,387	2,732	5%
Power	3,091	4,236	(1,145)	(27)%
Wet weather facilities charges	13,669	13,735	(66)	(0)%
Total operating revenues	<u>340,443</u>	<u>329,036</u>	<u>11,407</u>	3%
Operating Expenses:				
Raw Water	29,586	25,252	4,334	17%
Water treatment & distribution	80,822	77,021	3,801	5%
Recreation areas, net	8,633	9,449	(816)	(9)%
Sewer lines & pumps	12,031	12,270	(239)	(2)%
Sewer treatment plant operations	24,839	22,972	1,867	8%
Customer accounting & collecting	14,781	13,992	789	6%
Financial risk management	17,930	15,732	2,198	14%
Facilities management	10,018	11,579	(1,561)	(13)%
General administration	61,910	37,151	24,759	67%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	84,004	84,494	(490)	(1)%
Total operating expenses	<u>344,554</u>	<u>309,912</u>	<u>34,642</u>	11%
Net operating income (expense)	(4,111)	19,124	(23,235)	(121)%
Nonoperating income (expense):				
Investment income	46,290	24,444	21,846	89%
Taxes & subventions	29,922	28,468	1,454	5%
Interest & amortization or bond expenses, net	(106,705)	(88,914)	(17,791)	20%
Other income (expense)	28,407	8,323	20,084	241%
Total other income (expense), net	<u>(2,086)</u>	<u>(27,679)</u>	<u>25,593</u>	(92)%
Income (Loss) before contributions	(6,197)	(8,555)	2,358	(28)%
Capital contributions	53,310	71,036	(17,726)	(25)%
Change in net assets	47,113	62,481	(15,368)	(25)%
Total net assets – beginning	<u>1,554,350</u>	<u>1,491,869</u>	<u>62,481</u>	4%
Total net assets – ending	<u>\$ 1,601,463</u>	<u>1,554,350</u>	<u>47,113</u>	3%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

In the current fiscal year, the District's total operating revenue of \$361 million for the year increased by \$20 million and total operating expense increased by \$20 million. The District's changes in net assets for the year, including capital contributions, decreased by \$32 million or 69%. The major components of this decrease were:

- Water revenue increased by \$17 million, mainly reflecting the 3.75% rate increase and the drought surcharge in fiscal year 2009.
- Operating expense increased by \$20 million, primarily reflecting increases in raw water, water treatment and distribution, sewer treatment plant operations, financial risk management and depreciation expenses across both water and wastewater systems.
- Nonoperating income (net of nonoperating expense) decreased by \$27 million, primarily reflecting a decrease in investment income, a decrease in other income due to a receipt of a one-time settlement in the previous fiscal year, which was offset by a decrease in interest and amortization of bond expenses (net).
- Capital contributions decreased by \$6 million primarily reflecting a reduction in fees received for system capacity charges, mitigation, main, hydrant, service and miscellaneous installations due to the current economic downturn.

In the previous fiscal year, the District's total operating revenue of \$333 million for the year increased by \$10 million and total operating expense increased by \$35 million. The District's changes in net assets for the year, including capital contributions, decreased by \$15 million or 25%. The major components of this decrease were:

- Water revenue increased by \$10 million, mainly reflecting the 5% rate increase in fiscal year 2009.
- Operating expense increased by \$35 million, primarily reflecting increases in raw water, water treatment and distribution, sewer treatment plant operations, financial risk management and general administration expenses across both water and wastewater systems.
- Nonoperating income (net of nonoperating expense) increased by \$27 million, primarily reflecting an increase in investment income and other income offset by an increase in interest and amortization or bond expenses (net).
- Capital contributions decreased by \$18 million primarily reflecting a reduction in fees received for system capacity charges, mitigation, main, hydrant, service and miscellaneous installations.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

Capital Assets

The District had \$3.9 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2009. 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 \$346 million or 10% over the prior fiscal year. The previous fiscal year, ended June 30, 2008, increased \$247 million or 7% from the June 30, 2007, value. Both increases are consistent with the District's implementation of a five-year (FY 08 to FY 12) 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, 2009 and 2008
(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2009	2008	2009	2008	2009	2008	Amount	%
Structures, buildings, and equipment	\$ 2,600,988	2,556,570	494,839	489,162	3,095,827	3,045,732	50,095	1.6%
Land and rights of way	50,851	49,862	19,688	19,547	70,539	69,409	1,130	1.6%
Construction work in progress	705,580	422,726	57,934	46,313	763,514	469,039	294,475	62.8%
Totals	\$ 3,357,419	3,029,158	572,461	555,022	3,929,880	3,584,180	345,700	9.6%

Table 3 (Continued)
Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2008 and 2007
(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2008	2007	2008	2007	2008	2007	Amount	%
Structures, buildings, and equipment	\$ 2,556,570	2,504,980	489,162	472,424	3,045,732	2,977,404	68,328	2.3%
Land and rights of way	49,862	48,956	19,547	16,087	69,409	65,043	4,366	6.7%
Construction work in progress	422,726	243,707	46,313	50,927	469,039	294,634	174,405	59.2%
Totals	\$ 3,029,158	2,797,643	555,022	539,438	3,584,180	3,337,081	247,099	7.4%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

This year's major capital additions included:

Water

Folsom South Canal Connection	\$ 108,723
Freeport Regional Water Project	70,753
San Pablo Dam Seismic Modifications	42,358
Pipeline Infrastructure Renewals	20,376
RARE Water Project	14,866
Service Lateral Replacements Polybutylene	14,690
Moraga Road Pipeline Project	11,642
New Service Installations	10,640
Mokelumne Aqueduct Recoating	9,034
Bayside Groundwater Project	7,488
Vulnerability Assessment Security System Improvements	6,547
Vehicle Replacements	6,301
Water Conservation Project	6,173
Pipeline System Extensions	6,103

Wastewater

South Interceptor Relocation High St	7,349
Power Generation Station Expansion	4,681
Digester Upgrade	4,350
Centrifuge Replacement	3,685
Routine Capital Equipment Replacement	2,147
Treatment Plant Infrastructure	2,033

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

Debt Administration

As of June 30, 2009, the District had total long-term debt outstanding of \$2.6 billion (net of unamortized costs), decreasing by \$27 million or 1%, as shown in Table 4.

As of June 30, 2008, the District had total long-term debt outstanding of \$2.7 billion (net of unamortized costs), decreasing by \$34 million or 1%, as shown in Table 4.

Table 4
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2009 and 2008
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2009	2008	2009	2008	2009	2008	Amount	%
General obligation bonds	\$ —	—	29,800	32,120	29,800	32,120	(2,320)	(7.2)%
Revenue bonds	1,903,475	1,935,464	303,574	309,163	2,207,049	2,244,627	(37,578)	(1.7)%
Commercial paper	315,300	315,000	15,000	15,000	330,300	330,000	300	0.1%
Loans	32,768	15,478	25,339	29,878	58,107	45,356	12,751	28.1%
Totals	\$ 2,251,543	2,265,942	373,713	386,161	2,625,256	2,652,103	(26,847)	(1.0)%

Table 4 (Continued)
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2008 and 2007
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2008	2007	2008	2007	2008	2007	Amount	%
General obligation bonds	\$ —	—	32,120	34,298	32,120	34,298	(2,178)	(6.4)%
Revenue bonds	1,935,464	1,970,253	309,163	315,863	2,244,627	2,286,116	(41,489)	(1.8)%
Commercial paper	315,000	315,000	15,000	—	330,000	315,000	15,000	4.8%
Loans	15,478	17,189	29,878	34,278	45,356	51,467	(6,111)	(11.9)%
Totals	\$ 2,265,942	2,302,442	386,161	384,439	2,652,103	2,686,881	(34,778)	(1.3)%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2009

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/Variable Rate Debt: 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, 2009, the District had \$1.3 billion in authorized but unissued revenue bonds (\$1.1 billion Water and \$0.2 billion Wastewater).

Table 5
Debt Ratings
Water and Wastewater
June 30, 2009

District debt by type	Rating by		
	Standard & Poor's	Moody's Investors Service	Fitch
Water system:			
Extendable Commercial Paper	A1+	P1	F1+
Subordinated Revenue Bonds	AAA	Aa2	AA
Wastewater system:			
Extendable Commercial Paper	A1+	P1	F1+
Subordinated Revenue Bonds	AAA	Aa3	AA
General Obligation Bonds	AA+	Aa3	-

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

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, 2009 AND 2008
(DOLLARS IN THOUSANDS)

Assets	Water System		Wastewater System		Totals	
	2009	2008	2009	2008	2009	2008
Current assets:						
Cash and investments (Note 2)	\$150,119	\$273,887	\$46,443	\$42,167	\$196,562	\$316,054
Receivables:						
Customer	27,222	20,639	3,831	3,061	31,053	23,700
Interest and other	7,698	6,528	8,715	1,993	16,413	8,521
Materials and supplies	6,729	10,168			6,729	10,168
Prepaid insurance	1,407	1,375			1,407	1,375
Total current assets	<u>193,175</u>	<u>312,597</u>	<u>58,989</u>	<u>47,221</u>	<u>252,164</u>	<u>359,818</u>
Noncurrent assets:						
Restricted cash and investments (Note 2):						
Bond construction fund		218,662		32,083		250,745
Bond interest and redemption fund	129	964			129	964
Debt service reserve fund	53,093	48,675	5,595	5,494	58,688	54,169
Funds received for construction	88,619	93,205			88,619	93,205
FERC partnership fund	2,323	2,277			2,323	2,277
Monetary reserve	714	706			714	706
Total restricted cash and investments	<u>144,878</u>	<u>364,489</u>	<u>5,595</u>	<u>37,577</u>	<u>150,473</u>	<u>402,066</u>
Unrestricted investments (Note 2):						
Reserve funded CIP			13,777	13,320	13,777	13,320
Vehicle/equipment replacement fund	4,232	4,811	7,836	8,243	12,068	13,054
Total unrestricted cash and investments	<u>4,232</u>	<u>4,811</u>	<u>21,613</u>	<u>21,563</u>	<u>25,845</u>	<u>26,374</u>
Other assets:						
Deferred bond issuance costs	10,080	10,194	1,973	1,942	12,053	12,136
Other	122	8,078	3,897	1,401	4,019	9,479
Total other assets	<u>10,202</u>	<u>18,272</u>	<u>5,870</u>	<u>3,343</u>	<u>16,072</u>	<u>21,615</u>
Capital assets (Note 3):						
Structures, buildings, and equipment	3,705,150	3,591,588	768,513	744,730	4,473,663	4,336,318
Less accumulated depreciation	(1,104,162)	(1,035,018)	(273,674)	(255,568)	(1,377,836)	(1,290,586)
Subtotal	<u>2,600,988</u>	<u>2,556,570</u>	<u>494,839</u>	<u>489,162</u>	<u>3,095,827</u>	<u>3,045,732</u>
Land and rights-of-way	50,851	49,862	19,688	19,547	70,539	69,409
Construction in progress	705,580	422,726	57,934	46,313	763,514	469,039
Total capital assets, net	<u>3,357,419</u>	<u>3,029,158</u>	<u>572,461</u>	<u>555,022</u>	<u>3,929,880</u>	<u>3,584,180</u>
Total noncurrent assets	<u>3,516,731</u>	<u>3,416,730</u>	<u>605,539</u>	<u>617,505</u>	<u>4,122,270</u>	<u>4,034,235</u>
Total assets	<u>\$3,709,906</u>	<u>\$3,729,327</u>	<u>\$664,528</u>	<u>\$664,726</u>	<u>\$4,374,434</u>	<u>\$4,394,053</u>

(Continued)

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
PROPRIETARY FUNDS - ENTERPRISE
JUNE 30, 2009 AND 2008
(DOLLARS IN THOUSANDS)

Liabilities and Net Assets	Water System		Wastewater System		Totals	
	2009	2008	2009	2008	2009	2008
Current liabilities:						
Current maturities of long-term debt (Note 6)	\$40,697	\$38,378	\$13,376	\$12,826	\$54,073	\$51,204
Accounts payable and accrued expenses (Note 4)	93,547	101,242	18,715	13,647	112,262	114,889
Accrued interest	7,369	8,031	2,116	2,223	9,485	10,254
Total current liabilities	<u>141,613</u>	<u>147,651</u>	<u>34,207</u>	<u>28,696</u>	<u>175,820</u>	<u>176,347</u>
Noncurrent liabilities:						
Other liabilities:						
Advances for construction	4,143	7,832			4,143	7,832
Other liabilities	1,699	1,937	5,315	5,575	7,014	7,512
Total other liabilities	<u>5,842</u>	<u>9,769</u>	<u>5,315</u>	<u>5,575</u>	<u>11,157</u>	<u>15,344</u>
Long-term liabilities and commercial paper, net of current maturities (Note 5 & 6)	<u>2,210,846</u>	<u>2,227,564</u>	<u>360,337</u>	<u>373,335</u>	<u>2,571,183</u>	<u>2,600,899</u>
Total noncurrent liabilities	<u>2,216,688</u>	<u>2,237,333</u>	<u>365,652</u>	<u>378,910</u>	<u>2,582,340</u>	<u>2,616,243</u>
Total liabilities	<u>2,358,301</u>	<u>2,384,984</u>	<u>399,859</u>	<u>407,606</u>	<u>2,758,160</u>	<u>2,792,590</u>
Net assets (Note 7):						
Invested in capital assets, net of related debt	1,105,876	981,878	198,748	200,944	1,304,624	1,182,822
Restricted for construction	84,476	85,373			84,476	85,373
Restricted for debt service	53,222	49,639	5,595	5,494	58,817	55,133
Restricted - other	3,037	2,983			3,037	2,983
Unrestricted	104,994	224,470	60,326	50,682	165,320	275,152
Total net assets	<u>1,351,605</u>	<u>1,344,343</u>	<u>264,669</u>	<u>257,120</u>	<u>1,616,274</u>	<u>1,601,463</u>
Total liabilities and net assets	<u>\$3,709,906</u>	<u>\$3,729,327</u>	<u>\$664,528</u>	<u>\$664,726</u>	<u>\$4,374,434</u>	<u>\$4,394,053</u>

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, 2009 AND 2008
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	2009	2008	2009	2008	2009	2008
Operating revenue:						
Water	\$287,313	\$270,564			\$287,313	\$270,564
Sewer			\$54,749	\$53,119	54,749	53,119
Power	4,318	3,091			4,318	3,091
Wet weather facilities charges			14,343	13,669	14,343	13,669
Total operating revenue	291,631	273,655	69,092	66,788	360,723	340,443
Operating expense:						
Raw water	36,235	29,586			36,235	29,586
Water treatment and distribution	83,490	80,822			83,490	80,822
Recreation areas, net	9,043	8,633			9,043	8,633
Sewer lines and pumping			13,204	12,031	13,204	12,031
Sewer treatment plant operations			25,925	24,839	25,925	24,839
Customer accounting and collecting	14,118	12,828	2,400	1,953	16,518	14,781
Financial risk management	20,066	17,037	741	893	20,807	17,930
Facilities management	8,665	10,018			8,665	10,018
General administration	55,876	54,047	7,870	7,863	63,746	61,910
Depreciation on utility plant	68,518	67,576	18,302	16,428	86,820	84,004
Total operating expense	296,011	280,547	68,442	64,007	364,453	344,554
Net operating income (loss)	(4,380)	(6,892)	650	2,781	(3,730)	(4,111)
Other income (expense):						
Investment income	25,548	40,440	3,054	5,850	28,602	46,290
Taxes and subventions	23,418	22,731	7,377	7,191	30,795	29,922
Interest and amortization of bond expenses, net of capitalized interest of \$17,683 and \$11,533 for Water System and \$2,031 and \$2,388 for the Water System in 2009 and 2008, respectively	(78,751)	(91,713)	(13,509)	(14,992)	(92,260)	(106,705)
Other income	3,075	27,863	1,017	544	4,092	28,407
Total other income (expense), net	(26,710)	(679)	(2,061)	(1,407)	(28,771)	(2,086)
Income before capital contributions	(31,090)	(7,571)	(1,411)	1,374	(32,501)	(6,197)
Capital contributions	38,352	50,466	8,960	2,844	47,312	53,310
Change in net assets	7,262	42,895	7,549	4,218	14,811	47,113
Total net assets - beginning	1,344,343	1,301,448	257,120	252,902	1,601,463	1,554,350
Total net assets - ending	\$1,351,605	\$1,344,343	\$264,669	\$257,120	\$1,616,274	\$1,601,463

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, 2009 AND 2008
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	2009	2008	2009	2008	2009	2008
Cash flows from operating activities						
Cash received from customers	\$293,004	\$272,479	\$68,322	\$60,047	\$361,326	\$332,526
Cash received from other income	3,075	27,863	1,017	7,502	4,092	35,365
Cash payments for judgments and claims	(10,158)	(6,006)	(884)	(528)	(11,042)	(6,534)
Cash payments to suppliers for goods and services	(49,428)	(9,834)	(21,094)	(24,924)	(70,522)	(34,758)
Cash payments to employees for services	(146,482)	(138,738)	(25,077)	(19,505)	(171,559)	(158,243)
Net cash provided by operating activities	90,011	145,764	22,284	22,592	112,295	168,356
Cash flows from noncapital financing activities:						
Tax receipts	23,418	22,731	7,377	7,191	30,795	29,922
Net cash provided by financing activities	23,418	22,731	7,377	7,191	30,795	29,922
Capital and related financing activities:						
Capital contributions	38,352	50,466	8,960	2,844	47,312	53,310
Proceeds from (usage of) advances for construction	(3,689)	(3,270)			(3,689)	(3,270)
Proceeds from sale of capital assets	1,317	962	30		1,347	962
Net proceeds and premiums from sale of bonds	326,737	814,475	(101)	184,600	326,636	999,075
Acquisition and construction of capital assets	(424,047)	(248,625)	(36,544)	(29,168)	(460,591)	(277,793)
Principal retirement on long-term debt and commercial paper	(386,264)	(36,297)	(12,448)	(12,278)	(398,712)	(48,575)
Proceeds from issuance of long term debt and commercial paper	371,865				371,865	
Amount paid to refunding bond escrow agent	(330,425)	(814,475)		(184,600)	(330,425)	(999,075)
Costs and discounts from issuance on long-term debt	(730)	(1,416)		(731)	(730)	(2,147)
Interest paid on long-term debt	(79,299)	(87,228)	(13,647)	(13,098)	(92,946)	(100,326)
Net cash provided by (used in) capital and related financing activities	(486,183)	(325,408)	(53,750)	(52,431)	(539,933)	(377,839)
Cash flows from investing activities:						
Proceeds from sale of securities	679,862		88,688		768,550	
Expenditures from purchases of securities	(292,250)	(6,494)	(59,158)	23,134	(351,408)	16,640
Interest received on investments	24,378	39,330	(3,668)	10,579	20,710	49,909
Net cash provided by investing activities	411,990	32,836	25,862	33,713	437,852	66,549
Net increase (decrease) in cash and cash equivalents	39,236	(124,077)	1,773	11,065	41,009	(113,012)
Cash and cash equivalents:						
Beginning of year	27,368	151,445	13,542	2,477	40,910	153,922
End of year	\$66,604	\$27,368	\$15,315	\$13,542	\$81,919	\$40,910

(Continued)

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, 2009 AND 2008
 (DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	2009	2008	2009	2008	2009	2008
Reconciliation of net operating (loss) income to net cash provided by operating activities:						
Net operating income (loss)	(\$4,380)	(\$6,892)	\$650	(\$4,177)	(\$3,730)	(\$11,069)
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation	72,973	67,576	18,302	16,428	91,275	84,004
Amortization	21,496	19,805	773	424	22,269	20,229
Other income	3,075	27,863	1,017	7,502	4,092	35,365
Changes in assets/liabilities:						
Materials and supplies	3,439	66			3,439	66
Prepaid insurance	(32)	534			(32)	534
Customer receivables	(6,583)	(1,001)	(770)	217	(7,353)	(784)
Other assets	7,956	(175)	(2,496)	(242)	5,460	(417)
Accounts payable and accrued expenses	(7,933)	37,988	4,808	2,440	(3,125)	40,428
Net cash provided by operating activities	<u>\$90,011</u>	<u>\$145,764</u>	<u>\$22,284</u>	<u>\$22,592</u>	<u>\$112,295</u>	<u>\$168,356</u>
Cash as presented on the Statement of Net Assets as follows:						
Cash and investments included in current assets	\$150,119	\$273,887	\$46,443	\$42,167	\$196,562	\$316,054
Cash and investments included in restricted assets	144,878	364,489	5,595	37,577	150,473	402,066
Cash and investments included in unrestricted assets	4,232	4,811	21,613	21,563	25,845	26,374
Total District cash and investments	<u>299,229</u>	<u>643,187</u>	<u>73,651</u>	<u>101,307</u>	<u>372,880</u>	<u>744,494</u>
Less non-current investments	<u>(232,625)</u>	<u>(615,819)</u>	<u>(58,336)</u>	<u>(87,765)</u>	<u>(290,961)</u>	<u>(703,584)</u>
District cash and cash equivalents	<u>\$66,604</u>	<u>\$27,368</u>	<u>\$15,315</u>	<u>\$13,542</u>	<u>\$81,919</u>	<u>\$40,910</u>

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, 2009 AND 2008
(DOLLARS IN THOUSANDS)

	2009	2008
Assets:		
Cash and investments (Note 2)	\$50,005	\$34,645
Invested securities lending collateral (Note 1.L and 2)	46,654	80,965
Receivables:		
Contributions	1,537	1,230
Interest and other	8,334	20,469
Prepaid insurance	382	367
Retirement system investments, at fair value (Note 2):		
U.S. government obligations	44,264	71,379
Domestic corporate bonds	54,169	70,299
International bonds	6,823	9,651
Domestic stocks	411,622	491,063
International stocks	125,356	181,016
Real estate	16,936	23,836
Total Investments	659,170	847,244
Total assets	766,082	984,920
Liabilities:		
Accounts payable and accrued expenses	1,300	749
Retirement system liabilities	49,378	64,592
Securities lending collateral (Note 1.L.)	46,654	80,965
Total liabilities	97,332	146,306
Net assets:		
Held in trust for pension benefits	663,093	832,139
Held in trust for post-employment healthcare benefits	5,657	6,475
Total net assets	\$668,750	\$838,614

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
(COMPONENT UNIT)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(DOLLARS IN THOUSANDS)

	2009	2008
Additions:		
Contributions (Note 8)		
Employer	\$45,803	\$44,603
Plan members	10,740	10,394
Total contributions	56,543	54,997
Investment income:		
Net (depreciation) in fair value of investments		
Traded securities	(180,070)	(96,753)
Interest	7,668	11,251
Dividends	11,359	13,676
Real estate operating income, net	(7,146)	2,249
Total investment income	(168,189)	(69,577)
Less:		
Investment expense	(2,210)	(2,889)
Borrowers' rebates and other agent fees on securities lending transactions	(534)	(3,520)
Net investment income	(170,933)	(75,986)
Total additions, net	(114,390)	(20,989)
Deductions:		
Benefits paid	54,145	50,476
Refund of contributions	357	304
Administrative expenses	972	721
Total deductions	55,474	51,501
Change in net assets	(169,864)	(72,490)
Net assets:		
Beginning of year	838,614	911,104
End of year	\$668,750	\$838,614

See accompanying notes to basic financial statements

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(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, 2008.

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, 2009 AND 2008
(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 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, 2009 AND 2008
(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. Use 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, 2009 AND 2008
(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 2.07% average net book value of capital assets for each of the years ended June 30, 2009 and 2008.

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 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, 2009 AND 2008
(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, 2009, 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, 2009, 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, 2009 AND 2008
(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, 2009, had a weighted average maturity of 15 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 58 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, 2009, the fair value of securities on loan was \$46,654. The total cash and non-cash collateral held by the System's custodian to secure these securities on loan was valued at \$45,063, consisting of \$45,014 cash collateral and \$49 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 as of June 30 are included on the balance sheet in accounts payable and accrued expenses. In previous years, trends have shown that the District employees utilize the accruals annually, therefore, amounts payable are accrued and reported as a current liability on the financial statements.

The changes in compensated absences were as follows:

Beginning Balance	\$25,361
Additions	29,351
Payments	<u>(28,999)</u>
Ending Balance	<u><u>\$25,713</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 and capital costs related to wet weather sewage flows.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(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.

Q. Reclassification

For the year ended June 30, 2009, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2009 presentation.

NOTE 2 - CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of June 30, 2009 are as follows:

	Water System	Wastewater System	Total
<i>District Enterprise Funds:</i>			
Cash and investments included in current assets	\$150,119	\$46,443	\$196,562
Cash and investments included in restricted assets	144,878	5,595	150,473
Cash and investments included in unrestricted assets	4,232	21,613	25,845
Total District cash and investments	299,229	73,651	372,880
Less non-current investments	(232,625)	(58,336)	(290,961)
District cash and cash equivalents	\$66,604	\$15,315	\$81,919
 <i>System Pension Trust Funds:</i>			
Cash and investments			\$50,005
Invested securities lending collateral			46,654
Retirement system investments			659,170
Total System cash and investments			\$755,829

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(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, or 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%
Municipal Bonds	5 Years	AA	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, 2009 AND 2008
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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. 6439*.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Dollars in Thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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 and 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 District's investments by maturity or earliest call date.

<i>District Enterprise Funds:</i>	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Total
Investment Type					
U.S. Government-Sponsored Enterprise Agencies:					
Non-callable	\$2,295	\$10,220	\$9,222		\$21,737
Callable	38,239	13,105	11,917		63,261
Corporate Securities					
Non-callable	43,509	18,062	10,924	\$5,222	77,717
Municipal Bonds		1,648		79,000	80,648
Guaranteed Investment Contracts				13,300	13,300
Demand Deposits and Certificate of Deposit	1,945				1,945
Mutual Funds (U.S. Securities)	59,822				59,822
California Local Agency Investment Fund	34,472				34,472
Total Investments	<u>\$180,282</u>	<u>\$43,035</u>	<u>\$32,063</u>	<u>\$97,522</u>	352,902
Cash in banks					19,978
Total District Cash and Investments					<u>\$372,880</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

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		\$53	\$11	\$4,870		\$4,934
Equity Securities	\$493,368					493,368
Commercial Mortgage - Backed				2,796		2,796
Corporate Bonds	1,528	12,459	15,819	8,677	\$3,606	42,089
Corporate Convertible Bonds				7		7
Government Agencies	424	600	230	885		2,139
Government Bonds			171	562		733
Government Mortgage Backed Securities		60	63	25,221	11,920	37,264
Guaranteed Fixed Income		310				310
Index Linked Government Bonds	374			4,050		4,424
Treasury Security Derivative Futures	464					464
Short Term Investment Funds					43,172	43,172
Mutual Funds				8,162	2,129	10,291
Real Estate					16,936	16,936
Bank Loans		243				243
Total System Investments	<u>\$496,158</u>	<u>\$13,725</u>	<u>\$16,294</u>	<u>\$55,230</u>	<u>\$77,763</u>	<u>\$659,170</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, 2009, these investments matured in an average of 235 days.

The System's investments include the following investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated above:

Highly Sensitive Investments	Fair Value at Year End
Commercial Mortgage - Backed Securities	\$2,796
Government Mortgage - Backed Securities	37,264

**EAST BAY MUNICIPAL UTILITY DISTRICT
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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, 2009, for each investment type as provided by Moody's.

District Enterprise Funds:

Investment Type	Aaa	Aa1	Aa2	Aa3	A-	A	A1	A2	Total
U.S. Government-Sponsored Enterprise Agencies:									
Non-Callable	\$21,737								\$21,737
Callable	63,261								63,261
Corporate Securities									
Non-Callable	8,614	\$1,629	\$25,066	\$3,447	\$10,096		\$23,407	\$5,458	77,717
Municipal Bonds			30,000	50,648					80,648
Guaranteed Investment Contracts				13,300					13,300
Mutual Funds (U.S. Securities)	42,522					\$300			42,822
Totals	<u>\$136,134</u>	<u>\$1,629</u>	<u>\$55,066</u>	<u>\$67,395</u>	<u>\$10,096</u>	<u>\$300</u>	<u>\$23,407</u>	<u>\$5,458</u>	299,485
<i>Not rated:</i>									
Demand Deposits and Certificate of Deposit									1,945
Mutual Funds (U.S. Securities)									17,000
California Local Agency Investment Fund									34,472
Cash in Banks									<u>19,978</u>
Total District Cash and Investments									<u>\$372,880</u>

Sytem Pension Trust Fund:

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	C	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	\$465	\$598		\$29	\$295	\$1,044	\$2,268	\$127	\$108			\$4,934
Equity Securities											\$493,368	493,368
Commercial Mortgage - Backed	1,965										831	2,796
Corporate Bonds	233	4,028	\$10,814	12,502	3,081	1,670	3,380	815	159		5,407	42,089
Corporate Convertible Bonds					7							7
Government Agencies	1,230	532	68	79						\$230		2,139
Government Bonds	438			289						6		733
Government Mortgage Backed Securities										37,264		37,264
Guaranteed Fixed Income	310											310
Index Linked Government Bonds	4,424											4,424
Treasury Security Derivative Futures											464	464
Short Term Investment Funds											43,172	43,172
Mutual Funds	1,378	198	411	1,230	624	1,599	966	310			3,575	10,291
Real Estate											16,936	16,936
Bank Loans											243	243
Total System Investments	<u>\$10,443</u>	<u>\$5,356</u>	<u>\$11,293</u>	<u>\$14,129</u>	<u>\$4,007</u>	<u>\$4,313</u>	<u>\$6,614</u>	<u>\$1,252</u>	<u>\$267</u>	<u>\$37,500</u>	<u>\$563,996</u>	<u>\$659,170</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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			
	FNMA	Federal Agency Securities	\$27,081
	FHLMC	Federal Agency Securities	47,901
	WELLS FARGO	Medium Term Notes	18,234
	IRVINE RANCH	Municipal Bonds	30,000
	SAN DIEGO COUNTY	Municipal Bonds	20,648
	DWR	Municipal Bonds	20,000
Major Funds:			
Water System			
	FNMA	Federal Agency Securities	18,392
	FHLMC	Federal Agency Securities	28,367
	WELLS FARGO	Medium Term Notes	14,716
	IRVINE RANCH	Municipal Bonds	30,000
	SAN DIEGO COUNTY	Municipal Bonds	20,648
Wastewater System			
	FNMA	Federal Agency Securities	8,689
	FHLMC	Federal Agency Securities	19,534
	WELLS FARGO	Medium Term Notes	3,518
	DWR	Municipal Bonds	20,000

Significant System Pension Trust Fund investments are:

Nature of investment	Fair Value at June 30, 2009
Northern Trust Collective Daily Russell 1000 Equity Index Fund	\$151,921
Templeton Institutional Funds, Inc. Foreign Equity Series	59,016
COLTV Short Term Investment Fund	43,109
ING Investment Trust Company Fund	90,282

**EAST BAY MUNICIPAL UTILITY DISTRICT
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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, 2009:

Foreign Currency	Equity Securities Investment Type
Euro	\$17,652
Japanese Yen	9,329
Swiss Franc	4,138
British Pound Sterling	3,729
Hong Kong Dollar	2,217
Australian Dollar	2,092
Canadian Dollar	1,386
Swedish Krona	1,151
Norwegian Krone	984
Mexican Peso	954
Danish Krone	808
Indonesian Rupiah	769
Singapore Dollar	649
South Korean Won	594
Malaysia Ringgit	547
Brazilian Real	324
South African Rand	196
Czech Republic Koruna	81
Total	\$47,600

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 7%.

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2009 and 2008, the System's brokers/dealers held \$268 and \$0, respectively, in cash and US government bonds exposed to custodial credit risk.

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
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NOTE 3 – CAPITAL ASSETS (Continued)

B. Additions and Retirements

Capital assets activity for all business-type activities for the year ended June 30, 2009, was as follows:

	Balance at June 30, 2008	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2009
Water System:				
Capital assets, not being depreciated:				
Land and rights-of-way	\$49,862	\$989		\$50,851
Construction in progress - Land	783	885	(\$989)	679
Construction in progress	421,943	423,922	(140,964)	704,901
Total capital assets, not being depreciated	472,588	425,796	(141,953)	756,431
Capital assets, being depreciated:				
Buildings and improvements	185,462	2,299		187,761
System and improvements	3,333,601	129,838	(21,995)	3,441,444
Machinery and equipment	72,525	8,827	(5,407)	75,945
Total capital assets, being depreciated:	3,591,588	140,964	(27,402)	3,705,150
Less accumulated depreciation for:				
Buildings and improvements	(62,853)	(4,630)		(67,483)
System and improvements	(920,834)	(64,626)	295	(985,165)
Machinery and equipment	(51,331)	(3,716)	3,533	(51,514)
Total accumulated depreciation	(1,035,018)	(72,972)	3,828	(1,104,162)
Total capital assets, being depreciated, net	2,556,570	67,992	(23,574)	2,600,988
Water System capital assets, net	<u>\$3,029,158</u>	<u>\$493,788</u>	<u>(\$165,527)</u>	<u>\$3,357,419</u>
Wastewater System:				
Capital assets, not being depreciated:				
Land and rights-of-way	\$19,547	\$141		\$19,688
Construction in progress - Land	18	124	(\$141)	1
Construction in progress	46,295	36,657	(25,019)	57,933
Total capital assets, not being depreciated	65,860	36,922	(25,160)	77,622
Capital assets, being depreciated:				
Buildings and improvements	70,794	2,150		72,944
System and improvements	668,720	22,786	(1,035)	690,471
Machinery and equipment	5,216	83	(201)	5,098
Total capital assets, being depreciated	744,730	25,019	(1,236)	768,513
Less accumulated depreciation for:				
Buildings and improvements	(23,413)	(1,688)		(25,101)
System and improvements	(227,472)	(16,462)		(243,934)
Machinery and equipment	(4,683)	(152)	196	(4,639)
Total accumulated depreciation	(255,568)	(18,302)	196	(273,674)
Total capital assets, being depreciated, net	489,162	6,717	(1,040)	494,839
Wastewater System capital assets, net	<u>\$555,022</u>	<u>\$43,639</u>	<u>(\$26,200)</u>	<u>\$572,461</u>
Business-type activities capital assets, net	<u>\$3,584,180</u>	<u>\$537,427</u>	<u>(\$191,727)</u>	<u>\$3,929,880</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 3 – CAPITAL ASSETS (Continued)

C. Construction in Progress

Construction in Progress in fiscal 2008-2009 comprises:

	Expended to Date
<i>Water System:</i>	
Folsom South Canal Connection	\$217,500
Freeport Regional Water Project	193,626
San Pablo Dam Seismic Models	51,686
Pipeline Infrastructure Renewals	26,119
Richmond Advanced Recycled Expansion Water Project	22,875
Bayside Groundwater Project	19,543
Baseline/Laguna Pressure Zone Improvement	14,271
Additional Supplemental Supply Projects	10,914
Mokelumne Aqueduct Recoating	10,854
Customer Information System Replacement Project	10,607
Vulnerability Assessment Security System Improvements	8,218
Meter Replacements	6,842
San Ramon Valley Recycled Water Program	6,418
Scenic Pressure Zone Improvements	5,858
Southern Loop Enhancement	5,100
Water Conservation Project	4,862
East Area Service Center	4,751
Pipeline System Improvements	3,396
Pipeline Relocations	3,369
Reservoir Rehab/Maintenance	2,847
Other Construction Projects	75,924
Total Water System	\$705,580
<i>Wastewater System:</i>	
Centrifuge Replacement	\$10,210
Digester Upgrade	9,803
South Interceptor Relocation High Street	8,492
Power Generation Station Expansion	7,411
Infiltration/Inflow Control Project	5,782
Treatment Plant Infrastructure	3,334
Routine Capital Equipment Replacement	2,532
Resource Recovery Project	1,546
Power Generation Station Engine Overhaul	1,264
National Pollutant Discharges Elimination System Compliance	960
Priority Manhole Intercept Project	528
Procure Emergency Response Equipment	524
Secondary Process Enhancement	506
Main Wastewater Treatment Plant Mater Plan	455
Pump Station H Improvements	386
Other Construction Projects	4,201
Total Wastewater System	\$57,934
Total District Construction in Progress	\$763,514

At June 30, 2009, the District's remaining current major project commitments are estimated to be \$513,151 for the Water System and \$82,523 for the Wastewater System.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2009 and 2008 consist of:

	Water System		Wastewater System		Total	
	2009	2008	2009	2008	2009	2008
Accounts payable	\$23,898	\$39,090	\$5,873	\$3,381	\$29,771	\$42,471
Accrued salaries	3,734	3,360	643	559	4,377	3,919
Workers' compensation reserves	25,257	24,139	5,173	2,223	30,430	26,362
General liability reserves	4,774	5,356		2,375	4,774	7,731
Accrued compensated absences	21,948	21,742	3,765	3,619	25,713	25,361
Net OPEB Liability	4,387	1,672	766	289	5,153	1,961
Other	9,549	5,883	2,495	1,201	12,044	7,084
Total	<u>\$93,547</u>	<u>\$101,242</u>	<u>\$18,715</u>	<u>\$13,647</u>	<u>\$112,262</u>	<u>\$114,889</u>

NOTE 5 – EXTENDABLE 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 March 10, 2009.

As of June 30, 2009, \$315,300 in Water Series and \$15,000 in Wastewater Series commercial paper notes were outstanding under this program. The Water Series included terms of 33 to 119 days and interest rates ranging from 0.2 to 0.65% as of June 30, 2009, and terms of 1 to 126 days and interest rates ranging from 0.65% to 3.70% as of June 30, 2008. The Wastewater Series included terms of 120 days and interest rates ranging from 0.5% to 0.7% as of June 30, 2009, and terms of 28 to 103 days and interest rates ranging from 0.80% to 3.72% as of June 30, 2008. The District paid off a portion of the commercial paper in FY 2007 and reissued in FY 2008. There were no unused proceeds as of June 30, 2009. It is the District's policy to use commercial paper as a portion of the District's long-term variable rate debt exposure.

The District replaced the commercial paper program with an extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement (line of credit) with a commercial bank is needed. Instead, the investor agrees to extend the maturity of their investment by 150 days in the event of a failed remarketing which gives the District sufficient time to find a replacement investor or issue debt to repay the investor. Prior to March 2009, the District maintained a liquidity support agreement (line of credit) with a commercial bank, and there were no borrowings under the line of credit during the years ending June 30, 2009 and 2008.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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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.

	Original Issue Amount	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Amount due within one year
Water System Revenue Bonds:						
Subordinated Series 1998						
4.00 - 5.25%, due 6/1/38	\$300,000	\$4,380		\$4,380		
Subordinated Series 2001						
3.60-5.25%, due 6/1/26	250,000	10,845		2,550	\$8,295	\$2,650
Subordinated Series 2002						
.60% variable rate, due 6/1/25	241,850	230,410		19,210	211,200	20,020
Subordinated Series 2003						
2.00 - 5.00%, due 6/1/21	115,730	73,795		4,130	69,665	4,320
Subordinated Series 2005 A						
5.00%, due 6/1/35	300,000	300,000			300,000	
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	4,510
Subordinated Series 2008 A						
.669% variable rate, due 6/1/38	322,525	321,250		1,325	319,925	1,375
Subordinated Series 2008 B						
1.094% variable rate, due 6/1/35	160,000	159,725		300	159,425	300
Subordinated Series 2008 C						
1.182% variable rate, due 6/1/26	331,950	330,425		330,425		
Subordinated Series 2009 A						
.35% variable rate, due 6/1/26	331,155		331,155	5,095	326,060	4,920
Total water long-term bonds		<u>1,935,620</u>	<u>\$331,155</u>	<u>367,415</u>	<u>1,899,360</u>	<u>38,095</u>

(Continued)

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Amount due within one year
<i>Wastewater System General</i>						
<i>Obligation Bonds:</i>						
Series F						
2.5 % - 5.00%, due 4/1/18	\$41,730	\$32,165		\$2,380	\$29,785	\$2,530
<i>Wastewater System Revenue Bonds</i>						
Subordinated Series 1998						
4.00-5.25%, due 6/1/38	50,000	2,275		725	1,550	760
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		2,835	43,835	1,710
Subordinated Series 2008 A						
.13% variable rate, due 6/1/33	50,000	50,000			50,000	
Subordinated Series 2008 B						
.575% variable rate, due 6/1/38	69,300	68,925		425	68,500	1,650
Subordinated Series 2008 C						
.60% variable rate, due 6/1/27	65,300	62,570		1,920	60,650	2,040
Total wastewater long-term bonds		343,235		8,285	334,950	8,690
Total long-term bonds		2,278,855	\$331,155	375,700	2,234,310	46,785

(Continued)

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
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NOTE 6 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Amount due within one year
Water Loans:						
1977 Federal Drought Loan						
5.00%, due 9/1/17	\$5,973	\$1,424		\$142	\$1,282	\$142
2003 California Energy Commission						
3.00%, due 6/22/13	1,992	1,076		202	874	209
State Water Resources Control Board						
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	2,188	1,787		96	1,691	98
1989 Galbraith Golf Course Project						
4.01%, due 2/28/09	122	10		8	2	2
1992 Alameda Reclamation Project						
3.20%, due 4/30/11	1,359	301		85	216	88
1993 Chevron Water Reclamation Project						
3.00%, due 8/8/15	22,292	10,882		1,225	9,657	1,260
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100		\$20,100	1,051	19,049	803
Total water loans		15,480	20,100	2,809	32,771	2,602
Wastewater Loans:						
State Water Resources Control Board						
1989 Oakport Project						
4.01%, due 12/14/10	2,495	432		157	275	163
1991 Adeline Street Project						
3.50%, due 10/1/10	8,141	1,586		511	1,075	529
1991 South Foothill Project						
3.50%, due 10/1/10	14,293	2,784		896	1,888	928
1992 Point Isabel Wet Weather Project						
3.10%, due 10/2/13	21,515	8,146		1,256	6,890	1,295
1994 North Interceptor Project						
2.90%, due 12/31/14	10,091	4,283		562	3,721	577
1995 San Antonio Creek Project						
3.40%, due 11/30/16	15,331	8,408		815	7,593	842
1997 Pump Station C Project						
2.80%, due 1/31/17	3,849	2,226		196	2,030	201
2000 Pump Station B Project						
2.20%, due 2/1/09	3,088	2,014		149	1,865	151
Total wastewater loans		29,879		4,542	25,337	4,686
Total long-term loans		45,359	20,100	7,351	58,108	7,288
Commercial Paper (see Note 5)		330,000	300		330,300	
Amount due within one year		(51,204)		2,869	(54,073)	
Less: Unamortized discount, net		(2,111)	20,310	15,661	2,538	
Total long-term liabilities, net		<u>\$2,600,899</u>	<u>\$371,865</u>	<u>\$401,581</u>	<u>\$2,571,183</u>	<u>\$54,073</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
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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

2009 Water System Subordinated Revenue Refunding Bonds, Series 2009A – The District issued Series 2009A on March 12, 2009, to refund \$330.425 million principal amount of the District's Water System Subordinated Revenue Refunding Bonds, Series 2008C. The Series 2009A Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commenced on June 1, 2009 and are payable annually on June 1 thereafter. Interest payments commenced on April 1, 2009 and are payable on the first business day of each month. The Series 2009A bonds are subject to mandatory tender for purchase on March 1, 2010.

2008 East Bayshore Recycled Water Project Loan – The District entered into a \$20.1 million loan agreement with the State Water Resources Control Board (SWRCB) to fund construction for the East Bayshore Recycled Water Project (Phase 1A Project). The project will deliver recycled water from the Main Wastewater Treatment Plant (MWWTP) in Oakland to users in the cities of Albany, Berkeley, Emeryville, and Oakland. The loan repayments are payable solely from Operating Revenues. Principal and Interest payments commenced on April 1, 2009, and are payable annually thereafter.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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
2010	\$40,697	\$50,145	\$13,376	\$8,753	\$54,073	\$58,898
2011	42,339	49,438	13,825	8,276	56,164	57,714
2012	44,018	48,797	12,689	7,955	56,707	56,752
2013	45,866	48,007	13,255	7,963	59,121	55,970
2014	47,342	47,623	13,828	7,249	61,170	54,872
2015 - 2019	266,704	225,599	60,640	31,513	327,344	257,112
2020 - 2024	327,327	207,113	48,909	24,952	376,236	232,065
2025 - 2029	388,638	178,031	58,410	20,481	447,048	198,512
2030 - 2034	481,790	95,475	70,970	15,221	552,760	110,696
2035 - 2038	247,410	9,560	54,385	2,367	301,795	11,927
Totals	<u>\$1,932,131</u>	<u>\$959,788</u>	<u>\$360,287</u>	<u>\$134,730</u>	<u>\$2,292,418</u>	<u>\$1,094,518</u>

Interest payments on auction rate debt were calculated using the rate in effect at June 30, 2009. Interest payments on debt subject to swap agreements were calculated using the variable rates at June 30, 2009.

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, 2009, \$232.055 million of bonds outstanding are considered defeased.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
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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			
Subordinated Bonds:			
Series 2002	3/17/2017	Variable Bank Rate	See below
Series 2008A	3/18/2011	Variable Bank Rate	See below
Series 2008B	4/22/2011	Variable Bank Rate	See below
Wastewater System Revenue			
Subordinated Bonds:			
Series 2008A	3/24/2011	Variable Bank Rate	See below
Series 2008B	3/18/2011	Variable Bank Rate	See below
Series 2008C	3/18/2011	Variable Bank Rate	See below

The 2009 Water System Subordinated Revenue Refunding Bonds, Series 2009A, have an interest rate that resets monthly based on the monthly SIFMA index. The bonds have a mandatory purchase date of March 1, 2010 at which time the District will remarket the bonds to new investors or refund the issue with a new bonds issue.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 – LONG-TERM DEBT (Continued)

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.

Term and credit risks. The terms and credit ratings of the outstanding swaps, as of June 30, 2009, 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	\$140,800	3/6/2002	Citigroup Financial Products, Inc.	A3	3.835%	65% of 30-day LIBOR	6/1/2025
2002 Water System Refunding Bonds	70,400	3/6/2002	JP Morgan Chase & Co.	Aa3	3.835%	65% of 30-day LIBOR	6/1/2025
2008A Water System Refunding Bonds	113,205	6/2/2005	JP Morgan Chase & Co.	Aa3	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	113,205	6/2/2005	Merrill Lynch Capital Services	A2	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	49,220	6/2/2005	SBS Financial Products Company	A2	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	44,295	9/25/2008	Bank of New York Mellon	Aaa	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008B-3/2009A Water System Refunding Bonds	231,075	5/23/2007	SBS Financial Products Company	Aa1	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2008B-3/2009A Water System Refunding Bonds	77,025	5/23/2007	Citi Bank, N.A. New York	A1	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2008B-3/2009A Water System Refunding Bonds	77,025	5/23/2007	Merrill Lynch Capital Services	A2	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2008B Wastewater System Refunding Bonds	68,925	12/16/2008	Dexia Credit Local	A1	3.098%	62.3% of 3 month LIBOR	6/1/2038
2008C Wastewater System Refunding Bonds	31,285	3/5/2003	Citigroup Financial Products, Inc.	A3	3.468%	65% of 30-day LIBOR	6/1/2027
2008C Wastewater System Refunding Bonds	31,285	3/5/2003	JP Morgan Chase & Co.	Aa3	3.468%	65% of 30-day LIBOR	6/1/2027

**EAST BAY MUNICIPAL UTILITY DISTRICT
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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, 2009, are included below:

Related Bond Issue	Fair Value
2002 Water System Refunding Bonds	(\$24,087)
2008A Water System Refunding Bonds	(25,800)
2008B-3/2009A Water System Refunding Bonds	(18,013)
2008B Wastewater System Refunding Bonds	(4,779)
2008C Wastewater System Refunding Bonds	(5,754)
	(\$78,433)

Credit risk. As of June 30, 2009, the District was not exposed to credit risk on its outstanding swaps because the swaps had a negative fair value of \$78,433. The District faces a maximum possible loss equivalent to the swaps' fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the District would 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, 2009, 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
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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, 2009, 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	
2010	\$30,305	\$5,878	\$18,970	\$24,848
2011	31,550	5,699	18,310	24,009
2012	32,860	5,512	17,621	23,133
2013	37,305	5,335	16,893	22,228
2014	38,635	5,152	16,139	21,291
2015 - 2019	221,005	22,402	68,318	90,720
2020 - 2024	343,450	14,076	40,904	54,980
2025 - 2029	173,650	5,583	13,603	19,186
2030 - 2034	70,325	3,134	7,503	10,637
2035 - 2038	66,675	683	1,641	2,324
Totals	<u>\$1,045,760</u>	<u>\$73,454</u>	<u>\$219,902</u>	<u>\$293,356</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. 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
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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.

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, 2009, there were 1,231 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 \$5,823 in the year ended June 30, 2009. Effective June 18, 2002, a portion of the post-employment healthcare benefit costs is recovered through employee contributions.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

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. Actuarial Assumptions and Funding Policy

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 28.85% of covered payroll inclusive of post-employment health care benefits.

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

Valuation date	June 30, 2008
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Assets valuation method	5-year smoothing of market value
Actuarial assumptions:	
Investment rate of return	8.25%
Average projected salary increases	6.07%
Inflation rate	3.75%
Cost-of-living adjustments	3.50%

All assumptions are the same for the post-employment health care benefits except for the discount rate, assumed at a rate of 7.25% for the funded and unfunded portions.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

D. Contributions Required and Contributions Made

Contributions for the years ended June 30, based on the actuarial valuation, were as follows:

	2009		2008	
	Pension	Benefit Plan	Totals	
Regular contributions:				
District contributions	\$39,485	\$6,318	\$45,803	\$44,603
Member contributions	10,677		10,677	10,341
	50,162	6,318	56,480	54,944
Other contributions:				
Member buybacks	63		63	53
	\$50,225	\$6,318	\$56,543	\$54,997

Regular District and member contributions in fiscal 2009 represent an aggregate of 28.85% and 6.72% of covered payroll, respectively. The payroll for the District employees covered by the Plan for the year ended June 30, 2009, was \$158,775, which was 91.75% of the total District payroll of \$173,050. The total District contribution of \$45,803 consisted of \$21,677 for normal cost and \$24,126 for amortization of the unfunded actuarial accrued liability. The payroll for the District employees covered by the Plan for the year ended June 30, 2008, was \$148,967, which was 89.67% of the total District payroll of \$166,130. The total District contribution of \$44,603 consisted of \$18,225 for normal cost and \$26,378 for amortization of the unfunded actuarial accrued liability.

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

E. Schedule of Employer Contributions

The schedule of employer contributions is shown below:

Retirement Plan:

	Actual contribution	Annual required contribution	Percentage contributed
Fiscal year ended June 30:			
2007	\$33,272	\$33,272	100%
2008	38,339	35,128	109%
2009	39,114	39,114	100%

Health Insurance Benefit Plan:

	Actual contribution	Annual required contribution	Percentage contributed
Fiscal year ended June 30:			
2008	\$7,514	\$9,475	79%
2009	6,318	9,510	66%

The annual required contributions for fiscal years ended June 30, 2009 and 2008, include amounts for the pay-as-you-go amounts for post-employment healthcare benefits.

F. Funding Progress and Funded Status

During the fiscal year ended June 30, 2009, the District made contributions toward the Annual Required Contribution (ARC) amounting to \$6,318 to the plan which represented 3.65% of the \$173,050 total District payroll. As a result, the District has recorded the Net OPEB Obligation (NOO), representing the difference between the ARC and actual contributions, as presented below:

Net OPEB obligation at June 30, 2008	\$1,961
Annual required contribution (ARC) and Annual OPEB cost - fiscal 2008/2009	\$9,510
Less contributions made during fiscal year: Contributions to Northern Trust	<u>(6,318)</u>
Contributions less than ARC	<u>3,192</u>
Net OPEB obligation at June 30, 2009	<u><u>\$5,153</u></u>

As of June 30, 2009, the amount of the Net OPEB obligation is included in accounts payable and accrued expenses in the accompanying balance sheet.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2009, the District paid \$1,322 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 coverage's are:

<u>Coverage</u>	<u>Policy limit</u>	<u>Self-insured retention</u>
Workers' compensation	Statutory Limit	\$5,000
All risk property (except flood)	\$200,000	500
Flood	25,000	15,000
Liability	90,000	10,000 Water/ 10,000 Wastewater
Crime	10,000	25
Boiler and Machinery	10,000	25

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, 2009, the amount of these liabilities was \$35,204 and is included in accounts payable and accrued expenses 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:

	<u>2009</u>	<u>2008</u>
Liability at beginning of year	\$34,093	\$19,195
Current year claims and changes in estimates	12,153	21,432
Payments of claims	<u>(11,042)</u>	<u>(6,534)</u>
Liability at end of year	<u>\$35,204</u>	<u>\$34,093</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Dollars in Thousands)**

NOTE 10 – KNOWN ENVIRONMENTAL LIABILITIES

Following is a summary of the District's known environmental liabilities as of June 30, 2009 that meets the requirements of GASB Statement No. 49:

Under a revised NPDES permit issued by the San Francisco Regional Water Quality Control Board, further discharges from the District's wet weather facilities are prohibited. Under an accompanying Cease and Desist order, the District must submit a plan for eliminating discharges from the three wet weather facilities by January 14, 2010 and achieve full compliance with the discharge prohibition by January 13, 2019. The District also recently received a Federal Stipulated Order on this matter that focuses on the excess wet weather flow entering the District's pipes from the neighboring cities collection systems. The Order requires the District to do a range of work, including flow monitoring and modeling. The cost to meet the requirements in the Order is approximately \$5,000 per year.

The San Francisco Regional Water Quality Control Board recently adopted a new general permit for surface water treatment plants that becomes effective on March 1, 2010. The District's Orinda Water Treatment cannot comply with the requirements of this new permit and the District is currently negotiating an individual permit and Cease and Desist Order (CDO) to provide a mechanism and timeline for achieving compliance. In the short term, it is anticipated that the District will be able to meet the conditions of the individual permit and the CDO for at least 5 years. At the end of the CDO, the long-term costs and schedule for achieving compliance will be known with greater certainty.

The District submitted a Best Practicable Treatment and Control Work Plan to the Central Valley Regional Water Quality Control Board to address groundwater impacts from the wastewater treatment ponds at Camanche North Shore Recreation Area. Although the District has not yet been required to construct wastewater treatment pond upgrades, it is likely to be required to do so in the near future. At this preliminary planning stage, it is estimated that it will cost the District approximately \$6,600 to upgrade the existing facilities, or alternatively, approximately \$7,800 to construct a joint wastewater project with Amador County.

The Central Valley Regional Water Quality Control Board has requested that the District and U.S. Bureau of Land Management (BLM) address three abandoned ponds near Camanche Reservoir that contain mine wastes. The District and BLM have both been named as potential responsible parties. This site investigation/remediation project is currently proceeding into the risk assessment stage, and the final site remedy and cost allocations between the District and BLM have yet to be determined.

The Central Valley Regional Water Quality Control Board has requested that the District submit a work plan to address elevated concentrations of petroleum hydrocarbons in soil and groundwater associated with former underground storage tanks (USTs) at the District's Bixler facility. The District's consultant has estimated that it will cost \$70 to complete additional site investigations and install an interim remediation system to meet regulatory agency requirements. Long-term costs have yet to be determined.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Dollars in Thousands)**

NOTE 10 – KNOWN ENVIRONMENTAL LIABILITIES (Continued)

The Alameda County Health Care Services Agency has requested that the District conduct additional site investigations at the Adeline Maintenance Center Shops to further define the extent of petroleum hydrocarbons in soil and groundwater associated with former underground storage tanks (USTs). The District recently completed additional site investigations in accordance with an approved work plan. The results of the site investigation indicate that elevated concentrations of petroleum hydrocarbons still remain in on-site soil and groundwater in localized areas near the former USTs. The scope of additional work remaining at this site has yet to be determined.

The District operates many facilities throughout Northern California that have NPDES and WDR permits. The total estimated liability for all known violations is less than \$40.

NOTE 11 - 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.

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REQUIRED SUPPLEMENTAL INFORMATION

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEE RETIREMENT SYSTEM TRUST FUND
COMBINING BALANCE SHEET

June 30, 2009

(With summarized comparative financial information as of June 30, 2008)

(DOLLARS IN THOUSANDS)

	2009			2008 Total
	Pension plan benefits	Post- employment healthcare benefits	Total	
Assets:				
Cash and cash equivalents, at fair value	\$49,624	\$381	\$50,005	\$34,645
Invested securities lending collateral	46,299	355	46,654	80,965
Prepaid expenses		382	382	367
Receivables:				
Brokers, securities sold	6,898	53	6,951	18,942
Employer	1,074	194	1,268	996
Plan members	269		269	234
Interest and dividends	1,372	11	1,383	1,527
Total receivables	9,613	258	9,871	21,699
Investments, at fair value:				
U.S. government obligations	43,927	337	44,264	71,379
Domestic corporate bonds	53,756	413	54,169	70,299
International bonds	6,771	52	6,823	9,651
Domestic stocks	408,486	3,136	411,622	491,063
International stocks	124,401	955	125,356	181,016
Real estate	16,807	129	16,936	23,836
Total investments	654,148	5,022	659,170	847,244
Total assets	759,684	6,398	766,082	984,920
Liabilities:				
Accounts payable and accrued expenses	1,290	10	1,300	749
Payables to brokers, securities purchased	49,002	376	49,378	64,592
Securities lending collateral	46,299	355	46,654	80,965
Total liabilities	96,591	741	97,332	146,306
Net assets held in trust for pension benefits and post-employment healthcare benefits.	\$663,093	\$5,657	\$668,750	\$838,614

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

(With summarized comparative financial information for the year ended June 30, 2008)

(DOLLARS IN THOUSANDS)

	2009			2008 Total
	Pension plan benefits	Post- employment healthcare benefits	Total	
Additions:				
Contributions:				
Employer	\$39,485	\$6,318	\$45,803	\$44,603
Plan members	10,740		10,740	10,394
Total contributions	<u>50,225</u>	<u>6,318</u>	<u>56,543</u>	<u>54,997</u>
Investment income:				
Net (depreciation) in fair value of investments:				
Traded securities	(178,696)	(1,374)	(180,070)	(96,753)
Interest	7,610	58	7,668	11,251
Dividends	11,272	87	11,359	13,676
Real estate operating (loss), net	(7,091)	(55)	(7,146)	2,249
	<u>(166,905)</u>	<u>(1,284)</u>	<u>(168,189)</u>	<u>(69,577)</u>
Less:				
Investment expense	(2,192)	(18)	(2,210)	(2,889)
Borrowers' rebates and other agent fees on securities lending transactions	(530)	(4)	(534)	(3,520)
Net investment (loss)	<u>(169,627)</u>	<u>(1,306)</u>	<u>(170,933)</u>	<u>(75,986)</u>
Total additions, net	<u>(119,402)</u>	<u>5,012</u>	<u>(114,390)</u>	<u>(20,989)</u>
Deductions:				
Benefits paid	48,322	5,823	54,145	50,476
Refund of contributions	357		357	304
Administrative expenses	965	7	972	721
Total deductions	<u>49,644</u>	<u>5,830</u>	<u>55,474</u>	<u>51,501</u>
Change in net assets	(169,046)	(818)	(169,864)	(72,490)
Net assets:				
Beginning of year	<u>832,139</u>	<u>6,475</u>	<u>838,614</u>	<u>911,104</u>
End of year	<u>\$663,093</u>	<u>\$5,657</u>	<u>\$668,750</u>	<u>\$838,614</u>

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009
(Dollars in thousands)

(1) Pension Plan

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

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial liability (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>
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%
06/30/07	827,098	1,126,106	299,008	73.4%	153,394	194.9%
06/30/08	900,917	1,244,993	344,076	72.4%	158,499	217.1%

Unaudited

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009
(Dollars in thousands)**

(2) Post-Employment Healthcare Plan

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

Actuarial valuation date	Actuarial value of assets (a)	Actuarial liability accrued (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)
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%
6/30/2007	4,208	105,409	101,201	4.0%	153,394	66.0%
6/30/2008	7,010	137,055	130,045	5.1%	158,499	82.0%

Unaudited.

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.

Financial Trends Section

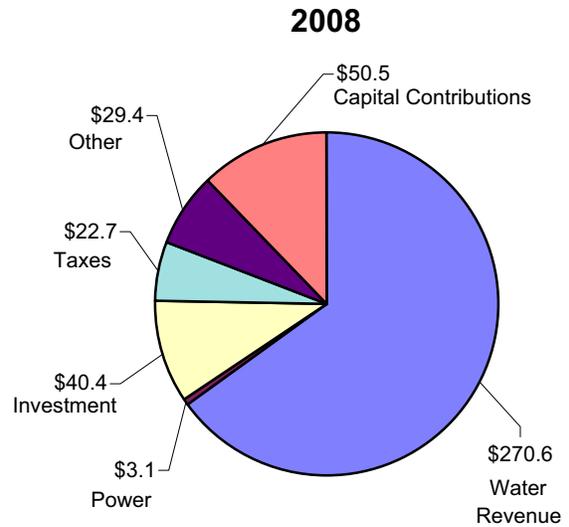
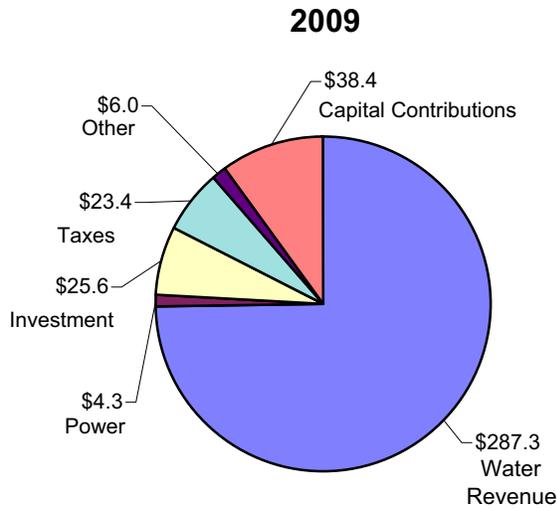
- Comparative Highlights
- Ten-Year Summary of Financial Data
- Changes in Net Assets
- Net Assets by Component

**Financial Trends
Comparative Highlights**

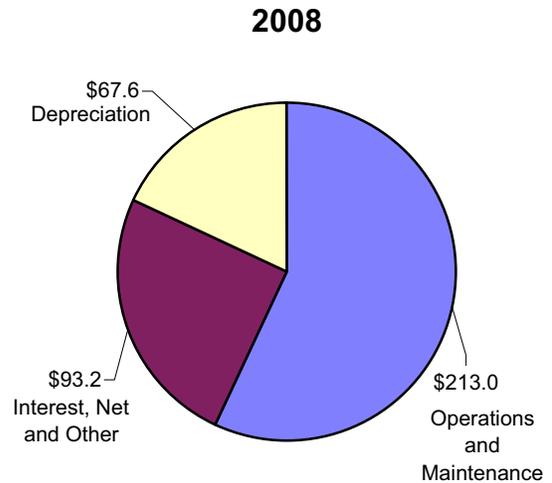
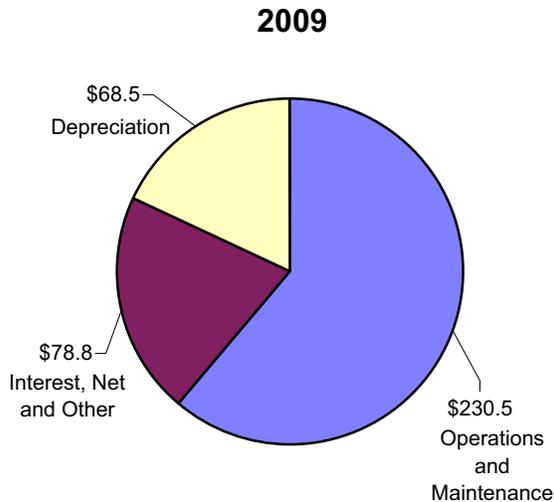
Fiscal Year 2009 and 2008

Water System

**What We Received:
(In Millions)**



**How It Was Used:
(In Millions)**



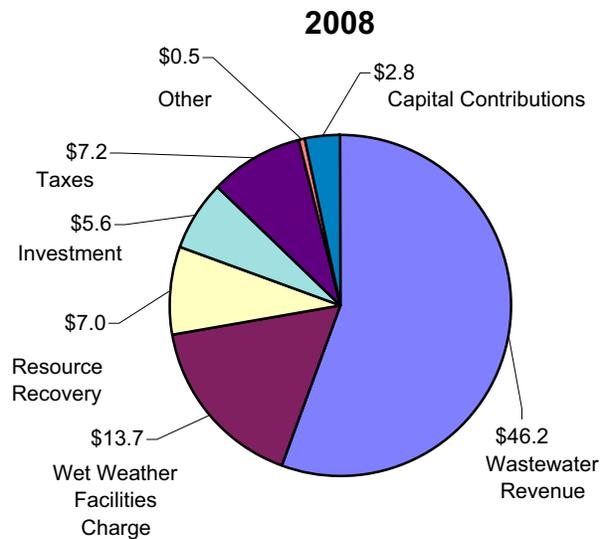
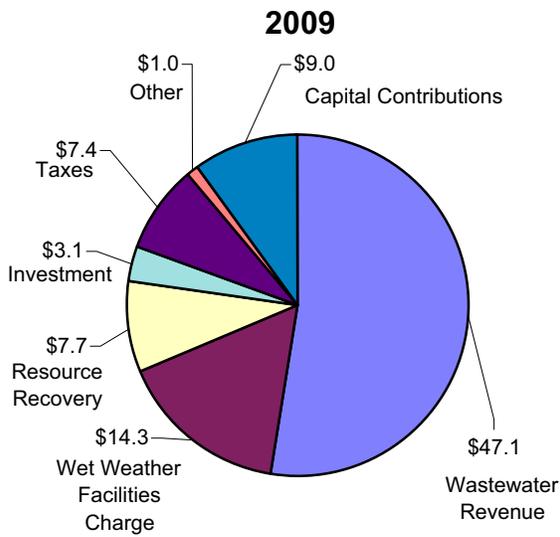
Sources: Financial Statements

Financial Trends
Comparative Highlights(continued)

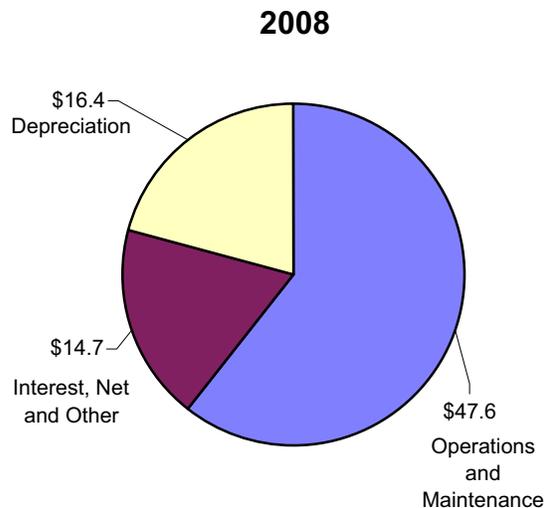
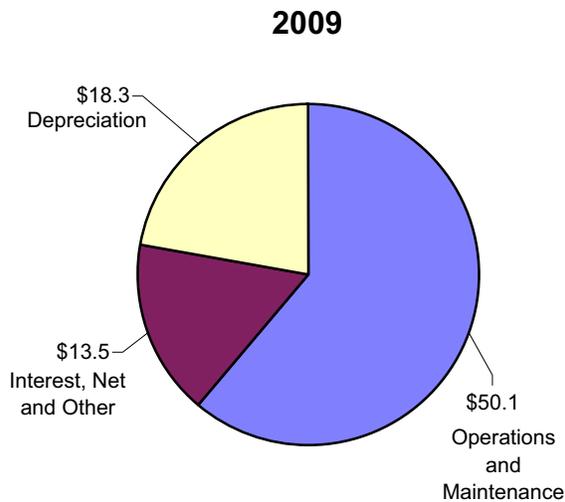
Fiscal Year 2009 and 2008

Wastewater System

What We Received:
(In Millions)



How It Was Used:
(In Millions)



Sources: Financial Statements

Financial Trends
Ten-Year Summary of Financial Data

Fiscal Years 2000 to 2009
(in Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007*	2006*	2005*	2004*	2003*	2002*	2001*	2000*
Water System										
Revenues										
Water Revenue	\$ 287.3	\$ 270.6	\$ 260.7	\$ 244.3	\$ 235.8	\$ 241.9	\$ 223.2	\$ 214.0	\$ 206.8	N/A
Taxes	23.4	22.7	21.7	19.1	18.3	17.4	16.5	15.6	14.3	
Investment	25.6	40.4	21.8	18.4	7.7	11.1	13.3	25.4	20.8	
Power	4.3	3.1	4.2	11.0	7.0	2.8	4.1	3.1	7.3	
Capital Contributions	38.3	50.5	64.1	67.3	44.9	39.3	44.1	37.9	54.4	
Other	6.2	29.4	7.8	5.3	6.2	2.7	12.9	5.3	3.0	
Total Revenues	385.1	416.7	380.2	365.4	319.9	315.2	314.1	301.3	306.6	
Expenses										
Operations and										
Maintenance	230.5	213.0	183.2	178.7	166.4	156.4	145.3	132.7	133.4	
Depreciation	68.5	67.6	67.7	60.5	62.3	54.6	51.9	49.1	46.9	
Interest, Net										
and Other	78.8	93.2	77.2	76.5	69.3	64.4	64.9	63.9	52.1	
Total Expenses	377.8	373.8	328.1	315.7	298.0	275.4	262.1	245.7	232.4	
Changes in Net Assets	\$ 7.3	\$ 42.9	\$ 52.1	\$ 49.7	\$ 21.9	\$ 39.8	\$ 52.0	\$ 55.6	\$ 74.2	

* Restated to meet current formatting.

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

Financial Trends
Ten-Year Summary of Financial Data

Fiscal Years 2000 to 2009
 (in Millions)

	Fiscal Year Ended June 30									
	2009	2008*	2007*	2006*	2005*	2004	2003	2002	2001	2000
Wastewater System										
Revenues										
Wastewater Revenue	\$ 47.1	\$ 46.2	\$ 44.6	\$ 42.6	\$ 42.2	\$ 42.8	\$ 41.6	\$ 39.9	\$ 38.7	N/A
Wet Weather										
Facilities Charges	14.3	13.7	13.7	13.8	13.9	13.9	13.9	13.5	13.2	
Resource Recovery	7.7	6.9	5.8	4.5	3.4	-	-	-	-	
Taxes	7.4	7.2	6.8	5.3	4.7	6.3	5.8	5.9	5.3	
Investment	3.1	5.8	2.7	2.1	1.9	2.6	3.0	4.3	4.9	
Capital Contributions	9.0	2.8	7.0	2.5	1.7	2.1	2.5	5.9	8.7	
Other	0.9	0.7	1.4	0.7	0.7	(0.9)	0.3	0.2	1.0	
Total Revenues	89.5	83.3	82.0	71.5	68.5	66.8	67.1	69.7	71.8	
Expenses										
Operations and Maintenance	50.1	47.6	42.2	40.0	38.4	36.8	35.6	35.3	35.3	
Depreciation	18.3	16.4	16.8	16.4	16.4	15.9	15.9	15.4	14.0	
Interest, Net and Other	13.6	15.1	12.6	13.5	15.7	13.8	16.1	13.3	14.1	
Total Expenses	82.0	79.1	71.6	69.9	70.5	66.5	67.6	64.0	63.4	
Changes in Net Assets	\$ 7.5	\$ 4.2	\$ 10.4	\$ 1.6	\$ (2.0)	\$ 0.3	\$ (0.5)	\$ 5.7	\$ 8.4	

* Restated to meet current formatting.

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

Sources: Financial Statements

Financial Trends
Changes in Net Assets

Fiscal Years 2000 to 2009
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008*	2007*	2006*	2005*	2004*	2003*	2002*	2001*	2000
Operating Revenues										
Charges for services:										
Water	\$ 287.3	\$ 270.6	\$ 260.7	\$ 244.3	\$ 235.8	\$ 241.9	\$ 223.2	\$ 214.0	\$ 206.8	N/A
Wastewater	69.1	66.7	64.1	60.9	59.5	56.7	55.5	53.4	51.9	
Power	4.3	3.1	4.2	11.0	7.0	2.8	4.1	3.1	7.3	
Total Operating Revenues	360.7	340.4	329.0	316.2	302.3	301.4	282.8	270.5	266.0	
Operating Expenses										
Water	296.0	280.5	250.9	239.2	228.7	211.0	197.2	181.8	180.3	
Wastewater	68.4	64.0	59.0	56.4	54.8	52.7	51.4	50.7	49.2	
Total Operating Expenses	364.4	344.5	309.9	295.6	283.5	263.7	248.6	232.5	229.5	
Operating Activities	(3.7)	(4.1)	19.1	20.6	18.8	37.7	34.2	38.0	36.5	

* Restated to meet current formatting.

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 2000 to 2009
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008*	2007*	2006*	2005*	2004*	2003*	2002*	2001*	2000
General Revenues and Other Changes in Net Assets										
Non-Operating Activities										
Investment income	28.6	46.3	24.4	20.5	9.6	13.7	16.3	29.7	25.7	N/A
Taxes and subventions	30.8	29.9	28.5	24.5	22.9	23.7	22.2	21.4	19.5	
Interest and amortization of bond expenses	(92.3)	(106.7)	(88.9)	(88.9)	(84.1)	(72.2)	(74.9)	(75.6)	(66.3)	
Other income (expense)	4.1	28.4	8.3	4.8	6.0	(4.2)	7.1	3.9	4.0	
Capital grants and contributions	47.3	53.3	71.0	69.8	46.5	41.4	46.4	43.7	63.1	
Total Non-Operating Activities	18.5	51.2	43.3	30.7	0.9	2.4	17.1	23.1	46.0	
Changes in Net Assets	\$ 14.8	\$ 47.1	\$ 62.4	\$ 51.3	\$ 19.7	\$ 40.1	\$ 51.3	\$ 61.1	\$ 82.5	

* Restated to meet current formatting.

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
Net Assets by Component

Fiscal Years 2000 to 2009
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001*	2000*
<u>Business-type activities</u>										
Invested in capital assets, net of related debt	\$ 1,304.6	\$ 1,182.8	\$ 1,174.5	\$ 1,226.1	\$ 1,213.2	\$ 1,090.0	\$ 1,006.5	\$ 998.2	\$ 942.1	\$ 850.5
Restricted for construction	84.5	85.4	89.6	78.6	54.0	64.4	65.8	61.2	59.7	101.0
Restricted for debt service	58.8	55.1	38.1	37.7	35.2	0.1	-	0.8	0.8	0.8
Restricted-other	3.1	3.0	2.9	2.9	2.9	2.9	2.9	2.8	2.5	-
Unrestricted	165.3	275.2	249.2	146.5	135.3	263.4	305.4	266.2	262.9	233.3
 Total business-type activities net assets	 \$ 1,616.3	 \$ 1,601.5	 \$ 1,554.3	 \$ 1,491.8	 \$ 1,440.6	 \$ 1,420.8	 \$ 1,380.6	 \$ 1,329.2	 \$ 1,268.0	 \$ 1,185.6

* Restated to meet current formatting.

Revenue Capacity Section

- Ten-Year Summary of Revenue by Source
- Rate History
- Ten-Year Summary of Net Revenue and Debt Service Coverage

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

Fiscal Years 2000 to 2009

Water System
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Water	\$287.3	\$270.6	\$260.7	\$244.3	\$235.8	\$241.9	\$223.1	\$214.0	\$206.8	\$197.8
Taxes	23.4	22.7	21.7	19.1	18.3	17.5	16.5	15.6	14.3	13.5
Construction from SCC	0.0	0.0	19.7	13.7	12.8	12.9	12.3	11.6	11.8	12.0
Interest	24.5	40.6	20.3	16.5	7.6	11.1	13.3	25.4	20.8	17.5
Power	4.3	3.1	4.2	11.0	7.0	2.8	4.0	3.1	7.3	5.6
Rental & Other	4.1	27.7	8.4	6.3	5.5	(2.6)	7.2	4.4	3.1	5.0
Total	\$343.6	\$364.7	\$335.0	\$310.9	\$287.0	\$283.6	\$276.4	\$274.1	\$264.1	\$251.4

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 2000 to 2009

Wastewater System

(In Millions)

	Fiscal Year Ended June 30									
	2009	2008*	2007*	2006*	2005*	2004	2003	2002	2001	2000
Wastewater	\$ 47.1	\$ 46.2	\$ 44.6	\$ 42.6	\$ 42.2	\$ 42.8	\$ 41.6	\$ 39.8	\$ 38.7	\$ 37.5
Wet Weather Facilities	14.3	13.7	13.7	13.8	13.9	13.9	13.9	13.5	13.2	13.8
Resource Recovery	7.7	6.9	5.8	4.5	3.4	-	-	-	-	-
Taxes	7.4	7.2	6.8	5.3	4.7	6.2	5.8	5.9	5.2	5.1
Interest	2.9	5.7	2.1	1.8	2.1	2.6	2.9	4.3	4.9	4.0
Other	1.2	0.8	2.0	0.7	0.5	(1.6)	0.0	(0.5)	1.0	(1.7)
Total	\$ 80.6	\$ 80.5	\$ 75.0	\$ 68.7	\$ 66.8	\$ 63.9	\$ 64.2	\$ 63.0	\$ 63.0	\$ 58.7

* Restated to meet current formatting.

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

**Revenue Capacity
Rate History**

Fiscal Years 2000 to 2009

Fiscal Year	Water		Wastewater	
	Monthly Base Rate	Rate per 748 (1ccf) Gallons	Monthly Base Rate	Rate per 748 (1ccf) Gallons
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
2008	9.08	1.73	9.64	0.51
2009	9.53	1.82	10.02	0.53

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 2000 to 2009

Water System

(In Millions)

Fiscal Year	Total Revenue (1)	Operations & Maintenance Expense (2)	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio
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
2008	378.0	154.9	223.1	119.5	1.87
2009	354.8	175.6	179.2	119.0	1.51

(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 2000 to 2009

Wastewater System

(In Millions)

<u>Fiscal Year</u>	<u>Total Revenue (1)</u>	<u>Operations & Maintenance Expense (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Coverage Ratio</u>
2000	\$ 54.2	\$ 28	\$ 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
2008	73.3	37.7	35.6	20.2	1.77
2009	73.2	41.4	31.8	20.1	1.58

(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.

Debt Capacity Section

- 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

Debt Capacity
Debt Ratings

June 30, 2009

District Debt by Type	Rating by		
	Standard & Poor's	Moody's Investors Service	Fitch
Water System			
Commercial Paper	A1+	P1	F1+
Subordinated Revenue Bonds	AAA	Aa2	AA
Wastewater System			
Commercial Paper	A1+	P1	F1+
Subordinated Revenue Bonds	AAA	Aa3	AA
General Obligation Bonds	AA+	Aa3	-

**Debt Capacity
Outstanding Debt by Type**

Fiscal Years 2000 to 2009

Water System

(In thousands)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans Payable	Total
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
2008	0	1,935,620	15,480	1,951,100
2009	0	1,899,360	32,769	1,932,129

Wastewater System

(In thousands)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans Payable	Total
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
2008	32,165	343,235	29,879	405,279
2009	29,785	305,165	25,338	360,288

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

As of June 30, 2009
(In Thousands)

Water System

Authorized but unissued revenue bonds	\$	1,100,000
Outstanding short-term debt (due within one year)	\$	38,095

Wastewater System

Authorized but unissued revenue bonds	\$	169,370
Outstanding short-term debt (due within one year)	\$	8,690

Debt Capacity

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

Fiscal Years 2000 to 2009
(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
2000	366,000	\$ 7,679	\$ 19	\$ 197,772	3.55%
2001	368,000	7,017	17	206,791	3.03%
2002	370,000	6,274	15	214,000	2.59%
2003	373,000	5,540	13	223,126	2.13%
2004	375,000	4,757	10	241,927	1.62%
2005	376,000	3,922	0	235,790	0.00%
2006	379,000	0	0	244,280	0.00%
2007	381,000	0	0	260,678	0.00%
2008	382,000	0	0	270,564	0.00%
2009	382,000	0	0	287,313	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
2000	176,000	\$ 44,974	\$ 253	\$ 37,518	118.68%
2001	177,000	44,526	242	38,666	110.66%
2002	177,000	42,787	238	39,862	105.56%
2003	177,000	42,079	234	41,590	99.38%
2004	177,000	41,380	226	42,822	93.48%
2005	177,000	40,031	216	42,244	90.55%
2006	177,000	38,252	216	42,581	89.83%
2007	178,000	34,298	193	44,593	76.91%
2008	178,000	32,165	181	46,161	69.68%
2009	172,000	29,785	173	47,085	63.26%

Source: (1) CIS

(2) Financial and Statistical Reports

**Debt Capacity
Assessed Valuation of Taxable Property**

Fiscal Year 2009

EAST BAY MUNICIPAL UTILITY DISTRICT, SPECIAL DISTRICT NO. 1

2008-09 Assessed Valuation:	\$ 76,729,379,756
Redeveloped Incremental Valuation:	16,157,886,759
Adjusted Assessed Valuation:	\$ 60,571,492,997

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable</u>	<u>Debt 6/30/09</u>
Bay Area Rapid Transit District	13.743 %	\$ 60,656,105
Peralta Community College District	100.000	354,805,000
Alameda Unified School District	100.000	82,645,326
Albany Unified School District	100.000	35,665,000
Berkeley Unified School District	100.000	225,079,222
Oakland Unified School District	100.000	551,425,000
Piedmont Unified School District	100.000	44,749,934
West Contra Costa Unified School District	18.935	113,176,433
Other School Districts	Various	29,351,830
City of Alameda	100.000	9,775,000
City of Albany	100.000	18,550,000
City of Berkeley	100.000	71,430,000
City of Oakland	99.975	216,889,461
East Bay Municipal Utility District, Special District No. 1	100.000	29,785,000
East Bay Regional Park District	20.260	25,497,210
West Contra Costa Healthcare District Parcel Tax Obligations	17.494	4,181,941
City of El Cerrito Lease Tax Obligations	99.787	3,387,769
City of Alameda Community Facilities District Nos. 1 and 2	100.000	14,155,000
City of Berkeley Community Facilities District No. 1	100.000	7,435,000
1915 Act bonds	100.000	51,495,000
Total Direct and Overlapping Tax and Assessment Debt		\$ 1,950,135,231

(continued)

Sources: California Municipal Statistics, Inc.

Table 18 (Continued)
Assessed Valuation of Taxble Property

Fiscal Year 2009

<u>Overlapping General Fund Debt:</u>	<u>(1) % Applicable</u>	<u>Debt 6/30/09</u>
Alameda County General Fund Obligations	32.461 %	\$ 144,581,943
Alameda County Pension Obligations	32.461	65,902,556
Contra Costa County General Fund Obligations	2.750	7,846,163
Contra Costa County Pension Obligations	2.750	12,800,013
Alameda-Contra Costa Transit District Certificates of Participation	41.787	17,870,211
Peralta Community College District Pension Obligations	100.000	155,369,090
Oakland Unified School District Certificates of Participation	100.000	67,675,000
Other School District Certificates of Participation	Various	6,399,285
City of Alameda Cetificates of Participation	100.000	13,715,000
City of Berkeley General Fund Obligations and Pension Obligations	100.000	37,695,000
City of Oakland General Fund Obligations	99.975	466,843,260
City of Oakland Pension Obligations	99.975	248,392,728
Other City General Fund Obligations	Various	<u>27,297,387</u>
Total Overlapping General Fund Debt		\$ 1,272,387,636
Combined Total Debt		(2) \$ 3,222,522,867

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the district.

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

Ratios to 2008-09 Assessed Valuation:

Direct Debt (\$29,785,000)	0.04 %
Total Direct and Overlapping Tax and Assessment Debt	2.54 %

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	5.32 %
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<u>State School Building Aid Repayable as of 6/30/09:</u>	\$ 17,991
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**Debt Capacity
Summary of Debt Outstanding***

As of June 30, 2009
(Thousands of Dollars)

Water System

General Obligation Bonds					None Outstanding
Revenue Bonds					
Series 2001		\$		8,295	
Series 2002				211,200	
Series 2003				69,665	
Series 2005A				300,000	
Series 2007A				450,000	
Series 2007B				54,790	
Series 2008A				319,925	
Series 2008B				159,425	
Series 2009A				326,060	
Senior Lien Revenue Bonds					None Outstanding
Total Water System Debt Outstanding		\$		<u>1,899,360</u>	

Wastewater System

General Obligation Bonds					
Series F		\$		29,785	
Revenue Bonds					
Series 1998				1,550	
Series 2007A				80,630	
Series 2007B				43,835	
Series 2008A				50,000	
Series 2008B				68,500	
Series 2008C				60,650	
Senior Lien Revenue Bonds					None Outstanding
Total Wastewater System Debt Outstanding		\$		<u>334,950</u>	

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

Demographic and Economic Information Section

- District Information
- Principal Water Rate Payers
- Water Sold by Type of Customer
- Consumption and Account Comparative Highlights

Demographic and Economic Information

District Information

Fiscal Year 2009

		<u>Water System</u>	<u>Wastewater System</u>
Established		1923	1944
Service Area	(square miles)	331	88
Population Served	(in thousands)	1,350	650
Unemployment Rate	(Alameda County - %)	11.4	11.4
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		154	
Number of reservoirs		161	
Total District untreated water reservoir capacity	(acre feet)	766,740	
Water demand per fiscal year			
District-provided water	(acre feet)	203,408	
Water recycling per day	(in million gallons)		6.5
Wastewater treatment capacity			
Primary treatment			320
Secondary treatment			168
Energy Recovery	(%)		87
Number of employees		1,580	267
Average years of service of employees		13.3	14.7

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 2009
(In Thousands)

2009		2008		2007		2006		2005	
Billings	%								

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

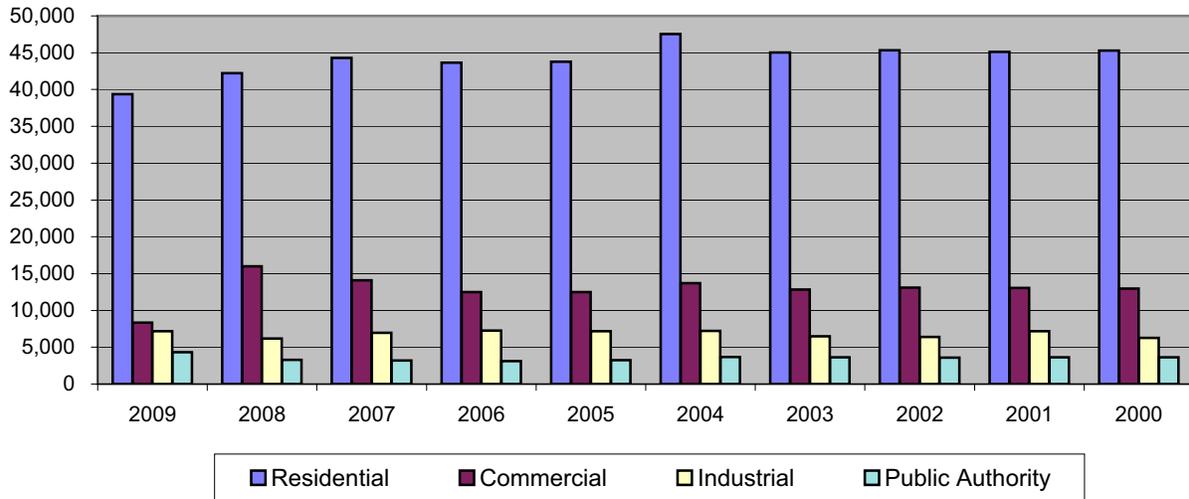
Total annual billing	\$ 30,792	11.69%	\$ 29,434	10.88%	\$ 28,265	10.84%	\$ 27,136	11.11%	\$ 25,823	11.50%
Total annual billings	<u>\$ 261,411</u>		<u>\$ 270,564</u>		<u>\$ 260,678</u>		<u>\$ 244,280</u>		<u>\$ 224,631</u>	

Source data not available for Fiscal Years 2000-2004.

* Listed individually from University of California beginning in 2008

Demographic and Economic Information
Water Sold by Type of Customer

Fiscal Years 2000 to 2009
(In millions of gallons)



Fiscal Year	Type of Customer				Total
	Residential	Commercial	Industrial	Public Authority	
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
2008	42,172	15,971	6,198	3,280	67,621
2009	39,366	8,323	7,189	4,332	59,210

Source: CIS

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

Fiscal Years 2009 and 2008

Water System	2009	2008
During the Year:		
Total Water Production, millions of gallons	66,200	75,059
Average Daily Water Production, MGD*	181	205
Maximum Daily Water Production, MGD	262	288
Minimum Daily Water Production, MGD	124	140
At Year End:		
Number of Accounts	381,728	381,903
Number of Employees	1,580	1,615
Miles of Water Distribution Pipe	4,108	4,108
Operating Distribution Storage Capacity, millions of gallons	812	812

Wastewater System

During the Year:		
Average Daily Wastewater Flow, MGD	66	69
At Year End:		
Number of Accounts	172,035	177,852
Number of Employees	267	262

*=millions of gallons per day

Operating Information Section

- 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

Operating Information
Full Time Equivalent District Employees by Function/Program

Fiscal Years 2000 to 2009

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
System Operations and Maintenance	603.5	603.5	611.5	574.5	578.5	567.5	567.5	545.5	537.5	533.5
Water Operations and Maintenance	282.5	279.5	278.5	309.5	311.5	312.5	314.5	328.5	334.5	331.5
Water Resources	42.0	42.0	42.0	42.0	43.0	45.0	45.0	47.0	47.0	47.0
Natural Resources	68.0	68.0	68.0	68.0	63.0	63.0	63.0	62.0	62.0	64.0
Engineering and Construction	253.5	254.5	260.5	266.5	275.5	274.5	275.5	267.5	267.5	266.5
Office of the General Manager	33.5	33.5	34.5	34.5	37.5	40.0	39.5	47.0	49.0	49.0
Finance	54.0	54.0	65.0	67.0	68.0	112.5	111.5	112.5	113.5	108.0
Information Systems	93.0	93.0	91.0	92.0	79.0	75.0	75.0	73.0	74.0	73.0
Administration Department	107.5	107.5	99.5	100.5	103.5	40.5	39.5	40.0	40.0	40.0
Customer and Community Services	137.0	137.0	137.0	138.0	130.0	149.0	152.0	149.0	151.5	154.5
Human Resources	49.5	49.5	49.5	49.5	50.5	50.5	50.5	48.5	48.5	49.5
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	8.0	8.0	9.0	9.0	9.0	11.0	11.0	11.0
Wastewater	285.5	284.5	286.5	284.5	281.0	278.0	284.5	284.5	292.5	296.0
Total	<u>2,034.0</u>	<u>2,031.0</u>	<u>2,048.0</u>	<u>2,051.0</u>	<u>2,046.5</u>	<u>2,033.5</u>	<u>2,043.5</u>	<u>2,032.5</u>	<u>2,045.0</u>	<u>2,040.0</u>

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 2000 to 2009
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Water System										
Alameda County	\$ 73,200	\$ 74,483	\$ 71,515	\$ 67,322	\$ 62,405	\$ 58,190	\$ 55,508	\$ 51,866	\$ 49,437	\$ 46,919
Contra Costa County	74,483	76,573	74,565	70,724	64,099	60,592	55,475	51,916	48,479	43,849
Total	\$ 147,683	\$ 151,056	\$ 146,080	\$ 138,046	\$ 126,504	\$ 118,782	\$ 110,983	\$ 103,782	\$ 97,916	\$ 90,768
Wastewater System										
Alameda County	\$ 56,061	\$ 56,428	\$ 53,954	\$ 43,534	\$ 41,216	\$ 38,517	\$ 36,135	\$ 33,389	\$ 31,115	\$ 29,651
Contra Costa County	3,733	3,808	3,697	2,898	2,677	2,469	2,314	2,119	1,982	1,842
Total	\$ 59,794	\$ 60,236	\$ 57,651	\$ 46,432	\$ 43,893	\$ 40,986	\$ 38,449	\$ 35,508	\$ 33,097	\$ 31,493

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 2000 to 2009

Water System
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Structures, Buildings and Equipment	\$ 3,705.1	\$ 3,591.6	\$ 3,470.3	\$ 3,221.5	\$ 3,037.4	\$ 2,824.3	\$ 2,533.9	\$ 2,338.0	\$ 2,211.6	\$ 2,039.7
Less Accumulated Depreciation	<u>(1,104.2)</u>	<u>(1,035.0)</u>	<u>(965.3)</u>	<u>(917.9)</u>	<u>(857.1)</u>	<u>(801.3)</u>	<u>(744.9)</u>	<u>(695.4)</u>	<u>(645.6)</u>	<u>(600.5)</u>
Subtotal	<u>2,600.9</u>	<u>2,556.6</u>	<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>
Land and Rights-of-Way	50.9	49.9	48.9	49.0	49.0	48.9	48.9	48.8	46.1	39.0
Construction in Progress	<u>705.6</u>	<u>422.7</u>	<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>
Total Capital Assets, Net	<u>\$ 3,357.4</u>	<u>\$ 3,029.2</u>	<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>

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

Fiscal Years 2000 to 2009

Wastewater System
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Structures, Buildings and Equipment	\$ 768.5	\$ 744.8	\$ 711.6	\$ 703.6	\$ 677.7	\$ 662.7	\$ 653.4	\$ 633.7	\$ 603.1	\$ 529.7
Less Accumulated Depreciation	(273.6)	(255.6)	(239.2)	(224.9)	(208.3)	(192.4)	(176.5)	(160.7)	(144.9)	(130.8)
Subtotal	<u>494.9</u>	<u>489.2</u>	<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>
Land and Rights-of-Way	19.7	19.5	16.1	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Construction in Progress	<u>57.9</u>	<u>46.3</u>	<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>
Total Capital Assets, Net	<u>\$ 572.5</u>	<u>\$ 555.0</u>	<u>\$ 539.4</u>	<u>\$ 514.3</u>	<u>\$ 496.3</u>	<u>\$ 496.2</u>	<u>\$ 496.6</u>	<u>\$ 502.5</u>	<u>\$ 501.9</u>	<u>\$ 493.7</u>

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

Fiscal Years 2000 to 2009

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Water System										
Water mains (miles)	4,108	4,108	4,110	4,085	4,065	4,033	4,032	4,031	4,018	3,996
Fire hydrants	30,203	30,050	29,916	29,532	28,817	28,499	28,380	*	*	*
Reservoir storage at June 30 (in acre feet)	654,660	472,330	560,290	719,460	730,720	605,310	706,480	606,640	565,490	679,030
										* Data not available for 2002 and prior.
Wastewater System										
Sanitary sewers (miles)	Owned by \ Owned by various communities									
Storm sewers (miles)	Owned by \ 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 2000 to 2009

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Water System										
New connections	735	1,535	1,994	2,230	1,928	1,925	2,455	1,164	1,612	1,336
Water main breaks	1,238	916	938	842	855	876	747	793	795	704
Average daily production (millions of gallons)	181	205	211	211	205	224	213	211	216	216
Peak daily production (millions of gallons)	262	288	336	311	310	310	338	310	311	341
Wastewater System										
Average daily sewage treatment (millions of gallons)	66	69	67	82	76	72	73	74	73	81

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

Fiscal Years 2000 to 2009
(In Millions)

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Interest and Amortization of Bonds ⁽¹⁾	\$ 92.3	\$ 106.7	\$ 88.9	\$ 88.9	\$ 84.1	\$ 72.2	\$ 74.9	\$ 75.6	\$ 66.3	\$ 65.0
Depreciation on Utility Plant	86.8	84.0	84.5	76.9	78.7	70.4	67.7	64.5	60.9	58.4
Water Treatment and Distribution	83.5	80.8	77.0	76.0	72.7	72.5	62.3	61.2	58.8	61.0
General Administration	63.7	61.9	37.2	34.7	28.9	21.2	26.2	19.1	21.7	18.2
Raw Water ⁽²⁾	36.3	29.6	25.3	24.2	23.1	22.8	22.9	21.7	24.2	24.0
Sewer Treatment Plant Operations	25.9	24.8	23.0	22.1	20.9	19.8	19.3	20.0	18.9	19.7
Financial and Risk Management ⁽³⁾	20.8	17.9	15.7	17.5	15.2	15.5	13.1	11.2	11.2	11.4
Customer Accounting and Collecting ⁽⁴⁾	16.5	14.8	14.0	13.3	13.0	12.6	11.7	11.4	10.7	10.9
Facilities Management	8.7	10.0	11.6	10.9	12.5	10.2	9.0	7.8	8.0	8.5
Sewer Lines and Pumping	13.2	12.0	12.3	11.7	10.7	10.9	9.4	8.8	8.7	9.3
Recreation Areas, Net	<u>9.0</u>	<u>8.6</u>	<u>9.4</u>	<u>8.3</u>	<u>7.8</u>	<u>7.8</u>	<u>7.0</u>	<u>6.9</u>	<u>6.4</u>	<u>6.2</u>
Total:	\$ 456.7	\$ 451.1	\$ 398.9	\$ 384.5	\$ 367.6	\$ 335.9	\$ 323.5	\$ 308.2	\$ 295.8	\$ 292.6

⁽¹⁾ The 2008 decrease in Interest and Amortization of Bonds primarily reflects an increase in interest charged to construction and lower interest rates on outstanding debt.

⁽²⁾ The 2009 increase in Raw Water primarily reflects additional costs associated with drought management programs.

⁽³⁾ The 2009 increase in Financial and Risk Management primarily reflects increases from higher contingent liabilities estimates.

⁽⁴⁾ The 2009 increase in Customer Accounting and Collecting primarily reflects additional costs associated with drought management programs.