

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended June 30, 2011

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Letter of Transmittal

GFOA Award Certificate

Board of Directors

Organizational Staffing

Organization Chart

December 31, 2011  
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, 2011.

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, 2011. The purpose of the independent audit was to provide reasonable assurance that the financial statements of EBMUD for the year ended June 30, 2011, 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 districts. 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 percent 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 east 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 has continually pursued an array of solutions to provide a reliable water supply and protect the San Francisco Bay now and for the future. EBMUD employed approximately 1,754 full-time employees at the end of fiscal year 2011. All the staff at EBMUD continues to focus 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 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 substantial revenue, helping keep wastewater rates low.

In the coming years, EBMUD will continue to invest in infrastructure while at the same time ensuring our services remain affordable. We will continue our efforts to earn the trust and satisfaction of our customers by providing high quality water and services at a reasonable price.

## 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.

In Fiscal 2011 (FY11), EBMUD achieved many strategic goals in serving the East Bay communities. In California, where new water projects take years to develop, long-term planning ensures reliable water supplies for the future. EBMUD began to prepare to implement the Water Supply Management Program 2040 enabling EBMUD to meet the water needs for its customers over the next 30 years. The national financial crisis and successful conservation efforts continued to impact EBMUD resulting in decreased revenues. Once again EBMUD demonstrated great flexibility in meeting its mission of delivering quality water to the public at a reasonable rate by aggressively managing costs and improving operational efficiencies throughout the year. Through cooperative efforts with all our stakeholders in FY11, EBMUD continued to maneuver through the many challenges with strength and stability.

## **Water Supply Management Program 2040**

EBMUD completed development of the Water Supply Management Program (WSMP) 2040. The District expects the number of customers to grow to 1.7 million by the year 2040 with increased and diverse water needs. The plan calls for maintaining a reliable, high quality water supply by aggressively conserving and recycling while setting limits to rationing and tapping into a variety of regional water supply sources. The planning document also stresses the District objectives to preserve and protect the environment, adjust to new regulations and water system changes, seek cost-effective collaborative solutions and be prepared to address uncertainties including climate change and Delta challenges.

EBMUD's long-term plan will meet future water supply needs through 2040 by:

- Maximizing conservation, saving an additional 39 million gallons a day;
- Aggressive recycling, stretching the supply by 11 million gallons a day;
- Limiting drought rationing to 15 percent; and
- Developing 43 million gallons a day of additional water supplies through a combination of water transfers, groundwater storage and regional supply projects.

## **Continuing Water Conservation and Management**

California experienced extremely dry weather from 2006 to 2008. Customer conservation efforts and ample rainfall in 2009 ended the mandatory water rationing and the subsequent voluntary conservation ended in April 2010. Customers continued to conserve and use water wisely to minimize impact of future drought years. In FY11, customer conservation efforts saved more than three million gallons of water per day (MGD).

When industrial and irrigation customers use recycled water during droughts more potable water is available for customers. Federal grant funds are helping EBMUD expand recycled water service for landscape irrigation in the San Ramon Valley. In FY11, the Richmond Advanced Recycled Expansion (RARE) Water Project started saving 3.5 MGD of potable water daily. Chevron, EBMUD's partner, contributed \$52 million towards the capital costs EBMUD invested to plan, design and construct this facility. Future costs related to operations and maintenance will be recouped via a monthly service charge to Chevron.

### **Reliable Water Supplies**

EBMUD customers receive 90 percent of their water from the Mokelumne River watershed in the foothills of the Sierra Mountains. Historically, dry years can mean ten times less precipitation compared to wet years. To assure more reliable dry year supplies, EBMUD worked together with Sacramento County and the City of Sacramento and completed the Freeport Regional Water project. The Freeport Project will provide up to 85 million gallons of water a day to the Sacramento area to protect its fragile groundwater basin. For EBMUD, the project guarantees a dry-year supply of up to 100 million gallons a day to guard against a harsh drought. The Freeport facilities will also provide an opportunity for other communities, to move water more easily throughout the region. The project has been hailed as a model of regional collaboration and benefit.

The Bayside Groundwater Facility is a state of the art groundwater well that can store excess water in wet periods for later recovery during droughts. The already completed phase of the project, including injection/extraction well, pump, and treatment facility, will produce up to one million gallons per day on average when other EBMUD supplies are limited.

### **Infrastructure Management**

With an aging system, EBMUD continually evaluates infrastructure durability and adjust investments to address the most pressing reliability concerns. Keeping infrastructure in good repair protects the environment and public health. EBMUD is increasing investments in refurbishing and replacing aging infrastructure. In FY11, EBMUD met its performance target of (1) fewer than ten unplanned interruption lasting no more than four hours per 1,000 customer accounts, (2) less than 20 pipeline breaks per 100 miles of pipes, and (3) at least 90 percent of wastewater equipment and facilities are in operation around the clock.

EBMUD has comprehensive dam safety program to ensure public safety and protect water supplies. In July 2010, EBMUD completed new safeguards to protect San Pablo Dam from the damaging effect of earthquakes. This was the third seismic upgrade in the dam's near-century of service. The dam was built in 1921 and provides water to two water treatment plants. The project was completed and the reservoir has returned to normal operating levels ahead of schedule.

### **Water Quality and Safety**

Lead exposure can have serious impacts on children and adults, including kidney disease, hypertension, hearing loss and brain damage. EBMUD has been a leader in the effort to reduce the risk of exposure to lead in drinking water by sponsoring state legislation that became a model for national law. When President Obama signed legislation in January 2011 adopting strict national standards requiring manufacturers to virtually eliminate lead from water faucets and fixtures, the language was identical to an EBMUD-sponsored bill that reduced California's lead standard for drinking water plumbing from 8 percent to 0.25 percent (AB1953-Chan).

**New Phase in Bay Protection**

Over the years, Bay protection agencies, environmental groups and EBMUD have all worked to keep the Bay as healthy as possible. EBMUD's main wastewater treatment plant operated continuously, 24 hours a day, for 11 years within permit limits and without a National Pollutant Discharge Elimination System violation.

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 partially treated sewage being released 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 with efforts to repair damaged sewer pipes as quickly as possible, provide an incentive program for the repair of leaking private sewers servicing business or residences, seek improvements in our wastewater transmission system, and ensuring that private property owners do the same for their leaking private sewer pipes (laterals) serving residences and businesses.

**Environmental Stewardship**

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 environmental health has been a concern for decades, but in recent years concern has developed over its aging earthen levees. EBMUD continues to tirelessly advocate 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 two fiscal years, EBMUD faced a bearish financial market, severe reduction in local growth and development, and rising costs including health care, retirement costs and energy. The slow housing market (fewer connection fees for new homes) and reduced water use by EBMUD customers – in response to the drought management program in place from May 2008 to June 2009 – have reduced revenues to the District. To keep the budget balanced, EBMUD has reduced more than \$85 million in anticipated capital spending over the FY11 and FY12 two-year budget period. Cost-cutting programs in FY11 including a hiring freeze, delaying capital projects and reducing discretionary spending ensured that projected expenses matched revenues. As a result, EBMUD was able to maintain its strong and stable fiscal position and continue to meet its financial goals.

In FY11, the total assets of the District exceeded the total liabilities by \$1.6 billion (*net assets*). Net assets increased by \$3 million or 0.2% during the fiscal year. Capital assets increased by \$62 million or 2% to \$4.2 billion. By far the largest portion of the District's net assets 74% or \$1.2 billion represents its investment in capital assets necessary to provide services.

In FY11, total operating revenue increased by \$19 million to \$368 million and operating expense increased by \$12 million to \$358 million. Changes in net assets (including capital contributions) decreased from \$13 million to \$3 million.

As of June 30<sup>th</sup>, 2011, EBMUD had \$194 million in cash and cash equivalent investments available for operating use. A portion of these 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 2010-2011. 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, 2011, 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 (Water and Wastewater) from Standard & Poor's, Aa1 for Water and Aa2 for Wastewater from Moody's and AA+ Water and Wastewater from Fitch. In FY11, EBMUD issued \$150 million in Wastewater bonds authorized under the Stimulus Act (American Recovery and Reinvestment Act of 2009). The Build America Bonds issuance resulted in a net interest rate of 3.33 percent, after credit from the US Treasury, 0.5 percent lower than a comparable tax-exempt issue. The result of the lower interest rate is a savings of \$0.75 million a year for 30 years.

## **Budget and Rates**

The adopted budget for Fiscal Year 2012 and 2013 supports the District's mission, values and strategic plan. The Board of Directors approved a water system rate increase of 6 percent for both FY12 and FY13, and a wastewater system rate increase of 6 percent for both FY12 and FY13.

While the FY12-13 budget was difficult to balance, it funds the highest priority projects and tasks necessary to achieve our goals while keeping our costs and projected rate increases as low as possible. Significant fiscal challenges continue to face the District in FY12-13. Rising costs for essential materials and supplies, reduced customer demand after the drought, the poor economy and other factors make financial projections more difficult than normal. From the onset of this budget process, we scrutinized our budget planning assumptions, established prudent budget targets and set priorities with careful consideration. In addition, we focused on meeting our financial policies in order to retain our high bond ratings and low interest rates

The total water system budget is \$595 million in FY12, and \$573 million in FY13. The FY12-16 Capital Improvement Program (CIP) includes funding for improving water and wastewater treatment processes; replacing, upgrading and maintaining aging infrastructure; preparing for seismic events; protecting natural resources; and ensuring our future water supply. Over the next five years, the District anticipates spending almost \$400 million to maintain the District's pipelines, aqueducts, pumping plants, reservoirs and other infrastructure.

The total wastewater system budget is \$127 million in FY12, and \$131 million in FY13. Over the next five years, the District anticipates spending over \$25 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 regional private sewer lateral ordinance and incentive program. Other projects include \$18 million to upgrade the digesters and \$27 million to rehabilitate two sewer interceptors.

## **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, 2010. 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 sixth 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 biennial budget document dated June 9, 2009, which covered fiscal years 2010 and 2011. 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,



Alexander R. Coate  
*General Manager, Acting 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, 2010

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



President

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/5<sup>th</sup> Ave) to the San Leandro boundary.

# Organizational Staffing

*East Bay Municipal Utility District*

## BOARD OF DIRECTORS

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

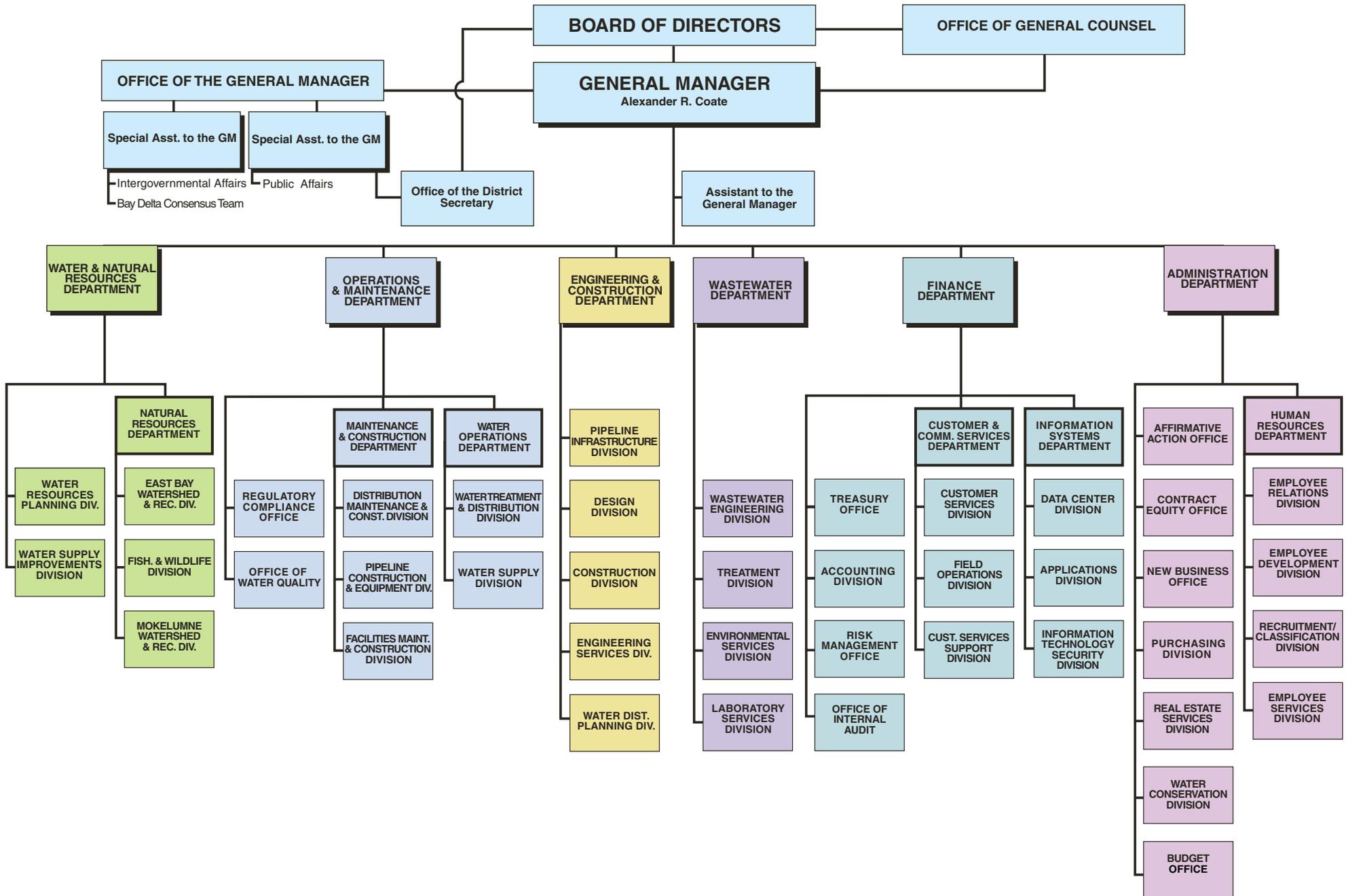
GENERAL MANAGER ..... Alexander R. Coate

FINANCE DIRECTOR ..... Vacant

CONTROLLER ..... D. Scott Klein

PREPARED ..... Accounting Division of the  
Finance Department

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





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, 2011 AND 2010**

**PREPARED BY THE**  
**FINANCE DEPARTMENT**

**EAST BAY MUNICIPAL UTILITY DISTRICT  
 BASIC FINANCIAL STATEMENTS  
 For the Years Ended June 30, 2011 and 2010**

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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, 2011 and 2010, 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, 2011 and 2010, 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 19, 2011 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 a required part of the basic financial statements, but are supplementary information required by the Government 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 we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

*Maze & Associates*

August 19, 2011

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2011

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 year ended June 30, 2011. 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 to industrial, commercial, residential and public authority users. The Water System collects, transmits, treats, and distributes high-quality water to approximately 60% (331 square miles) of the developed area within Alameda and Contra Costa counties of California and serves a population of about 1.3 million. 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 wastewater system serves a population of 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, 2011

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 25 to 60 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 63 to 68 of this report.

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2011

#### FINANCIAL ANALYSIS

##### *Financial Highlights*

In fiscal year 2011, EBMUD continued to effectively manage its finances overcoming many fiscal challenges. EBMUD implemented cost saving programs to offset lower revenues and continues to look for ways to optimize operational efficiency. The following results of operations indicate a continuing strong and stable fiscal position.

- The total assets of the District exceeded the total liabilities by \$1.6 billion (*net assets*).
- Net assets increased by \$3 million or 0.2% during the fiscal year.
- Capital assets increased by \$62 million or 2% to \$4.2 billion.
- During the year, operating revenue increased by \$19 million or 5% to \$368 million.
- Operating expense increased by \$12 million or 3% to \$358 million.
- Other income (expense) decreased by \$24 million or 73% to (\$56) million.
- Capital contributions, consisting of capital facility fees, increased by \$6 million or 14% from the prior fiscal year.

##### *Financial Position*

In the current year, the District's total net assets increased by \$3 million or 0.2%. Current and other assets increased by \$34 million or 4%. Capital assets increased by \$62 million or 2%. By far the largest portion of the District's net assets, 74% or \$1.2 billion, represents its investment in capital assets necessary to provide services.

- The Water System's net assets decreased by \$1 million during the year ended June 30, 2011. Current and other assets decreased by \$65 million used for building new facilities and capital improvements. A net increase in capital assets of \$32 million was achieved through the use of District reserves and results from current operating activities.
- The Wastewater System's net assets increased by \$4 million or 1% during the year ended June 30, 2011. Current and other assets increased by \$99 million, which includes proceeds from the issuance of bonds in the current fiscal year that will be used for building new facilities and capital improvements. A net increase in capital assets of \$30 million was achieved through the use of Wastewater reserves, results from current operating activities and funding from the issuance of bonds. An increase of total net assets of \$4 million is consistent with the District's wastewater operational and facilities improvement plan.

In the previous fiscal year, the District's net assets increased by \$13 million or 1%. There was an increase of \$369 million in the level of current and other assets that were used for investment in capital assets. Capital assets increased by \$199 million. By far the largest portion of the District's net assets, 80% or \$1.3 billion, represents its investment in capital assets necessary to provide services.

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2011

Table 1 shows the District's net assets for the fiscal years ended June 30, 2011, 2010 and 2009:

**Table 1**

Net Assets

Water and Wastewater

June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 847,495	813,296	34,199	4%
Capital assets	4,191,759	4,129,285	62,474	2%
Total assets	<u>5,039,254</u>	<u>4,942,581</u>	<u>96,673</u>	2%
Current and other liabilities	295,353	316,227	(20,874)	(7)%
Long-term liabilities	3,111,477	2,997,042	114,435	4%
Total liabilities	<u>3,406,830</u>	<u>3,313,269</u>	<u>93,561</u>	3%
Net assets:				
Invested in capital assets, net of related debt	1,202,772	1,293,525	(90,753)	(7)%
Restricted	132,173	136,251	(4,078)	(3)%
Unrestricted	297,479	199,536	97,943	49%
Total net assets	<u>\$ 1,632,424</u>	<u>1,629,312</u>	<u>3,112</u>	0%

Net Assets

Water and Wastewater

June 30, 2010 and 2009

(In thousands)

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 813,296	444,554	368,742	83%
Capital assets	4,129,285	3,929,880	199,405	5%
Total assets	<u>4,942,581</u>	<u>4,374,434</u>	<u>568,147</u>	13%
Current and other liabilities	316,227	186,977	129,250	69%
Long-term liabilities	2,997,042	2,571,183	425,859	17%
Total liabilities	<u>3,313,269</u>	<u>2,758,160</u>	<u>555,109</u>	20%
Net assets:				
Invested in capital assets, net of related debt	1,293,525	1,304,624	(11,099)	(1)%
Restricted	136,251	146,330	(10,079)	(7)%
Unrestricted	199,536	165,320	34,216	21%
Total net assets	<u>\$ 1,629,312</u>	<u>1,616,274</u>	<u>13,038</u>	1%

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2011

#### *Results of Operations*

In the current fiscal year, the District's total operating revenue of \$368 million for the year increased by \$19 million and total operating expense of \$358 million for the year increased by \$12 million. The District's change in net assets (including capital contributions) decreased from \$13 million in the previous fiscal year to \$3 million in the current fiscal year. The District's total net assets increased from \$1,629 million to \$1,632 during the current fiscal year.

The major components of the District's results of operations were:

- Water revenue increased by \$13 million, mainly reflecting the water rate increase in the current fiscal year.
- Sewer revenues increased by \$5 million, mainly reflecting a stable revenue base, coupled with a rate increase in the current fiscal year, and an increase of property tax based wet weather facilities charges of \$1 million, as compared to the previous fiscal period.
- Power revenues increased by \$2 million over the previous period due to a return to more normal precipitation and run-off for power generation in the current fiscal year following the drought of previous fiscal years.
- Operating expense increased by \$12 million, primarily reflecting increases in water resources, information technology, sewer treatment plant operations, interception and pumping, power generation and a decrease in the overhead applied to capital projects (which decreases operating expenses) as compared to the previous fiscal period. These were offset a decrease in recreation areas administration costs.
- Nonoperating income (net of nonoperating expense) decreased by \$24 million, primarily reflecting a \$5 million decrease in investment income, a \$1 million decrease in property tax revenue received, an \$20 million increase in Bond interest and amortization, and a \$3 million decrease in capitalized interest expense applied, offset by a \$5 million increase in other income/expense primarily from an \$8 million 2010B Build American Bond rebate.
- Capital contributions increased by \$6 million primarily reflecting an increase in fees received for system capacity charges, which were lower in the previous fiscal year due to the current economic downturn.

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2011

In the previous fiscal year, the District's total operating revenue of \$349 million for the year decreased by \$12 million and total operating expense of \$347 million for the year decreased by \$18 million. The District's change in net assets (including capital contributions) of \$13 million for the year decreased by \$2 million or 12%.

The major components of the District's results of operations were:

- Water revenue decreased by \$16 million, mainly reflecting removal of the 10% special drought surcharge in current period rates as compared to the previous fiscal period and a more than 5.5% reduction in water usage due to continued customer conservation efforts in the current fiscal period.
- Sewer revenues increased by \$2 million, mainly reflecting a stable revenue base and an increase of property tax based wet weather facilities charges of \$1 million, as compared to the previous fiscal period.
- Power revenues increased by \$2 million over the previous period due to greater precipitation and run-off.
- Operating expense decreased by \$18 million, primarily reflecting decreases in water conservation programs due to the end of the drought, a decrease in risk management costs due to lower claim settlement costs, and a decrease in general administrative cost due to cost reduction strategies implemented in FY 2010.
- Nonoperating income (net of nonoperating expense) decreased by \$3 million, primarily reflecting a decrease in investment income, a decrease in interest and amortization of bond expenses (net), an increase in property tax revenue received, and an increase in other expenses.
- Capital contributions decreased by \$5 million primarily reflecting a reduction in fees received for system capacity charges due to the current economic downturn, offset by an increase in state grants.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2011

Table 2 shows changes in the District's net assets for the fiscal years ended June 30, 2011, 2010, and 2009:

**Table 2**

Changes in Net Assets

Water and Wastewater

June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Water	\$ 283,644	271,022	12,622	5%
Sewer	60,313	56,354	3,959	7%
Power	8,082	6,233	1,849	30%
Wet weather facilities charges	16,064	15,311	753	5%
Total operating revenues	<u>368,103</u>	<u>348,920</u>	<u>19,183</u>	5%
Operating Expenses:				
Raw water	31,081	28,959	2,122	7%
Water treatment & distribution	84,170	85,970	(1,800)	(2)%
Recreation areas, net	5,685	8,400	(2,715)	(32)%
Sewer lines & pumps	13,353	12,859	494	4%
Sewer treatment plant operations	28,767	25,188	3,579	14%
Customer accounting & collecting	17,525	16,115	1,410	9%
Financial and risk management	18,054	17,534	520	3%
Facilities management	12,184	11,284	900	8%
General administration	55,339	49,504	5,835	12%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	92,146	90,786	1,360	1%
Total operating expenses	<u>358,304</u>	<u>346,599</u>	<u>11,705</u>	3%
Net operating income (expense)	9,799	2,321	7,478	322%
Nonoperating income (expense):				
Investment income	6,563	11,578	(5,015)	(43)%
Taxes & subventions	29,615	30,336	(721)	(2)%
Interest & amortization of bond expenses, net	(105,793)	(80,881)	(24,912)	31%
Other income (expense)	14,018	6,873	7,145	104%
Total other income (expense), net	<u>(55,597)</u>	<u>(32,094)</u>	<u>(23,503)</u>	73%
Income (Loss) before contributions	(45,798)	(29,773)	(16,025)	54%
Capital contributions	48,910	42,811	6,099	14%
Change in net assets	3,112	13,038	(9,926)	(76)%
Total net assets – beginning	<u>1,629,312</u>	<u>1,616,274</u>	<u>13,038</u>	1%
Total net assets – ending	<u>\$ 1,632,424</u>	<u>1,629,312</u>	<u>3,112</u>	0%

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2011

**Table 2 (Continued)**

Changes in Net Assets

Water and Wastewater

June 30, 2010 and 2009

(In thousands)

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>%</u>
Operating Revenues:				
Water	\$ 271,022	287,313	(16,291)	(6)%
Sewer	56,354	54,749	1,605	3%
Power	6,233	4,318	1,915	44%
Wet weather facilities charges	15,311	14,343	968	7%
Total operating revenues	<u>348,920</u>	<u>360,723</u>	<u>(11,803)</u>	<u>(3)%</u>
Operating Expenses:				
Raw water	28,959	36,235	(7,276)	(20)%
Water treatment & distribution	85,970	83,490	2,480	3%
Recreation areas, net	8,400	9,043	(643)	(7)%
Sewer lines & pumps	12,859	13,204	(345)	(3)%
Sewer treatment plant operations	25,188	25,925	(737)	(3)%
Customer accounting & collecting	16,115	16,518	(403)	(2)%
Financial and risk management	17,534	20,807	(3,273)	(16)%
Facilities management	11,284	8,665	2,619	30%
General administration	49,504	63,746	(14,242)	(22)%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	90,786	86,820	3,966	5%
Total operating expenses	<u>346,599</u>	<u>364,453</u>	<u>(17,854)</u>	<u>(5)%</u>
Net operating income (expense)	2,321	(3,730)	6,051	(162)%
Nonoperating income (expense):				
Investment income	11,578	28,602	(17,024)	(60)%
Taxes & subventions	30,336	30,795	(459)	(1)%
Interest & amortization of bond expenses, net	(80,881)	(92,260)	11,379	(12)%
Other income (expense)	6,873	4,092	2,781	68%
Total other income (expense), net	<u>(32,094)</u>	<u>(28,771)</u>	<u>(3,323)</u>	<u>12%</u>
Income (Loss) before contributions	(29,773)	(32,501)	2,728	(8)%
Capital contributions	42,811	47,312	(4,501)	(10)%
Change in net assets	13,038	14,811	(1,773)	(12)%
Total net assets – beginning	<u>1,616,274</u>	<u>1,601,463</u>	<u>14,811</u>	<u>1%</u>
Total net assets – ending	<u>\$ 1,629,312</u>	<u>1,616,274</u>	<u>13,038</u>	<u>1%</u>

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2011

### **Liquidity**

The District had \$194 million in cash and cash equivalent investments available for operating use as of June 30, 2011. Cash and cash equivalent investments was \$289 million as of June 30, 2010. Components of cash and cash equivalents are:

- For the Water System, for the year ended June 30, 2011, cash and cash equivalents was \$148 million, a decrease of \$121 million or 45%, from \$269 million in the previous fiscal year. This decrease was due primarily to the acquisition and construction of capital assets in the current year. Net cash provided by operating activities increased \$15 million or 14%, based on increased collections from customers and other income, and a reduction in outflows for employees and services, offset by and increase in outflows to suppliers for goods and services as compared to the previous fiscal period.
- For the Wastewater System, for the year ended June 30, 2011, cash and cash equivalents was \$46 million, an increase of \$26 million, or 135%, from \$20 million. This increase was due primarily to cash received from customers, as the proceeds from current fiscal year issuance of bonds was used to refund older bond issuances and finance the acquisition and construction of capital assets with the balance invested in securities until needed for future expenditures of capital assets.

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2011, 2010 and 2009:

**Table 3**  
Cash Flows  
Water and Wastewater System  
June 30, 2011 and 2010  
(In thousands)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>%</u>
Net cash provided by operating activities	\$ 142,055	\$ 138,691	3,364	2%
Net cash provided by financing activities	29,615	30,336	(721)	(2)%
Net cash provided by (used in) capital and related financing activities	(145,444)	63,819	(209,263)	(328)%
Net cash provided by (used in) investing activities	(121,288)	(25,939)	(95,349)	368%
Net increase in cash and cash equivalents	(95,062)	206,907	(301,969)	(146)%
Cash and cash equivalents:				
Beginning of year	288,826	81,919	206,907	253%
End of period	<u>\$ 193,764</u>	<u>\$ 288,826</u>	<u>(95,062)</u>	<u>(33)%</u>

Cash Flows  
Water and Wastewater System  
June 30, 2010 and 2009  
(In thousands)

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>%</u>
Net cash provided by operating activities	\$ 138,691	\$ 112,295	26,396	24%
Net cash provided by financing activities	30,336	30,795	(459)	(1)%
Net cash provided by (used in) capital and related financing activities	63,819	(539,933)	603,752	(112)%
Net cash provided by (used in) investing activities	(25,939)	437,852	(463,791)	(106)%
Net increase (decrease) in cash and cash equivalents	206,907	41,009	165,898	405%
Cash and cash equivalents:				
Beginning of year	81,919	40,910	41,009	100%
End of period	<u>\$ 288,826</u>	<u>\$ 81,919</u>	<u>206,907</u>	<u>253%</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2011

**Capital Assets**

Table 4 shows the District's capital assets for the fiscal years ended June 30, 2011, 2010 and 2009:

**Table 4**

Capital Assets, Net of Depreciation

Water and Wastewater

June 30, 2011 and 2010

(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase/(decrease)</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, and equipment	\$ 2,786,422	2,686,870	503,665	504,159	3,290,087	3,191,029	99,058	3.1%
Land and rights of way	52,939	53,477	19,904	19,744	72,843	73,221	(378)	(0.5)%
Construction work in progress	716,558	783,194	112,271	81,841	828,829	865,035	(36,206)	(4.2)%
Totals	<u>\$ 3,555,919</u>	<u>3,523,541</u>	<u>635,840</u>	<u>605,744</u>	<u>4,191,759</u>	<u>4,129,285</u>	<u>62,474</u>	<u>1.5%</u>

Capital Assets, Net of Depreciation

Water and Wastewater

June 30, 2010 and 2009

(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase/(decrease)</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, and equipment	\$ 2,686,870	2,600,988	504,159	494,839	3,191,029	3,095,827	95,202	3.1%
Land and rights of way	53,477	50,851	19,744	19,688	73,221	70,539	2,682	3.8%
Construction work in progress	783,194	705,580	81,841	57,934	865,035	763,514	101,521	13.3%
Totals	<u>\$ 3,523,541</u>	<u>3,357,419</u>	<u>605,744</u>	<u>572,461</u>	<u>4,129,285</u>	<u>3,929,880</u>	<u>199,405</u>	<u>5.1%</u>

The District had \$4.2 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2011. Total capital assets were \$4.1 billion as of June 30, 2010. 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 4 above*).

In the current fiscal year 2011, capital assets increased by \$62 million or 2% over the prior fiscal year. In the previous fiscal year 2010, capital assets increased \$199 million or 5% over the fiscal year 2009 value. Both increases are consistent with the District's implementation of a five-year (FY 08 to FY 12) capital improvement program.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2011

The Water System had \$3.6 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2011. 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, machinery and equipment.

The Wastewater System had \$636 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2011. The investment in capital assets includes land, buildings, improvements, wastewater and wet weather treatment facilities, machinery and equipment. Two projects have driven the increase in construction work in progress balance, the PGS expansion with \$35 million and a completion date of December 2011 and the Digester Phase 2 upgrade with \$36 million and a completion date of September 2012.

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.

This year's major capital additions included:

### Water

Pipeline Infrastructure Renewals	\$	25,232
Folsom South Canal Connection		20,441
Service Lateral Replacement Polybutylene		14,017
Freeport Regional Water Project		13,358
New Service Installations		10,608
Summit Pressure Zone Improvement Study		6,469
Highland Reservoir		5,578
CIS Replacement Project		5,012
San Pablo Dam Seismic Modifications		4,286
WTTIP WTP Improvements		3,935
Pumping Plant Rehabilitation		3,827
Water Conservation Project		3,806
WTTIP Distribution Improvements		3,430
Reservoir Upgrades Seismic Improvement Project		3,421
Reservoir Rehabilitation/Maintenance		3,213
Pipeline Relocations		3,118
Pipeline System Extensions		3,074

### Wastewater

Digester Upgrade		13,284
PGS Expansion		11,272
Infiltration/Inflow Control Project		4,740
Priority Manhole Interceptor		3,662
Centrifuge Replacement		3,108
Concrete Rehabilitation at SD1		2,606
Resource Recovery Project		1,974
Routine Capital Equipment Replacement		1,877
Treatment Plant Infrastructure		1,757
Pump Station H Improvements		1,597
Interceptor Corrosion Prevention		1,570
DCS Upgrades		1,122

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2011

#### ***Debt Administration***

The District had total long-term debt outstanding of \$3.2 billion (net of unamortized costs) as of June 30, 2011 or a 3% increase from June 30, 2010. Total long-term debt outstanding was \$3.1 billion (net of unamortized costs) as of June 30, 2010 or 4% increase from June 30, 2009. Components of the District's long-term debt portfolio as of June 30, 2011 are:

- The Water System had total long-term debt outstanding of \$2.7 billion (net of unamortized costs). During the third quarter of the fiscal year 2011, the District issued \$22.6 million in Commercial Paper to finance the District's investment in the Dublin San Ramon Service District/EBMUD Recycled Water Authority.
- The Wastewater System had total long-term debt outstanding of \$494 million (net of unamortized costs). In October 2010, \$150 million of Wastewater revenue bonds were issued. From this bond issue, \$50 million was reimbursed to the Wastewater Operating Fund for capital expenditures paid from this fund over the previous eighteen months. In January 2011, \$66 million of Wastewater revenue bonds were issued to refund a previous bond issue and commercial paper.

Table 5 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2011, 2010 and 2009:

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2011

**Table 5**

Long -Term Debt

(Net of Unamortized Costs)

Water and Wastewater

June 30, 2011 and 2010

(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase (decrease)</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Amount</u>	<u>%</u>
General obligation bonds	\$ —	—	24,681	27,330	24,681	27,330	(2,649)	(10)%
Revenue bonds	2,334,475	2,373,062	454,285	296,903	2,788,760	2,669,965	118,795	4%
Commercial paper	312,900	290,300	15,000	15,000	327,900	305,300	22,600	7%
Loans	26,501	29,028	—	20,651	26,501	49,679	(23,178)	(47)%
Totals	\$ <u>2,673,876</u>	<u>2,692,390</u>	<u>493,966</u>	<u>359,884</u>	<u>3,167,842</u>	<u>3,052,274</u>	<u>115,568</u>	<u>4%</u>

Long -Term Debt

(Net of Unamortized Costs)

Water and Wastewater

June 30, 2010 and 2009

(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase (decrease)</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>Amount</u>	<u>%</u>
General obligation bonds	\$ —	—	27,330	29,800	27,330	29,800	(2,470)	(8)%
Revenue bonds	2,373,062	1,903,475	296,903	303,574	2,669,965	2,207,049	462,916	21%
Commercial paper	290,300	315,300	15,000	15,000	305,300	330,300	(25,000)	(8)%
Loans	29,028	32,769	20,651	25,338	49,679	58,107	(8,428)	(15)%
Totals	\$ <u>2,692,390</u>	<u>2,251,544</u>	<u>359,884</u>	<u>373,712</u>	<u>3,052,274</u>	<u>2,625,256</u>	<u>427,018</u>	<u>16%</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2011

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 6.

**Table 6**  
Debt Ratings  
Water and Wastewater  
June 30, 2011

District debt by type	Standard & Poor's	Rating by	Fitch
		Moody's Investors Service	
Water system:			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+
Variable Rate Revenue Bonds (include SIFMA-Based Index Bonds)	A-1+	VMIG-1	F1+
Commercial Paper	A1+	P1	F1+
Wastewater system:			
General Obligation Bonds	AAA	Aa2	-
Fixed Rate Revenue Bonds	AAA	Aa2	AA+
Variable Rate Revenue Bonds	A-1+	VMIG-1	F1+
Commercial Paper	A1+	P1	F1+

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, 2011, the Wastewater System had \$138.5 million in authorized but unissued revenue bonds.

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 or visit our website at <http://www.ebmud.com>.

EAST BAY MUNICIPAL UTILITY DISTRICT  
BALANCE SHEETS  
PROPRIETARY FUNDS - ENTERPRISE  
JUNE 30, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

Assets	Water System		Wastewater System		Total	
	2011	2010	2011	2010	2011	2010
Current assets:						
Cash and investments (Note 2)	\$293,888	\$229,625	\$46,661	\$18,847	\$340,549	\$248,472
Receivables:						
Customer	25,152	24,046	3,785	3,914	28,937	27,960
Interest and other	7,714	6,882	2,416	2,621	10,130	9,503
Materials and supplies	6,162	5,634			6,162	5,634
Prepaid insurance	1,074	1,025			1,074	1,025
Total current assets	<u>333,990</u>	<u>267,212</u>	<u>52,862</u>	<u>25,382</u>	<u>386,852</u>	<u>292,594</u>
Noncurrent assets:						
Restricted cash and investments (Note 2):						
Bond construction fund	109,471	216,514	69,384		178,855	216,514
Capitalized interest fund		6,337	6,851		6,851	6,337
Bond interest and redemption fund	47	184	8		55	184
Debt service reserve fund	61,296	60,636	2,441	5,711	63,737	66,347
Funds received for construction	40,473	65,159			40,473	65,159
FERC partnership fund	2,209	2,240			2,209	2,240
Monetary reserve	720	718			720	718
Total restricted cash and investments	<u>214,216</u>	<u>351,788</u>	<u>78,684</u>	<u>5,711</u>	<u>292,900</u>	<u>357,499</u>
Unrestricted investments (Note 2):						
Reserve funded CIP			14,132	13,966	14,132	13,966
Vehicle/equipment replacement fund	6,875	5,598	6,970	6,338	13,845	11,936
Total unrestricted cash and investments	<u>6,875</u>	<u>5,598</u>	<u>21,102</u>	<u>20,304</u>	<u>27,977</u>	<u>25,902</u>
Other assets:						
Deferred bond issuance costs	12,238	13,024	3,030	1,802	15,268	14,826
Deferred outflow of resources	89,037	106,027	12,479	15,512	101,516	121,539
JPA partnership fund	22,601				22,601	
Other	120	116	261	820	381	936
Total other assets	<u>123,996</u>	<u>119,167</u>	<u>15,770</u>	<u>18,134</u>	<u>139,766</u>	<u>137,301</u>
Capital assets (Note 3):						
Structures, buildings, and equipment	4,040,077	3,864,414	815,810	797,244	4,855,887	4,661,658
Less accumulated depreciation	(1,253,655)	(1,177,544)	(312,145)	(293,085)	(1,565,800)	(1,470,629)
Subtotal	<u>2,786,422</u>	<u>2,686,870</u>	<u>503,665</u>	<u>504,159</u>	<u>3,290,087</u>	<u>3,191,029</u>
Land and rights-of-way	52,939	53,477	19,904	19,744	72,843	73,221
Construction in progress	716,558	783,194	112,271	81,841	828,829	865,035
Total capital assets, net	<u>3,555,919</u>	<u>3,523,541</u>	<u>635,840</u>	<u>605,744</u>	<u>4,191,759</u>	<u>4,129,285</u>
Total noncurrent assets	<u>3,901,006</u>	<u>4,000,094</u>	<u>751,396</u>	<u>649,893</u>	<u>4,652,402</u>	<u>4,649,987</u>
Total assets	<u>\$4,234,996</u>	<u>\$4,267,306</u>	<u>\$804,258</u>	<u>\$675,275</u>	<u>\$5,039,254</u>	<u>\$4,942,581</u>

(Continued)

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT  
BALANCE SHEETS  
PRORIETARY FUNDS - ENTERPRISE  
JUNE 30, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

Liabilities and Net Assets	Water System		Wastewater System		Totals	
	2011	2010	2011	2010	2011	2010
<b>Current liabilities:</b>						
Current maturities of long-term debt (Note 5 & 6)	\$43,875	\$42,197	\$12,490	\$13,035	\$56,365	\$55,232
Accounts payable and accrued expenses (Note 4)	87,367	86,055	15,356	21,681	102,723	107,736
Accrued interest	9,149	9,406	1,970	1,698	11,119	11,104
Total current liabilities	<u>140,391</u>	<u>137,658</u>	<u>29,816</u>	<u>36,414</u>	<u>170,207</u>	<u>174,072</u>
<b>Noncurrent liabilities:</b>						
<b>Other liabilities:</b>						
Advances for construction	4,473	4,734			4,473	4,734
Derivative instrument	89,037	106,027	12,479	15,512	101,516	121,539
OPEB liability	10,404	7,666	1,855	1,345	12,259	9,011
Other liabilities	2,078	1,812	4,820	5,059	6,898	6,871
Total other liabilities	<u>105,992</u>	<u>120,239</u>	<u>19,154</u>	<u>21,916</u>	<u>125,146</u>	<u>142,155</u>
Long-term liabilities, net of current maturities (Note 5 & 6)	<u>2,630,001</u>	<u>2,650,193</u>	<u>481,476</u>	<u>346,849</u>	<u>3,111,477</u>	<u>2,997,042</u>
Total noncurrent liabilities	<u>2,735,993</u>	<u>2,770,432</u>	<u>500,630</u>	<u>368,765</u>	<u>3,236,623</u>	<u>3,139,197</u>
Total liabilities	<u>2,876,384</u>	<u>2,908,090</u>	<u>530,446</u>	<u>405,179</u>	<u>3,406,830</u>	<u>3,313,269</u>
<b>Net assets (Note 7):</b>						
Invested in capital assets, net of related debt	991,514	1,047,665	211,258	245,860	1,202,772	1,293,525
Restricted for construction	36,000	66,762	6,851		42,851	66,762
Restricted for debt service	61,343	60,820	2,449	5,711	63,792	66,531
Restricted - other	25,530	2,958			25,530	2,958
Unrestricted	244,225	181,011	53,254	18,525	297,479	199,536
Total net assets	<u>1,358,612</u>	<u>1,359,216</u>	<u>273,812</u>	<u>270,096</u>	<u>1,632,424</u>	<u>1,629,312</u>
Total liabilities and net assets	<u>\$4,234,996</u>	<u>\$4,267,306</u>	<u>\$804,258</u>	<u>\$675,275</u>	<u>\$5,039,254</u>	<u>\$4,942,581</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 YEAR ENDED JUNE 30, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	2011	2010	2011	2010	2011	2010
Operating revenue:						
Water	\$283,644	\$271,022			\$283,644	\$271,022
Sewer			\$60,313	\$56,354	60,313	56,354
Power	8,082	6,233			8,082	6,233
Wet weather facilities charges			16,064	15,311	16,064	15,311
Total operating revenue	<u>291,726</u>	<u>277,255</u>	<u>76,377</u>	<u>71,665</u>	<u>368,103</u>	<u>348,920</u>
Operating expense:						
Raw water	31,081	28,959			31,081	28,959
Water treatment and distribution	84,170	85,970			84,170	85,970
Recreation areas, net	5,685	8,400			5,685	8,400
Sewer lines and pumping			13,353	12,859	13,353	12,859
Sewer treatment plant operations			28,767	25,189	28,767	25,189
Customer accounting and collecting	15,290	14,367	2,235	1,748	17,525	16,115
Financial and risk management	17,480	16,922	574	612	18,054	17,534
Facilities management	12,184	11,284			12,184	11,284
General administration	48,430	43,829	6,909	5,674	55,339	49,503
Depreciation on utility plant	73,085	71,349	19,061	19,437	92,146	90,786
Total operating expense	<u>287,405</u>	<u>281,080</u>	<u>70,899</u>	<u>65,519</u>	<u>358,304</u>	<u>346,599</u>
Net operating income (loss)	<u>4,321</u>	<u>(3,825)</u>	<u>5,478</u>	<u>6,146</u>	<u>9,799</u>	<u>2,321</u>
Other income (expense):						
Investment income	5,284	10,748	1,279	830	6,563	11,578
Taxes and subventions	22,236	22,889	7,379	7,447	29,615	30,336
Interest and amortization of bond expenses, net of capitalized interest of \$24,590 and \$27,984 for the Water System and \$3,433 and \$918 for the Wastewater System in 2011 and 2010, respectively	(89,833)	(68,010)	(15,960)	(12,871)	(105,793)	(80,881)
Other income	11,569	5,885	2,449	988	14,018	6,873
Total other income (expense), net	<u>(50,744)</u>	<u>(28,488)</u>	<u>(4,853)</u>	<u>(3,606)</u>	<u>(55,597)</u>	<u>(32,094)</u>
Income before capital contributions	<u>(46,423)</u>	<u>(32,313)</u>	<u>625</u>	<u>2,540</u>	<u>(45,798)</u>	<u>(29,773)</u>
Capital contributions	<u>45,819</u>	<u>39,924</u>	<u>3,091</u>	<u>2,887</u>	<u>48,910</u>	<u>42,811</u>
Change in net assets	<u>(604)</u>	<u>7,611</u>	<u>3,716</u>	<u>5,427</u>	<u>3,112</u>	<u>13,038</u>
Total net assets - beginning	<u>1,359,216</u>	<u>1,351,605</u>	<u>270,096</u>	<u>264,669</u>	<u>1,629,312</u>	<u>1,616,274</u>
Total net assets - ending	<u>\$1,358,612</u>	<u>\$1,359,216</u>	<u>\$273,812</u>	<u>\$270,096</u>	<u>\$1,632,424</u>	<u>\$1,629,312</u>

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS- ENTERPRISE  
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	2011	2010	2011	2010	2011	2010
Cash flows from operating activities						
Cash received from customers	\$290,620	\$280,431	\$76,506	\$71,582	\$367,126	\$352,013
Cash received from other income	11,569	5,885	2,449	988	14,018	6,873
Cash payments for judgments and claims	(6,111)	(5,667)	(113)	(204)	(6,224)	(5,871)
Cash payments to suppliers for goods and services	(37,900)	(32,573)	(30,452)	(12,605)	(68,352)	(45,178)
Cash payments to employees for services	(138,846)	(143,874)	(25,667)	(25,272)	(164,513)	(169,146)
Net cash provided by operating activities	<u>119,332</u>	<u>104,202</u>	<u>22,723</u>	<u>34,489</u>	<u>142,055</u>	<u>138,691</u>
Cash flows from noncapital financing activities:						
Tax receipts	22,236	22,889	7,379	7,447	29,615	30,336
Net cash provided by financing activities	<u>22,236</u>	<u>22,889</u>	<u>7,379</u>	<u>7,447</u>	<u>29,615</u>	<u>30,336</u>
Capital and related financing activities:						
Capital contributions	45,819	39,924	3,091	2,887	48,910	42,811
Proceeds from advances for construction	(261)	591			(261)	591
Proceeds from sale of capital assets	55,441	3,442		100	55,441	3,542
Net proceeds and premiums from sale of bonds	(660)	596,569	281,114	(116)	280,454	596,453
Acquisition and construction of capital assets	(188,632)	(266,760)	(50,258)	(53,689)	(238,890)	(320,449)
Principal retirement on long-term debt and commercial paper	(41,115)	(59,153)	(24,478)	(13,829)	(65,593)	(72,982)
Amount paid to refunding bond escrow agent		(100,000)	(117,166)		(117,166)	(100,000)
Costs and discounts from issuance on long-term debt		(4,112)	(2,119)		(2,119)	(4,112)
Interest paid on long-term debt	(89,304)	(68,917)	(16,916)	(13,118)	(106,220)	(82,035)
Net cash provided by (used in) capital and related financing activities	<u>(218,712)</u>	<u>141,584</u>	<u>73,268</u>	<u>(77,765)</u>	<u>(145,444)</u>	<u>63,819</u>
Cash flows from investing activities:						
Proceeds from securities	446,135	11,444,902	62,576	72,822	508,711	11,517,724
Expenditures from purchases of securities	(494,847)	(11,522,474)	(141,089)	(39,677)	(635,936)	(11,562,151)
Interest received on investments	4,452	11,564	1,485	6,924	5,937	18,488
Net cash provided by (used in) investing activities	<u>(44,260)</u>	<u>(66,008)</u>	<u>(77,028)</u>	<u>40,069</u>	<u>(121,288)</u>	<u>(25,939)</u>
Net increase (decrease) in cash and cash equivalents	(121,404)	202,667	26,342	4,240	(95,062)	206,907
Cash and cash equivalents:						
Beginning of year	269,271	66,604	19,555	15,315	288,826	81,919
End of period	<u>\$147,867</u>	<u>\$269,271</u>	<u>\$45,897</u>	<u>\$19,555</u>	<u>\$193,764</u>	<u>\$288,826</u>

(Continued)

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - ENTERPRISE  
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	2011	2010	2011	2010	2011	2010
Reconciliation of net operating (loss) income to net cash provided by operating activities:						
Net operating income (loss)	\$4,321	(\$3,825)	\$5,478	\$6,146	\$9,799	\$2,321
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation	77,717	75,722	19,061	19,437	96,778	95,159
Amortization	23,096	21,474	1,101	869	24,197	22,343
Other income	11,569	5,885	2,449	988	14,018	6,873
Changes in assets/liabilities:						
Materials and supplies	(528)	1,095			(528)	1,095
Prepaid insurance	(49)	382			(49)	382
Customer receivables	(1,106)	3,176	129	(83)	(977)	3,093
Other assets	(4)	6	559	3,077	555	3,083
Accounts payable and accrued expenses	4,316	287	(6,054)	4,055	(1,738)	4,342
Net cash provided by operating activities	<u>\$119,332</u>	<u>\$104,202</u>	<u>\$22,723</u>	<u>\$34,489</u>	<u>\$142,055</u>	<u>\$138,691</u>
Cash as presented on the Statement of Net Assets as Follows:						
Cash and investments included in current assets	\$293,888	\$229,625	\$46,661	\$18,847	\$340,549	\$248,472
Cash and investments included in restricted assets	214,216	351,788	78,684	5,711	292,900	357,499
Cash and investments included in unrestricted assets	6,875	5,598	21,102	20,304	27,977	25,902
Total Districts cash and investments	<u>514,979</u>	<u>587,011</u>	<u>146,447</u>	<u>44,862</u>	<u>661,426</u>	<u>631,873</u>
Less non-current investments	(367,112)	(317,740)	(100,550)	(25,307)	(467,662)	(343,047)
District cash and cash equivalents	<u>\$147,867</u>	<u>\$269,271</u>	<u>\$45,897</u>	<u>\$19,555</u>	<u>\$193,764</u>	<u>\$288,826</u>
Schedule of Non-Cash Activities						
Change in Fair Market Value	<u>\$1,850</u>	<u>\$2,294</u>	<u>(\$727)</u>	<u>\$19</u>	<u>\$1,123</u>	<u>\$2,313</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, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

	2011	2010
Assets:		
Cash and investments (Note 2)	\$48,462	\$27,604
Invested securities lending collateral (Note 1.L and 2)	129,553	84,132
Receivables:		
Contributions	2,132	1,930
Interest and other	25,412	17,325
Prepaid insurance	430	403
Retirement system investments, at fair value (Note 2):		
U.S. government obligations	141,372	41,922
Municipal bonds	3,077	0
Domestic corporate bonds	72,386	52,773
International bonds	7,762	9,099
Domestic stocks	486,091	476,371
International stocks	202,510	152,470
Real estate	17,730	14,478
Total Investments	930,928	747,113
Total assets	1,136,917	878,507
Liabilities:		
Accounts payable and accrued expenses	1,362	655
Retirement system liabilities	37,763	24,668
Securities lending collateral (Note 1.L.)	129,553	84,132
Total liabilities	168,678	109,455
Net assets:		
Held in trust for pension benefits	956,173	760,695
Held in trust for post-employment healthcare benefits	12,066	8,357
Total net assets	\$968,239	\$769,052

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, 2011 AND 2010  
(DOLLARS IN THOUSANDS)

	2011	2010
Additions:		
Contributions (Note 8)		
Employer	\$58,481	\$51,756
Plan members	10,850	10,918
Total contributions	69,331	62,674
Investment income:		
Net (depreciation) in fair value of investments		
Traded securities	176,346	80,999
Real estate	2,363	(3,087)
Interest	9,023	6,173
Dividends	7,398	14,580
Real estate operating income, net	890	629
Total investment income	196,020	99,294
Less:		
Investment expense	(2,734)	(2,418)
Borrowers' rebates and other agent fees on securities lending transactions	(179)	(89)
Net investment income	193,107	96,787
Total additions, net	262,438	159,461
Deductions:		
Benefits paid	61,862	57,731
Refund of contributions	252	378
Administrative expenses	1,137	1,050
Total deductions	63,251	59,159
Change in net assets	199,187	100,302
Net assets:		
Beginning of year	769,052	668,750
End of year	\$968,239	\$769,052

See accompanying notes to basic financial statements

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010  
(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 or visit our website at <http://www.ebmud.com>.

***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, 2010.

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, 2011 AND 2010  
(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  
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**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  
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**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 2.03% and 2.08% average net book value of capital assets for the years ended June 30, 2011 and 2010.

***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  
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**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, 2011, 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, 2011, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

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**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, 2011, had a weighted average maturity of 21 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 72 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, 2011, the fair value of securities on loan was \$129,553. The total cash and non-cash collateral held by the System’s custodian to secure these securities on loan was valued at \$126,681, consisting of \$126,742 cash collateral and \$1,939 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, 2011, 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	\$27,358
Additions	30,385
Payments	<u>(29,512)</u>
Ending Balance	<u><u>\$28,231</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  
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**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, 2011, 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 2011 presentation.

**NOTE 2 - CASH AND INVESTMENTS**

**A. Classification**

Reconciliations of cash and investments reported on the financial statements as of June 30, 2011, are as follows:

<i><b>District Enterprise Funds:</b></i>	Water System	Wastewater System	Total
Cash and investments included in current assets	\$293,888	\$46,661	\$340,549
Cash and investments included in restricted assets	214,216	78,684	292,900
Cash and investments included in unrestricted assets	6,875	21,102	27,977
Total District cash and investments	514,979	146,447	661,426
Less non-current investments	(367,112)	(100,550)	(467,662)
	\$147,867	\$45,897	\$193,764

***System Pension Trust Funds:***

Cash and investments	\$48,462
Invested securities lending collateral	129,553
Retirement system investments	930,928
Total System cash and investments	\$1,108,943

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**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	\$50,000 per account	N/A
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	0 to 100%	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligations	5 Years	N/A	0 to 100%	40% in each Agency
Bankers' Acceptances	180 Days	N/A	40%	10%
Commercial Paper	270 Days	A1, P1, F1	25%	10%
Negotiable Certificates of Deposit	5 Years	AA	30%	10%
Time Certificates of Deposit – Banks or Savings and Loans	5 Years	N/A	30%	10%
Medium Term Corporate Notes	5 Years	AA	30%	10%
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  
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**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 Obligation	N/A
State Obligations	Not lower than District's bond rating
Commercial Paper	Top Rating Category
Negotiable Certificates of Deposit	N/A
Time Certificates of Deposits - Banks or Savings and Loans	N/A
Corporate Notes and Bonds	Not lower than District's bond rating
Variable Rate Obligations	Not lower than District's bond rating
Cash Swap Agreements	Top Rating Category
Guaranteed Investment Contract	Not lower than District's 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. 6713*.

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The Retirement Board shall 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. Allocation of assets to the investment managers shall be 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 will be pursued by the Retirement System on a long-term basis and be revised if significant changes occur within the economic and/or capital market environment. Progress toward the goal will be 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 allocations may vary by up to  $\pm 5\%$  from the long-range asset allocation goals.

The fixed income target allocation (25% of the total portfolio) will primarily consist of U.S. denominated fixed income securities. Individual managers may invest up to 20% of their assets in international fixed income securities.

The domestic equity target allocation (50% of the total portfolio) will consist of approximately 45% in large cap strategies and 5% in small cap strategies. It is expected this allocation will allow for exposure to mid cap securities based on tactical decisions by the Retirement Fund's large cap and small cap domestic equity managers.

The international equity target allocation (20% of the total portfolio) will consist of approximately 17% in international equities and 3% in emerging markets equities.

The real estate target allocation (5% of the total portfolio) will consist of either equity (ownership) and/or fixed income participation in commercial, industrial, or residential properties. Investments may include interests in mortgage pools secured by loans of underlying properties.

The allocation goal recognizes that at any time equity and fixed income managers may 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.

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

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

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

Short (sold) options positions will generally be hedged, either with current portfolio security holdings, 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 positions 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. Structured notes issued by the U.S. Government (treasuries and agencies) will be considered allowable investments, and are exempt from this 5% restriction.

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 holdings.

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.

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

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

***E. Interest Rate Risk***

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

Information about the sensitivity of the fair values of the District's 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.

***District Enterprise Funds:***

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies:					
Non-callable	\$90,122	\$48,764	\$4,282		\$143,168
Callable	129,343	1,171			130,514
Corporate Securities:					
Non-callable	18,298	16,242	30,695		65,235
Municipal Bonds	3,003	1,672	3,944	\$77,865	86,484
Guaranteed Investment Contracts	12,000				12,000
Demand Deposits and Certificate of Deposit	10,945				10,945
Mutual Funds (U.S. Securities)	153,109				153,109
California Local Agency Investment Fund	51,280				51,280
Total Investments	<u>\$468,100</u>	<u>\$67,849</u>	<u>\$38,921</u>	<u>\$77,865</u>	652,735
Cash in banks					<u>8,691</u>
Total District Cash and Investments					<u><u>\$661,426</u></u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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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		\$225	\$337	\$4,186		\$4,748
Equity Securities	\$654,933					654,933
Commercial Mortgage - Backed Securities				9,059		9,059
Corporate Bonds	96	11,121	31,129	11,000	\$2,690	56,036
Government Agencies	917	14,913	15,115	36,163		67,108
Government Bonds		801	7,328	3,856		11,985
Government Mortgage Backed Securities		31	470	27,091	5,385	32,977
Government Issued Commercial Mortgage-Backed Securities				511		511
Index Linked Government Bonds		11,853	6,986	9,478		28,317
Short Term Investment Funds					26,727	26,727
Municipal Bonds			186	2,891		3,077
Mutual Funds				5,488		5,488
Real Estate					17,730	17,730
Other Fixed Income					9,241	9,241
Short Term Bills and Notes	2,991					2,991
Total System Investments	<u>\$658,937</u>	<u>\$38,944</u>	<u>\$61,551</u>	<u>\$109,723</u>	<u>\$61,773</u>	<u>\$930,928</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, 2011, these investments matured in an average of 237 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	\$9,059
Government Mortgage - Backed Securities	32,977
Government Issued Commercial Mortgage - Backed Securities	511

**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, 2011, for each investment type as provided by Moody's.

**District Enterprise Funds:**

Investment Type	Aaa	Aa1	Aa2	Aa3	A	A1	Total
U.S. Government -Sponsored Enterprise Agencies:							
Non-callable	\$143,168						\$143,168
Callable	130,514						130,514
Corporate Securities:							
Non-Callable	18,730	\$3,156	\$39,629	\$1,663		\$2,057	65,235
Municipal Bonds		33,360	1,673	37,156		10,000	82,189
Guaranteed Investment Contracts				12,000			12,000
Mutual Funds (U.S. Securities)	112,809				\$39,300		152,109
Totals	<u>\$405,221</u>	<u>\$36,516</u>	<u>\$41,302</u>	<u>\$50,819</u>	<u>\$39,300</u>	<u>\$12,057</u>	<u>585,215</u>

**Not rated:**

Demand Deposits and Certificate of Deposit	10,945
Mutual Funds (U.S. Securities)	1,000
Municipal Bonds	4,295
California Local Agency Investment Fund	51,280
Cash in Banks	<u>8,691</u>
Total District Cash and Investments	<u>\$661,426</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	\$1,003	\$856	\$140	\$10	\$424	\$545	\$981	\$713	\$76			\$4,748
Equity Securities											\$654,933	654,933
Commercial Mortgage - Backed Securities	6,763										2,296	9,059
Corporate Bonds	1,400	15,629	22,701	8,538	1,949						5,819	56,036
Government Agencies	51,253	1,384	1,867	92						\$2,033	10,479	67,108
Government Bonds	7,369			205						4,411		11,985
Government Mortgage Backed Securities	762									32,215		32,977
Government Issued Commercial Mortgage - Backed Securities										511		511
Index Linked Government Bonds	28,317											28,317
Short Term Investment Funds											26,727	26,727
Municipal Bonds		1,976	1,101									3,077
Mutual Funds	16		120	959	40	967	2,229	409	49		699	5,488
Real Estate											17,730	17,730
Other Fixed Income											9,241	9,241
Short Term Bills and Notes	820									2,171		2,991
Total System Investments	<u>\$97,703</u>	<u>\$19,845</u>	<u>\$25,929</u>	<u>\$9,804</u>	<u>\$2,413</u>	<u>\$1,512</u>	<u>\$3,210</u>	<u>\$1,122</u>	<u>\$125</u>	<u>\$41,341</u>	<u>\$727,924</u>	<u>\$930,928</u>

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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:

<u>Reporting Unit</u>	<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
District-Wide			
	FNMA	Federal Agency Securities	\$79,791
	FHLMC	Federal Agency Securities	138,716
	FHLB	Federal Agency Securities	55,174
	GECC	Corporate Securities	31,495
	San Diego Co. Regional Transit	Municipal Bonds	33,360
	Calif. Dept. of Water resources	Municipal Bonds	34,505
Major Funds:			
Water System			
	FNMA	Federal Agency Securities	69,505
	FHLMC	Federal Agency Securities	84,161
	FHLB	Federal Agency Securities	19,897
	GECC	Corporate Securities	20,942
	San Diego Co. Regional Transit	Municipal Bonds	33,360
	Calif. Dept. of Water resources	Municipal Bonds	33,000
Wastewater System			
	FNMA	Federal Agency Securities	10,286
	FHLMC	Federal Agency Securities	54,555
	FHLB	Federal Agency Securities	35,277
	GECC	Corporate Securities	10,553

Significant System Pension Trust Fund investments are:

<u>Nature of Investment</u>	<u>Fair Value at Year End</u>
Northern Trust Collective Daily Russell 1000 Equity Index Fund	\$215,876

**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, 2011:

Foreign Currency	Equity Securities Investment Type
Euro	\$64,488
British Pound Sterling	25,939
Japanese Yen	15,201
Swiss Franc	11,916
Hong Kong Dollar	10,250
South Korean Won	9,998
Canadian Dollar	7,111
Norwegian Krone	4,207
Australian Dollar	3,976
Swedish Krona	3,899
Singapore Dollar	3,305
Mexican Peso	2,276
Danish Krone	2,247
Indonesian Rupiah	1,593
Malaysia Ringgit	1,366
Polish Zloty	1,024
Thai Baht	746
Czech Republic Koruna	411
Brazilian Real	287
South African Rand	272
	\$170,512
Total	\$170,512

The Fund's investment policy permits it to invest up to 20% of total investment on foreign currency-denominated investments. The Fund's current position is 18%.

**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.

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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, 2011 and 2010, the System's brokers/dealers held \$80 and \$1, 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:	<u>Years</u>
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  
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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, 2011, was as follows:

	Balance at June 30, 2010	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2011
<b>Water System:</b>				
Capital assets, not being depreciated:				
Land and rights-of-way	\$53,477	\$295	(\$833)	\$52,939
Construction in progress - Land	1,053	2,073	(294)	2,832
Construction in progress	782,141	132,226	(200,641)	713,726
Total capital assets, not being depreciated	<u>836,671</u>	<u>134,594</u>	<u>(201,768)</u>	<u>769,497</u>
Capital assets, being depreciated:				
Buildings and improvements	196,620	14,668		211,288
System and improvements	3,592,099	185,477	(24,605)	3,752,971
Machinery and equipment	75,695	495	(372)	75,818
Total capital assets, being depreciated:	<u>3,864,414</u>	<u>200,640</u>	<u>(24,977)</u>	<u>4,040,077</u>
Less accumulated depreciation for:				
Buildings and improvements	(72,255)	(4,866)		(77,121)
System and improvements	(1,052,271)	(69,363)	1,442	(1,120,192)
Machinery and equipment	(53,018)	(3,689)	365	(56,342)
Total accumulated depreciation	<u>(1,177,544)</u>	<u>(77,918)</u>	<u>1,807</u>	<u>(1,253,655)</u>
Total capital assets, being depreciated, net	<u>2,686,870</u>	<u>122,722</u>	<u>(23,170)</u>	<u>2,786,422</u>
Water System capital assets, net	<u>\$3,523,541</u>	<u>\$257,316</u>	<u>(\$224,938)</u>	<u>\$3,555,919</u>
<b>Wastewater System:</b>				
Capital assets, not being depreciated:				
Land and rights-of-way	\$19,744	\$160		\$19,904
Construction in progress - Land	5	181	(\$160)	26
Construction in progress	81,836	50,314	(19,905)	112,245
Total capital assets, not being depreciated	<u>101,585</u>	<u>50,655</u>	<u>(20,065)</u>	<u>132,175</u>
Capital assets, being depreciated:				
Buildings and improvements	73,463	1,043		74,506
System and improvements	718,088	16,906	(1,341)	733,653
Machinery and equipment	5,693	1,958		7,651
Total capital assets, being depreciated	<u>797,244</u>	<u>19,907</u>	<u>(1,341)</u>	<u>815,810</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,770)	(1,668)		(28,438)
System and improvements	(261,525)	(17,156)		(278,681)
Machinery and equipment	(4,790)	(236)		(5,026)
Total accumulated depreciation	<u>(293,085)</u>	<u>(19,060)</u>		<u>(312,145)</u>
Total capital assets, being depreciated, net	<u>504,159</u>	<u>847</u>	<u>(1,341)</u>	<u>503,665</u>
Wastewater System capital assets, net	<u>\$605,744</u>	<u>\$51,502</u>	<u>(\$21,406)</u>	<u>\$635,840</u>
Business-type activities capital assets, net	<u>\$4,129,285</u>	<u>\$308,818</u>	<u>(\$246,344)</u>	<u>\$4,191,759</u>

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

**C. Construction in Progress**

Construction in Progress in fiscal 2010-2011 comprises:

	<u>Expended to Date</u>
<b>Water System:</b>	
Folsom South Canal Connection	\$285,973
Freeport Regional Water Project	245,543
Pipeline Infrastructure Renewals	20,930
Customer Information System Replacement Project	20,753
Summit Pressure Zone Improvement Study	10,756
Meter Replacements	9,239
Highland Reservoir	8,258
Water Treatment & Transmission Improvement Program - Water Treatment Plant	8,162
San Ramon Valley Recycled Water Program	8,127
Open Cut Reservoir Rehabilitation	6,268
Richmond Advanced Recycled Expansion (RARE) Water Project	5,598
Treatment Plant Upgrades	5,390
Pumping Plant Rehabilitation	4,729
Central Oakland Hills Cascade Pressure Zone Improvement Study	4,716
Reservoir Rehabilitation/Maintenance	4,713
Water Conservation Project	4,653
Water Treatment & Transmission Improvement Program - Distribution Improvements	4,633
Pipeline Relocations	4,147
Dam Seismic Upgrades	3,659
Mokelumne Watershed Recreation Headquarters	3,558
Other Construction Projects	46,753
Total Water System	\$716,558
<b>Wastewater System:</b>	
Digester Upgrade	\$36,470
Power Generation Station Expansion	34,797
Centrifuge Replacement	8,235
Infiltration/Inflow Control Project	8,216
Resource Recovery Project	4,093
Routine Capital Equipment Replacement	3,370
Power Generation Station Engine Overhaul	3,164
Interceptor Corrosion Prevention	2,704
Pump Station H Improvements	2,488
Treatment Plant Infrastructure	2,361
Main Wastewater Treatment Plant Master Plan	1,386
Distributed Control System Upgrade	1,266
Pump Station D & E Improvements	535
South Interceptor Relocation High Street	515
Grit System Upgrade	487
Other Construction Projects	2,184
Total Wastewater System	\$112,271
Total District Construction in Progress	\$828,829

At June 30, 2011, the District's remaining current major project commitments are estimated to be \$16,863 for the Water System and \$20,935 for the Wastewater System.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2011 and 2010 consist of:

	Water System		Wastewater System		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Accounts payable	\$11,982	\$13,930	\$3,078	\$8,638	\$15,060	\$22,568
Accrued salaries	4,524	4,183	838	737	5,362	4,920
Workers' compensation reserves	28,732	27,571	5,885	5,252	34,617	32,823
General liability reserves	7,157	5,940			7,157	5,940
Accrued compensated absences	23,991	23,287	4,240	4,071	28,231	27,358
Other	10,981	11,144	1,315	2,983	12,296	14,127
Total	<u>\$87,367</u>	<u>\$86,055</u>	<u>\$15,356</u>	<u>\$21,681</u>	<u>\$102,723</u>	<u>\$107,736</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. As of June 30, 2011, the District had \$425 million authorized for this program. 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.

The District uses an extendible commercial paper program. Under the extendible commercial paper program, no liquidity support agreement (line of credit) with a commercial bank is needed. Instead, the District limits the term of the commercial paper to 120 days, and the investor agrees to extend the maturity of their investment by 150 days at a higher interest rate in the event of a failed remarketing which gives the District sufficient time to find a replacement investor or refund the extendible commercial paper with a different form of debt (e.g. fixed or variable rate revenue bonds) to repay the investor.

As of June 30, 2011, \$312.9 million in Water Series and \$15.0 million in Wastewater Series commercial paper notes were outstanding under this program. The Water Series included terms of 63 to 120 days and interest rates ranging from 0.25% to 0.38% as of June 30, 2011, and terms of 57 to 120 days and interest rates ranging from 0.32% to 0.50% as of June 30, 2010. The Wastewater Series included terms of 90 to 119 days and interest rates ranging from 0.41% to 0.43% as of June 30, 2010, and terms of 61 to 120 days and interest rates ranging from 0.27% to 0.38% as of June 30, 2011. There were no unused proceeds as of June 30, 2011. It is the District's practice to use commercial paper as a portion of the District's long-term variable rate debt exposure.

**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, 2010	Additions	Retirements	Balance June 30, 2011	Amount due within one year
<b>Water System Revenue Bonds:</b>						
<b>Subordinated Series 2001</b>						
3.60-5.25%, due 6/1/26	\$250,000	\$5,645		\$2,765	\$2,880	\$2,880
<b>Subordinated Series 2002</b>						
.18% variable rate, due 6/1/25	241,850	191,180		20,860	170,320	21,790
<b>Subordinated Series 2003</b>						
2.00 - 5.00%, due 6/1/21	115,730	65,345		4,525	60,820	4,740
<b>Subordinated Series 2005 A</b>						
5.00%, due 6/1/35	300,000	300,000			300,000	
<b>Subordinated Series 2007 A</b>						
5.00%, due 6/1/37	450,000	450,000			450,000	
<b>Subordinated Series 2007 B</b>						
3.75 - 5.00%, due 6/1/19	54,790	50,280		4,675	45,605	4,855
<b>Subordinated Series 2008 A</b>						
.04% variable rate, due 6/1/38	322,525	318,550		1,425	317,125	1,475
<b>Subordinated Series 2008 B</b>						
.05% variable rate, due 6/1/35	160,000	59,125		325	58,800	350
<b>Subordinated Series 2009 A</b>						
.12% variable rate, due 6/1/26	331,155	321,140		5,095	316,045	5,245
<b>Subordinated Series 2010 A</b>						
3.00 - 5.00%, due 6/1/36	192,830	192,830			192,830	
<b>Subordinated Series 2010 B</b>						
5.87%, due 6/1/40	400,000	400,000			400,000	
Total water long-term bonds		2,354,095		39,670	2,314,425	41,335

(Continued)

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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**NOTE 6 - LONG TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Amount due within one year
<b><i>Wastewater System General</i></b>						
<b><i>Obligation Bonds:</i></b>						
<b>Series F</b>						
2.5 % - 5.00%, due 4/1/18	\$41,730	\$27,255		\$2,710	\$24,545	\$2,895
<b><i>Wastewater System Revenue Bonds:</i></b>						
<b>Subordinated Series 2007 A</b>						
5.00%, due 6/1/37	80,630	80,630			80,630	
<b>Subordinated Series 2007 B</b>						
3.75 - 5.00%, due 6/1/26	46,670	42,125		1,700	40,425	2,535
<b>Subordinated Series 2008 A</b>						
.17% variable rate, due 6/1/33	50,000	50,000		50,000		
<b>Subordinated Series 2008 B</b>						
.3% variable rate, due 6/1/38	69,300	66,850		66,850		
<b>Subordinated Series 2008 C</b>						
.04% variable rate, due 6/1/27	65,300	58,610		2,170	56,440	2,300
<b>Subordinated Series 2010 A</b>						
2.00 - 5.00%, due 6/1/29	58,095		\$58,095	160	57,935	3,080
<b>Subordinated Series 2010 B</b>						
5.03 - 5.18%, due 6/1/40	150,000		150,000		150,000	
<b>Subordinated Series 2011 A</b>						
.11% variable rate, due 6/1/38	65,905		65,905	1,655	64,250	1,680
Total wastewater long-term bonds		325,470	274,000	125,245	474,225	12,490
<b>Total long-term bonds</b>		<b>2,679,565</b>	<b>274,000</b>	<b>164,915</b>	<b>2,788,650</b>	<b>53,825</b>

(Continued)

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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**NOTE 6 - LONG TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Amount due within one year
<b>Water Loans:</b>						
<b>2003 California Energy Commission</b>						
3.00%, due 6/22/13	\$1,992	\$665		\$215	\$450	\$221
<b>State Water Resources Control Board</b>						
<b>2004 Upper San Leandro Reservoir Project</b>						
2.51%, due 1/1/24	2,188	1,593		100	1,493	103
<b>1992 Alameda Reclamation Project</b>						
3.20%, due 11/20/11	1,359	128		91	37	37
<b>1993 Chevron Water Reclamation Project</b>						
3.00%, due 8/8/15	22,292	8,397		1,298	7,099	1,337
<b>2008 East Bayshore, Recycled Water Project</b>						
2.40%, due 4/1/28	20,100	18,246		824	17,422	842
Total water loans		29,029		2,528	26,501	2,540
<b>Wastewater Loans:</b>						
<b>State Water Resources Control Board</b>						
<b>1989 Oakport Project</b>						
4.01%, due 12/14/10	2,495	112		112		
<b>1991 Adeline Street Project</b>						
3.50%, due 10/1/10	8,141	546		546		
<b>1991 South Foothill Project</b>						
3.50%, due 10/1/10	14,293	960		960		
<b>1992 Point Isabel Wet Weather Project</b>						
3.10%, due 10/2/13	21,515	5,595		5,595		
<b>1994 North Interceptor Project</b>						
2.90%, due 12/31/14	10,091	3,146		3,146		
<b>1995 San Antonio Creek Project</b>						
3.40%, due 11/30/16	15,331	6,751		6,751		
<b>1997 Pump Station C Project</b>						
2.80%, due 1/31/17	3,849	1,829		1,829		
<b>2000 Pump Station B Project</b>						
2.20%, due 2/1/09	3,088	1,714		1,714		
Total wastewater loans		20,653		20,653		
<b>Total long-term loans</b>		49,682		23,181	26,501	2,540
Commercial Paper (see Note 5)		305,300	\$22,600		327,900	
Amount due within one year		(55,232)		1,133	(56,365)	
Less: Unamortized discount, net		17,726		(7,065)	24,791	
<b>Total long-term liabilities, net</b>		\$2,997,042	\$296,600	\$182,164	\$3,111,477	\$56,365

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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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.

***Wastewater Issuance During the Fiscal Year***

**2011 Subordinated Wastewater System Revenue Bond Refunding Bonds, Series 2011A** – The District issued \$66 million Series 2011A revenue bonds on January 11, 2011, to refund \$67 million principal amount of the District's Wastewater System Subordinated Revenue Refunding Bonds, Series 2008B. The Series 2011A Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principle payments commence on June 1, 2011 and are payable annually on June 1 thereafter. Interest payments are payable on the first business day of each month, commencing February 1, 2011.

**2010 Subordinated Wastewater System Revenue Bond Refunding Bonds, Series 2010A** – The District issued \$58 million Series 2010A revenue bonds on October 20, 2010, to refund \$50 million principal amount of the District's Wastewater System Subordinated Revenue Refunding Bonds, Series 2008A, to repay certain outstanding state loans of the District and pay costs of issuance in connection with the Series 2010A Bonds. The Series 2010A Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principle payments commence on June 1, 2011 and are payable annually on June 1 thereafter. Interest payments are payable semiannually on June 1 and December 1 of each year, commencing June 1, 2011.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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**NOTE 6 - LONG TERM DEBT (Continued)**

**2010 Subordinated Wastewater System Revenue Bond Refunding Bonds, Series 2010B** – The District issued \$150 million of Series 2010B revenue bonds on October 20, 2010, to fund improvements to the District’s Wastewater System, fund a portion of the interest accrued with respect to the Series 2010B Bonds during the respective periods of acquisition and construction of such improvements, and pay costs of issuance in connection with the Series 2010B Bonds. The Series 2010B Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Interest payments are payable semiannually on June 1 and December 1 of each year, commencing June 1, 2011. Principal payments commence June 1, 2032 and are payable annually on June 1 thereafter.

The Series 2010B Bonds are “Build America Bonds” under the provision of the American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income tax. The District will receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on Series 2010B bonds.

**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
2012	\$43,875	\$79,135	\$12,490	\$15,560	\$56,365	\$94,695
2013	47,981	78,450	13,018	16,141	60,999	94,591
2014	49,635	78,088	13,580	15,453	63,215	93,541
2015	51,506	77,330	12,770	15,877	64,276	93,207
2016	53,475	76,517	13,680	15,457	67,155	91,974
2017 - 2021	300,115	369,031	63,892	70,683	364,007	439,714
2022 - 2026	359,984	349,960	64,875	64,991	424,859	414,951
2027 - 2031	440,888	293,163	48,895	57,136	489,783	350,299
2032 - 2036	558,765	184,057	116,830	34,955	675,595	219,012
2037 - 2039	434,702	46,684	114,195	14,435	548,897	61,119
Totals	<u>\$2,340,926</u>	<u>\$1,632,415</u>	<u>\$474,225</u>	<u>\$320,688</u>	<u>\$2,815,151</u>	<u>\$1,953,103</u>

Interest payments on debt subject to swap agreements were calculated using the variable rates at June 30, 2011.

**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, 2011, none of the bonds outstanding are considered defeased.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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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	Rate Swap Swap Rate
Water System Revenue			
Subordinated Bonds:			
Series 2002	3/17/2017	Reset Weekly	See below
Series 2008A	1/11/2013	Reset Weekly	See below
Series 2008A-1	1/11/2013	Reset Weekly	See below
Series 2008A-2	1/11/2013	Reset Weekly	See below
Series 2008A-3	1/10/2014	Reset Weekly	See below
Series 2008A-4	1/11/2012	Reset Weekly	See below
Series 2009A-1	12/1/2011	Weekly SIFMA	See below
Series 2009A-2	3/1/2012	Weekly SIFMA	See below
Wastewater System Revenue			
Subordinated Bonds:			
Series 2008B/2011A	2/1/2012	Weekly SIFMA	See below
Series 2008C	1/10/2014	Reset Weekly	See below

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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, 2011, 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	\$113,550	3/6/2002	Citigroup Financial Products, Inc.	A3	3.835%	65% of 30-day LIBOR	6/1/2025
2002 Water System Refunding Bonds	56,770	3/6/2002	JP Morgan Chase & Co.	Aa1	3.835%	65% of 30-day LIBOR	6/1/2025
2008A Water System Refunding Bonds	112,215	6/2/2005	JP Morgan Chase & Co.	Aa1	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	112,215	6/1/2011	Bank of America, National Association	Aa3	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	48,785	6/2/2005	Merrill Lynch Capital Services	A2	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	43,910	9/25/2008	The Bank of New York Mellon	Aaa	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008B-3/2009A Water System Refunding Bonds	224,715	5/23/2007	Deutsche Bank	Aa3	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2009 Water System Refunding Bonds	74,905	5/23/2007	Citi Bank, N.A. New York	A1	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2009 Water System Refunding Bonds	74,905	5/23/2007	Merrill Lynch Capital Services	A2	3.407%	91.0% of USD-SIFMA Municipal Swap Index	6/1/2026
2008B/2011A Wastewater System Refunding Bonds	65,175	12/16/2008	Dexia Credit Local	A3	3.098%	62.3% of 3-month LIBOR	6/1/2038
2008C Wastewater System Refunding Bonds	28,220	3/5/2003	Citigroup Financial Products, Inc.	A3	3.468%	65% of 30-day LIBOR	6/1/2027
2008C Wastewater System Refunding Bonds	28,220	3/5/2003	JP Morgan Chase & Co.	Aa1	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 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, 2011, are included below:

Related Bond Issuance	Fair Value	
	2011	2010
<b>Water</b>		
2002 Water System Refunding Bonds	(\$24,773)	(\$30,148)
2008A Water System Refunding Bonds	(32,421)	(41,476)
2008B-3/2009 Water System Refunding Bonds	(19,106)	(20,642)
2009 Water System Refunding Bonds	<u>(12,737)</u>	<u>(13,761)</u>
Total Water	<u>(89,037)</u>	<u>(106,027)</u>
<b>Wastewater</b>		
2008B/2011A Wastewater System Refunding Bonds	(5,909)	(7,599)
2008C Wastewater System Refunding Bonds	<u>(6,570)</u>	<u>(7,913)</u>
Total Wastewater	<u>(12,479)</u>	<u>(15,512)</u>
Totals	<u><u>(\$101,516)</u></u>	<u><u>(\$121,539)</u></u>

*Credit risk.* As of June 30, 2011, the District was not exposed to credit risk on its outstanding swaps because the swaps had a negative fair value of \$102 million. 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, 2011, 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. Currently, the District has a negative basis difference on its swaps that range from 2 basis points to 14 basis points.

**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, 2011, 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	
2012	\$32,840	\$3,397	\$30,790	\$34,187
2013	37,280	3,349	29,563	32,912
2014	38,610	3,295	28,292	31,587
2015	40,070	3,235	26,971	30,206
2016	41,690	3,172	25,608	28,780
2017 - 2021	258,355	13,011	104,017	117,028
2022 - 2026	355,560	4,095	48,878	52,973
2027 - 2031	68,615	505	20,173	20,678
2032 - 2036	74,985	253	9,765	10,018
2037 - 2038	34,975	16	544	560
Totals	<u>\$982,980</u>	<u>\$34,328</u>	<u>\$324,601</u>	<u>\$358,929</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, 2011, there were 1,241 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 \$6,070 in the year ended June 30, 2011. 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 for a single retiree or survivor and \$550 per month for retiree and a spouse or a 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 on a closed basis 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 36.90% 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, 2010
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Assets valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Investment rate of return	8.00%
Average projected salary increases	0.50%
Inflation rate	3.50%
Cost-of-living adjustments	3.25%

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  
NOTES TO BASIC FINANCIAL STATEMENTS  
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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:

	2011		2010	
	Pension	Healthcare Benefit Plan	Totals	
Regular contributions:				
District contributions	\$50,987	\$7,494	\$58,481	\$51,756
Member contributions	10,680	143	10,823	10,848
	61,667	7,637	69,304	62,604
Other contributions:				
Member buybacks	27		27	70
	\$61,694	\$7,637	\$69,331	\$62,674

Regular District and member contributions in fiscal 2011 represent an aggregate of 36.90% and 6.86% of covered payroll, respectively. The District’s contributions include amounts for post-employment healthcare benefits at a rate of 4.78% of covered payroll, determined by an actuarial dated June 30, 2010. The payroll for the District employees covered by the Plan for the year ended June 30, 2011, was \$158,482, which was 92.16% of the total District payroll of \$171,957.

The total District contribution as of June 30, 2011, of \$58,481 consisted of \$23,644 for normal cost and \$34,837 for amortization of the unfunded actuarial accrued liability.

Regular District and member contributions in fiscal 2010 represent an aggregate of 32.58% and 6.86% of covered payroll, respectively. The District’s contributions include amounts for post-employment healthcare benefits at a rate of 4.91% of covered payroll, determined by an actuarial dated June 30, 2009. The payroll for the District employees covered by the Plan for the year ended June 30, 2010, was \$158,845, which was 92.79% of the total District payroll of \$171,190.

The total District contribution as of June 30, 2010, of \$51,756 consisted of \$25,460 for normal cost and \$26,296 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:			
2009	\$39,485	\$39,114	101%
2010	44,031	44,031	100%
2011	50,987	50,987	100%

**Health Insurance Benefit Plan:**

	Actual contribution	Annual required contribution	Percentage contributed
Fiscal year ended June 30:			
2009	\$6,318	\$9,510	66%
2010	8,000	11,871	67%
2011	7,802	11,037	71%

The annual required contributions for fiscal years ended June 30, 2011, 2010 and 2009, 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, 2011, the District made contributions to the Health Insurance Benefit Plan toward the Annual Required Contribution (ARC) amounting to \$7,494, which represented 4.36% of the total \$171,957 total District payroll. During the fiscal year ended June 30, 2010, the District made contributions toward the ARC amounting to \$7,725 to the plan which represented 4.51% of the \$171,190 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, 2009		\$5,153
Annual required contribution (ARC)	\$11,775	
Interest on net OPEB obligation	374	
Adjustments to the ARC	(278)	
Annual OPEB cost - fiscal year 2009/2010	11,871	
Less contributions made during fiscal year:		
Contributions to Northern Trust	(7,725)	
Interest on Contributions to Northern Trust	(275)	
Contributions less than ARC	(8,000)	3,871
Net OPEB obligation at June 30, 2010		9,024
Annual required contribution (ARC)	10,870	
Interest on net OPEB obligation	654	
Adjustments to the ARC	(487)	
Annual OPEB cost - fiscal year 2010/2011	11,037	
Less contributions made during fiscal year:		
Contributions to Northern Trust	(7,494)	
Interest on Contributions to Northern Trust	(308)	
Contributions to Northern Trust	(7,802)	
Increase in net OPEB obligations		3,235
<b>Net OPEB obligation at June 30, 2011</b>		<b>\$ 12,259</b>

As of June 30, 2011, 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, 2011, the District paid \$1,454 for current year coverage.

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

Selected other coverages are:

Coverage	Policy Limit	Self-insurance retention
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, 2011, the amount of these liabilities was \$41,774 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:

	2011	2010
Liability at beginning of year	\$38,763	\$35,204
Current year claims and changes in estimates	9,235	9,430
Payments of claims	(6,224)	(5,871)
Liability at end of year	<u>\$41,774</u>	<u>\$38,763</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 10 – KNOWN ENVIRONMENTAL LIABILITIES**

Following is a summary of the District's known environmental liabilities as of June 30, 2011, that meets the requirements of GASB Statement No. 49:

Under a NPDES permit issued by the San Francisco Regional Water Quality Control Board, discharges from the District's wet weather facilities are prohibited. Under an accompanying Cease and Desist Order, there is recognition of continued discharge and a requirement for the District to submit a plan for eliminating discharges from the three wet weather facilities and achieve full compliance with the discharge prohibition by January 13, 2019. The District also 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 and working with property owners to address leaks in their private sewer laterals. The cost to meet the requirements in the Order is approximately \$5M/year.

The San Francisco Regional Water Quality Control Board recently adopted a new general permit for surface water treatment plants that became effective on March 1, 2010. The District's Orinda Water Treatment Plant cannot comply with the requirements of this new permit and the District has negotiated 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 Evaluation Report to the Central Valley Regional Water Quality Control Board (CVRWQCB) on June 22, 2010 to address potential groundwater impacts from the wastewater treatment facility at Camanche North Shore Recreation Area. Based on the results of this evaluation, the no-action alternative was selected as the preferred alternative because the constituents of concern only slightly exceed recommended target groundwater concentrations and there are no significant impacts upon beneficial uses. Uncertainty exists as to whether or not the CVRWQCB will concur with this recommendation. If the CVRWQCB does not concur, it is possible that the District will be required to construct wastewater treatment pond upgrades. At this preliminary planning stage, it is estimated that the cost would be approximately \$6.6M to upgrade the existing facilities, or alternatively, approximately \$7.8M to construct a joint wastewater project with Amador County.

The CVRWQCB 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 and are jointly completing this site/investigation/remediation project. A risk assessment was recently completed for this site and additional site investigations will be completed in July 2011, after which an Engineering Evaluation/Cost Analysis (EE/CA) will be completed. 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 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 has completed site investigation work and groundwater monitoring in accordance with CVRWQCB requirements and the District is conducting a soil gas investigation to justify case closure. Long term costs, if any, have yet to be determined.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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**NOTE 10 – KNOWN ENVIRONMENTAL LIABILITIES (Continued)**

The Alameda County Health Care Services Agency 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 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 and air permits. The total estimated liability for all known violations is estimated to be less than \$250,000.

**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.

**NOTE 12 – SUBSEQUENT EVENT**

On August 5, 2011, among the three major rating agencies in the United States, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. Both Moody Investors Services and Fitch reaffirmed their AAA rating on the United States of America. This change by S&P alone does not appear to have a significant long-term impact on the Districts financial position as of June 30, 2011.

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(Dollars in thousands)**

**(1) Pension Plan**

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

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial liability (AAL) – entry age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a Percentage of covered payroll ((b-a)/c)</b>
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%
06/30/09	862,021	1,323,555	461,534	65.1%	161,893	285.1%
06/30/10	915,845	1,396,003	480,158	65.6%	164,085	292.6%

Unaudited

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011  
(Dollars in thousands)**

**(2) Post-Employment Healthcare Plan**

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

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial liability (AAL) – entry age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a Percentage of covered payroll ((b-a)/c)</b>
06/30/01	841	30,971	30,130	2.7%	125,313	24.0%
06/30/02	1,265	50,358	49,093	2.5%	129,791	37.8%
06/30/03	2,113	58,752	56,639	3.6%	133,678	42.4%
06/30/04	2,715	62,357	59,642	4.4%	137,138	43.5%
06/30/05	3,409	71,892	68,483	4.7%	139,514	49.1%
06/30/06	3,608	71,409	67,801	5.1%	142,373	47.6%
06/30/07	4,208	105,409	101,201	4.0%	153,394	66.0%
06/30/08	7,010	137,055	130,045	5.1%	158,499	82.0%
06/30/09	7,354	130,245	122,891	5.6%	161,893	75.9%
06/30/10	10,061	135,379	125,318	7.4%	164,085	76.4%

Unaudited.

**SUPPLEMENTAL INFORMATION**

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

June 30, 2011

(With summarized comparative financial information as of June 30, 2010)  
(DOLLARS IN THOUSANDS)

	2011			2010 Total
	Pension plan benefits	Post- employment healthcare benefits	Total	
<b>Assets:</b>				
Cash and cash equivalents, at fair value	\$47,888	\$574	\$48,462	\$27,604
Invested securities lending collateral	128,023	1,530	129,553	84,132
Prepaid expenses		430	430	403
<b>Receivables:</b>				
Brokers, securities sold	23,058	275	23,333	15,457
Employer	1,566	230	1,796	1,628
Plan members	336		336	302
Interest and dividends	2,054	25	2,079	1,868
Total receivables	27,014	530	27,544	19,255
<b>Investments, at fair value:</b>				
U.S. government obligations	139,688	1,684	141,372	41,922
Municipal bonds	3,055	22	3,077	
Domestic corporate bonds	71,531	855	72,386	52,773
International bonds	7,670	92	7,762	9,099
Domestic stocks	480,350	5,741	486,091	476,371
International stocks	200,119	2,391	202,510	152,470
Real estate	17,521	209	17,730	14,478
Total investments	919,934	10,994	930,928	747,113
Total assets	1,122,859	14,058	1,136,917	878,507
<b>Liabilities:</b>				
Accounts payable and accrued expenses	1,346	16	1,362	655
Payables to brokers, securities purchased	37,317	446	37,763	24,668
Securities lending collateral	128,023	1,530	129,553	84,132
Total liabilities	166,686	1,992	168,678	109,455
Net assets held in trust for pension benefits and post-employment healthcare benefits.	\$956,173	\$12,066	\$968,239	\$769,052

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

For the Year Ended June 30, 2011

(With summarized comparative financial information for the year ended June 30, 2010)

(DOLLARS IN THOUSANDS)

	2011			2010 Total
	Pension plan benefits	Post- employment healthcare benefits	Total	
Additions:				
Contributions:				
Employer	\$50,987	\$7,494	\$58,481	\$51,756
Plan members	\$10,707	143	10,850	10,918
Total contributions	<u>61,694</u>	<u>7,637</u>	<u>69,331</u>	<u>62,674</u>
Investment income:				
Net (depreciation) in fair value of investments:				
Traded securities	174,375	1,971	176,346	80,999
Real estate	2,337	26	2,363	(3,087)
Interest	8,923	100	9,023	6,173
Dividends	7,316	82	7,398	14,580
Real estate operating (loss), net	880	10	890	629
	<u>193,831</u>	<u>2,189</u>	<u>196,020</u>	<u>99,294</u>
Less:				
Investment expense	(2,703)	(31)	(2,734)	(2,418)
Borrowers' rebates and other agent fees on securities lending transactions	<u>(177)</u>	<u>(2)</u>	<u>(179)</u>	<u>(89)</u>
Net investment (loss)	<u>190,951</u>	<u>2,156</u>	<u>193,107</u>	<u>96,787</u>
Total additions, net	<u>252,645</u>	<u>9,793</u>	<u>262,438</u>	<u>159,461</u>
Deductions:				
Benefits paid	55,792	6,070	61,862	57,731
Refund of contributions	252		252	378
Administrative expenses	1,123	14	1,137	1,050
Total deductions	<u>57,167</u>	<u>6,084</u>	<u>63,251</u>	<u>59,159</u>
Change in net assets	195,478	3,709	199,187	100,302
Net assets:				
Beginning of year	<u>760,695</u>	<u>8,357</u>	<u>769,052</u>	<u>668,750</u>
End of year	<u>\$956,173</u>	<u>\$12,066</u>	<u>\$968,239</u>	<u>\$769,052</u>

## **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**

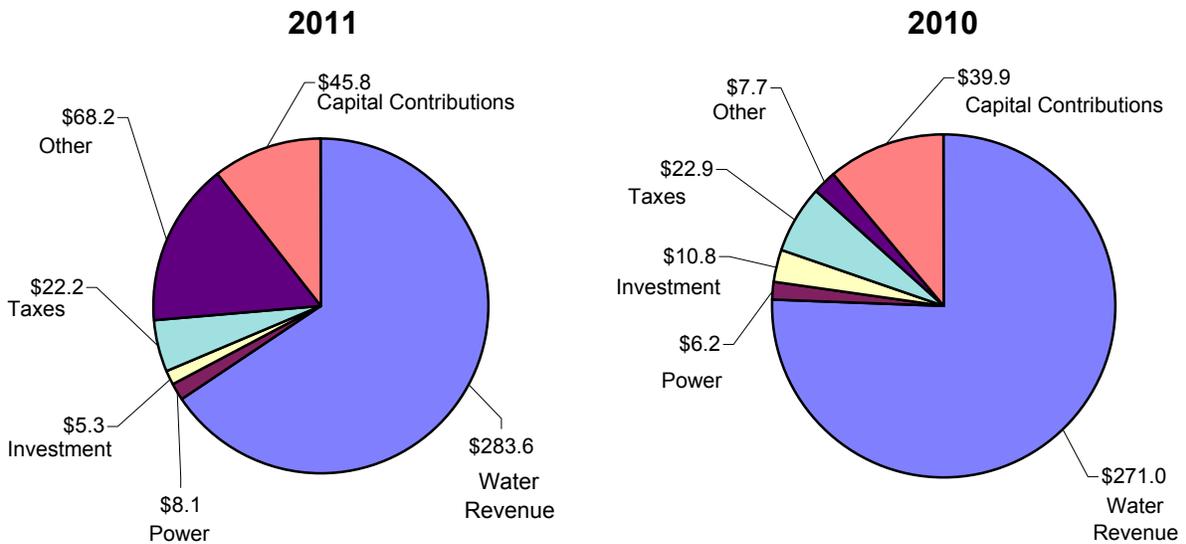
- Comparative Highlights
- Ten-Year Summary of Financial Data
- Changes in Net Assets
- Net Assets by Component

**Financial Trends  
Comparative Highlights**

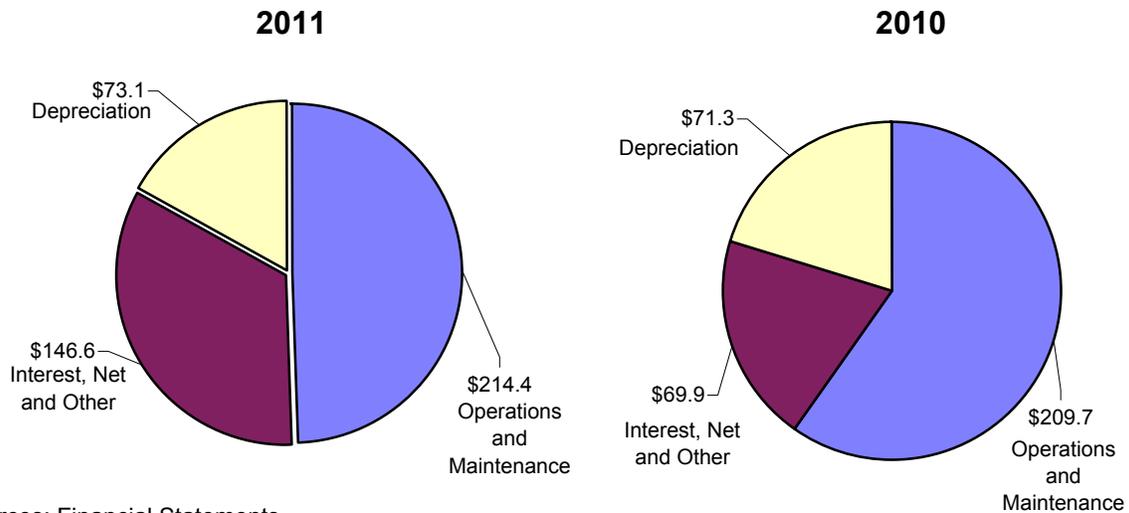
Fiscal Year 2011 and 2010

**Water System**

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



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



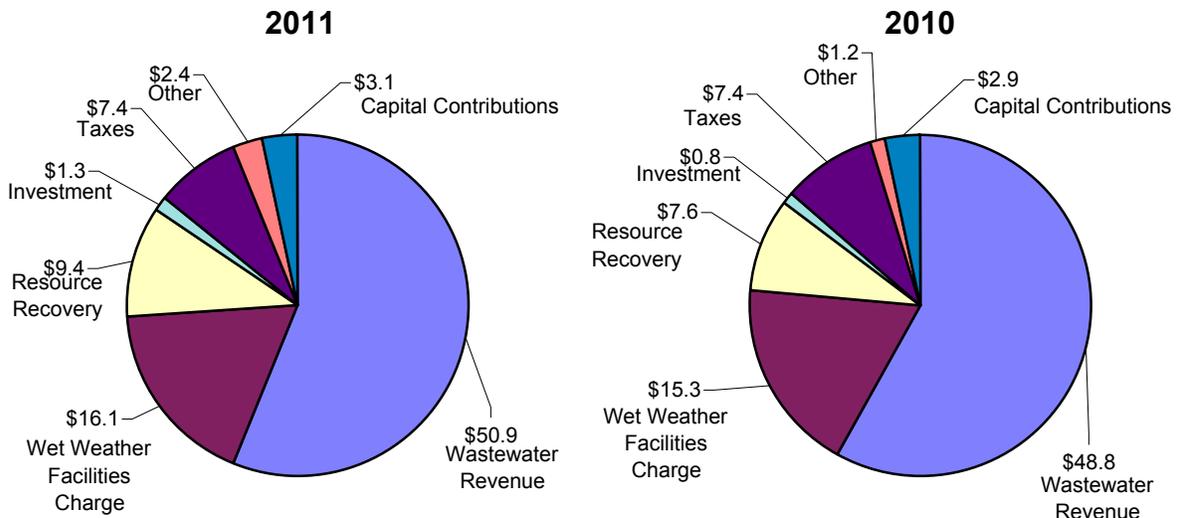
Sources: Financial Statements

**Financial Trends**  
**Comparative Highlights(continued)**

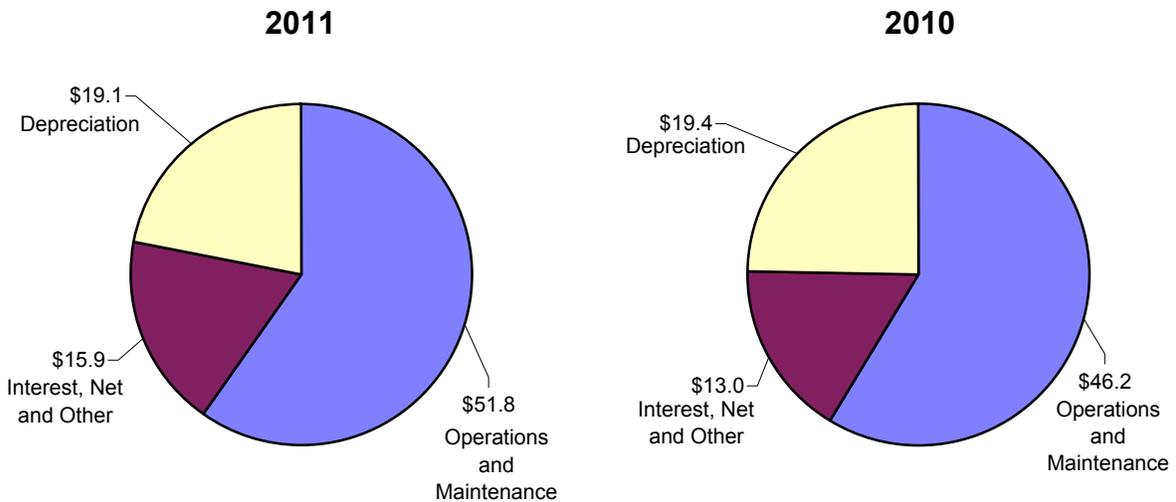
Fiscal Year 2011 and 2010

**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 2002 to 2011  
(in Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007*	2006*	2005*	2004*	2003*	2002*
<b>Water System</b>										
Revenues										
Water Revenue	\$ 283.6	\$ 271.0	\$ 287.3	\$ 270.6	\$ 260.7	\$ 244.3	\$ 235.8	\$ 241.9	\$ 223.2	\$ 214.0
Taxes	22.2	22.9	23.4	22.7	21.7	19.1	18.3	17.4	16.5	15.6
Investment	5.3	10.8	25.6	40.4	21.8	18.4	7.7	11.1	13.3	25.4
Power	8.1	6.2	4.3	3.1	4.2	11.0	7.0	2.8	4.1	3.1
Capital Contributions	45.8	39.9	38.3	50.5	64.1	67.3	44.9	39.3	44.1	37.9
Other <sup>(1)</sup>	68.3	7.7	6.2	29.4	7.8	5.3	6.2	2.7	12.9	5.3
<b>Total Revenues</b>	<b>433.3</b>	<b>358.5</b>	<b>385.1</b>	<b>416.7</b>	<b>380.2</b>	<b>365.4</b>	<b>319.9</b>	<b>315.2</b>	<b>314.1</b>	<b>301.3</b>
Expenses										
Operations and										
Maintenance	214.3	209.7	227.5	213.0	183.2	178.7	166.4	156.4	145.3	132.7
Depreciation	73.1	71.3	68.5	67.6	67.7	60.5	62.3	54.6	51.9	49.1
Interest, Net										
and Other <sup>(2)</sup>	146.5	69.9	81.8	93.2	77.2	76.5	69.3	64.4	64.9	63.9
<b>Total Expenses</b>	<b>433.9</b>	<b>350.9</b>	<b>377.8</b>	<b>373.8</b>	<b>328.1</b>	<b>315.7</b>	<b>298.0</b>	<b>275.4</b>	<b>262.1</b>	<b>245.7</b>
<b>Changes in Net Assets</b>	<b>\$ (0.6)</b>	<b>\$ 7.6</b>	<b>\$ 7.3</b>	<b>\$ 42.9</b>	<b>\$ 52.1</b>	<b>\$ 49.7</b>	<b>\$ 21.9</b>	<b>\$ 39.8</b>	<b>\$ 52.0</b>	<b>\$ 55.6</b>

\* Restated to meet current formatting.

<sup>(1)</sup> Other revenue in 2011 includes receipts of \$53 million from Chevron for the RARE facilities.

<sup>(2)</sup> Other expense in 2011 includes the \$53 million sales of the RARE facilities to Chevron.

**Financial Trends**  
**Ten-Year Summary of Financial Data**

Fiscal Years 2002 to 2011  
 (in Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008*	2007*	2006*	2005*	2004	2003	2002
<b>Wastewater System</b>										
Revenues										
Wastewater Revenue	\$ 50.9	\$ 48.8	\$ 47.1	\$ 46.2	\$ 44.6	\$ 42.6	\$ 42.2	\$ 42.8	\$ 41.6	\$ 39.9
Wet Weather										
Facilities Charges	16.1	15.3	14.3	13.7	13.7	13.8	13.9	13.9	13.9	13.5
Resource Recovery	9.4	7.6	7.7	6.9	5.8	4.5	3.4	-	-	-
Taxes	7.4	7.4	7.4	7.2	6.8	5.3	4.7	6.3	5.8	5.9
Investment	1.3	0.8	3.1	5.8	2.7	2.1	1.9	2.6	3.0	4.3
Capital Contributions	3.1	2.9	9.0	2.8	7.0	2.5	1.7	2.1	2.5	5.9
Other	2.4	1.2	0.9	0.7	1.4	0.7	0.7	(0.9)	0.3	0.2
<b>Total Revenues</b>	<b>90.6</b>	<b>84.0</b>	<b>89.5</b>	<b>83.3</b>	<b>82.0</b>	<b>71.5</b>	<b>68.5</b>	<b>66.8</b>	<b>67.1</b>	<b>69.7</b>
Expenses										
Operations and Maintenance	51.8	46.2	50.1	47.6	42.2	40.0	38.4	36.8	35.6	35.3
Depreciation	19.1	19.4	18.3	16.4	16.8	16.4	16.4	15.9	15.9	15.4
Interest, Net and Other	16.0	13.0	13.6	15.1	12.6	13.5	15.7	13.8	16.1	13.3
<b>Total Expenses</b>	<b>86.9</b>	<b>78.6</b>	<b>82.0</b>	<b>79.1</b>	<b>71.6</b>	<b>69.9</b>	<b>70.5</b>	<b>66.5</b>	<b>67.6</b>	<b>64.0</b>
<b>Changes in Net Assets</b>	<b>\$ 3.7</b>	<b>\$ 5.4</b>	<b>\$ 7.5</b>	<b>\$ 4.2</b>	<b>\$ 10.4</b>	<b>\$ 1.6</b>	<b>\$ (2.0)</b>	<b>\$ 0.3</b>	<b>\$ (0.5)</b>	<b>\$ 5.7</b>

\* Restated to meet current formatting.

**Financial Trends**  
**Changes in Net Assets**

Fiscal Years 2002 to 2011  
(In Millions)

	<b>Fiscal Year Ended June 30</b>									
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008*</b>	<b>2007*</b>	<b>2006*</b>	<b>2005*</b>	<b>2004*</b>	<b>2003*</b>	<b>2002*</b>
<b>Operating Revenues</b>										
Charges for services:										
Water	\$ 283.6	\$ 271.0	\$ 287.3	\$ 270.6	\$ 260.7	\$ 244.3	\$ 235.8	\$ 241.9	\$ 223.2	\$ 214.0
Wastewater	76.4	71.7	69.1	66.7	64.1	60.9	59.5	56.7	55.5	53.4
Power	8.1	6.2	4.3	3.1	4.2	11.0	7.0	2.8	4.1	3.1
<b>Total Operating Revenues</b>	<b>368.1</b>	<b>348.9</b>	<b>360.7</b>	<b>340.4</b>	<b>329.0</b>	<b>316.2</b>	<b>302.3</b>	<b>301.4</b>	<b>282.8</b>	<b>270.5</b>
<b>Operating Expenses</b>										
Water	287.4	281.1	296.0	280.5	250.9	239.2	228.7	211.0	197.2	181.8
Wastewater	70.9	65.5	68.4	64.0	59.0	56.4	54.8	52.7	51.4	50.7
<b>Total Operating Expenses</b>	<b>358.3</b>	<b>346.6</b>	<b>364.4</b>	<b>344.5</b>	<b>309.9</b>	<b>295.6</b>	<b>283.5</b>	<b>263.7</b>	<b>248.6</b>	<b>232.5</b>
 Operating Activities	 9.8	 2.3	 (3.7)	 (4.1)	 19.1	 20.6	 18.8	 37.7	 34.2	 38.0

\* Restated to meet current formatting.

**Financial Trends**  
**Changes in Net Assets (continued)**

Fiscal Years 2002 to 2011  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008*	2007*	2006*	2005*	2004*	2003*	2002*
<b>General Revenues and Other Changes in Net Assets</b>										
Non-Operating Activities										
Investment income	6.6	11.6	28.6	46.3	24.4	20.5	9.6	13.7	16.3	29.7
Taxes and subventions	29.6	30.3	30.8	29.9	28.5	24.5	22.9	23.7	22.2	21.4
Interest and amortization of bond expenses	(105.8)	(80.9)	(92.3)	(106.7)	(88.9)	(88.9)	(84.1)	(72.2)	(74.9)	(75.6)
Other income (expense)	14.0	6.9	4.1	28.4	8.3	4.8	6.0	(4.2)	7.1	3.9
Capital grants and contributions	48.9	42.8	47.3	53.3	71.0	69.8	46.5	41.4	46.4	43.7
Total Non-Operating Activities	(6.7)	10.7	18.5	51.2	43.3	30.7	0.9	2.4	17.1	23.1
<b>Changes in Net Assets</b>	\$ 3.1	\$ 13.0	\$ 14.8	\$ 47.1	\$ 62.4	\$ 51.3	\$ 19.7	\$ 40.1	\$ 51.3	\$ 61.1

\* Restated to meet current formatting.

**Financial Trends**  
**Net Assets by Component**

Fiscal Years 2002 to 2011  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b><u>Business-type activities</u></b>										
Invested in capital assets, net of related debt	\$ 1,202.7	\$ 1,293.5	\$ 1,304.6	\$ 1,182.8	\$ 1,174.5	\$ 1,226.1	\$ 1,213.2	\$ 1,090.0	\$ 1,006.5	\$ 998.2
Restricted for construction	42.9	66.8	84.5	85.4	89.6	78.6	54.0	64.4	65.8	61.2
Restricted for debt service	63.8	66.5	58.8	55.1	38.1	37.7	35.2	0.1	-	0.8
Restricted-other	25.5	3.0	3.1	3.0	2.9	2.9	2.9	2.9	2.9	2.8
Unrestricted	297.5	199.5	165.3	275.2	249.2	146.5	135.3	263.4	305.4	266.2
 Total business-type activities net assets	 \$ 1,632.4	 \$ 1,629.3	 \$ 1,616.3	 \$ 1,601.5	 \$ 1,554.3	 \$ 1,491.8	 \$ 1,440.6	 \$ 1,420.8	 \$ 1,380.6	 \$ 1,329.2

## 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 2002 to 2011

**Water System**  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Water	\$283.6	\$271.0	\$287.3	\$270.6	\$260.7	\$244.3	\$235.8	\$241.9	\$223.1	\$214.0
Taxes	22.2	22.9	23.4	22.7	21.7	19.1	18.3	17.5	16.5	15.6
Construction from SCC	0.0	0.0	0.0	0.0	19.7	13.7	12.8	12.9	12.3	11.6
Interest	5.7	9.7	24.5	40.6	20.3	16.5	7.6	11.1	13.3	25.4
Power	8.1	6.2	4.3	3.1	4.2	11.0	7.0	2.8	4.0	3.1
Rental & Other <sup>(1)</sup>	67.9	7.0	4.1	27.7	8.4	6.3	5.5	(2.6)	7.2	4.4
<b>Total</b>	<b>\$387.5</b>	<b>\$316.8</b>	<b>\$343.6</b>	<b>\$364.7</b>	<b>\$335.0</b>	<b>\$310.9</b>	<b>\$287.0</b>	<b>\$283.6</b>	<b>\$276.4</b>	<b>\$274.1</b>

<sup>(1)</sup> Includes revenue of \$53 million from the sale of the RARE facilities to Chevron in 2011.

**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 2002 to 2011

**Wastewater System**

(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008*	2007*	2006*	2005*	2004*	2003*	2002*
Wastewater	\$ 50.9	\$ 48.8	\$ 47.1	\$ 46.2	\$ 44.6	\$ 42.6	\$ 42.2	\$ 42.8	\$ 41.6	\$ 39.8
Wet Weather Facilities	16.1	15.3	14.3	13.7	13.7	13.8	13.9	13.9	13.9	13.5
Resource Recovery	9.4	7.6	7.7	6.9	5.8	4.5	3.4	-	-	-
Taxes	7.4	7.4	7.4	7.2	6.8	5.3	4.7	6.2	5.8	5.9
Interest	2.0	1.2	2.9	5.7	2.1	1.8	2.1	2.6	2.9	4.3
Other	1.6	0.6	1.2	0.8	2.0	0.7	0.5	(1.6)	0.0	(0.5)
<b>Total</b>	<b>\$ 87.4</b>	<b>\$ 80.9</b>	<b>\$ 80.6</b>	<b>\$ 80.5</b>	<b>\$ 75.0</b>	<b>\$ 68.7</b>	<b>\$ 66.8</b>	<b>\$ 63.9</b>	<b>\$ 64.2</b>	<b>\$ 63.0</b>

\* 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 2002 to 2011

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>	
	<u>Monthly Base Rate</u>	<u>Rate per 748 (1ccf) Gallons</u>	<u>Monthly Base Rate</u>	<u>Rate per 748 (1ccf) Gallons</u>
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
2010	10.13	2.00	10.42	0.56
2011	10.89	2.15	10.95	0.59

**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 2002 to 2011

**Water System**

(In Millions)

<b>Fiscal Year</b>	<b>Total Revenue (1)</b>	<b>Operations &amp; Maintenance Expense (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service</b>	<b>Coverage Ratio</b>
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	305.0	143.9	161.1	96.9	1.66
2007	327.1	141.2	185.9	98.6	1.89
2008	378.2	154.9	223.3	119.5	1.87
2009	353.8	176.2	177.6	119.0	1.49
2010	351.8	156.1	195.7	125.2	1.56
2011	430.0	215.9	214.1	141.6	1.52

(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 2002 to 2011

**Wastewater System**

(In Millions)

<u>Fiscal Year</u>	<u>Total Revenue (1)</u>	<u>Operations &amp; Maintenance Expense (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Coverage Ratio</u>
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	63.4	38.0	25.4	15.8	1.60
2007	67.6	39.2	28.4	16.0	1.78
2008	73.1	41.6	31.5	20.2	1.56
2009	73.0	44.6	28.4	20.1	1.41
2010	74.0	41.3	32.7	19.2	1.71
2011	80.8	46.3	34.5	21.0	1.65

(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, 2011

District Debt by Type	Rating by		
	Standard & Poor's	Moody's Investors Service	Fitch
<b>Water System</b>			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+
Variable Rate Revenue Bonds (include SIFMA-Based Index Bonds)	A-1+	VMIG-1	F1+
Commercial Paper	A1+	P1	F1+
<b>Wastewater System</b>			
General Obligation Bonds	AAA	Aa2	-
Fixed Rate Revenue Bonds	AAA	Aa2	AA+
Variable Rate Revenue Bonds	A-1+	VMIG-1	F1+
Commercial Paper	A1+	P1	F1+

**Debt Capacity  
Outstanding Debt by Type**

Fiscal Years 2002 to 2011

**Water System**

(In thousands)

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Loans Payable</b>	<b>Total</b>
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
2010	0	2,354,095	29,028	2,383,123
2011	0	2,314,425	26,501	2,340,926

**Wastewater System**

(In thousands)

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Loans Payable</b>	<b>Total</b>
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
2010	27,255	298,215	20,652	346,122
2011	24,545	449,680	0	474,225

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

As of June 30, 2011  
(In Thousands)

**Water System**

Authorized but unissued revenue bonds	\$	-
Outstanding short-term debt (due within one year)	\$	41,335

**Wastewater System**

Authorized but unissued revenue bonds	\$	138,500
Outstanding short-term debt (due within one year)	\$	12,490

**Debt Capacity**

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

Fiscal Years 2002 to 2011  
(In Millions)

<b>Water System</b>					
<b>Fiscal Year</b>	<b>Accounts (1)</b>	<b>General Obligation Bonded Debt (2)</b>	<b>General Bonded Debt Per Account (In Dollars)</b>	<b>Annual Billings (2)</b>	<b>Percentage of General Bonded Debt To Annual Billings</b>
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%
2010	382,000	0	0	271,022	0.00%
2011	383,000	0	0	283,644	0.00%

<b>Wastewater System</b>					
<b>Fiscal Year</b>	<b>Accounts (1)</b>	<b>General Obligation Bonded Debt (2)</b>	<b>General Bonded Debt Per Account (In Dollars)</b>	<b>Annual Billings (2)</b>	<b>Percentage of General Bonded Debt To Annual Billings</b>
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	178,000	29,785	167	47,085	63.26%
2010	178,000	27,255	153	48,764	55.89%
2011	179,000	24,545	137	50,910	48.21%

Source: (1) CIS

(2) Financial and Statistical Reports

**Debt Capacity  
Assessed Valuation of Taxable Property**

Fiscal Year 2011

**EAST BAY MUNICIPAL UTILITY DISTRICT, SPECIAL DISTRICT NO. 1**

<b>2010-11 Assessed Valuation:</b>	<b>\$ 74,374,158,070</b>
<b>Redeveloped Incremental Valuation:</b>	<b>14,820,667,579</b>
<b>Adjusted Assessed Valuation:</b>	<b>\$ 59,553,490,491</b>

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable</u>	<u>Debt 6/30/11</u>
Bay Area Rapid Transit District	13.682 %	\$ 56,625,009
Peralta Community College District	100.000	435,575,000
Alameda Unified School District	100.000	75,865,326
Albany Unified School District	100.000	42,560,000
Berkeley Unified School District	100.000	238,409,222
Oakland Unified School District	100.000	713,910,000
Piedmont Unified School District	100.000	81,462,599
West Contra Costa Unified School District	22.973	170,649,646
Other School Districts	Various	61,816,834
City of Alameda	100.000	9,375,000
City of Albany	100.000	17,815,000
City of Berkeley	100.000	82,005,000
City of Oakland	99.975	261,630,196
<b>East Bay Municipal Utility District, Special District No. 1</b>	<b>100.000</b>	<b>24,545,000</b>
East Bay Regional Park District	21.201	32,647,420
West Contra Costa Healthcare District Parcel Tax Obligations	20.782	4,658,876
City of El Cerrito Lease Tax Obligations	99.810	2,924,433
City of Alameda Community Facilities District Nos. 1 and 2	100.000	11,575,000
City of Berkeley Community Facilities District No. 1	100.000	6,530,000
1915 Act bonds	100.000	45,693,483
<b>Sub-total Direct Tax and Assessment Debt</b>		<b>\$ 24,545,000</b>
<b>Sub-total Overlapping Tax and Assessment Debt</b>		<b>2,351,728,044</b>
<b>Total Direct and Overlapping Tax and Assessment Debt</b>		<b>\$ 2,376,273,044</b>

(continued)

Sources: California Municipal Statistics, Inc.

**Table 18 (Continued)**  
**Assessed Valuation of Taxble Property**

Fiscal Year 2011

<u>Overlapping General Fund Debt:</u>	<u>(1) % Applicable</u>	<u>Debt 6/30/11</u>
Alameda County General Fund Obligations	33.002 %	\$ 234,813,190
Alameda County Pension Obligations	33.002	51,016,056
Contra Costa County General Fund Obligations	3.085	9,867,925
Contra Costa County Pension Obligations	3.085	12,335,064
Alameda-Contra Costa Transit District Certificates of Participation	43.062	16,133,178
Peralta Community College District Pension Obligations	100.000	151,709,090
Oakland Unified School District Certificates of Participation	100.000	60,905,000
Other School District Certificates of Participation	Various	6,133,288
City of Alameda Cetificates of Participation	100.000	12,470,000
City of Berkeley General Fund Obligations and Pension Obligations	100.000	40,655,000
City of Oakland General Fund Obligations	99.975	371,052,214
City of Oakland Pension Obligations	99.975	195,587,540
Other City General Fund Obligations	Various	<u>29,903,845</u>
<b>Total Overlapping General Fund Debt</b>		<b>\$ 1,192,581,390</b>
Less: Contra Costa County Obligations supported from revenue funds		3,740,565
City of Richmond oblfations supported from port revenues		<u>2,917,296</u>
<b>Total Net Overlapping General Fund Debt</b>		<b>\$ 1,185,923,529</b>
<b>Total Debt</b>		<b>\$ 24,545,000</b>
<b>Gross Overlapping Debt</b>		<b>\$ 3,544,309,434</b>
<b>Net Overlapping Debt</b>		<b>\$ 3,537,651,573</b>
Gross Combined Total Debt	(2)	\$ 3,568,854,434
Net Combined Total Debt		\$ 3,562,196,573

(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 2010-11 Assessed Valuation:**

<b>Direct Debt (\$24,545,000)</b>	<b>0.03 %</b>
Total Direct and Overlapping Tax and Assessment Debt	3.20 %

**Ratios to Adjusted Assessed Valuation:**

Gross Combined Total Debt	5.99 %
Net Combined Total Debt	5.98 %

**State School Building Aid Repayable as of 6/30/10:** \$ 1,305

**Debt Capacity  
Summary of Debt Outstanding\***

As of June 30, 2011  
(Thousands of Dollars)

**Water System**

**Revenue Bonds**

Series 2001	\$	2,880
Series 2002		170,320
Series 2003		60,820
Series 2005A		300,000
Series 2007A		450,000
Series 2007B		45,605
Series 2008A		317,125
Series 2008B		58,800
Series 2009A		316,045
Series 2010A		192,830
Series 2010B		400,000

<b>Total Water System Debt Outstanding</b>	<b>\$</b>	<b>2,314,425</b>
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**Wastewater System**

**General Obligation Bonds**

Series F	\$	24,545
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**Revenue Bonds**

Series 2007A		80,630
Series 2007B		40,425
Series 2008C		56,440
Series 2010A		57,935
Series 2010B		150,000
Series 2011A		64,250

<b>Total Wastewater System Debt Outstanding</b>	<b>\$</b>	<b>474,225</b>
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\*Debt outstanding does not include State low interest loans, commercial paper or outstanding refunded but not yet called debt.

## Demographic and Economic Information

### District Information

Fiscal Year 2011

		<u>Water System</u>	<u>Wastewater System</u>
<b>Established</b>		1923	1944
<b>Service Area</b>	(square miles)	332	88
<b>Population Served</b>	(in thousands)	1,350	650
<b>Unemployment Rate</b>	(Alameda County - %)	10.9	10.9
<b>Facilities:</b>			
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	
<b>Water demand per fiscal year</b>			
District-provided water	(acre feet)	194,633	
<b>Water recycling per day</b>	(in million gallons)		9.7
<b>Wastewater treatment capacity</b>			
Primary treatment			320
Secondary treatment			168
<b>Energy Recovery</b>	(%)		77
<b>Number of employees</b>		1,492	262
<b>Average years of service of employees</b>		12.8	12.4

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

## **Demographic and Economic Information Section**

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

**Demographic and Economic Information**

**Principal Water Rate Payers**

Fiscal Years 2005 to 2011  
(In Thousands)

2011		2010		2009		2008		2007		2006		2005	
Billings	%												

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

Total annual billing	\$ 28,346	10.02%	\$ 29,635	11.11%	\$ 30,792	11.69%	\$ 29,434	10.88%	\$ 28,265	10.84%	\$ 27,136	11.11%	\$ 25,823	11.50%
<b>Total annual billings</b>	<u>\$279,567</u>		<u>\$264,828</u>		<u>\$261,411</u>		<u>\$270,564</u>		<u>\$260,678</u>		<u>\$244,280</u>		<u>\$224,631</u>	

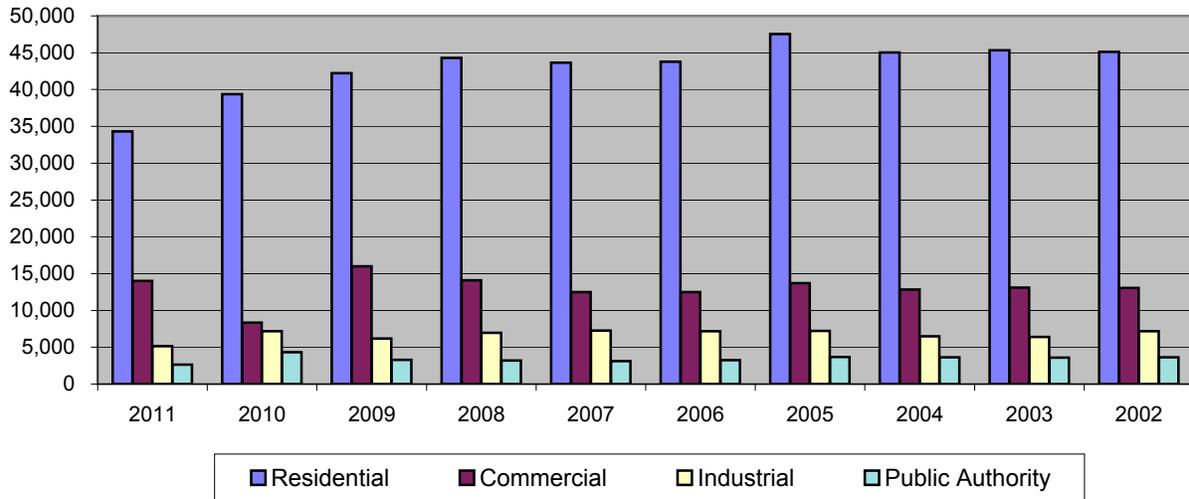
\* Chevron USA decreased in 2011 due to completion of RARE Project. \*\* Listed individually from University of California beginning in 2008

Source: CIS

Source data not available for Fiscal Years 2001-2004.

**Demographic and Economic Information**  
**Water Sold by Type of Customer**

Fiscal Years 2002 to 2011  
(In millions of gallons)



Fiscal Year	Type of Customer				Total
	Residential	Commercial	Industrial	Public Authority	
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
2010	34,317	13,880	6,228	2,652	57,077
2011	34,330	14,016	5,145	2,646	56,137

Source: CIS

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

Fiscal Years 2011 and 2010

<b>Water System</b>	<b>2011</b>	<b>2010</b>
<b>During the Year:</b>		
Total Water Production, millions of gallons	63,421	63,588
Average Daily Water Production, MGD*	174	174
Maximum Daily Water Production, MGD	260	253
Minimum Daily Water Production, MGD	119	120
<b>At Year End:</b>		
Number of Accounts	383,066	380,857
Number of Employees	1,492	1,551
Miles of Water Distribution Pipe	4,110	4,110
Operating Distribution Storage Capacity, millions of gallons	826	812

<b>Wastewater System</b>		
<b>During the Year:</b>		
Average Daily Wastewater Flow, MGD	71	68
<b>At Year End:</b>		
Number of Accounts	178,515	178,051
Number of Employees	262	253

\*=millions of gallons per day

**Demographic and Economic Information  
Area Employment Information**

Fiscal Year 2011

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	<b>Company</b>	<b>Employment</b>	<b>City</b>
1	AT&T Corp	Information	San Ramon
2	University of California, Berkeley	Educational Services	Berkeley
3	County of Alameda	Public Administration	Oakland
4	County of Contra Costa	Public Administration	Martinez
5	Safeway Inc	Retail Trade	Walnut Creek
6	Lawrence Livermore National Lab	Professional, Scientific, and Technical Services	Livermore & Berkeley
7	Wells Fargo Home Mortgage Inc	Finance and Insurance	Concord
8	Kaiser Foundation Hospitals	Health Care and Social Assistance	Walnut Creek
9	Oakland Unified School Dist	Educational Services	Oakland
10	World Savings & Loan Assn	Finance and Insurance	Oakland

## **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 2002 to 2011

<u>Function/Program</u>	<b>Fiscal Year Ended June 30</b>									
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
System Maintenance and Construction	660.0	660.0	603.5	603.5	611.5	574.5	578.5	567.5	567.5	545.5
Water Operations and Maintenance	232.5	235.5	282.5	279.5	278.5	309.5	311.5	312.5	314.5	328.5
Water Resources	44.0	44.0	42.0	42.0	42.0	42.0	43.0	45.0	45.0	47.0
Natural Resources	69.5	70.5	68.0	68.0	68.0	68.0	63.0	63.0	63.0	62.0
Engineering and Construction	255.5	257.5	253.5	254.5	260.5	266.5	275.5	274.5	275.5	267.5
Office of the General Manager	29.5	29.5	33.5	33.5	34.5	34.5	37.5	40.0	39.5	47.0
Finance	57.0	57.0	54.0	54.0	65.0	67.0	68.0	112.5	111.5	112.5
Information Systems	94.0	94.0	93.0	93.0	91.0	92.0	79.0	75.0	75.0	73.0
Administration Department	106.5	106.5	107.5	107.5	99.5	100.5	103.5	40.5	39.5	40.0
Customer and Community Services	138.0	144.0	137.0	137.0	137.0	138.0	130.0	149.0	152.0	149.0
Human Resources	48.5	48.5	49.5	49.5	49.5	49.5	50.5	50.5	50.5	48.5
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	8.0	8.0	9.0	9.0	9.0	11.0
Wastewater	286.5	283.5	285.5	284.5	286.5	284.5	281.0	278.0	284.5	284.5
<b>Total</b>	<b>2,046.0</b>	<b>2,055.0</b>	<b>2,034.0</b>	<b>2,031.0</b>	<b>2,048.0</b>	<b>2,051.0</b>	<b>2,046.5</b>	<b>2,033.5</b>	<b>2,043.5</b>	<b>2,032.5</b>

**Note:** Budgeted full-time equivalent positions available by Function/Program, actual headcount at year end for Water System and Wastewater System listed in: Demographic and Economic Information - Consumption and Account Comparative Highlights.

**Operating Information  
Assessed Valuation of Taxable Property**

Fiscal Years 2002 to 2011  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010*	2009*	2008	2007	2006	2005	2004	2003	2002
<b>Water System</b>										
Alameda County	\$ 74,939	\$ 74,216	\$ 73,414	\$ 74,483	\$ 71,515	\$ 67,322	\$ 62,405	\$ 58,190	\$ 55,508	\$ 51,866
Contra Costa County	72,545	72,260	73,200	76,573	74,565	70,724	64,099	60,592	55,475	51,916
<b>Total</b>	<b>\$ 147,484</b>	<b>\$ 146,476</b>	<b>\$ 147,683</b>	<b>\$ 151,056</b>	<b>\$ 146,080</b>	<b>\$ 138,046</b>	<b>\$ 126,504</b>	<b>\$ 118,782</b>	<b>\$ 110,983</b>	<b>\$ 103,782</b>
<b>Wastewater System</b>										
Alameda County	\$ 56,523	\$ 55,783	\$ 56,061	\$ 56,428	\$ 53,954	\$ 43,534	\$ 41,216	\$ 38,517	\$ 36,135	\$ 33,389
Contra Costa County	3,840	3,867	3,798	3,808	3,697	2,898	2,677	2,469	2,314	2,119
<b>Total</b>	<b>\$ 60,363</b>	<b>\$ 59,650</b>	<b>\$ 59,794</b>	<b>\$ 60,236</b>	<b>\$ 57,651</b>	<b>\$ 46,432</b>	<b>\$ 43,893</b>	<b>\$ 40,986</b>	<b>\$ 38,449</b>	<b>\$ 35,508</b>

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.

\* Revised valuations for 2009 and 2010.

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

Fiscal Years 2002 to 2011

**Water System**  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Structures, Buildings and Equipment	\$ 4,040.1	\$ 3,864.4	\$ 3,705.1	\$ 3,591.6	\$ 3,470.3	\$ 3,221.5	\$ 3,037.4	\$ 2,824.3	\$ 2,533.9	\$ 2,338.0
Less Accumulated Depreciation	<u>(1,253.7)</u>	<u>(1,177.5)</u>	<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>
Subtotal	<u>2,786.4</u>	<u>2,686.9</u>	<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>
Land and Rights-of-Way	55.8	53.5	50.9	49.9	48.9	49.0	49.0	48.9	48.9	48.8
Construction in Progress	<u>713.7</u>	<u>783.1</u>	<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>
Total Capital Assets, Net	<u>\$ 3,555.9</u>	<u>\$ 3,523.5</u>	<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>

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

Fiscal Years 2001 to 2010

**Wastewater System**  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Structures, Buildings and Equipment	\$ 815.8	\$ 797.2	\$ 768.5	\$ 744.8	\$ 711.6	\$ 703.6	\$ 677.7	\$ 662.7	\$ 653.4	\$ 633.7
Less Accumulated Depreciation	<u>(312.1)</u>	<u>(293.0)</u>	<u>(273.6)</u>	<u>(255.6)</u>	<u>(239.2)</u>	<u>(224.9)</u>	<u>(208.3)</u>	<u>(192.4)</u>	<u>(176.5)</u>	<u>(160.7)</u>
Subtotal	<u>503.7</u>	<u>504.2</u>	<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>
Land and Rights-of-Way	19.9	19.7	19.7	19.5	16.1	5.6	5.6	5.6	5.6	5.6
Construction in Progress	<u>112.2</u>	<u>81.8</u>	<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>
Total Capital Assets, Net	\$ 635.8	\$ 605.7	\$ 572.5	\$ 555.0	\$ 539.4	\$ 514.3	\$ 496.3	\$ 496.2	\$ 496.6	\$ 502.5

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

Fiscal Years 2002 to 2011

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Water System</b>										
Water mains (miles)	4,108	4,108	4,108	4,108	4,110	4,085	4,065	4,033	4,032	4,031
Fire hydrants	30,319	30,247	30,203	30,050	29,916	29,532	28,817	28,499	28,380	*
Reservoir storage at June 30 (in acre feet)	670,580	719,680	657,270	472,330	560,290	719,460	730,720	605,310	706,480	606,640
										* Data not available for 2002
<b>Wastewater System</b>										
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 2002 to 2011

<u>Function/Program</u>	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Water System</b>										
New connections	477	514	735	1,535	1,994	2,230	1,928	1,925	2,455	1,164
Water main breaks	726	852	1,238	916	938	842	855	876	747	793
Average daily production (millions of gallons)	174	174	182	205	211	211	205	224	213	211
Peak daily production (millions of gallons)	260	253	262	288	336	311	310	310	338	310
<b>Wastewater System</b>										
Average daily sewage treatment (millions of gallons)	71	68	66	69	67	82	76	72	73	74

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

Fiscal Years 2002 to 2011  
(In Millions)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Interest and Amortization of Bonds <sup>(1)</sup>	\$ 105.8	\$ 80.9	\$ 92.3	\$ 106.7	\$ 88.9	\$ 88.9	\$ 84.1	\$ 72.2	\$ 74.9	\$ 75.6
Depreciation on Utility Plant	92.1	90.8	86.8	84.0	84.5	76.9	78.7	70.4	67.7	64.5
Water Treatment and Distribution	84.2	86.0	83.5	80.8	77.0	76.0	72.7	72.5	62.3	61.2
General Administration <sup>(2)</sup>	55.3	49.5	63.7	61.9	37.2	34.7	28.9	21.2	26.2	19.1
Raw Water	31.1	28.9	36.3	29.6	25.3	24.2	23.1	22.8	22.9	21.7
Sewer Treatment Plant Operations	28.7	25.2	25.9	24.8	23.0	22.1	20.9	19.8	19.3	20.0
Financial and Risk Management	18.1	17.5	20.8	17.9	15.7	17.5	15.2	15.5	13.1	11.2
Customer Accounting and Collecting	17.5	16.1	16.5	14.8	14.0	13.3	13.0	12.6	11.7	11.4
Facilities Management	12.2	11.3	8.7	10.0	11.6	10.9	12.5	10.2	9.0	7.8
Sewer Lines and Pumping	13.4	12.9	13.2	12.0	12.3	11.7	10.7	10.9	9.4	8.8
Recreation Areas, Net	<u>5.7</u>	<u>8.4</u>	<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>
<b>Total:</b>	<b>\$ 464.1</b>	<b>\$ 427.5</b>	<b>\$ 456.7</b>	<b>\$ 451.1</b>	<b>\$ 398.9</b>	<b>\$ 384.5</b>	<b>\$ 367.6</b>	<b>\$ 335.9</b>	<b>\$ 323.5</b>	<b>\$ 308.2</b>

<sup>(1)</sup> The 2011 increase in Interest and Amortization of Bonds primarily reflects the issuance of Water System bonds at the end of the previous fiscal year and Wastewater bonds in the current fiscal year to finance ongoing and future construction projects. A portion of the expense is offset by a \$9.9 million Build America Bond Rebate in Other Income.

<sup>(2)</sup> The 2011 General Administration costs, while not as low as 2010, continue to reflect the cost reduction strategies implemented in 2010.