COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the years ended June 30, 2015 and 2014



EBMUD

EAST BAY MUNICIPAL UTILITY DISTRICT • OAKLAND, CALIFORNIA 94623

Prepared by the Accounting Division of the Finance Department

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Letter of Transmittal

East Bay Municipal Utility District

November 23, 2015
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) for the fiscal year ended June 30, 2015.

The Comprehensive Annual Financial Report 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. 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 its benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of 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, 2015. The purpose of the independent audit was to provide reasonable assurance that these financial statements for the year ended June 30, 2015, 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 immediately follows the independent auditor's report and provides an introduction, overview and analysis of the basic financial statements. This transmittal letter is designed to complement and be read in conjunction with the management's discussion and analysis.

The Comprehensive Annual Financial Report follows the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. EBMUD is submitting this Comprehensive Annual Financial Report to GFOA for review and certification.

District Profile

East Bay Municipal Utility District

The East Bay Municipal 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 parts 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 into the Bay. Wastewater treatment for those cities began in 1951 and was expanded 20 years later to include Kensington, El Cerrito and 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 1.4 million industrial, commercial, residential, and institutional users in a 332-square-mile service area extending from Crockett in the north, southward to San Lorenzo (encompassing Oakland, Berkeley and Alameda), eastward from San Francisco Bay to Walnut Creek, and south through the San Ramon Valley. The wastewater system intercepts and treats wastewater from residences and industries along the Bay's east shore, extending from Richmond in the north to San Leandro in the south. It serves approximately 650,000 customers in an 88-square-mile area of Alameda and Contra Costa counties

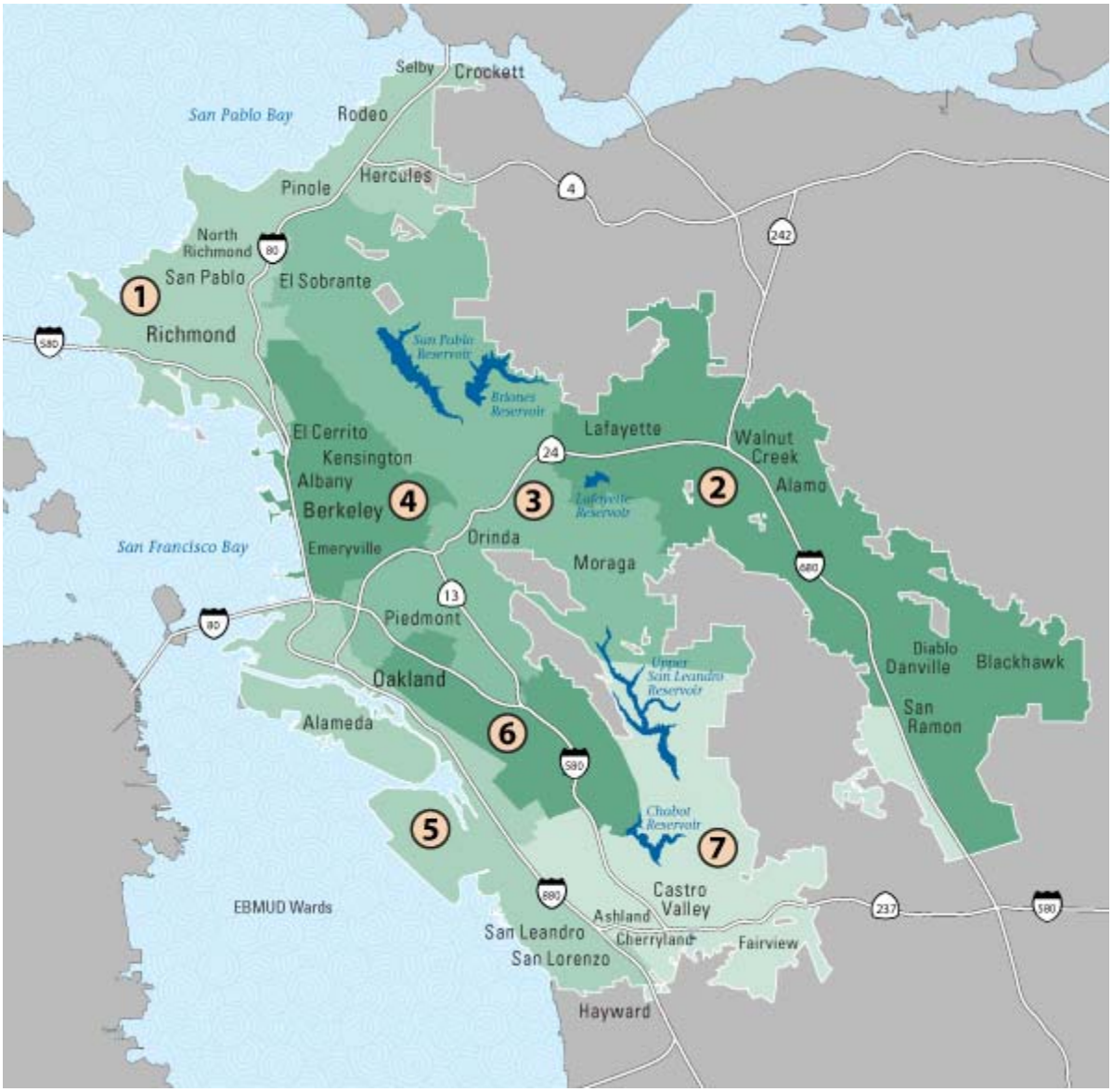
A seven-member Board of Directors, elected by wards for four-year terms, determines overall policies, which are then implemented under the direction of the General Manager.

BOARD DIRECTORS
Ward 1 – Lesa R. McIntosh
Ward 2 – John A. Coleman
Ward 3 – Marguerite Young
Ward 4 – Andy Katz
Ward 5 – Doug Linney
Ward 6 – William B. Patterson (Vice President)
Ward 7 – Frank Mellon (President)

Board meetings are open to the public and held the second and fourth Tuesdays of each month. In addition, workshop sessions, special meetings, and public hearings are occasionally scheduled and noticed. Each Board member serves on one or more standing Board committees. The committees review and make recommendations on matters of major interest before discussion by the full Board at a regular meeting. Standing committees of the Board are Planning, Retirement, Sustainability/Energy, Legislative/Human Resources and Finance/Administration. Board members also represent EBMUD on the Association of California Water Agencies, the Bay Area Water Forum, the Freeport Regional Water Authority, the Upper Mokelumne River Watershed Authority, the Dublin San Ramon Services District/EBMUD Recycled Water Authority (DERWA), EBMUD/East Bay Regional Park District, Oakland Chamber of Commerce, Bay Area Clean Water Agencies (BACWA), and the Special Districts Associations of Alameda and Contra Costa Counties.

EBMUD had approximately 1,793 full-time employees in fiscal year 2015 under the administrative direction of appointed General Manager Alexander R. Coate and management staff. Employees are represented by the American Federation of State, County and Municipal Employees, Locals 444 and 2019, International Federation of Professional, Technical Engineers Local 21 and International Union of Operating Engineers Local 39. EBMUD is an equal opportunity employer and encourages diversity in contracting and in the workforces of District contractors.

EBMUD has continually pursued an array of solutions to provide a reliable water supply to its service area and protect the San Francisco Bay now and in the future. EBMUD continues to focus on water supply planning and drought protection, water quality, water conservation, infrastructure maintenance and improvements, watershed protection, wastewater treatment, customer service and fiscal integrity and stability.


Selby
Crockett
San Pablo Bay
Rodeo
Pinole
Hercules
North Richmond
San Pablo
El Sobrante
1
Richmond
San Pablo Reservoir
Briones Reservoir
El Cerrito
Kensington
Albany
Berkeley
4
3
Lafayette
Walnut Creek
2
Alamo
Orinda
Moraga
Lafayette Reservoir
San Francisco Bay
Emeryville
Piedmont
Oakland
Alameda
6
Upper San Leandro Reservoir
Diablo
Danville
Blackhawk
San Ramon
Chabot Reservoir
5
7
EBMUD Wards
Castro Valley
Ashland
Cherryland
Fairview
San Leandro
San Lorenzo
Hayward
4
242
80
580
24
680
13
880
237

Local Economy

East Bay Municipal Utility District

EBMUD's service area encompasses cities in northern Alameda County and western and central Contra Costa County.

The seven cities EBMUD serves within Alameda County are Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont and San Leandro. These cities along the eastern shore of the San Francisco Bay feature pleasant climate and a rich diverse culture. They are host to the nation's strongest research, development and innovation clusters. In addition to excelling in many diversified technical disciplines, the area features leading research institutions and higher education institutions. These include the Lawrence Berkeley National Laboratory and University of California Berkeley as well as a high concentration of private technology development companies and clean tech innovation centers. The Port of Oakland is also an important distribution base for logistics activities that serves all of Northern California's importing and exporting cargo traffic. The education sector in this region provides the highest number of jobs, followed by the trade, transportation and utilities sector, and then by the manufacturing sector. In addition to the employers mentioned above, other employers of interest include Annie's Homegrown, Bayer Healthcare, Clif Bar, Clorox, Cost Plus, Dryer's/Edy's Grand Ice Cream, Kaiser Permanente, Pandora, Peet's Coffee and Tea, Pixar, County of Alameda, Alta Bates and Summit Medical Center, Oakland Unified School District and City of Oakland.

The West Contra Costa County region includes El Cerrito, Hercules, Pinole, Richmond and San Pablo. This region historically has been one of the Bay Area's significant manufacturing regions. In addition, this region provides favorable weather, excellent bay and bridge views, as well as marinas that offer excellent residential values for those seeking to escape higher prices elsewhere in the San Francisco Bay Area. The Craneway Pavillion, a repurposed Ford Factory located on San Francisco Bay, houses a number of emerging technology companies and also includes an attractive event space. The adjacent Rosie the Riveter Museum documents some of the past industrial history of the area. The San Pablo Bay is a favored saltwater fishing destination and also is a popular wintering stop and migratory staging ground for numerous species of waterfowl. Chevron is the largest employer in the West Contra Costa region and this sub-region, with its cluster of refineries, is a national leader in the petrochemical industry. The growth of biotechnology and medical devices in the region will get a boost when the proposed second campus of Lawrence Berkeley National Laboratory is established, bringing with it researchers and partnerships with the private sector that will further innovation and employment. In addition to Chevron, other employers of note include Bio-Rad and Sangamo Biosciences.

The Central Contra Costa County region, commonly known as "Central County" includes Clayton, Concord, Lafayette, Martinez, Moraga, Orinda, Pleasant Hill and Walnut Creek. Central County offers a variety of living environments ranging from bucolic small town to historic to urban. The region also boasts some of Northern California's most desirable residential communities along with some of the top public schools in the state. Walnut Creek and Pleasant Hill offer excellent examples of transformed downtown centers and have become regional retail destinations. The Lesher Center for the Arts is an arts destination with over 900 productions and events a year. Higher education institutions such as the Diablo Valley College and John F. Kennedy University and health care providers such as John Muir/Mt. Diablo Regional Medical Centers in Walnut Creek and Concord, Kaiser Hospital and clinics in Walnut Creek and Martinez, along with the Contra Costa Regional Medical Center and Veterans Administration Hospital in Martinez provide over 30,000 jobs in this region. Other important sectors include trade, transportation and utilities and professional and business services. Concord is home to an emerging biomedical industry cluster and Walnut Creek is the center of a large financial services group. Significant employers include: Diablo Valley College, Kaiser Foundation Hospitals, AT&T Services, Cellco Partnership, John Muir Health, California State Automobile Association, Frances Mary Accessories Inc., Bay Area News Group and Shell Martinez Refining Co.

According to the East Bay Economic Outlook 2015-2016, both Alameda and Contra Costa Counties continue to move forward and build on the economic expansion that has taken place in the post-recession era these last few years. Economic indicators have been trending in the right direction and the fundamentals indicate that the economy will continue to expand over the next five years. Jobs such as administrative support services, construction and educational services are being added to industries that serve the local economy. The increase in jobs resulted in higher income and spending among local residents. The unemployment rate continues to be lower than the statewide and national average. Taxable sales have also been growing throughout the East Bay cities. Business activities indicators have trended favorably reflecting healthy growth in many sectors including commercial property, leisure and hospitality, venture capital funding and high tech. Residential real estate continues to appreciate at a rapid pace driven by strong demand from buyers who are more confident with their employment situation and are eager to take advantage of historically low interest rate and limited supply of properties. The East Bay will continue to attract migrants from the surrounding San Francisco Bay Area due to its relative affordability.

Long-Term Planning

East Bay Municipal Utility District

Consistent with Government Finance Officers Association (GFOA) recommendations EBMUD has developed a Strategic Plan that is a blueprint for how the District will respond to future challenges and changing priorities. Based on the District mission and values, goals are established, monitored and reviewed regularly with the Board of Directors.

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

Sustainability Principles

Sustainability means using resources (economic, environmental, and human) in a responsible manner that meets the needs of today without compromising the ability of future generations to meet the needs of tomorrow. This business approach applies a holistic view and strives to minimize waste; conserve energy and natural resources; promote long-term economic viability; support safety and well-being for employees, communities, and customers; and do so in ways that benefit society.

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



INTRODUCTION

The District has a comprehensive set of financial policies that set forth comprehensive guidelines to maintain accountability and control over operating revenue and expenditures, ensure proper appropriation of reserves and restricted funds, and maintain a reasonable balance between debt and assets in providing funding for capital projects.

FINANCIAL POLICIES

Investments

Annually, the Board adopts an investment policy that is in compliance with the California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board to the District's Director of Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety, liquidity, yield and diversity. The District's investments are in compliance with the adopted investment policy. See Note 2 in the Notes to the Financial Statements for detailed investment information.

Rate Stabilization

The District's Rate Stabilization Funds for the Water and Wastewater Systems were established in 1986 to enable the deposit of funds upon determination that there are revenues remaining for such deposits after the District has satisfied the debt service and other requirements set forth in the District's bond documents including the payment of operation and maintenance costs. The funds may be utilized in future years to mitigate lower than expected debt coverage in a given fiscal year.

The District maintains a Contingency and Rate Stabilization Reserve in accordance with District's Fiscal Policy 4.02. The purpose of this fund is to provide an adequate reserve to mitigate overall rate volatility resulting from climatic or economic changes that significantly decrease the District's revenues or increase the District's operating costs. These General Fund Reserves are unrestricted.

In fiscal year 2014, the District combined the Rate Stabilization Fund and the Contingency and Rate Stabilization Reserve into a Single Rate Stabilization Fund Reserve.

Internal Controls

EBMUD management is responsible for establishing and maintaining adequate internal controls to assure that District operations are effective and efficient, that applicable laws and regulations are followed, and financial reports are reliable. Internal controls 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.

FINANCIAL HIGHLIGHTS

Financial Position

The District's overall financial condition continues to be sound as demonstrated by a stable revenue base, effective cost containment, increase in net position and adequate fund reserves.

In fiscal year 2015, EBMUD continued to effectively manage its finances and strengthen its financial position by adopting sufficient water and wastewater rates to fund capital infrastructure improvements and to maintain strong financial performance. The District implemented Government Accounting Standards Board (GASB) Statement No. 68 - Accounting and Financial Reporting for Pensions that created a $477 million decrease of prior period adjustment in net position. The following results of operations indicate a continuing strong and stable fiscal position:

- Net position increased by $87 million or 5% during the fiscal year before $477 million decrease of prior period adjustment in net position per implementation of GASB 68.
- Capital assets increased by $121 million or 3% to $4.4 billion.
- Operating revenue increased by $2 million or 0.4% to $464 million.
- Operating expense decreased by $21 million or 5% to $385 million.
- Non-operating net expense decreased by $4 million or 6% to ($66) million.
- Capital contributions, consisting of capital facility fees, increased by $24 million or 49% from the prior fiscal year.

Debt Administration

In fiscal year 2015, the Water System had total long-term term revenue bonds, extendable commercial paper notes and state loans (net of unamortized costs) outstanding of $2.7 billion. The District issued a total of $614 million Water System Revenue Bonds, of which $429 million was issued to fully or partially refund Water System Subordinated Revenue Refunding Bond Series 2005A, 2007A and 2009A. In May 2015, the District issued over $74 million in "green bonds" attracting investors in funding sustainable infrastructure.

The Wastewater System had total long-term revenue bonds and extendable commercial paper notes (net of unamortized costs) outstanding of $424 million as well as $11 million of General Obligation bonds. The District issued a total of $156 million principal amount of Wastewater System Revenue Bonds, all of which was used to refund Wastewater System Revenue Refunding Bonds Series 2007A, 2008C and 2011A.

Prudent financial management policies have resulted in long-term bond ratings of AAA (Water and Wastewater) from Standard & Poor's, Aa1 for Water and Aa2 for Wastewater from Moody's Investors' Service and AA+ for Water and Wastewater from Fitch Rating.

Below is a description of debt financing events in fiscal year 2015. Additional information is available in the Footnotes to the Financial Statements:

The District issued $429.4 million principal amount of Water System Revenue Refunding Bonds Series 2015A Bonds to fully refund $83.9 million principal amount of the District's Water System Subordinated Revenue Bonds Series 2005A, $330 million principal amount of the District's Water System Subordinated Revenue Bonds Series 2007A, and $82.1 million principal amount of the District's Water System Variable Rate Revenue Refunding Bonds Series 2009A. Swaps associated with the refunded variable rate bonds were terminated on a cost-neutral basis.

In May 2015, the District became a leader in green bonds and helped shape this emerging market by issuing $74.3 million principal amount of Water System Revenue Bonds Series 2015B (Green Bonds) to attract investors to fund sustainable qualified infrastructure improvements. Qualified improvements are those consistent with the Board adopted Guidance for Issuing Green Bonds.

The District also issued $110.7 million principal amount of Water System Revenue Bonds Series 2015C to provide additional funding to finance improvements to the Water System of the District.

The District issued $84.7 million principal amount of Wastewater System Revenue Refunding Bonds, Series 2014A and Series 2014B to fully refund $49.1 million principal amount of the District's Wastewater System Subordinate Revenue Refunding Bonds variable rate Series 2008C and $42.7 million of the $59.1 million principal outstanding of the District's Wastewater System Variable Rate Revenue Refunding Bonds Series 2011A.

The District also issued $71.2 million principal amount of Wastewater System Revenue Refunding Bonds, Series 2015A and Series 2015B to fully the refund $60.6 million principal outstanding of the District's Wastewater System Subordinate Revenue Refunding Bonds Series 2007A and the remaining $16.4 million principal outstanding of the District's Wastewater System Variable Rate Revenue Refunding Bonds Series 2011A. Subsequent to this latest Wastewater System refunding, the system no longer has any variable rate debt or swaps outstanding.

Budget and Rates

The adopted biennial budget for fiscal year 2016/2017 supports EBMUD's mission, values and strategic plan. The total budget is $1.83 billion, $1.40 billion for water system, $0.30 billion for wastewater system, and $0.13 billion for drought contingency. The Board of Directors approved a water system rate increase of 8.0 percent for fiscal year 2016 and 7.0 percent for fiscal year 2017, and a wastewater system rate increase of 5.0 percent for fiscal year 2016 and 5.0 percent for fiscal year 2017.

The budget addresses three key strategic plan priorities: investing in aging physical infrastructure, investing in critical information technology infrastructure, and managing the impacts of the extended drought. In addition, to provide for long-term financial stability, the budget is based on prudent assumptions for water sales and customer conservation, and meets the Board's adopted financial policies and the District's credit ratings. It supports the District's mission, values and strategic plan, and the Board's commitment that the East Bay's world class quality of life must be supported by a world class water and wastewater utility.

For the first time, the District's budget includes a drought contingency for purchasing, treating and delivering supplemental water supplies and additional customer outreach.

The total water system budget is $667 million in fiscal year 2016, and $733 million in fiscal year 2017. The Capital Improvement Program (CIP) continues its focus on investments in infrastructure rehabilitation, repair and replacement. Over the next five years, major capital works include anticipated spending of $429 million on the pipelines, regulators and appurtenances program which includes expanding the rate of pipeline replacements; $153 million on raw water aqueduct improvements; $135 million on pressure zone improvements; and $100 million on reservoir rehabilitation.

The total wastewater system budget is $170 million in fiscal year 2016, and $137 million in fiscal year 2017. Over the next five years, major capital work includes anticipated spending of $44 million to rehabilitate sewer interceptors; $34 million to rehabilitate and improve the infrastructure at the wastewater treatment plant; $19 million to address odor conditions; and $14 to expand the resource recovery program.

At a public hearing on June 9, 2015, the EBMUD Board of Directors adopted new rates. Rate increases fund ongoing services and investments in our aging infrastructure and a four stage drought rate schedule. A temporary Stage 4 drought surcharge of up to 25% will pay for the costs of purchasing extra water supplies, additional conservation services and enforcement of water use restrictions. The new rates and the drought surcharge take effect July 1.

Stages of Drought

Current Stage	**Stage 4: Critical** **Projected Total System Storage:** 325,000 acre feet or less **Demand Reduction:** Mandatory 20% as of April 14, 2015 **Additional Supplies Needed:** Greater than 65,000 acre feet **Rates and Charges:** Normal rates + temporary surcharge up to +25% Excessive use penalty
	Stage 3: Severe **Projected Total System Storage:** 390,000–325,000 acre feet **Demand Reduction:** Mandatory up to 15% **Additional Supplies Needed:** 35,000–65,000 acre feet **Rates and Charges:** Normal rates + temporary surcharge up to 20% Excessive use penalty
	Stage 2: Significant **Projected Total System Storage:** 425,000–390,000 acre feet **Demand Reduction:** Voluntary 0–15% **Additional Supplies Needed:** Up to 35,000 acre feet **Rates and Charges:** Normal rates + temporary surcharge up to 8%
	Stage 1: Moderate **Projected Total System Storage:** 500,000–425,000 acre feet **Demand Reduction:** Voluntary 0–15% **Additional Supplies Needed:** None **Rates and Charges:** Normal rates
	Stage 0: Normal **Projected Total System Storage:** 500,000 acre feet or more **Demand Reduction:** Wise water use **Additional Supplies Needed:** None **Rates and Charges:** Normal rates

INTRODUCTION

In fiscal year 2015, EBMUD continues to manage the challenges of this historic drought and make progress in securing long-term water supply, protecting water quality and the environment, and improving the District's infrastructure – all efforts towards reaching strategic goals that best serve East Bay communities. EBMUD implemented an overall plan to meet these goals with its Water Supply Management Program 2040 which helps EBMUD plan for meet water needs for the next 30 years. Rate increases and cost-cutting programs continued to stabilize and improve EBMUD's financial position. Through cooperative efforts with stakeholders in fiscal year 2015, EBMUD continued to maneuver through many challenges with strength and stability.

LONG-TERM WATER SUPPLY

Water Supply Management Program 2040

In California, where new water projects take years to develop, long-term planning ensures reliable water supplies for the future. EBMUD is implementing its Water Supply Management Program 2040 which guides EBMUD to ensure water needs for its customers are met over the long term. The plan calls for maintaining a reliable, high-quality water supply by aggressively conserving water, recycling wastewater and tapping into a variety of regional water supply sources. The plan stresses the District's objectives to preserve and protect the environment, adjust to new regulations and water system changes, seek cost-effective collaborative solutions and prepare for uncertainties including climate change and Delta challenges. The District's Water Conservation Master Plan, updated in 2011, is part of the Water Supply Management Plan 2040 and directs comprehensive strategies and initiatives to reduce customers water use by an additional 39 million gallons per day (MGD) by the year 2040.

Water Conservation and Drought Management

California is experiencing another cycle of drought, and EBMUD was in a Stage 4 critical drought in fiscal year 2015. EBMUD continued to address the East Bay's needs for water with a combination of aggressive conservation and drought water supplies from water transfers and purchases, resulting in adequate water supply.

EBMUD called for customers to cut back water use to preserve water supplies and instituted mandatory conservation regulations in line with state requirements. EBMUD customers converted lawns to low-water use landscapes, installed low-flow toilets, reduced outdoor watering, fixed leaks and used recycled water. As a result, EBMUD's conservation surpassed the Governor's mandated goal to reduce water use. To increase our supply, EBMUD purchased drought supply of Sacramento River water for the second time through a contract with the United States Bureau of Reclamation Central Valley Project and via the Freeport Regional Water Facility. To bridge the gap when Central Valley Project supplies were cut, EBMUD purchased water from other Sacramento Valley agencies. The additional water purchased from these sources increased EBMUD's water treatment and operating cost which was offset by a temporary drought surcharge. To save valuable water, reduces repair costs and limit customer inconveniences resulting from pipe breaks, the District also has an aggressive leak detection program that uses innovative technology to detect underground leaks. .

The District's comprehensive water conservation and recycling programs ensure that EBMUD will meet requirements of the California Water Conservation Act of 2009, which mandates a 20 percent reduction in water used by Californians by the year 2020. Ongoing demand reduction by EBMUD customers has positioned the District well to meet its target water savings by 2020 and beyond.

Water Recycling

EBMUD's customers use an average of 9 million gallons per day (MGD) of recycled water. Recycled water is a local, reliable, and sustainable supply that offsets the use of potable water and lessens the need for severe rationing during droughts. EBMUD's goal is to recycle 20 MGD by the year 2040. Recycled water is provided for industrial processes, landscape irrigation, commercial cooling and toilet flushing. EBMUD's current recycled water projects include East Bayshore, San Ramon Valley, North Richmond, Richmond Advanced Recycled Expansion (RARE), and San Leandro.

The East Bayshore project provides recycled water for a variety of non-potable applications to portions of Emeryville and Oakland. The San Ramon Valley project provides recycled water for landscape irrigation to portions of San Ramon. The North Richmond and RARE projects provide recycled water to a refinery for its cooling towers and boiler feedwater system. In fiscal year 2015, the RARE Water Project continued to provide up to 3.5 million gallons per day of recycled water to the Chevron Richmond refinery to conserve an equivalent amount of potable water. Chevron continues to pay a monthly service charge to cover all capital, operations, and maintenance costs associated with the facility. The San Leandro project provides recycled water for irrigation to portions of Alameda and Oakland. Over the years, EBMUD has secured federal, state, and customer funding to partly pay for these recycled water facilities. Recently, state funding was secured to install a segment of the East Bayshore pipeline from Oakland to Emeryville. EBMUD partnered with the City of Albany's bike path project to install another segment of the East Bayshore pipeline, resulting in cost savings.

Regional Water Supply Sources

During normal rainfall years EBMUD customers receive 90 percent of their water from the Mokelumne River watershed in the foothills of the Sierra Mountains. During those rainfall years, the Mokelumne and local Easy Bay watersheds provide sufficient water for EBMUD's needs today and far into the future. However, California has a history of drought, and conservation isn't enough to meet demand. To assure more reliable dry year supplies, EBMUD partnered with Sacramento County to complete the Freeport Regional Water Project under the Central Valley Project Contract in 2011. The Freeport Regional Water Facility provides up to 85 million gallons of water a day to the Sacramento area which helps protect its fragile groundwater basin. For EBMUD, the project provides up to 100 million gallons a day in dry-year to guard against severe water shortage. The Freeport facility was activated in fiscal year 2014 and is providing a drought water supply for the East Bay.

In May of 2013, the EBMUD Board adopted a groundwater management plan for the South East Bay Plain Groundwater Basin. The plan provides a management structure to protect the groundwater basin used by EBMUD's Bayside Groundwater Project for drought supply. The Bayside Groundwater Facility is a groundwater well that can store excess water more than 500 feet below ground in wet periods for later recovery during droughts. During droughts, up to one million gallons per day of water from the well can be pumped from the aquifer and treated on-site.

In addition, EBMUD continued discussions with numerous agencies regarding future partnership opportunities related to long-term water transfers, groundwater banking, and regional desalination.

WATER QUALITY AND ENVIRONMENTAL PROTECTION

New Phase in Bay Protection

Over the years, San Francisco 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 14 years within permit limits and without a National Pollutant Discharge Elimination System violation. Over the past four years, EBMUD has worked intensively with local sewer agencies to establish programs and plans to accelerate maintenance and replacement of the sewer system collection and treatment infrastructure that supports storm water management and protects San Francisco Bay.

Though the East Bay has separate systems for storm water runoff and sewage, storm water can seep into cracks in an aging sewer system, resulting in excess flow and partially treated sewage being released into San Francisco Bay. Under a settlement agreement with the U.S. Environmental Protection Agency and in collaboration with the California Regional Water Quality Control Board, EBMUD is working with eight cities and one sewer district in our wastewater service area to ensure that property owners fix old, cracked sewer pipes that serve business or residences to protect the Bay.

In November 2013, the U.S. EPA approved a grant to evaluate "sidestream processes" to reduce nutrient loading in San Francisco Bay. This project proposal, was awarded $517,650 in funding. EBMUD submitted this grant proposal as a regional collaborative effort. Project partners include three other wastewater agencies, Stanford and UC Berkeley and the San Francisco Estuary Institute. The District is leading a regional effort on a very significant regulatory issue, while demonstrating proactive efforts to reduce nutrients in the Bay Staff also has identified nutrient removal from internal recycle streams at the main wastewater treatment plant (i.e., sidestreams) as a key business issue with potential benefits.



Pollution Prevention

The District continues to grow its Pollution Prevention Program and to expand partnerships with neighboring agencies, environmental groups, and other stakeholders to educate industries, commercial businesses and residents about their role in protecting the San Francisco Bay. Key efforts included addressing the Fats, Oils, and Grease (FOG) program, mercury, copper, PCBs, green chemistry and pharmaceuticals. The many highlights for fiscal year 2015 include:

- Continuation of the pharmaceuticals disposal program to promote safe disposal of unwanted medicines to address these substances' impact on water quality.

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, protection of the Delta and its environmental health are important to EBMUD. The Delta faces many challenges to its sustainability, both as a viable ecosystem and for water conveyance with its vast network of earthen levees. EBMUD continues to invest in Delta levee maintenance to protect EBMUD's aqueducts and other stakeholder interests in the Delta. In addition, progress continues in EBMUD's efforts to restore and enhance the salmon fishery in the Mokelumne River, which has been a notable success story in the Delta watershed. With the Water Supply Management Plan 2040, EBMUD intensified its commitment to water use efficiency and regional cooperation, thus reducing pressure on demands from the Delta watershed. As the Bay Delta Conservation Plan (BDCP) progresses, EBMUD continues to play a constructive role, both in protecting its ratepayers' interests and in advancing alternatives that can be supported by a broad array of stakeholders. In 2013, the District provided detailed comments on the Administrative Draft of the BDCP, focusing on fishery impacts, operations modeling, and the viability of financing for the Plan.

EBMUD continued its stewardship efforts on the Mokelumne River in 2015 by continuing to improve river habitat for salmon and steelhead spawning, conducting a telemetry study of out-migrating salmon to better understand migratory path and survival, and working with federal water project operators to modify Delta operations to minimize impacts to salmon. The success indicator for these efforts is in the abundance of the salmon return to the Mokelumne in the midst of a multi-year drought.



Water Quality and Safety

Federal and State regulatory agencies continually evaluate and establish new water quality standards for drinking water for protection of public health. Every day of the year EBMUD's laboratory tests water samples throughout the water system to ensure that water quality meets or surpasses all primary (health related) and secondary (aesthetic) drinking water standards established by the Federal and State regulatory agencies. The testing results are summarized and released annually to the public through our Annual Water Quality Report. In addition, the District has been actively working to reduce the public's exposure to lead in drinking water. On January 4, 2014, the national Safe Drinking Water Act amendment reduced the allowable lead content of drinking water plumbing fixtures from 8 to 0.25 percent lead. The 2011 law was fashioned after the 2010 California lead-free standard, whose language was the result of EBMUD sponsored legislation (AB1953).

Generating Renewable Energy

EBMUD can generate over 400,000 Megawatts per hour (MWh) of renewable energy at its hydropower, photovoltaic and cogeneration facilities for its own use and sale. Renewable energy can bring in over $10 million dollars each year. EBMUD's efforts to turn organic wastes to energy was awarded the National Environmental Achievement Award from the National Association of Clean Water Agencies for its innovative and sustainable practices .This Resource Recovery Program resulted in EBMUD's wastewater treatment plant becoming a net energy producer by providing 126 percent of the electricity needed to power the plant from renewable energy generated through food scraps, winery waste, fats, oils and greases and other organic waste. This reduces greenhouse gas emissions and provides substantial revenue, helping keep wastewater rates low.

LONG-TERM INFRASTRUCTURE INVESTMENT

With an aging system, EBMUD must continually evaluate infrastructure durability and adjust investments to address the most pressing reliability concerns. Keeping infrastructure in good condition protects the environment and public health. EBMUD is increasing investments in refurbishing and replacing aging infrastructure. As of fiscal year 2015, EBMUD continued its goal of replacing at least 10 miles of pipes each year for the next five years to maintain reliable water service. Additionally, in Oakland, EBMUD replaced a 12,000-foot segment of the aging Dingee Backbone Pipeline and near the Caldecott Tunnel, EBMUD replaced nearly 3,000 feet of a 54-inch wide aqueduct. Contracts were awarded for rehabilitation of steel reservoirs at San Pablo and Oakland Hills, and other rehabilitation work at various reservoirs, pumping plants and treatment plants was in planning, design or construction phases.

At the same time, a planned effort to renew more pipes is underway, as EBMUD launches Pipeline Rebuild to increase the annual renewal rate from 10 miles to 40 miles or more miles of pipe each year. This increase in pipeline renewal puts EBMUD on a 100-year replacement schedule. When we completed one cycle of maintenance it will be time to begin again. EBMUD is focusing less on repair and is more dedicating more resources to replacing and renewing pipes.

Infrastructure rehabilitation master plans are continuously updated for water distribution facilities, distribution pipelines, reservoirs, pumping plants, rate control stations and regulators. Ongoing studies to determine capital funding needs on large diameter pipe replacements and extending the life of cement pipes are examples of efforts to maintain the current system and prevent disruptions by proactively upgrading facilities to deliver the best service to customers.

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.

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, 2014. 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. 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 eighth 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 Fiscal Year 2014-2015 biennial budget document. To qualify, 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 Board of Directors for their continued interest and support towards achieving excellence in financial management. Additionally, this report could not have been accomplished without the hard work and dedication of the entire Finance Department with recognition to the Accounting Division. Special appreciation is extended to, Lawrence Fan, Acting Controller, David Siu, Accounting and Financial Systems Analyst, Crystal Zhang, Information Systems Support Analyst II, and Melody Wang, Accountant III. I would also like to thank staff members of other departments for the efforts they put into the preparation of this report.

Respectfully submitted,



D. Scott Klein
Acting Director of Finance

Government Finance Officers Association

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, 2014

Executive Director/CEO

Board of Directors

East Bay Municipal Utility District

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 Alamo, Lafayette and Walnut Creek, Town of Danville, communities of Blackhawk and Diablo, and portions of San Ramon and Pleasant Hill.

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.

Lesa R. McIntosh

Director McIntosh represents EBMUD's Ward No. 1 which is comprised of the cities of Crockett, Hercules, Rodeo and San Pablo; the communities of North Richmond and Selby, 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, the communities of Cherryland and Fairview, as well as portions of San Leandro, Hayward and San Ramon.

William B. Patterson

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

Marguerite Young

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

Organizational Staffing

East Bay Municipal Utility District

BOARD OF DIRECTORS

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

GENERAL MANAGER ..... Alexander R. Coate

ACTING FINANCE DIRECTOR ..... D. Scott Klein

ACTING CONTROLLER ..... Lawrence Fan

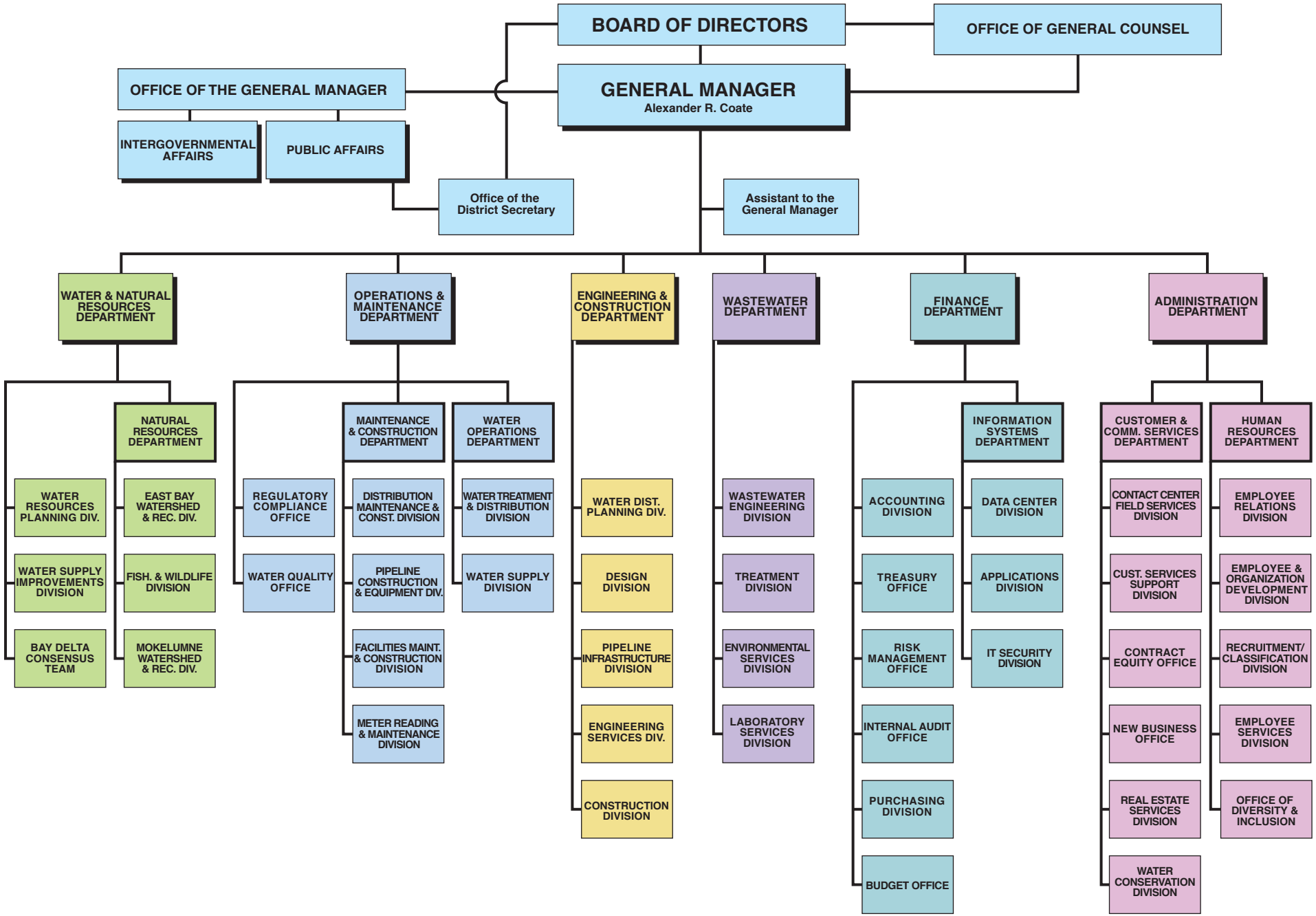
PREPARED ..... Accounting Division of the Finance Department

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

EBMUD

ORGANIZATION CHART

August 2015



Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplemental Information

Supplemental Information

EAST BAY MUNICIPAL UTILITY DISTRICT

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Bay Municipal Utility District
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of each major fund and the discretely presented component unit of the East Bay Municipal Utility District as of June 30, 2015 and 2014, and the respective changes in the financial positions and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required the restatement of net position as discussed in Note 1R to the financial statements:

> Statement No. 68 – Accounting and Financial Reporting for Pensions
>
> Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and certain schedules of related to the Pension and Post Employment Healthcare Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Introductory Section, Supplemental Information, Statistical Section, Other Information and Continuing Disclosure, as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory, Statistical, Other Information and Continuing Disclosure Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015 on our consideration of the 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* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
August 27, 2015

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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, 2015. 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% (332 square miles) of the developed area within Alameda and Contra Costa counties of California and serves a population of about 1.4 million. The Wastewater System intercepts and treats wastewater from residences and industries within an 88 square miles service area including the communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and the Stege Sanitary District and serves a population of about 650,000. 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.

The District's proprietary fund statements include:

The *Balance Sheet* presents information on the District's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 Position* presents the results of the District's operations over the course of the fiscal year and information as to how the net position 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 position 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 29 to 75 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 79 to 82 of this report.

FINANCIAL ANALYSIS

Financial Highlights

In fiscal year 2015, EBMUD continued to effectively manage its finances and strengthen its financial position by adopting sufficient water and wastewater rates to fund capital infrastructure improvements and to maintain strong financial performance. The District implemented Government Accounting Standards Board (GASB) Statement No. 68 - Accounting and Financial Reporting for Pensions that created a $477 million decrease of prior period adjustment in net position. The following results of operations indicate a continuing strong and stable fiscal position.

The total assets and deferred outflows of the District exceeded the total liabilities and deferred inflows by $1.3 billion (*net position*).

Net position increased by $87 million or 5% during the fiscal year before $477 million decrease of prior period adjustment in net position per implementation of GASB 68.

Capital assets increased by $121 million or 3% to $4.4 billion.

Operating revenue increased by $2 million or 0.4% to $464 million.

Operating expense decreased by $21 million or 5% to $385 million.

Non-operating net expense decreased by $4 million or 6% to ($66) million.

Capital contributions, consisting of capital facility fees, increased by $24 million or 49% from the prior fiscal year.

Financial Position

In the current year, the District's total net position increased by $87 million or 5% during the fiscal year before $477 million decrease in prior period adjustment per implementation of GASB 68. Current and other assets increased by $79 million or 10%. Capital assets increased by $121 million or 3%. By far the largest portion of the District's net position, 82% or $1.0 billion, represents its investment in capital assets necessary to provide services.

- The Water System's net position increased by $76 million or 6% during the year ended June 30, 2015 before $401 million decrease in prior period adjustment per implementation of GASB 68.

- The Wastewater System's net position increased by $11 million or 4% during the year ended June 30, 2015 before $76 million decrease in prior period adjustment per implementation of GASB 68.

In the previous fiscal year, the District's total net position increased by $35 million or 2%. Current and other assets decreased by $13 million or 2%. Capital assets increased by $93 million or 2%. By far the largest portion of the District's net position, 65% or $1.0 billion, represents its investment in capital assets necessary to provide services.

Table 1 shows the District's net position for the fiscal years ended June 30, 2015, 2014 and 2013:

Table 1
Net Position
Water and Wastewater
June 30, 2015 and 2014
(In thousands)

	2015	2014	Variance	%
Current and other assets	$ 866,777	788,030	78,747	10%
Capital assets	4,366,034	4,244,628	121,406	3%
Deferred outflow of resources	104,496	45,753	58,743	128%
Total assets and deferred outflow	5,337,307	5,078,411	258,896	5%
Current and other liabilities	677,370	211,351	466,019	220%
Long-term liabilities	3,256,459	3,133,074	123,385	4%
Deferred inflow of resources	129,827	70,304	59,523	85%
Total liabilities and deferred inflow	4,063,656	3,414,729	648,927	19%
Net position:				
Net investment in capital assets	1,047,315	1,083,394	(36,079)	(3)%
Restricted	276,009	297,740	(21,731)	(7)%
Unrestricted	(49,673)	282,548	(332,221)	(118)%
Total net position	$ 1,273,651	1,663,682	(390,031)	(23)%

Net Position
Water and Wastewater
June 30, 2014 and 2013
(In thousands)

	2014	2013	Variance	%
Current and other assets	$ 788,030	800,858	(12,828)	(2)%
Capital assets	4,244,628	4,151,206	93,422	2%
Deferred outflow of resources	45,753	90,752	(44,999)	(50)%
Total assets and deferred outflow	5,078,411	5,042,816	35,595	1%
Current and other liabilities	211,351	206,553	4,798	2%
Long-term liabilities	3,133,074	3,092,410	40,664	1%
Deferred inflow of resources	70,304	115,303	(44,999)	(39)%
Total liabilities and deferred inflow	3,414,729	3,414,266	463	0%
Net position:				
Net investment in capital assets	1,083,394	1,031,360	52,034	5%
Restricted	297,740	314,519	(16,779)	(5)%
Unrestricted	282,548	282,671	(123)	(0)%
Total net position	$ 1,663,682	1,628,550	35,132	2%

Results of Operations

In the current fiscal year, the District's total operating revenue of $464 million for the year increased by $2 million and total operating expense of $385 million for the year decreased by $21 million. The change in net position (including capital contributions) increased from $35 million in the previous fiscal year to $87 million in the current fiscal year. The District's total net position decreased from $1,664 million to $1,274 million during the current fiscal year after $477 million prior period adjustment per implementation of GASB 68.

The major components of the District's results of operations in the current fiscal year were:

- Water revenues decreased by $5 million, mainly reflecting an 11.4% decrease in billed water consumption offset by a 9.5% water rate increase in the current fiscal year.
- Wastewater revenues increased by $4 million, mainly reflecting an 8.5% rate increase in the current fiscal year.
- Operating expense decreased by $21 million, primarily as a result of negative $21 million pension expense per implementation of GASB 68 in fiscal year 2015. Due to the current drought raw water expenses increased by of $2 million and water treatment and distribution expenses increased by $2 million as a result of purchase of supplement water supply and additional expenses incurred to treat local reservoir water. General administration expenses decreased by $12 million primarily as a result of a $5 million decrease in amortization expenses and additional $10 million capitalized administration expenses.
- Non-operating net expense decreased by $4 million primarily due to the $3 million increase in bond interest expense paid for advance refunding offset by the $8 million reclassification of the change of equity in JPA partnership fund from amortization expense to non-operating expense in the prior fiscal year.
- Capital contributions increased by $24 million primarily reflecting an increase of $11 million in system capacity charges and $12 million in earned contributions on constructions received in current fiscal year compared to the prior year. Page 16 contains additional capital contributions information.

In the previous fiscal year, the District's total operating revenue of $462 million for the year increased by $35 million and total operating expense of $406 million for the year increased by $21 million. The District's change in net position (including capital contributions) decreased from $37 million in fiscal year 2013 to $35 million fiscal year 2014. The District's total net position increased from $1,629 million to $1,664 million during fiscal year 2014.

The major components of the District's results of operations in fiscal year 2014 were:

- Water revenues increased by $31 million, mainly reflecting a 9.75% water rate increase in fiscal year 2014.
- Wastewater revenues increased by $4 million, mainly reflecting a 9% rate increase in fiscal year 2014.
- Power revenues decreased by $2 million over fiscal year 2013 due to lower precipitation and run-off for power generation in fiscal year 2014 as compared to the previous fiscal year.
- Operating expense increased by $21 million, primarily as a result of an increase in raw water expenses of $6 million from the purchase of additional drought water supply, and water treatment and distribution expenses increased by approximately $8 million as a result of $5 million increase in the maintenance of distribution mains and $4 million increase in sewer lines and pumps expenses and sewer treatment plant operation expenses.
- Non-operating net expense increased by $8 million primarily due to the reclassification of the change of equity in JPA partnership fund from amortization expense to non-operating expense.
- Capital contributions decreased by $7 million primarily reflecting a decrease of $7 million in grant received in fiscal year 2014 compared to the prior year. Page 16 contains additional capital contributions information.

Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2015, 2014, and 2013:

Table 2

Changes in Net Position

Water and Wastewater

June 30, 2015 and 2014

(In thousands)

	2015	2014	Variance	%
Operating Revenue:				
Water	$ 362,136	367,547	(5,411)	(1)%
Sewer	76,417	72,345	4,072	6%
Power	3,303	2,479	824	33%
Wet weather facilities charges	21,809	19,389	2,420	12%
Total operating revenue	463,665	461,760	1,905	0%
Operating Expense:				
Raw water	43,538	41,066	2,472	6%
Water treatment & distribution	100,015	97,610	2,405	2%
Recreation areas, net	5,294	5,166	128	2%
Sewer lines & pumps	13,943	13,658	285	2%
Sewer treatment plant operations	32,478	31,748	730	2%
Customer accounting & collecting	19,869	20,323	(454)	(2)%
Financial and risk management	19,308	17,019	2,289	13%
Facilities management	6,858	9,054	(2,196)	(24)%
General administration	45,692	57,724	(12,032)	(21)%
Pension expense	(20,596)	—	(20,596)	N/A
Depreciation (excluding amounts reported within the Water and Wastewater operations)	118,309	112,662	5,647	5%
Total operating expense	384,708	406,030	(21,322)	(5)%
Net operating income (expense)	78,957	55,730	23,227	42%
Nonoperating income (expense):				
Investment income	3,810	2,512	1,298	52%
Taxes & subventions	36,390	35,373	1,017	3%
Interest & amortization of bond expenses, net	(124,347)	(121,069)	(3,278)	3%
Increase (decrease) of Equity in JPA partnership fund	(360)	(8,146)	7,786	(96)%
Other income	18,169	20,501	(2,332)	(11)%
Total nonoperating income (expense), net	(66,338)	(70,829)	4,491	(6)%
Income (loss) before contributions	12,619	(15,099)	27,718	(184)%
Capital contributions	74,596	50,231	24,365	49%
Change in net position	87,215	35,132	52,083	148%
Total net position – beginning	1,663,682	1,628,550	35,132	2%
Prior period adjustment per implementation of GASB 68	(477,246)	—	(477,246)	N/A
Total net position – ending	$ 1,273,651	1,663,682	(390,031)	(23)%

Table 2 (Continued)

Changes in Net Position

Water and Wastewater

June 30, 2014 and 2013

(In thousands)

	2014	2013	Variance	%
Operating Revenue:				
Water	$ 367,547	336,066	31,481	9%
Sewer	72,345	68,050	4,295	6%
Power	2,479	4,289	(1,810)	(42)%
Wet weather facilities charges	19,389	18,321	1,068	6%
Total operating revenue	461,760	426,726	35,034	8%
Operating Expense:				
Raw water	41,066	33,076	7,990	24%
Water treatment & distribution	97,610	89,596	8,014	9%
Recreation areas, net	5,166	5,341	(175)	(3)%
Sewer lines & pumps	13,658	12,530	1,128	9%
Sewer treatment plant operations	31,748	28,683	3,065	11%
Customer accounting & collecting	20,323	18,518	1,805	10%
Financial and risk management	17,019	17,227	(208)	(1)%
Facilities management	9,054	8,829	225	3%
General administration	57,724	61,690	(3,966)	(6)%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	112,662	109,162	3,500	3%
Total operating expense	406,030	384,652	21,378	6%
Net operating income (expense)	55,730	42,074	13,656	32%
Nonoperating income (expense):				
Investment income	2,512	5,192	(2,680)	(52)%
Taxes & subventions	35,373	35,844	(471)	(1)%
Interest & amortization of bond expenses, net	(121,069)	(116,270)	(4,799)	4%
Increase (decrease) of Equity in JPA partnership fund	(8,146)	—	(8,146)	N/A
Other income	20,501	12,698	7,803	61%
Total nonoperating income (expense), net	(70,829)	(62,536)	(8,293)	13%
Loss before contributions	(15,099)	(20,462)	5,363	(26)%
Capital contributions	50,231	57,388	(7,157)	(12)%
Change in net position	35,132	36,926	(1,794)	(5)%
Total net position – beginning	1,628,550	1,591,624	36,926	2%
Total net position – ending	$ 1,663,682	1,628,550	35,132	2%

Liquidity

The District had $570 million in combined current and non-current District Cash and Investments as of June 30, 2015, an increase of $82 million compared to $488 million as of June 30, 2014. Components of cash and investments for the year ended June 30, 2015 were:

- Water System total combined current and non-current Cash and Investments increased by $86 million or 22% from $392 million as of June 30, 2014 to $478 million as of June 30, 2015. Net increase (decrease) in cash and cash equivalents increased by $126 million compared to the prior year. This was primarily due to an increase of $80 million from capital and related financing activities as a result of new revenue bonds issuances and an increase of $63 million from the reallocation of investments between short-term and long-term, offset by decrease of $19 million in cash provided from operating activities. Net increase (decrease) in investments decreased by $61 million also primarily due to reallocation of investments between short-term and long-term.

- Wastewater System Total combined current and non-current Cash and Investments decreased by $4 million or 4% from $96 million as of June 30, 2014 to $92 million as of June 30, 2015. Net increase (decrease) in cash and cash equivalents increased by $12 million or 73% compared to the prior year. This was primarily due to an increase of $3 million in net cash provided by operating activities and an increase of $7 million from the reallocation of investments between short-term and long-term. Net increase (decrease) in investments decreased by $7 million, primarily due to the aforementioned reallocation of investments between short-term and long-term.

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2015, 2014 and 2013:

Table 3
Cash Flows
Water and Wastewater System
June 30, 2015 and 2014
(In thousands)

	2015	2014	Variance	%
Cash and cash equivalents:				
Beginning of year	$ 247,517	217,601	29,916	14%
Net cash provided by operating activities	218,125	234,083	(15,958)	(7)%
Net cash provided by financing activities	36,390	35,373	1,017	3%
Net cash provided by (used in) capital and related financing activities	(177,188)	(260,545)	83,357	(32)%
Net cash provided by (used in) investing activities	90,987	21,005	69,982	333%
Net increase (decrease) in cash and cash equivalents	168,314	29,916	138,398	463%
End of period	415,831	247,517	168,314	68%
Investments:				
Beginning of year	240,718	259,341	(18,623)	(7)%
Net increase (decrease) in investments	(87,036)	(18,623)	(68,413)	367%
End of period	153,682	240,718	(87,036)	(36)%
Total District Cash and Investments	$ 569,513	488,235	81,278	17%

Table 3 (Continued)
Cash Flows
Water and Wastewater System
June 30, 2014 and 2013
(In thousands)

	2014	2013	Variance	%
Cash and cash equivalents:				
Beginning of year	$ 217,601	211,239	6,362	3%
Net cash provided by operating activities	234,083	206,025	28,058	14%
Net cash provided by financing activities	35,373	35,844	(471)	(1)%
Net cash provided by (used in) capital and related financing activities	(260,545)	(277,220)	16,675	(6)%
Net cash provided by (used in) investing activities	21,005	41,713	(20,708)	(50)%
Net increase (decrease) in cash and cash equivalents	29,916	6,362	23,554	370%
End of period	247,517	217,601	29,916	14%
Investments:	240,718	259,341	(18,623)	(7)%
Total District Cash and Investments	$ 488,235	476,942	11,293	2%

Cash and Investments by Fund

In fiscal years 2015 and 2014, total cash and investments available for operating and capital activities are reported in current and noncurrent assets as unrestricted and restricted funds. Significant activities were as follows: Water System reserved an additional $10 million in revenues in the rate stabilization fund, additional $3 million in working capital, additional $91 million in capital reserve, and released $17 million debt service reserve fund due to revenue bonds' refunding. Wastewater System reserved an additional $7 million in revenues in the rate stabilization fund, used $7 million in capital reserve to fund capital projects and equipment, released $3 million in debt service reserve fund due to refunding of the related revenue bonds, and released $2 million in funds received for construction for the Private Sewer Lateral Incentive program.

In the previous fiscal year, significant activities were as follows: Water System reserved an additional $35 million in revenue in the rate stabilization funds and used $14 million in capital reserves to fund capital projects. Wastewater System reserved an additional $3 million in revenues in the rate stabilization fund, used $6 million in borrowed funds and $7 million in capital reserves to fund capital projects and equipment, and restricted $2 million in Funds Received for Construction for the Private Sewer Lateral Incentive program.

Operating and Capital Reserves are components of Unrestricted Cash and Investments. Individual funds within Operating and Capital Reserves are funded pursuant to Board policy but are unrestricted as to use. For additional information see Note 1H on page 32.

Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2015, 2014 and 2013:

Table 4

Cash and Investment by Fund

Water and Wastewater

June 30, 2015 and 2014

(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2015	2014	2015	2014	2015	2014	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	$ 95,000	85,000	24,090	17,590	119,090	102,590	16,500	16%
Working capital reserve	61,700	59,200	15,800	15,200	77,500	74,400	3,100	4%
Self-insurance	5,000	5,000	1,700	1,700	6,700	6,700	—	0%
Workers compensation	3,200	3,200	600	600	3,800	3,800	—	0%
Total operating reserves	164,900	152,400	42,190	35,090	207,090	187,490	19,600	10%
Capital reserves:								
Reserved for capital projects	262,074	174,307	30,239	36,836	292,313	211,143	81,170	38%
Reserve funded CIP - Wastewater	—	—	14,472	14,430	14,472	14,430	42	0%
Vehicle replacements	7,600	4,625	—	—	7,600	4,625	2,975	64%
Equipment replacements	157	310	4,858	4,907	5,015	5,217	(202)	(4)%
Total capital reserves	269,831	179,242	49,569	56,173	319,400	235,415	83,985	36%
Total Unrestricted cash and investment	434,731	331,642	91,759	91,263	526,490	422,905	103,585	24%
Restricted Cash and Investments								
Bond interest and redemption fund	796	848	87	109	883	957	(74)	(8)%
Debt service reserve fund	12,672	29,368	—	2,538	12,672	31,906	(19,234)	(60)%
Funds received for construction	26,709	27,447	—	2,214	26,709	29,661	(2,952)	(10)%
FERC partnerhsip fund	2,225	2,247	—	—	2,225	2,247	(22)	(1)%
Monetary reserve	534	534	—	—	534	534	—	0%
ABAG program restricted fund	—	25	—	—	—	25	(25)	(100)%
Total restricted cash and investments	42,936	60,469	87	4,861	43,023	65,330	(22,307)	(34)%
Total District Cash and Investments	$ 477,667	392,111	91,846	96,124	569,513	488,235	81,278	17%

Cash and Investment by Fund

Water and Wastewater

June 30, 2014 and 2013

(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2014	2013	2014	2013	2014	2013	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	$ 85,000	50,000	17,590	15,000	102,590	65,000	37,590	58%
Working capital reserve	59,200	56,700	15,200	14,900	74,400	71,600	2,800	4%
Self-insurance	5,000	5,000	1,700	1,700	6,700	6,700	—	0%
Workers compensation	3,200	3,200	600	600	3,800	3,800	—	0%
Total operating reserves	152,400	114,900	35,090	32,200	187,490	147,100	40,390	27%
Capital reserves:								
Reserved for capital projects	174,307	188,347	36,836	41,422	211,143	229,769	(18,626)	(8)%
Reserve funded CIP - Wastewater	—	—	14,430	14,390	14,430	14,390	40	0%
Vehicle replacements	4,625	5,067	—	—	4,625	5,067	(442)	(9)%
Equipment replacements	310	—	4,907	7,525	5,217	7,525	(2,308)	(31)%
Total capital reserves	179,242	193,414	56,173	63,337	235,415	256,751	(21,336)	(8)%
Total Unrestricted cash and investment	331,642	308,314	91,263	95,537	422,905	403,851	19,054	5%
Restricted Cash and Investments								
Bond construction fund	—	—	—	5,720	—	5,720	(5,720)	(100)%
Capitalized interest fund	—	—	—	1,582	—	1,582	(1,582)	(100)%
Bond interest and redemption fund	848	139	109	19	957	158	799	506%
Debt service reserve fund	29,368	34,175	2,538	2,538	31,906	36,713	(4,807)	(13)%
Funds received for construction	27,447	26,081	2,214	—	29,661	26,081	3,580	14%
FERC partnerhsip fund	2,247	2,232	—	—	2,247	2,232	15	1%
Monetary reserve	534	534	—	—	534	534	—	0%
ABAG program restricted fund	25	71	—	—	25	71	(46)	(65)%
Total restricted cash and investments	60,469	63,232	4,861	9,859	65,330	73,091	(7,761)	(11)%
Total District Cash and Investments	$ 392,111	371,546	96,124	105,396	488,235	476,942	11,293	2%

Capital Contributions

Capital contributions primarily consist of System Capacity Charges (SCC) and Seismic Improvement Program (SIP) surcharges. Additionally, the District receives contributions when the District's facilities need to be relocated during construction projects. The District also receives state and federal grants to fund capital projects.

The Water System's SCC consists of charges collected from all applicants who request a new water service connection or a larger water meter size, and varies depending on geographic region. The SCC pays for the applicant's share of the capital facilities, including those that serve the entire water system such as the aqueducts and raw water facilities, regional facilities such as treatment plants and distribution facilities, and future water supply upgrades needed to meet long-term increases in water demand created by new customers. The portion of the SCC that pays for the future water supply is restricted and the remainder is unrestricted.

The Wastewater System's Capacity Fee is treated as unrestricted funds and pays for the share of Wastewater facilities attributed to new customers.

A flat Seismic Improvement Program (SIP) surcharge is imposed on each Single Family Residential or Multiple Family Residential account to pay for system-wide seismic improvements of the Water System being made from 1995-2025. The SIP surcharge is designed to recover costs of the SIP, the objective of which is to provide fire flow availability for real property, and provide continued water service to residential, commercial, industrial and public authority customers after a seismic event. SIP program costs are being paid over 30 years; the charge is effective on each water bill through February 28, 2025.

System capacity charges increased by $11 million and earned contributions on construction increased by $12 million due to rising development activities as the housing industry continues its rebound from the most recent recession.

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2015, 2014 and 2013:

Table 5
Capital Contributions
Water and Wastewater
June 30, 2015 and 2014
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2015	2014	2015	2014	2015	2014	Amount	%
System capacity charges	$ 29,725	20,365	2,786	806	32,511	21,171	11,340	54%
Earned contributions on construction	17,083	5,240	—	—	17,083	5,240	11,843	226%
Seismic improvement surcharge	22,164	22,682	—	—	22,164	22,682	(518)	(2)%
Grants and other reimbursements	2,557	752	281	386	2,838	1,138	1,700	149%
Totals	$ 71,529	49,039	3,067	1,192	74,596	50,231	24,365	49%

Capital Contributions
Water and Wastewater
June 30, 2014 and 2013
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2014	2013	2014	2013	2014	2013	Amount	%
System capacity charges	$ 20,365	22,673	806	1,264	21,171	23,937	(2,766)	(12)%
Earned contributions on construction	5,240	4,540	—	—	5,240	4,540	700	15%
Seismic improvement surcharge	22,682	20,585	—	—	22,682	20,585	2,097	10%
Grants and other reimbursements	752	7,993	386	333	1,138	8,326	(7,188)	(86)%
Totals	$ 49,039	55,791	1,192	1,597	50,231	57,388	(7,157)	(12)%

CAPITAL ASSETS

Table 6 shows the District's capital assets for the fiscal years ended June 30, 2015, 2014 and 2013:

Table 6

Capital Assets, Net of Depreciation

Water and Wastewater

June 30, 2015 and 2014

(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2015	2014	2015	2014	2015	2014	Amount	%
Structures, buildings, and equipment	$ 3,316,559	3,269,155	595,549	597,687	3,912,108	3,866,842	45,266	1.2%
Land and rights of way	58,445	55,274	21,017	20,231	79,462	75,505	3,957	5.2%
Construction work in progress	309,445	243,219	65,019	59,062	374,464	302,281	72,183	23.9%
Totals	$ 3,684,449	3,567,648	681,585	676,980	4,366,034	4,244,628	121,406	2.9%

Capital Assets, Net of Depreciation

Water and Wastewater

June 30, 2014 and 2013

(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2014	2013	2014	2013	2014	2013	Amount	%
Structures, buildings, and equipment	$ 3,269,155	3,176,727	597,687	546,182	3,866,842	3,722,909	143,933	3.9%
Land and rights of way	55,274	55,455	20,231	20,048	75,505	75,503	2	0.0%
Construction work in progress	243,219	252,473	59,062	100,321	302,281	352,794	(50,513)	(14.3)%
Totals	$ 3,567,648	3,484,655	676,980	666,551	4,244,628	4,151,206	93,422	2.3%

The District had $4.4 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2015. Total capital assets were $4.2 billion as of June 30, 2014. 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 6 above*). In the current fiscal year, capital assets increased by $121 million or 2.9% over the prior fiscal year. In fiscal year 2014, capital assets increased $93 million or 2.3% over fiscal year 2013. Annual changes are consistent with the District's capital improvement program.

The Water System had $3.7 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2015. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, power generation, pump stations, water reclamation facilities, machinery and equipment.

The Wastewater System had $682 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2015. The investment in capital assets includes land, buildings, improvements, power generation, wastewater and wet weather treatment facilities, machinery and equipment.

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 expenditures included:

Water System:		
Large Diameter Pipelines	$	45,821
Pumping Plant Rehabilitation		44,802
Pipeline Infrastruct Renewals		32,710
Treatment Plant Upgrades		19,658
Adm Bldg Modifications		14,249
Reservoir Rehab/Maintenance		12,745
Summit Pressure Zone Improve		10,182
SRV Recycled Water Program		9,979
Addl Supplemental Supply Projs		9,463
WTTIP WTP Improvements		7,746
Open Cut Reservoir Rehab		7,499
Water Conservation Project		5,743
Pipeline System Improvements		5,695
Pipeline Relocations		5,481
Dam Seismic Upgrades		5,479
Raw Water Studies and Improves		3,698
West of Hills Transmission		3,577
Srvc Latl Repl Polybutylene		3,434
Pardee/Cam Rec Areas Impr Plan		3,271
Distribution System Upgrades		3,033
Wastewater System:		
Wood St Sewer Intercept Rehab	$	15,932
Infiltration/Inflow Contrl Prj		12,554
Treatment Plant Infrastructure		12,499
Routine Cap Equip Replacement		5,510
Wet Weather Plant Imprmts		4,104
PGS Expansion		1,596
Versailles Interceptor Rehab		1,593
Resource Recovery Project		1,562
MWWTP Master Plan		1,469
Concrete Rehab at SD1		1,275
Digester Upgrade		1,169

DEBT ADMINISTRATION

The District had total long-term debt outstanding of $3.3 billion as of June 30, 2015, a 5% increase from June 30, 2014. Total long-term debt outstanding was $3.2 billion as of June 30, 2014, a 1% increase from June 30, 2013. Components of the District's long-term debt portfolio as of June 30, 2015 are:

- The Water System had total long-term debt outstanding of $2.9 billion. During fiscal year 2015, the District issued a total of $614 million Water System Revenue Bonds, of which $429 million was issued to refund a total of $496 million Water System Subordinated Revenue Refunding Bond Series 2005A, 2007A, and 2009A.
- The Wastewater System had total long-term debt outstanding of $446 million. During fiscal year 2015, the District issued $156 million of Wastewater System Revenue Bonds to refund a total of $169 million Wastewater System Subordinated Revenue Refunding Bonds Series 2007A, 2008C and 2011A.

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2015, 2014 and 2013:

Table 7

Long -Term Debt

(Net of Unamortized Costs)

Water and Wastewater

June 30, 2015 and 2014

(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2015	2014	2015	2014	2015	2014	Amount	%
General obligation bonds	$ —	—	11,500	15,225	11,500	15,225	(3,725)	(24)%
Revenue bonds	2,497,539	2,330,450	419,884	424,748	2,917,423	2,755,198	162,225	6%
Extendable commercial paper	359,800	359,800	15,000	15,000	374,800	374,800	—	0%
Loans	14,996	16,011	—	—	14,996	16,011	(1,015)	(6)%
Totals	$ 2,872,335	2,706,261	446,384	454,973	3,318,719	3,161,234	157,485	5%

Long -Term Debt

(Net of Unamortized Costs)

Water and Wastewater

June 30, 2014 and 2013

(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2014	2013	2014	2013	2014	2013	Amount	%
General obligation bonds	$ —	—	15,225	18,812	15,225	18,812	(3,587)	(19)%
Revenue bonds	2,330,450	2,266,515	424,748	435,337	2,755,198	2,701,852	53,346	2%
Extendable commercial paper	359,800	372,900	15,000	15,000	374,800	387,900	(13,100)	(3)%
Loans	16,011	17,002	—	—	16,011	17,002	(991)	(6)%
Totals	$ 2,706,261	2,656,417	454,973	469,149	3,161,234	3,125,566	35,668	1%

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. As of 6/30/2015, the coverage ratio for Water was 1.66 and for Wastewater was 1.75; the overall District's ratio was 1.68.

Debt-Funded Capital Spending: Limit debt-funded capital to no more than 65% of the total capital program over each five-year planning period. As of 6/30/2015, the percentage of debt-funded capital spending for Water was 59% and for Wastewater was 74%; the overall District's percentage was 62%.

Extended Commercial Paper and Un-hedged Variable Rate Debt: Limit to 25% of outstanding long-term debt. As of 6/30/2015, the percentage of extended commercial paper and un-hedged variable rate debt compared to total outstanding long-term debt for Water was 13% and for Wastewater was 4%; the overall District's percentage was 12%.

The District's credit ratings are outlined in Table 8.

Table 8

Credit Ratings

Water and Wastewater

June 30, 2015

	Rating by		
District debt by type	**Standard & Poor's**	**Moody's Investors Service**	**Fitch**
Water system:			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+
Variable Rate Revenue Bonds			
Long-term Underlying Rating	AAA	Aa1	-
Short-Term Rating	A-1+	VMIG-1	-
Extendable Commercial Paper	A-1+	P-1	F1+
Wastewater system:			
General Obligation Bonds	AAA	Aa1	-
Fixed Rate Revenue Bonds	AAA	Aa2	AA+
Extendable Commercial Paper	A-1+	P-1	F1+

For detail credit rating by bond issue, please visit our website at http://www.ebmud.com.

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, 2015, the Water System had $995 million and the Wastewater System had $204 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
JUNE 30, 2015 AND JUNE 30, 2014
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Current assets:						
Cash and cash equivalents (Note 2)	$310,786	$134,171	$67,022	$66,715	$377,808	$200,886
Investments (Note 2)	123,945	197,471	24,737	24,548	148,682	222,019
Receivables:						
Customer	37,241	41,909	5,674	5,512	42,915	47,421
Interest and other	2,845	2,268	2,447	2,081	5,292	4,349
Materials and supplies	7,317	6,177	-	-	7,317	6,177
Prepaid Insurance	1,127	1,133	-	-	1,127	1,133
Total current assets	483,261	383,129	99,880	98,856	583,141	481,985
Noncurrent assets:						
Restricted cash and investments (Note 2):						
Cash and cash equivalents	37,936	41,770	87	4,861	38,023	46,631
Investments	5,000	18,699	-	-	5,000	18,699
Total restricted cash and investments	42,936	60,469	87	4,861	43,023	65,330
Other assets:						
Equity in JPA partnership fund (Note 2I)	240,049	240,260	-	-	240,049	240,260
Other	217	140	347	315	564	455
Total other assets	240,266	240,400	347	315	240,613	240,715
Capital assets (Note 3):						
Structures, buildings, and equipment	4,919,404	4,779,391	991,663	969,603	5,911,067	5,748,994
Less accumulated depreciation	(1,602,845)	(1,510,236)	(396,114)	(371,916)	(1,998,959)	(1,882,152)
Subtotal	3,316,559	3,269,155	595,549	597,687	3,912,108	3,866,842
Land and rights-of-way	58,445	55,274	21,017	20,231	79,462	75,505
Construction in progress	309,445	243,219	65,019	59,062	374,464	302,281
Total capital assets, net	3,684,449	3,567,648	681,585	676,980	4,366,034	4,244,628
Total noncurrent assets	3,967,651	3,868,517	682,019	682,156	4,649,670	4,550,673
Total assets	4,450,912	4,251,646	781,899	781,012	5,232,811	5,032,658
Deferred outflows of resources:						
Accumulated decrease in fair value of hedging derivatives (Note 6)	23,485	30,756	-	14,997	23,485	45,753
Pension related (Note 8G)	69,049	-	11,962	-	81,011	-
Total deferred outflows	92,534	30,756	11,962	14,997	104,496	45,753
Total assets and deferred outflows	$4,543,446	$4,282,402	$793,861	$796,009	$5,337,307	$5,078,411

(Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
JUNE 30, 2015 AND JUNE 30, 2014
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Current liabilities:						
Current maturities of long-term debt and Commercial Paper (Note 5 & 6)	$49,260	$35,690	$13,000	$12,470	$62,260	$48,160
Accounts payable and accrued expenses (Note 4)	69,218	70,837	9,119	9,149	78,337	79,986
Current reserve for claims (Note 9)	7,814	7,903	900	780	8,714	8,683
Accrued interest	9,279	8,552	1,757	1,811	11,036	10,363
Total current liabilities	135,571	122,982	24,776	24,210	160,347	147,192
Noncurrent liabilities:						
Advances for construction	7,061	7,850	-	-	7,061	7,850
OPEB liabilities (Note 8)	20,034	18,363	3,617	3,322	23,651	21,685
Reserve for claims (Note 9)	29,184	30,125	5,601	4,589	34,785	34,714
Net pension liability (Note 8G)	364,956	-	66,363	-	431,319	-
Other liabilities	14,133	13,873	6,074	6,037	20,207	19,910
Long-term liabilities, net of current maturities (Note 5 & 6)	2,823,075	2,670,571	433,384	442,503	3,256,459	3,113,074
Total noncurrent liabilities	3,258,443	2,740,782	515,039	456,451	3,773,482	3,197,233
Total liabilities	3,394,014	2,863,764	539,815	480,661	3,933,829	3,344,425
Deferred inflows of resources						
Derivative instrument (Note 6)	23,485	30,756	-	14,997	23,485	45,753
Swap Novation (Note 6F)	-	24,551	-	-	-	24,551
Pension related (Note 8G)	88,483	-	17,859	-	106,342	-
Total deferred inflows	111,968	55,307	17,859	14,997	129,827	70,304
Total liabilities and deferred inflows	3,505,982	2,919,071	557,674	495,658	4,063,656	3,414,729
Net position (Note 7):						
Net investment in capital assets	812,113	861,386	235,202	222,008	1,047,315	1,083,394
Restricted for construction (Note 1G)	19,647	19,597	-	2,214	19,647	21,811
Restricted for debt service (Note 1G)	13,468	30,216	87	2,647	13,555	32,863
Restricted for JPA	240,049	240,260	-	-	240,049	240,260
Restricted - other (Note 1G)	2,759	2,806	-	-	2,759	2,806
Unrestricted	(50,572)	209,066	898	73,482	(49,674)	282,548
Total net position	1,037,464	1,363,331	236,187	300,351	1,273,651	1,663,682
Total liabilities and net position	$4,543,446	$4,282,402	$793,861	$796,009	$5,337,307	$5,078,411

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Operating revenue:						
Water	$362,136	$367,547	-	-	$362,136	$367,547
Sewer	-	-	$76,417	$72,345	76,417	72,345
Power	2,210	1,380	1,093	1,099	3,303	2,479
Wet weather facilities charges	-	-	21,809	19,389	21,809	19,389
Total operating revenue	364,346	368,927	99,319	92,833	463,665	461,760
Operating expense:						
Raw water	43,538	41,066	-	-	43,538	41,066
Water treatment and distribution	100,015	97,610	-	-	100,015	97,610
Recreation areas, net	5,294	5,166	-	-	5,294	5,166
Sewer lines and pumping	-	-	13,943	13,658	13,943	13,658
Sewer treatment plant operations	-	-	32,478	31,748	32,478	31,748
Customer accounting and collecting	17,351	17,995	2,518	2,328	19,869	20,323
Financial and risk management	18,560	16,379	748	640	19,308	17,019
Facilities management	6,858	9,054	-	-	6,858	9,054
General administration	37,231	50,052	8,461	7,672	45,692	57,724
Pension expense (Note 8G)	(17,212)	-	(3,384)	-	(20,596)	-
Depreciation on utility plant and vehicle	94,111	90,426	24,198	22,236	118,309	112,662
Total operating expense	305,746	327,748	78,962	78,282	384,708	406,030
Net operating income	58,600	41,179	20,357	14,551	78,957	55,730
Nonoperating income (expense):						
Investment income	3,568	2,243	242	269	3,810	2,512
Taxes and subventions	27,922	25,492	8,468	9,881	36,390	35,373
Interest and amortization of bond expenses, net of capitalized interest of $9,210 and $7,637 for the Water System and $1,705 and $3,470 for the Wastewater System in 2015 and 2014, respectively	(99,306)	(104,339)	(25,041)	(16,730)	(124,347)	(121,069)
Increase (decrease) of equity in JPA partnership fund	(360)	(8,146)	-	-	(360)	(8,146.00)
Other income	13,782	16,106	4,387	4,395	18,169	20,501
Total nonoperating income (expense), net	(54,394)	(68,644)	(11,944)	(2,185)	(66,338)	(70,829)
Income (loss) before capital contributions	4,206	(27,465)	8,413	12,366	12,619	(15,099)
Capital contributions	71,529	49,039	3,067	1,192	74,596	50,231
Change in net position	75,735	21,574	11,480	13,558	87,215	35,132
Total net position - beginning	1,363,331	1,341,757	300,351	286,793	1,663,682	1,628,550
Prior period adjustment per implementation of GASB 68 (Note 1R)	(401,602)	-	(75,644)	-	(477,246)	-
Total net position - ending	$1,037,464	$1,363,331	$236,187	$300,351	$1,273,651	$1,663,682

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Cash flows from operating activities						
Cash received from customers	$369,014	$374,584	$99,157	$93,825	$468,171	$468,409
Cash received from other income	13,782	16,106	4,387	4,395	18,169	20,501
Cash payments for judgments and claims	(6,516)	(5,339)	(245)	(196)	(6,761)	(5,535)
Cash payments to suppliers for goods and services	(50,715)	(49,449)	(27,523)	(27,256)	(78,238)	(76,705)
Cash payments to employees for services	(155,298)	(146,184)	(27,918)	(26,403)	(183,216)	(172,587)
Net cash provided by operating activities	170,267	189,718	47,858	44,365	218,125	234,083
Cash flows from noncapital financing activities:						
Tax receipts	27,922	25,492	8,468	9,881	36,390	35,373
Net cash provided by financing activities	27,922	25,492	8,468	9,881	36,390	35,373
Capital and related financing activities:						
Capital contributions	71,529	49,039	3,067	1,192	74,596	50,231
Proceeds from advances for construction	(789)	1,279	-	-	(789)	1,279
Proceeds from sale of capital assets	2,870	6,454	-	-	2,870	6,454
Net proceeds and premiums from sale of bonds	746,871	535,210	208,103	15,879	954,974	551,089
Acquisition and construction of capital assets	(232,709)	(203,942)	(30,267)	(34,059)	(262,976)	(238,001)
Change in Investment in JPA	(149)	5,314	-	-	(149)	5,314
Principal retirement on long-term debt and commercial paper	(562,125)	(482,665)	(198,255)	(29,743)	(760,380)	(512,408)
Amount paid to refunding bond escrow agent	(15,301)	(1,826)	(17,310)	(305)	(32,611)	(2,131)
Costs and discounts from issuance on long-term debt	(3,371)	(875)	(1,127)	(7)	(4,498)	(882)
Interest paid on long-term debt	(123,130)	(104,717)	(25,095)	(16,773)	(148,225)	(121,490)
Net cash provided by (used in) capital and related financing activities	(116,304)	(196,729)	(60,884)	(63,816)	(177,188)	(260,545)
Cash flows from investing activities:						
Proceeds from securities	405,396	524,430	23,526	15,716	428,922	540,146
Expenditures from purchases of securities	(318,171)	(498,415)	(23,714)	(23,108)	(341,885)	(521,523)
Interest received on investments	3,671	2,084	279	298	3,950	2,382
Net cash provided by (used in) investing activities	90,896	28,099	91	(7,094)	90,987	21,005
Net increase (decrease) in cash and cash equivalents	172,781	46,580	(4,467)	(16,664)	168,314	29,916
Cash and cash equivalents:						
Beginning of year	175,941	129,361	71,576	88,240	247,517	217,601
End of period	$348,722	$175,941	$67,109	$71,576	$415,831	$247,517

(Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Reconciliation of net operating income to net cash provided by operating activities:						
Net operating income	$58,600	$41,179	$20,357	$14,551	$78,957	$55,730
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Pension expense	(17,212)	-	(3,384)	-	(20,596)	-
Depreciation on utility plant and vehichle	94,111	90,426	24,198	22,236	118,309	112,662
Depreciation within recreation areas	1,396	1,547	-	-	1,396	1,547
Amortization	17,531	22,522	1,463	1,394	18,994	23,916
Other income	13,782	16,106	4,387	4,395	18,169	20,501
Changes in assets/liabilities:						
Materials and supplies	(1,140)	464	-	-	(1,140)	464
Prepaid insurance	6	(18)	-	-	6	(18)
Customer receivables	4,668	5,657	(162)	992	4,506	6,649
Other assets	(757)	2,888	(435)	808	(1,192)	3,696
OPEB liability	1,671	1,996	295	357	1,966	2,353
Reserve for claims	(1,030)	1,400	1,132	(204)	102	1,196
Accounts payable and accrued expenses	(1,359)	5,551	7	(164)	(1,352)	5,387
Net cash provided by operating activities	$170,267	$189,718	$47,858	$44,365	$218,125	$234,083
Schedule of Non-Cash Activities						
Change in Fair Value	($298)	($417)	($90)	($60)	($388)	($477)

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
(COMPONENT UNIT)
JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
Assets:		
Cash and investments (Note 2)	$30,214	$36,658
Invested securities lending collateral (Note 2)	108,548	129,511
Receivables:		
Contributions	3,854	3,501
Interest and other	8,302	5,019
Prepaid insurance	495	477
Retirement system investments, at fair value (Note 2)		
U.S. government obligations	73,600	82,377
Municipal bonds	2,250	4,385
Domestic corporate bonds	160,942	153,500
International bonds	18,181	10,847
Domestic stocks	826,471	783,177
International stocks	220,157	204,458
Real estate	73,949	68,194
Total Investments	1,375,550	1,306,938
Total assets	1,526,963	1,482,104
Liabilities:		
Accounts payable and accrued expenses	1,688	1,507
Retirement system liabilities	9,518	4,198
Securities lending collateral (Note 2)	108,548	129,511
Total liabilities	119,754	135,216
Net position:		
Held in trust for pension benefits	1,383,053	1,325,387
Held in trust for post-employment healthcare benefits	24,156	21,501
Total net position	$1,407,209	$1,346,888

See accompanying notes to basic financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
(COMPONENT UNIT)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
Additions:		
Contributions		
Employer	$73,141	$70,117
Plan members	13,427	12,133
Total contributions	86,568	82,250
Investment income:		
Net appreciation (depreciation) in fair value of investments		
Traded securities	38,801	197,439
Real estate	2,292	2,129
Interest	4,330	7,193
Dividends	18,768	15,470
Real estate operating income, net	1,056	1,104
Total investment income	65,247	223,335
Less:		
Investment expense	(4,916)	(3,437)
Borrowers' rebates and other agent fees on securities lending transactions	(105)	(67)
Net investment income	60,226	219,831
Total additions, net	146,794	302,081
Deductions:		
Benefits paid	84,981	78,149
Refund of contributions	203	116
Administrative expenses	1,289	1,256
Total deductions	86,473	79,521
Change in net position	60,321	222,560
Net position:		
Beginning of year	1,346,888	1,124,328
End of year	$1,407,209	$1,346,888

See accompanying notes to basic financial statements

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 a Pension and Other Employee Benefit Trust fund (a fiduciary fund) in the accompanying basic financial statements and is discretely presented. The System provides retirement, disability, survivorship, and post-employment health insurance benefits for eligible directors, officers, and employees of the District. The System is administered by a Retirement Board composed of three members appointed by the board of directors of the District, two members elected by and from the active membership, and one (nonvoting) member elected by and from the retired membership of the System. Retirement Ordinance No. 40 (Ordinance) assigns the authority to establish Plan benefit provisions to the District's board of directors.

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, deferred outflows, liabilities, deferred inflows, net position, 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, 2014.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, deferred outflows, liabilities and deferred inflows 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.

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 position, which is broken down into three categories defined as follows:

- Net investment in capital assets – This component of net position 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 and related deferred inflows and outflows.

- Restricted – This component of net position consists of constraints placed on net position 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position 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 other 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 through connection fees and 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Water Rights

The District has contracted with the U.S. Bureau of Reclamation for water deliveries from the Central Valley Project (CVP) through February 2046 (Long Term Renewal Contract), with the anticipation of subsequent renewals of 40 year terms. Payments under the contract include reimbursement based on the amounts of water delivered to EBMUD of capital costs for CVP storage and conveyance facilities (EBMUD's current allocation is $4,373) and the Operation & Maintenance Deficit (EBMUD's current balance is $6,781). The Water Enterprise Fund capitalized the two components.

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).

H. Restricted Assets

The District segregates cash and investments into funds that are "Restricted" and "Unrestricted." Funds are "restricted" when limitations on use of the resources are imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provision or by enabling legislation. "Unrestricted" resources are committed by the Board of Directors through the passage of a resolution, or constrained for a specific purpose by committees or officials with authority delegated by the Board. The exception is the Reserve for Capital Projects which is anticipated but not committed or constrained to be used for the District's capital improvement program.

Unrestricted cash and investments are further categorized into Operating and Capital Reserves:

Operating Reserves:

- Rate Stabilization Fund (RSF) reserve is established by Policy 4.02, as adopted by the Board of Directors in the bi-annual budget, to maintain at least 20% of projected annual water volume revenues for Water and at least 5% of annual operating and maintenance expenses for Wastewater. Funding of the RSF is consistent with the District's Bond indentures. In fiscal year 2014, the District combined the Rate Stabilization Fund referenced in the Bond indentures and the Contingency and Rate Stabilization Reserve referenced in Policy 4.02 into a single Rate Stabilization Fund reserve to enhance transparency.
- Working Capital reserve is established by Policy 4.02, as adopted by the Board of Directors in the bi-annual budget, to maintain at least three times the District's monthly net operating and maintenance expenses.
- Self-insurance reserve is established by Policy 4.02, as adopted by the Board of Directors in the bi-annual budget, to maintain 1.25 times the expected annual costs.
- Workers' compensation reserve is established by Policy 4.02, as adopted by the Board of Directors in the bi-annual budget, to maintain a level equal to the estimated future liability for workers' compensation claims.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Reserves:

- Reserve for Capital Projects comprises the resources available for cash funding of the District's capital improvement program as projected in conjunction with the bi-annual budget.
- Reserve Funded CIP (Wastewater) balance is a specific designation [Board Motion 029-94] used to fund wet and dry weather eligible construction projects.
- Vehicle Replacement Fund [Board Motion 94-030] is financed by deposits based on internal user rate charges, and used to reimburse operational expenditures and vehicle replacement purchases.
- Equipment Replacement Fund was established by the District with the implementation of the Wastewater Capacity Fees effective July 1, 1984. The balance in this account represents funds set aside for future wastewater department equipment replacements.

Restricted funds include the following:

- Debt funded construction funds are the proceeds of bond or commercial paper issues that are restricted for use on eligible projects in the District's capital program. The current year balance is $0 for Water and Wastewater.
- Capitalized Interest fund is restricted by the District's bond indenture for the purpose of defraying that bond issue's debt service payments for a specified period. The current year balance is $0 for Water and Wastewater.
- Bond Interest and Redemption fund is required, under the District's bond indentures, in order for the District to transfer funds to the Trustee for the payment of principal and interest on the outstanding bonds one business day prior to the date such payment is due. The District uses the Bond Interest and Redemption Fund to segregate funds accumulated for such payments. In addition, under certain of the interest rate swap agreements related to the District's outstanding bonds, the District is required to post collateral to the swap counterparty to the extent that the District's total exposure for termination payments under the swap agreement exceeds the threshold amount specified in the applicable swap agreement. The District also uses the Bond Interest and Redemption Fund to segregate District funds held by the applicable custodian to satisfy this collateral posting obligation. As of June 30, 2015 and 2014, respectively, the balances were $796 and $848 for Water, and $87 and $109 for Wastewater.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Debt Service Reserve fund is created and required to be maintained at a specified level in connection with certain series of the District's outstanding bonds. Amounts in a Bond Reserve Fund may only be used (a) for the payment of principal of and interest on the related series of bonds in the event the District fails to transfer the required payment from the related system Revenue Fund (the respective designated part of the General Fund) (b) for the payment of redemption of all of the related series of bonds then outstanding or (c) for the payment of the final principal and interest payments on the related series of bonds. As of June 30, 2015 and 2014, respectively, the balances were $12,672 and $29,368 for Water, and $0 and $2,538 for Wastewater.
- Funds received for construction reflect advances received from applicants for work to be performed by the District and the unspent future water supply component of system capacity charges. This fund is used for the construction of major facilities, applicant requested services, and the design and construction of water supply improvement program projects. The balance as of June 30, 2015 was $26,709 for Water ($19,087 for Future Water Supply projects, $7,622 for Applicant Work) and $0 for Wastewater. The balance as of June 30, 2014 was $27,447 for Water ($19,037 for Future Water Supply projects, $8,410 for Applicant Work) and $2,214 for Wastewater (Private Lateral Sewer incentive Program).
- FERC partnership fund of $2 million was established January 11, 1999, in compliance with Federal Energy Regulatory Commission (FERC) order which brought resolution to its Mokelumne River Proceeding. The District manages the fund and income derived from investing the funds provides operating support to Joint Settlement Agreement with US Fish and Wildlife and California Fish and Game to protect the Mokelumne River Ecosystem from Pardee Reservoir to the Delta. The principal and any unused earnings shall remain the property of the District and will revert to the District upon expiration of the agreement in March 2031 or upon withdrawal of any party to the agreement. As of June 30, 2015 and 2014, respectively, the balances were $2,225 and $2,247 for Water.
- Monetary Reserve represents money on deposit in the name of the District with the Automated Power Exchange Inc. (APX) in accordance with the terms and conditions of the Automated Power Exchange Inc. California Master Service Agreement of July 15, 1999, entered between the District and APX for the sale and purchase of electric power. The funds held on deposit shall be withdrawn by the Depository and Clearing Agent in the event that sufficient funds are not deposit in the District settlement account to cover power exchange transactions. As of June 30, 2015 and June 30, 2014, respectively, the balances were $534 and $534 for Water.
- ABAG (Association of Bay Area Governments) Restricted Fund was established as an interest bearing account for Regional General Permit effort by 7 local water agencies in October 2013. The agreement between the District and ABAG, approved by Board motion 029-12 on March 13, 2012, requires the District to collect deposits and pay invoices in accordance with a cost allocation agreed among the water agencies. As of June 30, 2015 and 2014, respectively, the balances were $0 and $25 for Water.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Position 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, 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, 2015, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

In lending securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2015, had a weighted average maturity of 26 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 case the maturity of the collateral investment generally matches the term of the loan. Noncash 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 110 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, 2015, the fair value of securities on loan, which was comprised of Global Equities, US Corporate Fixed Equities, US Equities, and US Government Fixed Equities, was $108,548. The total cash collateral held by the System's custodian to secure these securities on loan was valued at $106,202.

M. Material and Supplies

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

Compensated absences as of June 30, 2015, 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:

	Water System		Wastewater System		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Beginning Balance	$25,625	$23,452	$4,232	$4,066	$29,857	$27,518
Additions	25,938	26,360	4,536	4,527	30,474	30,887
Payments	(25,139)	(24,187)	(4,590)	(4,361)	(29,729)	(28,548)
Ending Balance	$26,424	$25,625	$4,178	$4,232	$30,602	$29,857

O. Revenue

Water billings include charges for water flow, elevation, and a monthly meter charge. 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 and are billed annually on the property tax bill.

P. Interest Rate Swap

The District enters into interest rate swap agreements to modify interest rates on some outstanding debt. The net interest is recorded in the financial statements annually.

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). The statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of the basic financial statements gives the users of those statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. The District implemented GASB 53 in fiscal 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

R. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ending June 30, 2015, which required a restatement to the District's financial statements. The financial statements for fiscal year ended June 30, 2014 could not be restated as the information required to do so was not readily available. See Note 8 for additional information.

GASB Statement No. 70 – In 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Finance Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more than likely than not the government will be required to make a payment on that guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013, therefore, the District implemented this statement for fiscal year ended June 30, 2015, and had no impact on the financial statements.

GASB Statement No. 71 – In 2014, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ending June 30, 2015, along with GASB 68 as discussed above.

NOTE 2 - CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of June 30, 2015, are as follows:

District Enterprise Funds:	Water System	Wastewater System	Total
Cash and investments included in current assets	$434,731	$91,759	$526,490
Cash and investments included in restricted investments	42,936	87	43,023
Total District cash and investments	477,667	91,846	569,513
Less investments	(128,945)	(24,737)	(153,682)
Cash and cash equivalents	$348,722	$67,109	$415,831
System Pension Trust Funds:			
Cash and cash equivalents	$29,713	$501	$30,214
Invested securities lending collateral	106,749	1,799	108,548
Retirement system investments	1,352,757	22,793	1,375,550
Total System cash and investments	$1,489,219	$25,093	$1,514,312

B. District Enterprise Fund 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 and provides information as to the limitations as they relate to interest rate risk, credit risk and concentration risk.

NOTE 2 - CASH AND INVESTMENTS (Continued)

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 or F1	25%	10%
Negotiable Certificates of Deposit	5 Years	AA	30%	10%
Time Certificates of Deposit – Banks or Savings and Loans	5 Years	N/A	30%	10%
Medium Term Corporate Notes	5 Years	AA	30%	10%
Money Market Mutual Funds	N/A	AAA	40%	10%
Municipal Bonds	5 Years	AA	40%	10%
Calif Asset Management Pgm (CAMP)	Upon Demand	Highest Rating	10%	10%

The District does not enter into reverse repurchase agreements.

C. District Enterprise Fund 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 Short term 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	FDIC insured or collateralised
Time Certificates of Deposits - Banks or Savings and Loans	FDIC insured or collateralised
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 Investement Contract	Not lower than District's bond rating
Shares of Beneficial Interest	Top Rating Category

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Employees Retirement System Authorized Investment Strategy

The System's investment policies authorize the System to invest in financial instruments in three broad investment categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the System investment policy adopted by the System with *Resolution No. 6807*.

The Retirement Board is authorized to designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and the Investment Guidelines established by the Retirement Board. 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:

Core Fixed Income	10%
Non-Core Fixed Income	10%
Domestic Equity	40%
Covered Calls	20%
International Equity	15%
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 ± 5% from the long-range asset allocation goals.

The core fixed income target allocation (10% 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 non-core fixed income target allocation (10% of the total portfolio) will primarily consist of U.S. denominated fixed income securities. Individual managers may invest up to 35% of their assets in international fixed income securities. It is expected that this allocation may have a material allocation to below investment grade securities.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The domestic equity allocation target (40% of the total portfolio) will consist of approximately 37% in large cap market related growth and value (average risk) securities, 3% in small capitalized securities, and 20% in international securities. The international equity allocation target will consist of approximately 17% international equities and 3% emerging markets. 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 covered calls target allocation (20% of the total portfolio) may consist of a combination of Chicago Board Options Exchange S&P 500 BuyWrite Index (the "BXM Index") replication strategy and/or active non-replication strategies and their underlying domestic equity portfolios.

The international equity target allocation (15% of the total portfolio) will consist of approximately 12% 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 mortgages 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.

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 restricted to 25%.

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the market value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its market 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 market 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	Total
U.S. Government-Sponsored Enterprise Agencies:				
Non-callable	$65,183	$3,032	$11,995	$80,210
Callable		15,904	14,760	30,664
Corporate Securities	6,378	13,313		19,691
Municipal Bonds	8,382	2,762		11,144
Commercial Paper Discounted	5,000			5,000
Demand Deposits and Certificate of Deposit	11,275			11,275
Mutual Funds (U.S. Securities)	59,072			59,072
California Asset Management Program	40,027			40,027
California Local Agency Investment Fund	44,623			44,623
Total Investments	$239,940	$35,011	$26,755	301,706
Cash in banks				267,807
Total District Cash and Investments				$569,513

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		$5,623	$408	$3,076		$9,107
Equity Securities	$ 1,036,574					1,036,574
Commercial Mortgage - Backed Securities				8,021		8,021
Corporate Bonds	1,035	46,614	18,910	8,313	$31,080	105,952
Government Agencies		2,964	7,759	16,659		27,382
Government Bonds	6,956	11,040	655	3,308		21,959
Government Mortgage - Backed Securities			8	21,166		21,174
Government Issued Commercial Mortgage - Backed Securities		319				319
Index Linked Government Bonds	264	1,015		1,487		2,766
Short Term Investment Funds					10,054	10,054
Municipal Bonds				2,250		2,250
Mutual Funds				193		193
Real Estate					73,949	73,949
Other Fixed Income		22,660	1,012		32,178	55,850
Total System Investments	$1,044,829	$90,235	$28,752	$64,473	$147,261	$1,375,550

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 market 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. On June 30, 2015, these investments matured in an average of 239 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	$8,021
Government Mortgage - Backed Securities	21,174
Government Issued Commercial Mortgage - Backed Securities	319

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, 2015, for each investment type as provided by Moody's.

District Enterprise Funds:

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Government-Sponsored Enterprise Agencies:					
Non-Callable	$80,210				$80,210
Callable	30,664				30,664
Corporate Securities	4,289		$10,330	$5,072	19,691
Municipal Bonds		$4,110	5,228		9,338
Mutual Funds (U.S. Securities)	59,072				59,073
Totals	$174,072	$4,110	$15,558	$5,072	198,975
Not rated:					
Demand Deposits and Certificate of Deposit					11,275
Municipal Bonds					1,806
California Local Agency Investment Fund					44,623
California Asset Management Program					40,027
Commercial Paper Discounted					5,000
Cash in Banks					267,807
Total District Cash and Investment					$569,513

System Pension Trust Fund:

Investment Type	Aaa	Aa	A	Baa	Ba	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	$6,224	$88	$596	$572	$699		$928	$9,107
Equity Securities							1,036,574	1,036,574
Commercial Mortgage - Backed Securities	5,593		35				2,393	8,021
Corporate Bonds	1,386	16,749	33,058	21,451	339		32,969	105,952
Government Agencies	21,160					$6,222		27,382
Government Bonds	21,959							21,959
Government Mortgage - Backed Securities						20,964	210	21,174
Government Issued Commercial Mortgage - Backed						319		319
Index Linked Government Bonds	2,766							2,766
Short Term Investment Funds							10,054	10,054
Municipal Bonds		1,569					681	2,250
Mutual Funds		5	120				68	193
Real Estate							73,949	73,949
Other Fixed Income							55,850	55,850
Total System Investments	$59,088	$18,411	$33,809	$22,023	$1,038	$27,505	$1,213,676	$1,375,550

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:

District Enterprise Funds:

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide			
	FHLB	Federal Agency Securities	$47,660
	FNMA	Federal Agency Securities	35,530
	FFCB	Federal Agency Securities	19,522
Major Funds:			
Water System			
	FHLB	Federal Agency Securities	36,187
	FNMA	Federal Agency Securities	33,475
	FFCB	Federal Agency Securities	16,401
Wastewater System			
	FHLB	Federal Agency Securities	11,473

System Pension Trust Fund:

Significant System Pension Trust Fund investments are:

Nature of investment	Fair Value at Year End
Northern Trust Collective Daily Russell 1000 Equity Index Fund	$232,808

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Foreign Currency Risk

System Pension Trust Fund:

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, 2015:

Foreign Currency	Equity Securities Investment Type
Euro	$62,140
British Pound Sterling	37,114
Hong Kong Dollar	19,960
Swiss Franc	15,726
Japanese Yen	13,744
South Korean Won	7,783
Danish Krone	5,223
Canadian Dollar	4,638
Singapore Dollar	2,858
Australian Dollar	2,830
Brazilian Real	2,307
Swedish Krona	1,792
Norwegian Krone	1,384
Indonesian Rupiah	1,251
Mexican Peso	915
Thai Baht	811
Turkish Lira	633
Total	$181,109

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 13%.

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.

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, 2015 and 2014, the System's brokers/dealers held $294 and $77, respectively, in cash and US government bonds exposed to custodial credit risk.

J. Joint Powers Authority

DSRSD/EBMUD Regional Water Authority - On June 28, 1995, the Dublin San Ramon Service District (DSRSD) and East Bay Municipal Utility District (District) entered into a Joint Powers Agreement (JPA) and established the DSRSD/EBMUD Recycled Water Authority (DERWA) with the purpose of creating a recycle water program in the San Ramon and Livermore-Amador Valleys. The JPA governing body is not substantially the same at the District and its independent Board consists of two directors from the DSRSD and District. The JPA books and records are being maintained separately from DSRSD and the District. The DSRSD and District make member contribution to fund the JPA start-up and capital projects at the request of the JPA on an as needed basis. Although DERWA has a significant relationship with the District, DERWA does not provide services solely to the District, and therefore, is not considered a component unit of the District.

Freeport Regional Water Authority - The Freeport Regional Water Project (FRWP) is a regional water supply project undertaken by the District in partnership with the Sacramento County Water Agency (SCWA). In February 2002, with the support of the United States Bureau of Reclamation, the District and SCWA formed the Freeport Regional Water Authority (FRWA) under a joint powers agreement to develop the FRWP. The FRWP provides the permanent infrastructure to allow the District to receive water deliveries pursuant to the Long-Term Renewal Central Valley Project Contract at a new point of diversion along the Sacramento River. In addition to providing the District up to 100 MGD of supplemental water in dry years as described above, the FRWP can provide up to 85 MGD to SCWA in all years. The District's share of the facilities is recorded as Investment in JPA and is presented on the balance sheet. To increase the District's reserve of water supply due to the recent drought, the District activated the pumping of water from the Sacramento River via the Freeport facility during Fiscal Year 2015.

NOTE 3 – CAPITAL ASSETS

A. Summary

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

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

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

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

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

NOTE 3 – CAPITAL ASSETS (Continued)

B. Additions and Retirements

Capital assets activity for all business-type activities for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2015
Water System:				
Capital assets, not being depreciated:				
Land	$52,307	$3,234	($96)	$55,445
Rights-of-way	2,967	33		3,000
Construction in progress - Land	412	3,301	(3,267)	446
Construction in progress	242,807	226,802	(160,610)	308,999
Total capital assets, not being depreciated	298,493	233,370	(163,973)	367,890
Capital assets, being depreciated:				
Buildings and improvements	217,919	4,529	(280)	222,168
System and improvements	4,478,118	150,925	(18,370)	4,610,673
Machinery and equipment	83,354	5,156	(1,947)	86,563
Total capital assets, being depreciated:	4,779,391	160,610	(20,597)	4,919,404
Less accumulated depreciation for:				
Buildings and improvements	(91,566)	(4,820)	259	(96,127)
System and improvements	(1,356,136)	(87,190)	838	(1,442,488)
Machinery and equipment	(62,534)	(3,497)	1,801	(64,230)
Total accumulated depreciation	(1,510,236)	(95,507)	2,898	(1,602,845)
Total capital assets, being depreciated, net	3,269,155	65,103	(17,699)	3,316,559
Water System capital assets, net	$3,567,648	$298,473	($181,672)	$3,684,449
Wastewater System:				
Capital assets, not being depreciated:				
Land	$20,040	$786		$20,826
Rights-of-way	191			191
Construction in progress - Land	269	761	($786)	244
Construction in progress	58,793	29,737	(23,755)	64,775
Total capital assets, not being depreciated	79,293	31,284	(24,541)	86,036
Capital assets, being depreciated:				
Buildings and improvements	75,709	595		76,304
System and improvements	884,011	21,730	(1,695)	904,046
Machinery and equipment	9,883	1,430		11,313
Total capital assets, being depreciated	969,603	23,755	(1,695)	991,663
Less accumulated depreciation for:				
Buildings and improvements	(33,497)	(1,701)		(35,198)
System and improvements	(332,014)	(21,908)		(353,922)
Machinery and equipment	(6,405)	(589)		(6,994)
Total accumulated depreciation	(371,916)	(24,198)		(396,114)
Total capital assets, being depreciated, net	597,687	(443)	(1,695)	595,549
Wastewater System capital assets, net	$676,980	$30,841	($26,236)	$681,585
Business-type activities capital assets, net	$4,244,628	$329,314	($207,908)	$4,366,034

NOTE 3 – CAPITAL ASSETS (Continued)

C. Construction in Progress

Construction in Progress in fiscal 2014-2015 comprises:

	Expended to Date
Water System:	
Large Diameter Pipelines	$ 45,821
Pumping Plant Rehabilitation	44,802
Pipeline Infrastruct Renewals	32,710
Treatment Plant Upgrades	19,658
Adm Bldg Modifications	14,249
Reservoir Rehab/Maintenance	12,745
Summit Pressure Zone Improve	10,182
SRV Recycled Water Program	9,979
Addl Supplemental Supply Projs	9,463
WTTIP WTP Improvements	7,746
Open Cut Reservoir Rehab	7,499
Water Conservation Project	5,743
Pipeline System Improvements	5,695
Pipeline Relocations	5,481
Dam Seismic Upgrades	5,479
Raw Water Studies and Improves	3,698
West of Hills Transmission	3,577
Srvc Latl Repl Polybutylene	3,434
Pardee/Cam Rec Areas Impr Plan	3,271
Distribution System Upgrades	3,033
Other Construction Projects	55,180
	$ 309,445
Wastewater System:	
Wood St Sewer Intercept Rehab	$ 15,932
Infiltration/Inflow Contrl Prj	12,554
Treatment Plant Infrastructure	12,499
Routine Cap Equip Replacement	5,510
Wet Weather Plant Imprmts	4,104
PGS Expansion	1,596
Versailles Interceptor Rehab	1,593
Resource Recovery Project	1,562
MWWTP Master Plan	1,469
Concrete Rehab at SD1	1,275
Digester Upgrade	1,169
MWWTP Pwr Dist Sys Upgrade	981
Odor Control Improvements	769
West End Property Development	612
NPDES Compliance	612
Other Construction Projects	2,782
	$ 65,019
Total District Construction in Progress	$ 374,464

At June 30, 2015, the District's remaining current major project commitments are estimated to be $21,332 for the Water System and $8,709 for the Wastewater System.

NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2015 and 2014 consist of:

	Water System		Wastewater System		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Accounts payable	$22,743	$27,262	$3,845	$2,911	$26,588	$30,173
Accrued salaries	3,982	3,454	683	600	4,665	4,054
Accrued compensated absences	26,424	25,625	4,178	4,232	30,602	29,857
Other	16,069	14,496	413	1,406	16,482	15,902
Total	$69,218	$70,837	$9,119	$9,149	$78,337	$79,986

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, 2015, the District had $475 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 of not more than 270 days from the date of issuance. The program was last authorized on March 10, 2009.

The District replaced the commercial paper program with an extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement (line of credit) with a commercial bank is needed. Instead, the District limits the term of the extendable 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, giving the District sufficient time to find a replacement investor or refund the extendable commercial paper with a different form of debt (e.g. fixed or variable rate revenue bonds) to repay the investor.

As of June 30, 2015, $359.8 million in Water Series and $15.0 million in Wastewater Series extendable commercial paper notes were outstanding under this program. The Water Series included terms of 68 to 120 days and interest rates ranging from 0.07% to 0.16% as of June 30, 2015, and terms of 50 to 119 days and interest rates ranging from 0.07% to 0.11% as of June 30, 2014. The Wastewater Series included the term of 91 days and an interest rate of 0.07% as of June 30, 2015, and the term of 84 days and an interest rate of 0.11% as of June 30, 2014. There were no unused proceeds as of June 30, 2015. It is the District's practice to use extendable commercial paper as a portion of the District's long-term variable rate debt exposure.

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, 2014	Additions	Retirements	Balance June 30, 2015	Amount due within one year
Water System Revenue Bonds:						
Subordinated Series 2005 A						
5.00%, due 6/1/35	$300,000	$83,890		$83,890		
Subordinated Series 2007 A						
5.00%, due 6/1/37	450,000	330,000		330,000		
Subordinated Series 2007 B						
3.75 - 5.00%, due 6/1/19	54,790	30,450		5,510	$24,940	$5,785
Subordinated Series 2008 A						
.06% variable rate, due 6/1/38	322,525	105,250			105,250	
Subordinated Series 2009 A						
.26% variable rate, due 6/1/26	331,155	82,075		82,075		
Subordinated Series 2010 A						
3.00 - 5.00%, due 6/1/36	192,830	188,135		2,435	185,700	2,300
Subordinated Series 2010 B						
5.87%, due 6/1/40	400,000	400,000			400,000	
Series 2012 A						
5.00% , due 6/1/37	191,750	191,750			191,750	
Series 2012 B						
1.00 -5.00%, due 6/1/26	358,620	332,840		20,590	312,250	33,440
Series 2013 A						
5.00%, due 6/1/21	48,670	45,525		5,510	40,015	5,815
Series 2014 A						
3.00-5.00%, due 6/1/35	128,315	128,315			128,315	
Series 2014 B						
2.00-5.00%, due 6/1/30	242,730	242,730		630	242,100	880
Series 2014 C						
5.00%, due 6/1/44	75,000	75,000			75,000	
Series 2015 A						
4.00-5.00%, due 6/1/37	429,360		429,360		429,360	
Series 2015 B						
4.00-5.00%, due 6/1/45	74,335		74,335		74,335	
Series 2015C						
4.00-5.00%, due 6/1/45	110,715		110,715		110,715	
Total water long-term bonds		2,235,960	614,410	530,640	2,319,730	48,220

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Amount due within one year
Wastewater System General Obligation Bonds:						
Series G						
5.00%, due 4/1/18	$14,160	$14,160		$3,250	$10,910	$3,565
Wastewater System Revenue Bonds:						
Subordinated Series 2007 A						
5.00%, due 6/1/37	80,630	60,630		60,630		
Subordinated Series 2007 B						
3.75 - 5.00%, due 6/1/26	46,670	32,590		2,775	29,815	2,895
Subordinated Series 2008 C						
.06% variable rate, due 6/1/27	65,300	49,100		49,100		
Subordinated Series 2010 A						
2.00 - 5.00%, due 6/1/29	58,095	48,465		1,905	46,560	2,265
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	150,000	150,000			150,000	
Series 2011 A						
.38% variable rate, due 6/1/38	65,905	59,095		59,095		
Series 2012 A						
5.00% , due 6/1/37	20,000	20,000			20,000	
Series 2014 A						
2.00 - 5.00%, due 6/1/31	82,150		82,150	1,725	80,425	4,115
Series 2014 B						
0.22%, due 6/1/15	2,505		2,505	2,505		
Series 2015 A-1						
5.00%, due 6/1/37	54,805		54,805		54,805	
Series 2015 A-2						
5.00%, due 6/1/38	13,565		13,565		13,565	
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795		2,795		2,795	160
Total wastewater long-term bonds		434,040	155,820	180,985	408,875	13,000
Total long-term bonds		2,670,000	770,230	711,625	2,728,605	61,220

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Amount due within one year
Water Loans:						
State Water Resources Control Board						
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	$2,188	$1,175		$111	$1,064	$114
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	14,836		904	13,932	926
Total water loans		16,011		1,015	14,996	1,040
Total long-term loans		16,011		1,015	14,996	1,040
Commercial Paper (see Note 5)						
Water System Commercial Paper		359,800	$1,369,800	1,369,800	359,800	
Wastewater System Commercial Paper		15,000	60,000	60,000	15,000	
Total commercial paper		374,800	1,429,800	1,429,800	374,800	
Amount due within one year		(48,160)	(14,100)		(62,260)	
Add: Unamortized premium, net		100,423	141,570	41,675	200,318	
Total long-term liabilities, net		$3,113,074	$2,327,500	$2,184,115	$3,256,459	$62,260

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 repaid from property taxes levied on 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 of the Water System. The net revenues of the Wastewater System are pledged toward the repayment of the Wastewater Revenue Bonds of the Wastewater System.

The District is subject to certain revenue bond covenants on outstanding debt which require the setting of rates and charges to yield net revenues of the respective Water System or Wastewater System, as applicable, equal to at least 110% of the current annual debt service requirements for all revenue bonds and other parity obligations of the respective Water System or Wastewater System. The District has designated $119.1 million ($95.0 million for the Water System and $24.1 million for the Wastewater System) of operating reserves 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.

NOTE 6 - LONG TERM DEBT (Continued)

Water Issuance During the Year

2015 Water System Revenue Refunding Bonds, Series 2015A – The District issued $429.4 million principal amount of Series 2015A Bonds on March 3, 2015, to provide funds, together with certain other available monies, to refund $83.9 million principal amount of the District's Water System Subordinated Revenue Bonds Series 2005A, $330 million principal amount of the District's Water System Subordinated Revenue Bonds Series 2007A and $82.1 million principal amount of the District's Water System Variable Rate Revenue Refunding Bonds Series 2009A, to fund the costs of terminating certain interest rate swap agreements relating to the District's outstanding variable rate Water System Revenue Bonds to be refunded, and to pay the costs of issuance in connection with the Series 2015A Bonds. The Series 2015A Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2023 and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing June 1, 2015.

The refunding of Water System Revenue Bonds, Series 2015A created an economic gain of $65.4 million.

2015 Water System Revenue Bonds, Series 2015B (Green Bonds) – The District issued $74.3 million principal amount of Series 2015B Bonds on June 17, 2015, to provide additional monies to finance improvements to the Water System of the District and pay the costs of issuance in connection with the Series 2015B Bonds. The Series 2015B Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2023 and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2015.

2015 Water System Revenue Bonds, Series 2015C – The District issued $110.7 million principal amount of Series 2015C Bonds on June 17, 2015, to provide additional monies to finance improvements to the Water System of the District and pay the costs of issuance in connection with the 2015C Bonds. The Series 2015C Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2024 and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2015.

Wastewater Issuance During the Year

2014 Wastewater System Revenue Refunding Bonds, Series 2014A and Series 2014B – The District issued $82.2 million principal amount of Series 2014A Bonds and $2.5 million principal amount of Series 2014B Bonds on August 28, 2014, to provide funds, together with certain other available monies, to refund $49.1 million principal amount of the District's Wastewater System Subordinated Revenue Refunding Bonds variable rate Series 2008C and $42.7 million principal amount of the District's Wastewater System's Revenue Refunding Bonds variable rate Series 2011A, to fund the costs of terminating certain interest rate swap agreements related to the Wastewater System Revenue Bonds to be refunded, and to pay the costs of issuance of the Bonds. The Series 2014 Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principal payments commence on June 1, 2015 and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2014.

NOTE 6 – LONG-TERM DEBT (Continued)

The refunding of Wastewater System Revenue Bonds, Series 2014 created an economic gain of $0.3 million.

2015 Wastewater System Revenue Refunding Bonds, Series 2015A and Series 2015B – The District issued $68.4 million principal amount of Series 2015A Bonds and $2.8 million principal amount of Series 2015B Bonds on March 3, 2015, to provide funds, together with certain other available monies, to refund $60.6 million principal amount of the District's Wastewater System Subordinated Revenue Bonds Series 2007A and $16.4 million principal amount of the District's Wastewater System Variable Rate Revenue Refunding Bonds Series 2011A, to fund the costs of terminating an interest rate swap agreement relating to the District's outstanding variable rate Wastewater System Revenue Bonds to be refunded, and to pay the costs of issuance in connection with the Series 2015 Bonds. The Series 2015 Bonds are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principal payments commence on June 1, 2016 and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing June 1, 2015.

The refunding of Wastewater System Revenue Bonds, Series 2015 created an economic gain of $7.4 million.

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	Water System		Wastewater System		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$49,260	$114,176	$13,000	$19,565	$62,260	$133,741
2017	52,860	111,971	13,655	19,009	66,515	130,980
2018	59,116	109,456	13,790	18,015	72,906	127,471
2019	61,562	106,821	10,675	17,877	72,237	124,698
2020	64,309	103,878	11,185	17,075	75,494	120,953
2021 - 2025	366,834	470,624	64,015	79,336	430,849	549,960
2026 - 2030	419,367	375,784	73,990	63,898	493,357	439,682
2031 - 2035	530,380	262,607	88,635	44,150	619,015	306,757
2036 - 2040	596,394	116,704	119,930	19,012	716,324	135,716
2041 - 2045	134,644	16,437			134,644	16,437
Totals	$2,334,726	$1,788,458	$408,875	$297,937	$2,743,601	$2,086,395

Interest payments on debt subject to swap agreements were calculated using the variable rates at June 30, 2015.

NOTE 6 - LONG TERM DEBT (Continued)

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, 2015, $391 million of the bonds outstanding are considered defeased.

E. Variable Rate Debt

The District has a number of bond issues with variable interest rates. The Water Series 2008A Bonds are subject to purchase on the demand of the holder with seven days prior notice at a price equal to the principal plus accrued interest. 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. In the event that they not sold, under Standby Bond Purchase Agreements (SBPAs) issued by banks for the above variable rate debt issues, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of delivered bonds. The District is required to pay an annual commitment fee to the banks issuing SBPAs. Expiration dates of these SBPAs are presented below by debt issue. In addition, the remarketing agent receives an annual fee of seven basis points of the outstanding principal amount of the bonds.

	Standby Purchase Agreement Terms		
Issue	Expiration Date	Interest Rate	Rate Swap Swap Rate
Water System Revenue Subordinated Bonds:			
Series 2008A-1	12/9/2016	Reset Weekly	See below
Series 2008A-2	7/2/2018	Reset Weekly	See below
Series 2008A-3	7/2/2018	Reset Weekly	See below
Series 2008A-4	12/9/2016	Reset Weekly	See below

F. Interest Rate Swap Agreements

The District has entered into a number of matched interest rate swap contracts with providers in which the District contracted to pay a fixed rate on the nominal amount of outstanding bonds, in exchange for a floating rate payment, set monthly on the first day of each calendar month for its LIBOR based swaps. The combination of variable rate bonds and a floating-rate swap creates synthetic fixed-rate debt for the District. The synthetic fixed rate on the bonds protects the District against increases in short-term interest rates. The terms, fair value, and credit risk of each of the swap agreements are discussed below.

Term and credit risks. The terms and credit ratings of the outstanding swaps, as of June 30, 2015, 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.

NOTE 6 – LONG-TERM DEBT (Continued)

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Counterparty Credit Ratings (Moody's/ S&P)	Issuer Pays	Issuer Receives	Maturity/ Termination Date
2008A Water System Refunding	$37,240	6/2/2005	JP Morgan Chase & Co.	Aa3/A+	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	37,240	6/1/2011	Bank of America National Assoc.	A1/A	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding	16,195	6/1/2012	Merrill Lynch Capital Services	Baa1/A-	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding	14,575	9/25/2008	The Bank of New York Mellon	Aa2/AA-	3.115%	62.3% of 30-day LIBOR	6/1/2038

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

Fair value. The fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. The fair values of each swap at June 30, 2015, are included below:

Related Bond Issuance	Fair Value	
	2015	2014
Water		
2008A Water System Refunding Bonds	($23,485)	($19,543)
2009A Water System Refunding Bonds	-	(11,213)
Total Water	(23,485)	(30,756)
Wastewater		
2011A Wastewater System Refunding Bonds	-	(8,131)
2008C Wastewater System Refunding Bonds	-	(6,866)
Total Wastewater	-	(14,997)
Totals	($23,485)	($45,753)

Credit risk. As of June 30, 2015, the District was not exposed to credit risk on its outstanding swaps because the swaps had a negative fair value of $23 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.

NOTE 6 – LONG-TERM DEBT (Continued)

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 that determine 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. As of June 30, 2015, the District was not required to provide collateral to any SWAP counterparty.

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 is exposed to basis risk as the District receives payments based on LIBOR rates to offset the actual variable interest 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. As of June 30, 2015, the District has a basis difference on its swaps of a positive 7 basis points (the District receives more from its swap floating rate payment than it pays out on its variable rate debt).

Termination risk. The District or the counterparty may terminate if the other party fails to perform under the terms of the SWAP contract. The District will be exposed to variable rates if the providers to the swap contracts default or if the swap contracts are terminated as it will lose the hedge provided by the SWAP. 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, 2015, 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	Variable-Rate Bonds		Interest Rate Swaps, Net	
June 30	Principal	Interest	Interest	Total
2016	-	$59	$3,154	$3,213
2017	-	59	3,154	3,213
2018	-	59	3,154	3,213
2019	-	59	3,154	3,213
2020	-	59	3,154	3,213
2021 - 2025	-	295	15,770	16,065
2026 - 2030	-	295	15,770	16,065
2031 - 2035	$62,450	190	10,279	10,469
2036 - 2038	42,800	24	1,311	1,335
Totals	$105,250	$1,099	$58,900	$59,999

NOTE 7 – NET POSITION

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and are described below:

Net Investment in Capital Assets describes the portion of Net Position 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 and any related deferred outflows and inflows.

Restricted describes the portion of Net Position 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 Position which is not restricted to use.

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. A stand-alone financial report of the Employees' Retirement System is available. Please send request to the Controller, Accounting Division, P.O. Box 24055, Oakland, CA 94623-1055 or visit the District website at http://www.ebmud.com.

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. Retirement Benefits and Allowances

There are two tiers in effect currently, the 1980 Plan and the 2013 Plan. Employees who became Members of the retirement system prior to January 1, 2013, or who have reciprocal Membership are in the 1980 Plan, Employees who became Members on or after January 1, 2013 are in the 2013 Plan.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

1980 Plan Members may elect voluntary reduced service retirement upon attaining the age of 54 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 62 and completing 5 years of continuous full-time employment or age 65 without restriction. Members who continue to work upon attaining the normal retirement age of 65 continue to contribute to the Plan, and at the time they retire, computation of their retirement allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on date of employment, length of employment, age at date of retirement, and compensation earned during employment.

2013 Plan Members may elect voluntary reduced service upon attaining the age of 52 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 67, and completing 5 years of continuous full-time employment. Members who continue to work upon attaining the normal retirement age of 67 continue to contribute to the Plan, and at the time they retire, computation of their allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on length of service, age at retirement, and compensation earned during employment.

C. 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, 2015, there were 1,433 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 $7,394 in the year ended June 30, 2015. Effective June 18, 2002, a portion of the post-employment healthcare benefit costs is recovered through employee contributions.

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.

D. 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 for other post-employment benefits (OPEB) and service cost for pension, and the OPEB unfunded actuarial accrued liability (past service liability) is amortized as a level percentage of future payroll over 30 years open period.

District contributions for the year ended June 30, 2015 are as follows:

1980 Plan:	
Pension plan:	
Employer service cost	15.02%
Toward unfunded pension liability	23.59%
Other post-employment benefits:	
Employer normal cost	1.21%
Unfunded actuarial accrued liability	4.24%
2013 Plan:	
Pension plan:	
Employer service cost	8.65%
Toward unfunded pension liability	23.59%
Other post-employment benefits:	
Employer normal cost	0.87%
Unfunded actuarial accrued liability	4.24%

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

Effective June 30, 2015, contributions for fiscal year 2015/2016 are as follows:

1980 Plan:		
	Pension plan:	
		Employer service cost 14.86%
		Toward unfunded pension liability 22.85%
	Other post-employment benefits:	
		Employer normal cost 1.22%
		Unfunded actuarial accrued liability 4.29%
2013 Plan:		
	Pension plan:	
		Employer service cost 8.07%
		Toward unfunded pension liability 22.85%
	Other post-employment benefits:	
		Employer normal cost 0.77%
		Unfunded actuarial accrued liability 4.29%

Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing the costs between the employer and plan members to that point.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

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

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25-year periods; experience gains/ losses are amortized over separate decreasing 20-year periods.
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	7.50%
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service*
Inflation rate	3.00%
Cost-of-living adjustments	3.00%
Mortality	Healthy: RP-2000 Combinded Healthy Mortality Table projected with scale AA to 2016, set back one year for males and set back two years for females
Annual healthcare costs trend rates	6.875% reduced by increments to a rate of 5% after 10 years

All assumptions are the same for the post-employment health care benefits except for the discount rate, assumed at a rate of 7% for the funded and unfunded portions.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

E. Contributions Required and Contributions Made

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

	2015			2014
	Pension	Healthcare Benefit Plan	Totals	
Regular contributions:				
District contributions	$64,177	$8,964	$73,141	$70,117
Member contributions	13,240	167	13,407	12,103
	77,417	9,131	86,548	82,220
Other contributions:				
Member buybacks	20		20	30
	$77,437	$9,131	$86,568	$82,250

Regular District and member contributions in fiscal 2015 represent an aggregate of 43.67% and 7.98% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 5.43% of covered payroll, determined by the actuarial dated June 30, 2014. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2015, was $167,380 which was 91.13% of the total District payroll of $183,678.

The total District contribution of $73,453 as of June 30, 2015, consisted of $73,141 regular contribution ($26,528 for normal cost and service cost also includes $46,613 for amortization of the unfunded actuarial accrued liability and payment to reduce the net pension liability) and $312 interest on contribution.

Regular District and member contributions in fiscal 2014 represent an aggregate of 43.83% and 7.58% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 5.45% of covered payroll, determined by the actuarial dated June 30, 2013. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2014, was $159,961 which was 90.34% of the total District payroll of $177,063.

The total District contribution of $70,491 as of June 30, 2014, consisted of $70,117 regular contribution ($27,584 for normal cost and $42,533 for amortization of the unfunded actuarial accrued liability) and $374 interest on contributions.

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 which did not qualify for membership in the System, to establish retirement service credit for prior service with payments over a period of two to eight years.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

F. Schedule of Employer Contributions

The District's annual OPEB costs and schedules of contributions for the past three years are as follows:

Health Insurance Benefit Plan:

	Actual Contribution	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
Fiscal year ended June 30:				
2013	$8,054	$11,443	70%	$19,332
2014	8,831	11,184	79%	21,685
2015	9,275	11,241	83%	23,651

The annual required contributions for fiscal years ended June 30, 2015, 2014 and 2013, include amounts for the pay-as-you-go amounts for post-employment healthcare benefits.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

Health Insurance Benefit Plan:

During the fiscal year ended June 30, 2015, the District made contributions to the Health Insurance Benefit Plan toward the Annual Required Contribution (ARC) amounting to $8,963 which represented 4.98% of the $183,678 total District payroll. During the fiscal year ended June 30, 2014, the District made contributions toward the ARC amounting to $8,457 to the plan which represented 4.78% of the $177,063 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, 2013		$19,332
Annual required contribution (ARC)	$11,196	
Interest on net OPEB obligation	1,362	
Adjustments to the ARC	(1,374)	
Annual OPEB cost - fiscal 2012/2013	11,184	
Less contributions made during fiscal year:		
Contributions to Northern Trust	(8,457)	
Interest on Contributions to Northern Trust	(374)	
Contributions	(8,831)	
Contributions less than ARC		2,353
Net OPEB obligation at June 30, 2014		21,685
Annual required contribution (ARC)	11,254	
Interest on net OPEB obligation	1,533	
Adjustments to the ARC	(1,546)	
Annual OPEB cost - fiscal 2014/2015	11,241	
Less contributions made during fiscal year:		
Contributions to Northern Trust	(8,963)	
Interest on Contributions to Northern Trust	(312)	
Contributions	(9,275)	
Increase in net OPEB obligations		1,966
Net OPEB obligation at June 30, 2015		$23,651

A schedule of funding progress for the retirement and post-employment healthcare plans presenting multiple-year trend information as to whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented immediately following the notes to basic financial statements in the Required Supplementary information section.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

G. Net Pension Liability

The net pension liability (i.e., the Plan's liability determined in accordance with GASB No. 68 less the fiduciary net position) as of June 30 is as shown below:

	2015	2014
Total pension liability	$1,756,706	$1,646,534
Plan fiduciary net position	(1,325,387)	(1,107,628)
Employer net pension liability	$431,319	$538,906
Plan fiduciary net position as a percentage of total pension liability	75.45%	67.27%
Covered payroll	$173,111	$166,762
Liability as a percentage of covered employee payroll	249.16%	323.16%

Actuarial valuation of the ongoing System involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers' net pension liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The net pension liabilities measured as of June 30, 2014 and 2013 and are not adjusted or rolled forward to the June 30, 2015 and 2014 reporting dates, respectively.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

For the year ended June 30, 2015, the District recognized pension expense as follows:

	Water	Wastewater	Total
Contributions made after measurement date	($54,533)	($9,644)	($64,177)
Current year changes in the net pension liability:			
Service cost	29,604	5,383	34,987
Interest on total pension liability	107,931	19,626	127,557
Member contributions	(10,122)	(1,841)	(11,963)
Projected earning on investments	(72,672)	(13,214)	(85,886)
Difference in expected and actual earnings	(22,120)	(4,022)	(26,142)
Other	4,700	328	5,028
Total current year activity	37,321	6,260	43,581
Total pension expense	($17,212)	($3,384)	($20,596)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Water	Wastewater	Water	Wastewater
Pension contributions subsequent to measurement date	$54,533	$9,644		
Differences between expected and actual experience	296	54		16,089
Changes of assumptions	12,451	2,264		
Change in proportion and differences between employer	1,769			1,770
Net difference between projected and actual earnings			88,483	
Total	$69,049	$11,962	$88,483	$17,859

A total of $64,177 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources	
June 30	Water	Wastewater	Water	Wastewater
2016	$40,585	$8,349	$22,121	$4,465
2017	40,585	8,349	22,121	4,465
2018	40,585	8,349	22,121	4,465
2019	40,585	8,349	22,121	4,465

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	36%	5.91%
Domestic Small Cap Equity	4%	6.47%
Developed International Equity	12%	6.88%
Emerging Markets Equity	3%	8.24%
Domestic Bonds	10%	0.85%
Non-Core Fixed Income	10%	3.10%
Real Estate	5%	4.79%
Covered Calls	20%	4.90%
Total	100%	

The discount rates used to measure the total pension liability were 7.50% and 7.75% as of June 30, 2015 and June 30, 2014, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2015 and June 30, 2014.

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the Plan as of June 30, 2015, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net Pension Liability	$659,789	$431,319	$241,010

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

H. Public Employees' Pension Reform Act (PEPRA)

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member under PEPRA.

The table below provides the details of the new provisions.

Benefit Formula	2.5% at Age 67
Final Compensation Period	Average of last 3 years
Employer Contribution Rate as a percentage payroll	8.65% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	8.75% of Reportable Compensation

The employer contribution rate listed above was in effect until June 30, 2015. In accordance with the provisions of AB 340, the member contribution rate shown above was set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. The total normal cost rate used for this calculation is 17.4% of payroll for new members.

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, 2015, the District paid $1,597 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	1,500
Liability	90,000	10,000 Water/ 10,000 Wastewater
Crime	10,000	25
Boiler and Machinery	10,000	25
Pardee and Camanche Dams	10,000	50
Main Wastewater Treatment Plant	10,000	50

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

NOTE 9 – RISK MANAGEMENT (Continued)

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, 2015, the amount of these liabilities was $43,499. 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:

	2015	2014
Liability at beginning of year	$43,397	$42,201
Current year claims and changes in estimates	6,863	6,731
Payments of claims	(6,761)	(5,535)
Liability at end of year	$43,499	$43,397
Estimated liability:		
Due within one year	$8,714	$8,683
Due in more than one year	34,785	34,714
	$43,499	$43,397

NOTE 10 – KNOWN ENVIRONMENTAL MATTERS

Following is a summary of the District's known environmental matters as of June 30, 2015, 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. In 2014, the District signed a Consent Decree on this matter that focuses on the excess wet weather flow entering the District's system and allows continued discharges while work to reduce them is performed. The Consent Decree requires the District and its seven satellite agencies to do a range of work to reduce flows, including working with property owners to address leaks in their private sewer laterals. The Consent Decree is expected to be in place until 2036, at which time discharges will have ceased. The District's cost to meet the requirements in the Consent Decree is approximately $5M year.

- 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 as they have not provided any response to the District's evaluation. 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 $6.6 million to upgrade the existing facilities, or alternatively, approximately $7.8 million to construct a joint wastewater project with Amador County.

NOTE 10 – KNOWN ENVIRONMENTAL LIABILITIES (Continued)

- 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. An Engineering Evaluation/Cost Analysis was completed in 2013 to present remediation alternatives and a Value Engineering (VE) study was completed in 2014 to analyze life-cycle costs of the recommended alternative consistent with required performance, reliability, quality, safety, and achievement of mission priorities. Subsequent to the VE study, BLM risk assessors audited the site to make recommendations for further financial savings. At this time the District is awaiting a final proposal from BLM that incorporates the findings of their risk assessor. The final site remedy and cost allocations between the District and BLM have yet to be determined.

- The CVRWQCB 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 significant site investigation work, including groundwater and soil gas monitoring and requested closure of the site from the CVRWQCB. In early 2015 the CVRWQCB requested one more round of ground water monitoring at the site before they can consider closure. The additional monitoring is scheduled for summer 2015.

- The Alameda County Environmental Health 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 USTs. The District completed additional site investigations in accordance with an approved work plan. The results indicate that elevated concentrations of petroleum hydrocarbons still remain in onsite soil and groundwater in localized areas near the former USTs. The scope of any additional work remaining at this site is unknown and the next step will be to meet with the County to agree upon final actions necessary to obtain regulatory closure of the site.

- On April 8, 2015, approximately 170 cubic yards of cellular concrete being used at a District construction site was accidentally released into a storm drain in Oakland, CA. The incident occurred when cellular concrete was being added to a 1,500 foot segment of an abandoned 24-inch water main line. The cellular concrete flowed through enclosed storm drain pipes and open creek channels following the release. District staff immediately initiated emergency response and an incident command structure to commence cleanup of the creek; the cleanup took approximately 4 weeks. The cleanup phase has transitioned into a long term restoration phase which is projected to run into early 2016. It is unknown whether or not enforcement action will be taken by regulatory agencies for this incident.

- The District operates many facilities throughout Northern California that have NPDES permits, waste discharge requirements, and air permits. The total estimated liability for all known violations is less than $350 thousand.

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 – COMMITMENTS AND CONTINGENCIES

Central Valley Project

In December 1970, the District entered into a contract with the US Bureau of Reclamation for access to up to 150,000 acre feet per year of Central Valley Project (CVP) water from a diversion point on the American River. The successor contract, the Long Term Renewal Contract, was executed in in April 2006 with a 40 year term. The Long Term Renewal Contract provides for delivery of up to 133,000 acre feet per year of CVP water in dry years to supplement the District's surface water supplies. Deliveries to the District are limited to a 165,000 acre foot total over any three successive dry years. In years in which the District takes delivery of CVP water, the District's allocated CVP capital cost and the District's operations and maintenance deficit balance will be paid down commensurately with the quantity of water delivered. For example, if the District had to take delivery of 80,000 acre feet in fiscal year 15, the District's CVP capital and deficit balances would each be reduced by approximately 20%. The balances must be paid off by 2030.

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REQUIRED SUPPLEMENTAL INFORMATION

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EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014
(Dollars in thousands)

(1) Pension Plan

Schedule of Changes in Employer's Net Pension Liability (in thousands):

	2015	2014
Total pension liability		
Service cost	$34,987	$34,857
Interest	127,558	120,810
Change of benefit terms		
Differences between expected and actual experience	438	(402)
Changes of assumptions	18,421	
Benefit payments, including refunds of employee contributions	(71,232)	(65,427)
Net change in total pension liability	110,172	89,838
Total pension liability - beginning	1,646,534	1,556,696
Total pension liability - ending (a)	$1,756,706	$1,646,534
Plan fiduciary net position		
Contributions - employer	$61,660	$53,795
Contributions - employee	11,963	10,427
Net investment income	216,601	136,630
Benefit payments, including refunds of employee contributions	(71,232)	(65,427)
Administrative expense	(1,233)	(1,200)
Net change in plan fiduciary net position	217,759	134,225
Plan fiduciary net positon - beginning	1,107,628	973,403
Plan fiduciary net position - ending (b)	$1,325,387	$1,107,628
Plan's net pension liability - ending (a) - (b)	$431,319	$538,906

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Unaudited

(2) Pension Plan

Schedule of Employer's Net Pension Liability (in thousands):

	2015	2014
Total pension liability	$1,756,706	$1,646,534
Plan fiduciary net position	(1,325,387)	(1,107,628)
Net pension liability	$431,319	$538,906
Plan fiduciary net position as a percentage of total pension liability	75.45%	67.27%
Covered employee payroll	$173,111	$166,762
Plan net pension liability as percentage of covered employee payroll	249.16%	323.16%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(3) Pension Plan

Schedule of Employer's Contributions (in thousands):

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll *	Contributions as a percentage of covered employee payroll
2005	$27,670	$27,670	$0	$138,836	19.93%
2006	30,600	30,600	0	142,991	21.40%
2007	33,698	33,698	0	145,125	23.22%
2008	37,387	37,387	0	152,538	24.51%
2009	39,485	39,485	0	158,193	24.96%
2010	44,031	44,031	0	161,641	27.24%
2011	50,987	50,987	0	160,336	31.80%
2012	52,156	52,156	0	158,481	32.91%
2013	53,795	53,795	0	166,762	32.26%
2014	61,660	61,660	0	173,111	35.62%

* "Derived" by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered employee payroll. These amounts may therefore be different from the actual payrolls of the District.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(4) Pension Plan

Schedule of Investment Returns:

	2015	2014
Annual money weighted rate of return, net of investment expense	6.67%	19.42%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(5) Post-Employment Healthcare Plan

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

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) – entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
6/30/2005	$3,409	$71,892	$68,483	4.7%	$139,514	49.1%
6/30/2006	3,608	71,409	67,801	5.1%	142,373	47.6%
6/30/2007	4,208	105,409	101,201	4.0%	153,394	66.0%
6/30/2008	7,010	137,055	130,045	5.1%	158,499	82.0%
6/30/2009	7,354	130,245	122,891	5.6%	161,893	75.9%
6/30/2010	10,061	135,379	125,318	7.4%	164,085	76.4%
6/30/2011	12,048	135,360	123,312	8.9%	159,505	77.3%
6/30/2012	14,240	138,240	123,999	10.3%	158,847	78.1%
6/30/2013	16,522	138,120	121,598	12.0%	159,246	76.4%
6/30/2014	19,634	140,416	120,782	14.0%	167,196	72.2%

Unaudited

(6) Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25-year periods; experience gains/ losses are amortized over separate decreasing 20-year periods.
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	7.50%
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service*
Inflation rate	3.00%
Cost-of-living adjustments	3.00%
Mortality	Healthy: RP-2000 Combinded Healthy Mortality Table projected with scale AA to 2016, set back one year for males and set back two years for females
Annual healthcare costs trend rates	6.875% reduced by increments to a rate of 5% after 10 years

All assumptions are the same for the post-employment health care benefits except for the discount rate, assumed at a rate of 7.00%, for the funded and unfunded portions.

Unaudited.

SUPPLEMENTAL INFORMATION

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EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEE RETIREMENT SYSTEM TRUST FUND
COMBINING BALANCE SHEET
June 30, 2015
(With summarized comparative financial information as of June 30, 2014)
(DOLLARS IN THOUSANDS)

	2015			
	Pension plan benefits	Post-employment healthcare benefits	Total	2014 Total
Assets:				
Cash and cash equivalents, at fair value	$29,713	$501	$30,214	$36,658
Invested securities lending collateral	106,749	1,799	108,548	129,511
Prepaid expenses		495	495	477
Receivables:				
Brokers, securities sold	5,742	97	5,839	2,945
Employer	2,805	415	3,220	2,964
Plan members	634		634	537
Interest and dividends	2,422	41	2,463	2,074
Total receivables	11,603	553	12,156	8,520
Investments, at fair value:				
U.S. government obligations	72,380	1,220	73,600	82,377
Municipal bonds	2,213	37	2,250	4,385
Domestic corporate bonds	158,275	2,667	160,942	153,500
International bonds	17,880	301	18,181	10,847
Domestic stocks	812,776	13,695	826,471	783,177
International stocks	216,509	3,648	220,157	204,458
Real estate	72,724	1,225	73,949	68,194
Total investments	1,352,757	22,793	1,375,550	1,306,938
Total assets	1,500,822	26,141	1,526,963	1,482,104
Liabilities:				
Accounts payable and accrued expenses	1,660	28	1,688	1,507
Payables to brokers, securities purchased	9,360	158	9,518	4,198
Securities lending collateral	106,749	1,799	108,548	129,511
Total liabilities	117,769	1,985	119,754	135,216
Net position held in trust for pension benefits and post-employment healthcare benefits.	$1,383,053	$24,156	$1,407,209	$1,346,888

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2015
(With summarized comparative financial information for the year ended June 30, 2014)
(DOLLARS IN THOUSANDS)

	2015			
	Pension plan benefits	Post-employment healthcare benefits	Total	2014 Total
Additions:				
Contributions:				
Employer	$64,177	$8,964	$73,141	$70,117
Plan members	13,260	167	13,427	12,133
Total contributions	77,437	9,131	86,568	82,250
Investment income:				
Net (depreciation) in fair value of investments:				
Traded securities	38,196	605	38,801	197,439
Real estate	2,256	36	2,292	2,129
Interest	4,263	67	4,330	7,193
Dividends	18,475	293	18,768	15,470
Real estate operating (loss), net	1,040	16	1,056	1,104
	64,230	1,017	65,247	223,335
Less:				
Investment expense	(4,839)	(77)	(4,916)	(3,437)
Borrowers' rebates and other agent fees on securities lending transactions	(103)	(2)	(105)	(67)
Net investment (loss)	59,288	938	60,226	219,831
Total additions, net	136,725	10,069	146,794	302,081
Deductions:				
Benefits paid	77,587	7,394	84,981	78,149
Refund of contributions	203		203	116
Administrative expenses	1,269	20	1,289	1,256
Total deductions	79,059	7,414	86,473	79,521
Change in net position	57,666	2,655	60,321	222,560
Net position:				
Beginning of year	1,325,387	21,501	1,346,888	1,124,328
End of year	$1,383,053	$24,156	$1,407,209	$1,346,888

See accompanying notes to financial statements

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
East Bay Municipal Utility District
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the East Bay Municipal Utility District, as of and for the year ended June 30, 2015 and the related notes to the financial statements, and have issued our report thereon dated August 27, 2015. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Pleasant Hill, CA 94523

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated August 27, 2015 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
August 27, 2015

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 Position
- Net Position by Component

Financial Trends

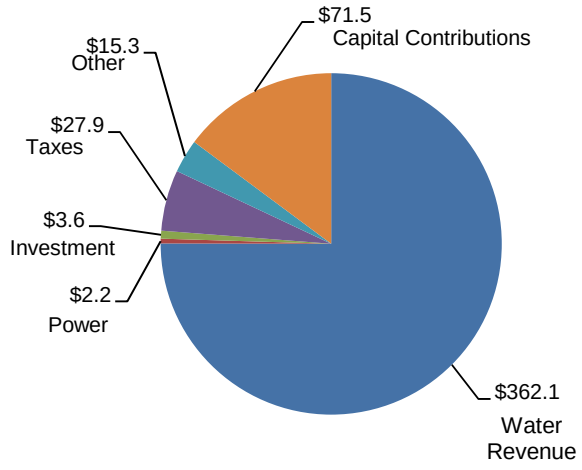
Comparative Highlights

Fiscal Years 2015 and 2014

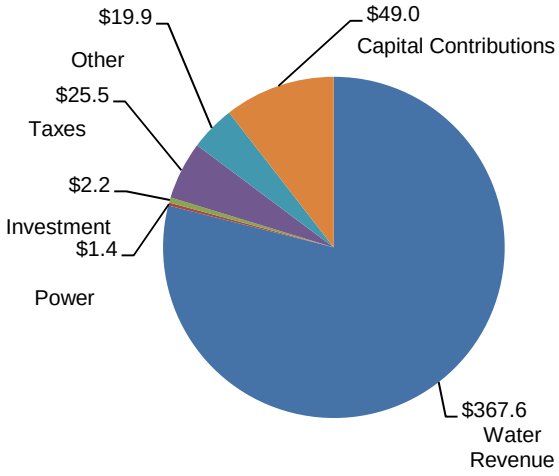
Water System

What We Received:
(In Millions)

2015

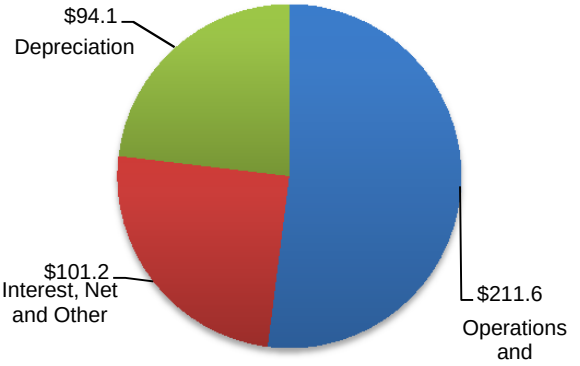


2014

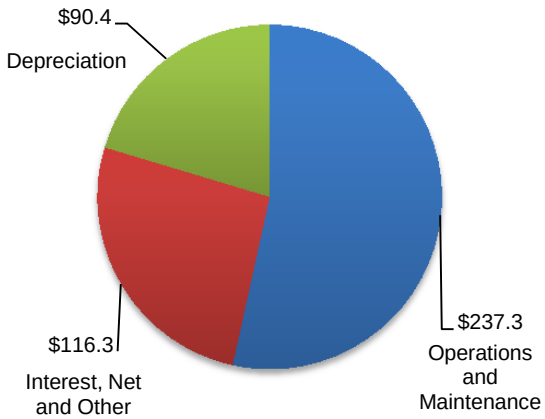


How It Was Used:
(In Millions)

2015



2014



Sources: Financial Statements

Financial Trends

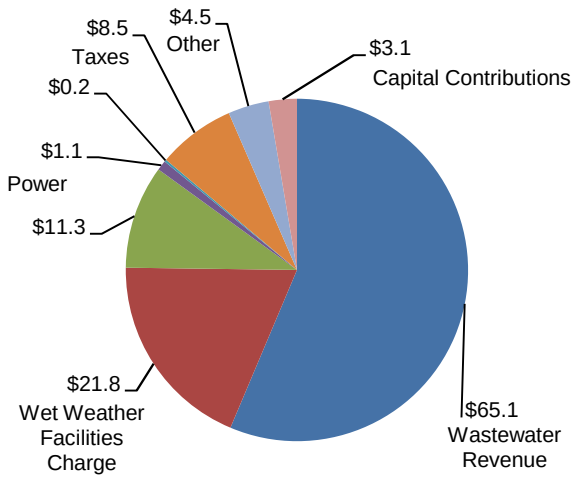
Comparative Highlights(continued)

Fiscal Years 2015 and 2014

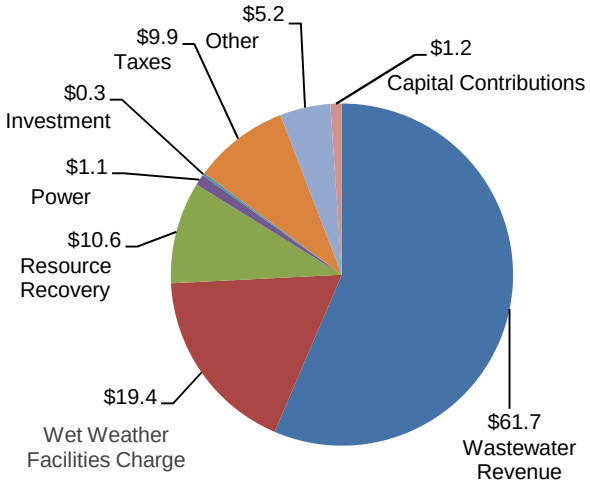
Wastewater System

What We Received:
(In Millions)

2015

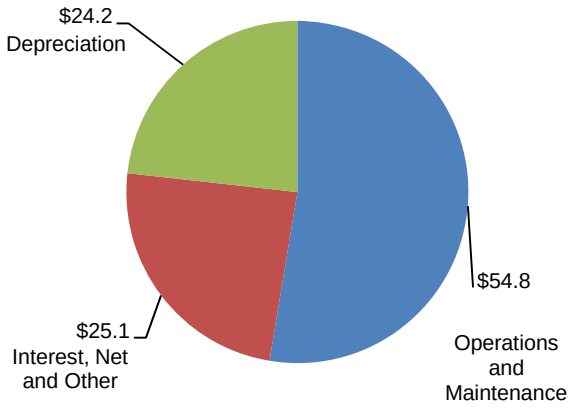


2014

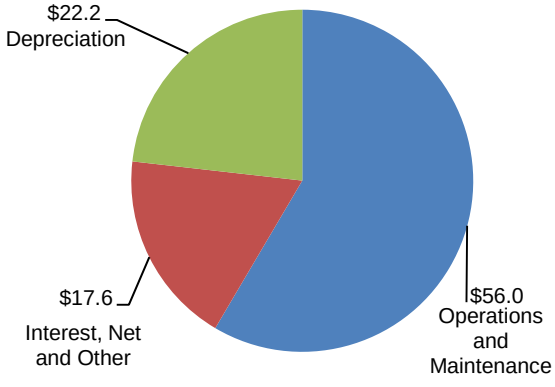


How It Was Used:
(In Millions)

2015



2014



Sources: Financial Statements

Financial Trends

Ten-Year Summary of Financial Data

Fiscal Years 2006 to 2015
(in Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010*	2009*	2008*	2007*	2006*
Water System										
Revenues										
Water Revenue	$ 362.1	$ 367.6	$ 336.1	$ 306.2	$ 283.6	$ 271.0	$ 287.3	$ 270.6	$ 260.7	$ 244.3
Taxes	27.9	25.5	26.4	23.4	22.2	22.9	23.4	22.7	21.7	19.1
Investment	3.6	2.2	2.6	4.7	5.3	10.8	25.6	40.4	21.8	18.4
Power	2.2	1.4	3.6	4.6	8.1	6.2	4.3	3.1	4.2	11.0
Capital Contributions	71.5	49.0	55.8	45.2	45.8	39.9	38.3	50.5	64.1	67.3
Other [1]	15.3	19.9	12.8	16.2	68.3	7.7	6.2	29.4	7.8	5.3
Total Revenues	482.6	465.6	437.3	400.3	433.3	358.5	385.1	416.7	380.2	365.4
Expenses										
Operations and Maintenance	211.6	237.3	223.0	215.2	211.2	206.5	224.5	209.9	179.2	174.9
Depreciation	94.1	90.4	87.3	83.7	76.2	74.5	71.5	70.7	71.7	64.3
Interest, Net and Other [2][3]	101.2	116.3	101.3	133.2	146.5	69.9	81.8	93.2	77.2	76.5
Total Expenses	406.9	444.0	411.6	432.1	433.9	350.9	377.8	373.8	328.1	315.7
Changes in Net Position	$ 75.7	$ 21.6	$ 25.7	$ (31.8)	$ (0.6)	$ 7.6	$ 7.3	$ 42.9	$ 52.1	$ 49.7

* Restated to meet current formatting.

[1] Other revenue in 2011 includes receipts of $53 million from Chevron for the RARE facilities.

[2] Other expense in 2011 includes the $53 million sale of the RARE facilities to Chevron.

[3] Other expense in 2012 includes $25 million GASB 64 expense due to changing SWAP counter parties. See Note 6F.

Sources: Financial Statements

Financial Trends

Ten-Year Summary of Financial Data

Fiscal Years 2006 to 2015
(in Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008*	2007*	2006*
Wastewater System										
Revenues										
Wastewater Revenue	$ 65.1	$ 61.7	$ 58.8	$ 55.2	$ 50.9	$ 48.8	$ 47.1	$ 46.2	$ 44.6	$ 42.6
Wet Weather										
Facilities Charges	21.8	19.4	18.3	17.2	16.1	15.3	14.3	13.7	13.7	13.8
Resource Recovery	11.3	10.6	9.3	9.1	9.4	7.6	7.7	6.9	5.8	4.5
Power	1.1	1.1	0.7	0.3						
Taxes	8.5	9.9	9.4	8.3	7.4	7.4	7.4	7.2	6.8	5.3
Investment	0.2	0.3	2.6	0.6	1.3	0.8	3.1	5.8	2.7	2.1
Capital Contributions	3.1	1.2	1.6	2.8	3.1	2.9	9.0	2.8	7.0	2.5
Other	4.5	5.2	3.4	3.1	2.4	1.2	0.9	0.7	1.4	0.7
Total Revenues	115.6	109.4	104.1	96.6	90.6	84.0	89.5	83.3	82.0	71.5
Expenses										
Operations and Maintenance	54.8	56.0	52.5	52.5	51.8	46.2	50.1	47.6	42.2	40.0
Depreciation	24.2	22.2	21.9	19.7	19.1	19.4	18.3	16.4	16.8	16.4
Interest, Net and Other	25.1	17.6	18.5	19.9	16.0	13.0	13.6	15.1	12.6	13.5
Total Expenses	104.1	95.8	92.9	92.1	86.9	78.6	82.0	79.1	71.6	69.9
Changes in Net Position	$ 11.5	$ 13.6	$ 11.2	$ 4.5	$ 3.7	$ 5.4	$ 7.5	$ 4.2	$ 10.4	$ 1.6

* Restated to meet current formatting.

Sources: Financial Statements

Financial Trends

Changes in Net Position

Fiscal Years 2006 to 2015
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008*	2007*	2006*
Operating Revenues										
Charges for services:										
Water	$ 362.1	$ 367.6	$ 336.1	$ 306.2	$ 283.6	$ 271.0	$ 287.3	$ 270.6	$ 260.7	$ 244.3
Wastewater	98.2	91.7	86.4	81.5	76.4	71.7	69.1	66.7	64.1	60.9
Power	3.3	2.5	4.3	4.9	8.1	6.2	4.3	3.1	4.2	11.0
Total Operating Revenues	463.6	461.8	426.8	392.6	368.1	348.9	360.7	340.4	329.0	316.2
Operating Expenses										
Water	305.7	327.8	310.3	299.0	287.4	281.1	296.0	280.5	250.9	239.2
Wastewater	79.0	78.3	74.4	72.2	70.9	65.5	68.4	64.0	59.0	56.4
Total Operating Expenses	384.7	406.1	384.7	371.2	358.3	346.6	364.4	344.5	309.9	295.6
Operating Activities	78.9	55.7	42.1	21.4	9.8	2.3	(3.7)	(4.1)	19.1	20.6

* Restated to meet current formatting.

Sources: Financial Statements

Financial Trends

Changes in Net Position (continued)

Fiscal Years 2006 to 2015
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008*	2007*	2006*
General Revenues and Other Changes in Net Position										
Non-Operating Activites										
Investment income	3.8	2.5	5.2	5.2	6.6	11.6	28.6	46.3	24.4	20.5
Taxes and subventions	36.4	35.4	35.8	31.7	29.6	30.3	30.8	29.9	28.5	24.5
Interest and amortization of bond expenses	(124.3)	(121.1)	(116.3)	(121.3)	(105.8)	(80.9)	(92.3)	(106.7)	(88.9)	(88.9)
Other income (expense)	17.8	12.4	12.7	(12.3)	14.0	6.9	4.1	28.4	8.3	4.8
Capital grants and contributions	74.6	50.2	57.4	48.0	48.9	42.8	47.3	53.3	71.0	69.8
Total Non-Operating Activities	8.3	(20.6)	(5.2)	(48.7)	(6.7)	10.7	18.5	51.2	43.3	30.7
Changes in Net Position[(1)]	$ 87.2	$ 35.1	$ 36.9	$ (27.3)	$ 3.1	$ 13.0	$ 14.8	$ 47.1	$ 62.4	$ 51.3

* Restated to meet current formatting.

[(1)] Fiscal year 2015 of $87.2 is for operating items only and does not include the GASB 68 adjustment. See Note 8 in the financial statements for details.
Fiscal year 2012 of $(27.3) is for operating items only and does not include the GASB 65 adjustment. See Note 6G in the financial statements for details.

Sources: Financial Statements

Financial Trends

Net Position by Component

Fiscal Years 2006 to 2015
(In Millions)

	Fiscal Year Ended June 30									
	2015*	2014	2013	2012*	2011	2010	2009	2008	2007	2006
Business-type activities										
Net investment in capital assets	$ 1,047.3	$ 1,083.4	$ 1,031.4	$ 983.5	$ 1,202.7	$ 1,293.5	$ 1,304.6	$ 1,182.8	$ 1,174.5	$ 1,226.1
Restricted for construction	19.6	21.8	21.1	22.7	42.9	66.8	84.5	85.4	89.6	78.6
Restricted for debt service	13.6	32.8	36.9	73.5	63.8	66.5	58.8	55.1	38.1	37.7
Restricted-other	242.9	243.0	256.5	251.4	25.5	3.0	3.1	3.0	2.9	2.9
Unrestricted	(49.7)	282.7	282.7	260.5	297.5	199.5	165.3	275.2	249.2	146.5
Total business-type activities net position	$ 1,273.7	$ 1,663.7	$ 1,628.6	$ 1,591.6	$ 1,632.4	$ 1,629.3	$ 1,616.3	$ 1,601.5	$ 1,554.3	$ 1,491.8

*Restated for GASB 65 in 2012.

*Implementation of GASB 68 in 2015.

Sources: Financial Statements

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 2006 to 2015

Water System
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water	$362.1	$367.6	$336.1	$306.2	$283.6	$271.0	$287.3	$270.6	$260.7	$244.3
Taxes	27.9	25.5	26.4	23.4	22.2	22.9	23.4	22.7	21.7	19.1
Construction from SCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7	13.7
Interest	3.5	1.7	3.7	6.4	5.7	9.7	24.5	40.6	20.3	16.5
Power	2.2	1.4	3.6	4.6	8.1	6.2	4.3	3.1	4.2	11.0
Rental & Other [1]	15.4	20.4	11.7	14.5	67.9	7.0	4.1	27.7	8.4	6.3
Total	$411.1	$416.6	$381.5	$355.1	$387.5	$316.8	$343.6	$364.7	$335.0	$310.9

[1] Includes revenue of $53 million from the sale of the RARE facilities to Chevron in 2011 and $6 million from the sale of land in 2014.

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.

Sources: Financial Statements

Revenue Capacity

Ten-Year Summary of Revenue by Source

Fiscal Years 2006 to 2015

Wastewater System
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008*	2007*	2006*
Wastewater	$ 65.1	$ 61.7	$ 58.8	$ 55.2	$ 50.9	$ 48.8	$ 47.1	$ 46.2	$ 44.6	$ 42.6
Wet Weather Facilities	21.8	19.4	18.3	17.2	16.1	15.3	14.3	13.7	13.7	13.8
Resource Recovery	11.3	10.6	9.3	9.1	9.4	7.6	7.7	6.9	5.8	4.5
Power	1.1	1.1	0.7	0.3	-	-	-	-	-	-
Taxes	8.5	9.9	9.4	8.3	7.4	7.4	7.4	7.2	6.8	5.3
Interest	0.3	0.2	0.9	1.7	2.0	1.2	2.9	5.7	2.1	1.8
Other	4.4	5.3	5.0	2.1	1.6	0.6	1.2	0.8	2.0	0.7
Total	$ 112.5	$ 108.2	$ 102.4	$ 93.9	$ 87.4	$ 80.9	$ 80.6	$ 80.5	$ 75.0	$ 68.7

* Restated to meet current formatting.

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

Sources: Financial Statements

Revenue Capacity

Rate History

Fiscal Years 2006 to 2015

Fiscal Year	Water		Wastewater	
	Monthly Base Rate	Rate per 748 (1ccf) Gallons	Monthly Base Rate	Rate per 748 (1ccf) Gallons
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
2012	11.54	2.28	11.61	0.63
2013	12.23	2.42	12.30	0.66
2014	13.42	2.66	13.18	0.73
2015	14.69	2.91	14.33	0.79

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.

Source: Customer Information System

Revenue Capacity

Ten-Year Summary of Net Revenue and Debt Service Coverage

Fiscal Years 2006 to 2015

Water System
(In Millions)

Fiscal Year	Total Revenue (1)	Operations & Maintenance Expense (2)	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio
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	121.3	1.46
2010*	351.7	156.1	195.6	126.6	1.54
2011*	374.7	159.5	215.2	143.7	1.50
2012*	381.4	174.4	207.0	130.7	1.58
2013	399.4	170.8	228.6	133.7	1.71
2014	433.6	223.2	210.4	126.4	1.66
2015	435.1	192.9	242.2	145.7	1.66

* Restated to match current format which includes capacity fees

(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, pension expenses and expenses paid with property tax revenues.

Sources: Financial Statements and Official Statements

Revenue Capacity

Ten-Year Summary of Net Revenue and Debt Service Coverage

Fiscal Years 2006 to 2015

Wastewater System
(In Millions)

Fiscal Year	Total Revenue (1)	Operations & Maintenance Expense (2)	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio
2006*	63.3	38.0	25.3	15.8	1.60
2007*	67.6	39.1	28.5	16.0	1.78
2008*	75.3	41.6	33.7	20.2	1.67
2009*	74.6	44.6	30.0	20.4	1.47
2010*	74.7	41.3	33.4	19.6	1.70
2011*	82.3	46.3	36.0	21.4	1.68
2012	88.7	48.8	39.9	26.4	1.51
2013	92.0	47.0	45.0	28.3	1.59
2014	99.1	53.4	45.7	28.6	1.60
2015	106.8	57.9	48.9	28.0	1.75

* Restated to match current format which includes capacity fees

(1) Gross Revenues include operating revenue, investment earnings, facilities reserve charges, capacity fees,

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

Sources: Financial Statements and Official Statements

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
- Direct and Overlapping Debt
- Summary of Debt Outstanding

Debt Capacity

Debt Ratings

June 30, 2015

District Debt by Type	Rating by Standard & Poor's	Rating by Moody's Investors Service	Rating by Fitch
Water System			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+
Variable Rate Revenue Bonds			
Long-term Underlying Rating	AAA	Aa1	-
Short-term Rating	A-1+	VMIG-1	-
Extendable Commercial Paper	A-1+	P-1	F1+
Wastewater System			
General Obligation Bonds	AAA	Aa1	-
Fixed Rate Revenue Bonds	AAA	Aa2	AA+
Extendable Commercial Paper	A-1+	P-1	F1+

Sources: Financial Statements

Debt Capacity

Outstanding Debt by Type

Fiscal Years 2006 to 2015

Water System
(In thousands)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans Payable	Total
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
2012	0	2,273,090	17,970	2,291,060
2013	0	2,210,830	17,002	2,227,832
2014	0	2,235,960	16,011	2,251,971
2015	0	2,319,730	14,996	2,334,726

Wastewater System
(In thousands)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans Payable	Total
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
2012	21,650	440,085	0	461,735
2013	18,555	430,160	0	448,715
2014	14,160	419,880	0	434,040
2015	10,910	397,965	0	408,875

Sources: Financial Summary

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

As of June 30, 2015
(In Thousands)

Water System		
Authorized but unissued revenue bonds	$	995,280
Outstanding short-term debt (due within one year)	$	48,220
Wastewater System		
Authorized but unissued revenue bonds	$	204,360
Outstanding short-term debt (due within one year)	$	13,000

Sources: Financial Statements

Debt Capacity

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

Fiscal Years 2006 to 2015
(In Thousands)

Water System

Fiscal Year	Accounts (1)	General Obligation Bonded Debt (2)	General Bonded Debt Per Account (In Dollars)	Annual Billings (2)	Percentage of General Bonded Debt To Annual Billings
2006	379	0	0	244,280	0.00%
2007	381	0	0	260,678	0.00%
2008	382	0	0	270,564	0.00%
2009	382	0	0	287,313	0.00%
2010	382	0	0	271,022	0.00%
2011	383	0	0	283,644	0.00%
2012	378	0	0	306,228	0.00%
2013	379	0	0	336,066	0.00%
2014	381	0	0	367,547	0.00%
2015	382	0	0	362,136	0.00%

Wastewater System

Fiscal Year	Accounts (1)	General Obligation Bonded Debt (2)	General Bonded Debt Per Account (In Dollars)	Annual Billings (2)	Percentage of General Bonded Debt To Annual Billings
2006*	175	38,252	219	42,581	89.83%
2007*	176	34,298	195	44,593	76.91%
2008*	176	32,165	183	46,161	69.68%
2009*	176	29,785	169	47,085	63.26%
2010*	176	27,255	155	48,764	55.89%
2011*	177	24,545	139	50,910	48.21%
2012	174	21,650	124	55,191	39.23%
2013	175	18,555	106	58,784	31.56%
2014	176	14,160	80	61,775	22.92%
2015	176	10,910	62	65,108	16.76%

* Restated due to report duplication of certain accounts in previous years.

Source: (1) Customer Information System
(2) Financial and Statistical Reports

Debt Capacity

Direct and Overlapping Debt

Fiscal Year 2015

Wastewater System (Special District No. 1)

2014-15 Assessed Valuation: $ 83,977,290,120

Direct and Overlapping Tax and Assessment Debt:	% Applicable	Debt 6/30/14
Bay Area Rapid Transit District	14.977 %	$ 94,474,167
Peralta Community College District	100.000	381,035,000
Alameda Unified School District	100.000	148,257,692
Albany Unified School District	100.000	34,645,000
Berkeley Unified School District	100.000	278,615,000
Oakland Unified School District	100.000	811,005,000
Piedmont Unified School District	100.000	72,720,974
West Contra Costa Unified School District	19.671	196,104,323
Other School Districts	Various	101,798,622
City of Alameda	100.000	8,610,000
City of Albany	100.000	16,110,000
City of Berkeley	100.000	83,900,000
City of Oakland	99.982	206,492,825
East Bay Municipal Utility District, Special District No. 1	**100.000**	**10,910,000**
East Bay Regional Park District	22.990	40,644,021
West Contra Costa Healthcare District Parcel Tax Obligations	18.258	10,774,046
City of El Cerrito Parcel Tax Obligations	99.865	1,892,442
City of Alameda Community Facilities District Nos. 1 and 2	100.000	6,685,000
City of Berkeley Community Facilities District No. 1	100.000	4,500,000
1915 Act bonds	100.000	19,908,600
Sub-total Direct Tax and Assessment Debt		$ 10,910,000
Sub-total Overlapping Tax and Assessment Debt		2,518,172,712
Total Direct and Overlapping Tax and Assessment Debt		$ 2,529,082,712

Ratios to 2013-14 Assessed Valuation:	
Direct Debt ($10,910,000)	**0.01 %**
Total Direct and Overlapping Tax and Assessment Debt	3.01 %

(continued)

Sources: California Municipal Statistics, Inc.

Debt Capacity

Direct and Overlapping Debt (Continued)

Fiscal Year 2015

Wastewater System (Special District No. 1)

Overlapping General Fund Debt:	(1) % Applicable		Debt 6/30/14
Alameda County General Fund Obligations	35.891	%	$ 311,966,187
Alameda County Pension Obligations	35.891		24,105,912
Contra Costa County General Fund Obligations	3.018		7,623,437
Contra Costa County Pension Obligations	3.018		7,150,246
Alameda-Contra Costa Transit District Certificates of Participation	45.157		11,194,420
Peralta Community College District Pension Obligations	100.000		164,554,090
Oakland Unified School District Certificates of Participation	100.000		39,775,000
Other School District Certificates of Participation	Various		2,539,495
City of Alameda Cetificates of Participation	100.000		10,930,000
City of Berkeley General Fund Obligations and Pension Obligations	100.000		31,570,000
City of Oakland General Fund Obligations	99.982		199,231,632
City of Oakland Pension Obligations	99.982		330,373,897
Other City General Fund Obligations	Various		29,136,943
Morada-Orinda Fire Protection District Pension Obligation Bonds	0.015		3,063
Total Overlapping General Fund Debt			$ 1,170,154,322
Less: Contra Costa County Obligations supported from revenue funds			2,981,884
City of Richmond oblifations supported from port revenues			2,049,038
Total Net Overlapping General Fund Debt			$ 1,165,123,400
Overlapping Tax Increment Debt (Successor Agencies):	.603-100.000	%	$ 615,658,734
Total Direct Debt			$ 10,910,000
Gross Overlapping Debt			$ 4,303,985,768
Net Overlapping Debt			$ 4,298,954,846
Gross Combined Total Debt			$ 4,314,895,768
Net Combined Total Debt			$ 4,309,864,846

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

Ratios to Adjusted Assessed Valuation:		
Gross Combined Total Debt	5.14	%
Net Combined Total Debt	5.13	%
Ratios to Redevelopment Incremental Valuation ($16,418,096,984)		
Total Overlapping Tax Increment Debt	3.75	%

Sources: California Municipal Statistics, Inc.

Debt Capacity

Summary of Debt Outstanding*

As of June 30, 2015
(Thousands of Dollars)

Water System

Revenue Bonds		
Series 2007B	$	24,940
Series 2008A		105,250
Series 2010A		185,700
Series 2010B		400,000
Series 2012A		191,750
Series 2012B		312,250
Series 2013A		40,015
Series 2014A		128,315
Series 2014B		242,100
Series 2014C		75,000
Series 2015A		429,360
Series 2015B		74,335
Series 2015C		110,715
Total Water System Debt Outstanding	$	2,319,730

Wastewater System

General Obligation Bonds		
Series G	$	10,910
Revenue Bonds		
Series 2007B		29,815
Series 2010A		46,560
Series 2010B		150,000
Series 2012A		20,000
Series 2014A		80,425
Series 2015A		68,370
Series 2015B		2,795
Total Wastewater System Debt Outstanding	$	408,875

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

Sources: Financial Statements

Demographic and Economic Information Section

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

Demographic and Economic Information
District Information

Fiscal Year 2015

		Water System	Wastewater System
Established		1923	1944
Service Area	(square miles)	332	88
Population Served	(in thousands)	1,400	680
Unemployment Rate	(Alameda County - %)	4.6	4.6
Facilities:			
Miles of aqueducts		91.5	-
Miles of pipeline		4,126	-
Miles of tunnels		23.6	-
Miles of interceptors		-	29
Number of treatment plants*		10	-
Number of pumping stations		140	24
Number of treated water reservoirs		168	-
Number of reservoirs		175	-
Total District untreated water reservoir capacity	(acre feet)	766,740	-
Water demand per fiscal year			
District-provided water	(acre feet)	178,982	-
Water recycling per day	(in million gallons)	-	10.4
Wastewater treatment capacity			
Primary treatment		-	320
Secondary treatment		-	168
Energy Recovery	(%)	-	134
Number of employees		1,531	262
Average years of service of employees		13	13.5

* Includes one standby treatment plant

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

Demographic and Economic Information

Principal Water Rate Payers by Type of Customer

Fiscal Years 2006 to 2015
(In Thousands)

	2015		2014		2013		2012		2011		2010		2009		2008		2007		2006	
	Billings	%	Billings	%	Billings	%	Billings	%	Billings	%	Billings	%	Billings	%	Billings	%	Billings	%	Billings	%
Residential	$ 199,467	55.08%	$ 208,790	56.81%	$ 209,119	62.23%	$ 191,034	62.38%	$ 173,911	61.31%	$ 165,157	60.94%	$ 173,911	60.53%	$ 167,060	61.75%	$ 168,687	64.71%	$ 159,784	65.41%
Commercial	113,934	31.46%	112,769	30.68%	85,702	25.50%	76,109	24.85%	69,045	24.34%	64,198	23.69%	68,433	23.82%	62,304	23.03%	54,490	20.90%	47,737	19.54%
Industrial	26,145	7.22%	23,711	6.45%	20,796	6.19%	20,965	6.85%	23,269	8.20%	24,549	9.06%	27,570	9.60%	23,582	8.72%	23,411	8.98%	23,778	9.73%
Public Authority	14,253	3.94%	15,199	4.14%	14,370	4.28%	12,151	3.97%	11,926	4.20%	11,864	4.38%	12,381	4.31%	12,000	4.44%	10,015	3.84%	9,717	3.98%
Other	8,337	2.30%	7,078	1.93%	6,079	1.81%	5,970	1.95%	5,492	1.94%	5,254	1.94%	5,018	1.75%	5,618	2.08%	4,074	1.56%	3,261	1.33%
Total annual billings	$ 362,136	100%	$ 367,547	100%	$ 336,066	100%	$ 306,229	100%	$ 283,643	100%	$ 271,022	100%	$ 287,313	100%	$ 270,564	100%	$ 260,677	100%	$ 244,277	100%
Top 1 Rate Payer	$ 13,709	3.79%	$ 12,638	3.44%	$ 9,175	2.73%	$ 9,402	3.07%	$ 9,957	3.51%	$ 13,120	4.84%	$ 12,075	4.20%	$ 11,380	4.21%	$ 12,457	4.78%	$ 11,940	4.89%
Top 10 Rate Payers	37,498	10.35%	35,760	9.73%	31,128	9.26%	26,449	8.64%	26,267	9.26%	28,645	10.57%	29,122	10.14%	27,796	10.27%	28,265	10.84%	26,612	10.89%

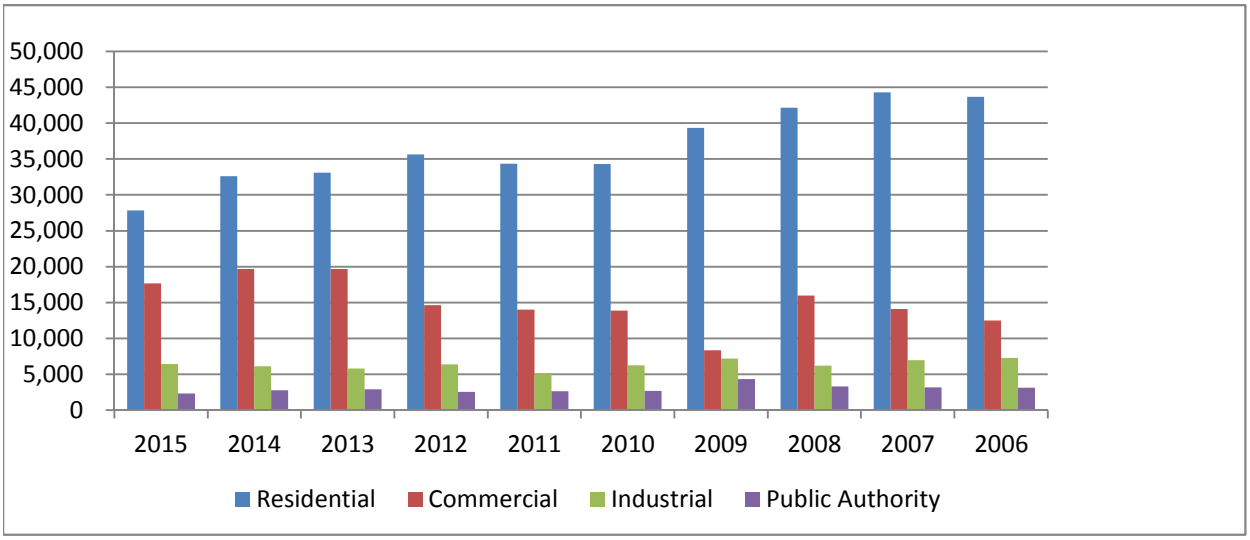
Source: Customer Information System

Demographic and Economic Information

Billed Water Consumption by Type of Customer

(In millions of gallons)

Fiscal Years 2006 to 2015



	Type of Customer				
Fiscal Year	Residential	Commercial	Industrial	Public Authority	Total
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
2012	35,657	14,632	6,363	2,521	59,173
2013	33,083	19,686	5,818	2,878	61,465
2014	32,604	19,666	6,120	2,752	61,142
2015	27,827	17,657	6,402	2,314	54,200

Source: Customer Information System

Demographic and Economic Information

Consumption and Account Comparative Highlights

Fiscal Years 2015 and 2014

Water System	2015	2014
During the Year:		
Total Water Production, millions of gallons	58,322	68,528
Average Daily Water Production, MGD*	160	187
Maximum Daily Water Production, MGD	227	288
Minimum Daily Water Production, MGD	113	106
At Year End:		
Number of Accounts	381,076	380,542
Number of Employees	1,531	1,506
Miles of Water Distribution Pipe	4,126	4,115
Operating Distribution Storage Capacity, millions of gallons	668	678

Wastewater System		
During the Year:		
Average Daily Wastewater Flow, MGD	55	60
At Year End:		
Number of Accounts	175,851	175,467
Number of Employees	262	254

*=millions of gallons per day

Source: Customer Information System

Demographic and Economic Information

Area Employment Information

Fiscal Years 2014 to 2015

	Company	Employment	City
1	University of California, Berkeley	Educational Services	Berkeley
2	County of Alameda	Public Administration	Oakland
3	Kaiser Permanente Medical Group Inc.	Health Care and Social Assistance	Oakland
4	Lawrence Livermore National Lab	Professional, Scientific, and Technical Services	Livermore & Berkeley
5	Safeway Inc.	Retail Trade	Pleasanton
6	Alta Bates Summit Medical Center	Health Care and Social Assistance	Oakland
7	Oakland Unified School Dist	Educational Services	Oakland
8	City of Oakland	Public Administration	Oakland
9	Tesla Motors	General Automotive Repair	Fremont
10	Waste Management	Wholesale Trade	Oakland

Previous years data unavailable, no change between 2014 and 2015.

Source: County of Alameda and County of Contra Costa Area Eemployment, CAFR FY2014.

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 2006 to 2015

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Function/Program										
Maintenance and Construction	732.5	732.5	732.0	699.0	660.0	660.0	603.5	603.5	611.5	574.5
Water Operations and Maintenance	196.5	196.5	197.5	196.5	232.5	235.5	282.5	279.5	278.5	309.5
Water Resources	38.0	40.0	44.0	46.0	44.0	44.0	42.0	42.0	42.0	42.0
Natural Resources	69.5	69.5	69.5	69.5	69.5	70.5	68.0	68.0	68.0	68.0
Engineering and Construction	250.5	250.5	250.5	258.5	255.5	257.5	253.5	254.5	260.5	266.5
Office of the General Manager	26.5	25.5	25.5	29.5	29.5	29.5	33.5	33.5	34.5	34.5
Finance	97.5	96.5	97.5	55.0	57.0	57.0	54.0	54.0	65.0	67.0
Information Systems	92.0	93.0	95.0	94.0	94.0	94.0	93.0	93.0	91.0	92.0
Administration Department	2.0	56.0	57.0	103.5	106.5	106.5	107.5	107.5	99.5	100.5
Customer and Community Services [1]	142.5	101.0	104.0	138.0	138.0	144.0	137.0	137.0	137.0	138.0
Human Resources	58.0	47.5	47.5	49.5	48.5	48.5	49.5	49.5	49.5	49.5
Office of General Counsel	17.0	17.0	17.0	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	8.0	8.0	8.0	8.0
Wastewater	288.5	286.5	286.5	284.5	286.5	283.5	285.5	284.5	286.5	284.5
Total	2019.0	2,020.0	2,031.5	2,048.0	2,046.0	2,055.0	2,034.0	2,031.0	2,048.0	2,051.0

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

Source: Office of Budgets and Rates

Operating Information

Assessed Valuation of Taxable Property

Fiscal Years 2006 to 2015
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010*	2009*	2008	2007	2006
Water System										
Alameda County	112,041	103,645	$ 98,957	$ 94,461	$ 92,498	$ 91,896	$ 93,523	$ 95,616	$ 90,960	$ 83,810
Contra Costa County**	96,463	89,672	83,087	81,219	79,598	79,539	82,362	85,734	83,512	77,161
Total	**$ 208,504**	**$ 193,317**	**$ 182,044**	**$ 175,680**	**$ 172,096**	**$ 171,435**	**$ 175,885**	**$ 181,350**	**$ 174,472**	**$ 160,971**
Wastewater System										
Alameda County	85,883	79,134	$ 75,006	$ 71,934	$ 70,659	$ 70,004	$ 71,451	$ 72,332	$ 68,416	$ 62,758
Contra Costa County	5,291	4,843	4,437	4,216	4,335	4,368	4,319	4,395	4,213	3,918
Total	**$ 91,174**	**$ 83,977**	**$ 79,443**	**$ 76,150**	**$ 74,994**	**$ 74,372**	**$ 75,770**	**$ 76,727**	**$ 72,629**	**$ 66,676**

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 all years with reduction for Redevelopment Agencies removed.
** Minor revision in Contra Coasta County assessed valuation from amounts previously reported due to a change in source data used.

Source: Alameda and Contra Costa Counties

Operating Information

Ten-Year Summary of Property, Plant and Equipment

Fiscal Years 2006 to 2015

Water System
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Structures, Buildings and Equipment	$4,919.4	$4,779.4	$ 4,600.4	$ 4,473.1	$ 4,040.1	$ 3,864.4	$ 3,705.1	$ 3,591.6	$ 3,470.3	$ 3,221.5
Less Accumulated Depreciation	(1,602.8)	(1,510.2)	(1,423.7)	(1,337.9)	(1,253.7)	(1,177.5)	(1,104.2)	(1,035.0)	(965.3)	(917.9)
Subtotal	3,316.6	3,269.2	3,176.7	3,135.2	2,786.4	2,686.9	2,600.9	2,556.6	2,505.0	2,303.6
Land and Rights-of-Way	58.4	55.2	55.5	55.4	52.9	53.5	50.9	49.9	48.9	49.0
Construction in Progress	309.4	243.2	252.5	209.8	716.6	783.1	705.6	422.7	243.7	314.1
Total Capital Assets, Net	$ 3,684.4	$ 3,567.6	$ 3,484.7	$ 3,400.4	$ 3,555.9	$ 3,523.5	$ 3,357.4	$ 3,029.2	$ 2,797.6	$ 2,666.7

Sources: Financial Statements

Operating Information

Ten-Year Summary of Property, Plant and Equipment

Fiscal Years 2006 to 2015

Wastewater System
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Structures, Buildings and Equipment	$ 991.7	$ 969.6	$ 899.9	$ 877.7	$ 815.8	$ 797.2	$ 768.5	$ 744.8	$ 711.6	$ 703.6
Less Accumulated Depreciation	(396.1)	(371.9)	(353.6)	(331.9)	(312.1)	(293.0)	(273.6)	(255.6)	(239.2)	(224.9)
Subtotal	595.6	597.7	546.3	545.8	503.7	504.2	494.9	489.2	472.4	478.7
Land and Rights-of-Way	21.0	20.2	20.0	20.0	19.9	19.7	19.7	19.5	16.1	5.6
Construction in Progress	65.0	59.1	100.3	87.6	112.2	81.8	57.9	46.3	50.9	30.0
Total Capital Assets, Net	$ 681.6	$ 677.0	$ 666.6	$ 653.4	$ 635.8	$ 605.7	$ 572.5	$ 555.0	$ 539.4	$ 514.3

Sources: Financial Statements

Operating Information

Capital Asset Statistics by Function/Program

Fiscal Years 2006 to 2015

Function/Program	Fiscal Year Ended June 30 2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water System										
Water mains (miles)	4,126	4,115	4,110	4,110	4,110	4,110	4,110	4,110	4,110	4,085
Fire hydrants	30,113	30,576	30,453	30,421	30,319	30,247	30,203	30,050	29,916	29,532
Reservoir storage at June 30 (in acre feet)	382,050	466,250	610,000	631,580	670,580	719,680	657,270	472,330	560,290	719,460
Wastewater System										
Sanitary sewers (miles)	Owned by various communities									
Storm sewers (miles)	Owned by various communities									
Treatment capacity (thousands of gallons per day)	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000

Source: Engineering Department and Accounting Department

Operating Information

Operating Indicators by Function/Program

Fiscal Years 2006 to 2015

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Function/Program										
Water System										
New connections	1,041	621	534	426	477	514	735	1,535	1,994	2,230
Water main breaks	1,027	980	813	825	726	852	1,238	916	938	842
Average daily production (millions of gallons)	160	187	184	178	174	174	182	205	211	211
Peak daily production (millions of gallons)	227	288	253	251	260	253	262	288	336	311
Wastewater System										
Average daily sewage treatment (millions of gallons)	55	60	61	62	71	68	66	69	67	82

Source: NBO/CMS/Annual Report/Wastewater

Operating Information

Ten-Year Summary of Expense by Source

Fiscal Years 2006 to 2015
(In Millions)

	Fiscal Year Ended June 30									
	2015	2014	2013	2012	2011*	2010*	2009*	2008*	2007*	2006*
Interest and Amortization of Bonds	$ 124.3	$ 121.1	$ 116.3	$ 121.3	$ 105.8	$ 80.9	$ 92.3	$ 106.7	$ 88.9	$ 88.9
Depreciation on Utility Plant	118.3	112.7	109.2	103.5	95.2	94.0	89.8	87.1	88.5	80.7
Water Treatment and Distribution	100.0	97.6	89.6	91.8	84.2	86.0	83.5	80.8	77.0	76.0
General Administration	45.7	57.7	61.7	46.9	52.2	49.5	63.7	61.9	37.2	34.7
Raw Water [1]	43.5	41.1	33.1	31.8	31.1	28.9	36.3	29.6	25.3	24.2
Sewer Treatment Plant Operations	32.5	31.7	28.7	30.4	28.7	25.2	25.9	24.8	23.0	22.1
Financial and Risk Management	19.3	17.0	17.2	18.2	18.1	17.5	20.8	17.9	15.7	17.5
Customer Accounting and Collecting	19.9	20.3	18.5	18.9	17.5	16.1	16.5	14.8	14.0	13.3
Facilities Management	6.9	9.0	8.8	11.8	12.2	8.1	5.7	6.9	7.6	7.1
Sewer Lines and Pumping	13.9	13.7	12.5	12.5	13.4	12.9	13.2	12.0	12.3	11.7
Recreation Areas, Net	5.3	5.2	5.3	5.5	5.7	8.4	9.0	8.6	9.4	8.3
Total:	**$ 529.6**	**$ 527.1**	**$ 500.9**	**$ 492.6**	**$ 464.1**	**$ 427.5**	**$ 456.7**	**$ 451.1**	**$ 398.9**	**$ 384.5**

* Restated to meet current formatting.

[1] Includes $2 million and $6 million from the purchase of additional drought water supply in 2015 and 2014, respectively.

Sources: Financial Statements

Capacity Charge Funds

Capacity Charge Funds

Government Code Section 66013 requires local agencies that collect capacity charges to deposit and account for these fees in a separate capital facilities fund. In addition, local agencies are required to annually provide the information in this report to the public upon request.

The District has the following capacity charge funds:

Future Water Supply (FWS) Fund. This fund collects System Capacity Charges for new water service connections to pay for their share of the debt service costs of FWS projects. Changes in this fund for FY15 are shown in the table below.

FY15 Future Water Supply Fund	
Balance 7/1/14	19,036,510
Additions	9,092,486
Costs Applied	(9,092,486)
Interest Earnings	50,783
Balance 6/30/15	19,087,293

Wastewater Equipment Replacement Fund (ERF). This fund collects a fee for the amount of capacity used by new wastewater connections, and is used to pay for equipment replacements. Changes in this fund for FY15 are shown in the table below.

FY15 Wastewater Equipment Replacement Fund	
Balance 7/1/14	4,907,071
Additions	2,785,821
Costs Applied	(2,849,593)
Interest Earnings	14,368
Balance 6/30/15	4,857,667

Current and projected project spending and the percentage funded from capacity charges for FY15 and FY16 are shown in the following tables:

Recorded Spending By Fund (Fiscal Year 2015)

Project	% of Project Funded by Capacity Fees (Percent)	FY15 Expenditures Funded by Capacity Fees ($thousands)
Future Water Supply Fund		
East Bayshore Recycled Water Project	70	525
North Richmond Recycled Water Facility	70	285
SRV Recycled Water Project	70	822
Water Recycling WSMP	70	94
Additional Supplemental Supply Projects	70	1,426
Bayside Groundwater Project	49	77
Folsom South Canal Connection	70	559
Freeport Regional Water Project	70	97
Wastewater Equipment Replacement Fund		
Routine Capital Equipment Replacement	100	2,849

Projected Spending By Fund (Fiscal Year 2016)

Project	% of Project Funded by Capacity Fees (Percent)	FY16 Projected Expenditures Funded by Capacity Fees ($thousands)
Future Water Supply Fund		
East Bayshore Recycled Water Project	70	3,370
North Richmond Recycled Water Facility	70	1,199
SRV Recycled Water Project	70	4,216
Water Recycling WSMP	70	965
Additional Supplemental Supply Projects	70	1,395
Bayside Groundwater Project	49	104
Folsom South Canal Connection	70	44
Freeport Regional Water Project	70	95
Wastewater Equipment Replacement Fund		
Routine Capital Equipment Replacement	100	2,688

Continuing Disclosure

East Bay Municipal Utility District

General Information and Purpose

Water System

Wastewater System

Trustee Contacts by Issue

Contacts at East Bay Municipal Utility District

EBMUD Web site

EAST BAY MUNICIPAL UTILITY DISTRICT

CONTINUING DISCLOSURE INFORMATION STATEMENT

(OPERATING AND FINANCIAL DATA PROVIDED IN ADDITION TO AUDITED FINANCIAL STATEMENTS SEPARATELY FILED)

GENERAL INFORMATION AND PURPOSE

The purpose of this document is to provide information about the East Bay Municipal Utility District (the "District"). The information in this Continuing Disclosure Information Statement is provided in order to comply with the District's contractual commitment established by certain continuing disclosure undertakings of the District, entered into in accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), to provide certain information specified therein. Certain information in this Continuing Disclosure Information Statement is not required to be provided by the District's continuing disclosure undertakings. By providing such information, the District does not undertake or agree to provide such information in any future year. The District makes no representation that this Continuing Disclosure Information Statement contains all information material to a decision to purchase or sell any of the District's bonds.

The information set forth herein has been furnished by the District and includes information obtained from other sources, which are believed to be reliable. Any statements herein involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that such opinion or estimates will be realized. The information and expressions of opinion contained in this Continuing Disclosure Information Statement are provided as of the respective dates specified herein and are subject to change without notice, and the filing of this Continuing Disclosure Information Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the District or in the other matters described herein since the date as of which such information is provided. The District reserves the right to amend this information at any time.

Investors may obtain further information about the District by obtaining a copy of the District's most recent official statement from the Municipal Securities Rulemaking Board at http://emma.msrb.org/. Information requests may also be directed to:

Director of Finance
East Bay Municipal Utility District
375 Eleventh Street
Oakland, California 94607-4240
Phone: (510) 287-0310

This information statement provides information about the East Bay Municipal Utility District. Generally, this document relates to debt issued by the District under three security structures:

- **General Obligation Bonds**
- **Water System Revenue Bonds**
- **Wastewater System Revenue Bonds**

As of September 15, 2010, the District covenanted and agreed that it will not in the future issue any additional senior lien water system revenue bonds or senior lien wastewater system revenue bonds previously issued under the District's Senior Water Bond Resolution and Senior Wastewater Bond Resolution, respectively. Certain of the District's bonds that were once designated as Water System Subordinated Revenue Bonds and Wastewater System Subordinated Revenue Bonds, respectively, are now referred to as Water System Revenue Bonds and Wastewater System Revenue Bonds, respectively, in order to reflect that the lien of the prior senior lien water system revenue bonds and prior senior lien wastewater system revenue bonds has been closed. There are no senior lien water system revenue bonds or senior lien wastewater system revenue bonds remaining outstanding.

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Debt Outstanding

The following Table 1 summarizes the District's Water System outstanding long-term debt. All information is presented as of June 30, 2015.

TABLE 1: SUMMARY OF WATER SYSTEM DEBT OUTSTANDING

Issue	*Date of Issue*	*Last Maturity*	*Amount Issued*	*Outstanding June 30, 2015*
Water System Revenue Bonds				
Revenue Refunding Bonds, Series 2007B	5/23/07	6/01/19	$ 54,790,000	$ 24,940,000
Revenue Refunding Bonds, Series 2008A[1]	3/20/08	6/01/38	322,525,000	105,250,000
Revenue/Refunding Bonds, Series 2010A	2/03/10	6/01/36	192,830,000	185,700,000
Revenue Bonds, Series 2010B (Build America Bonds)	2/23/10	6/01/40	400,000,000	400,000,000
Revenue Refunding Bonds, Series 2012A	10/10/12	6/01/37	191,750,000	191,750,000
Revenue Refunding Bonds, Series 2012B	11/13/12	6/01/26	358,620,000	312,250,000
Revenue Refunding Bonds, Series 2013A	3/05/13	6/01/21	48,670,000	40,015,000
Revenue Refunding Bonds, Series 2014A	6/11/14	6/01/35	128,315,000	128,315,000
Revenue Refunding Bonds, Series 2014B	6/11/14	6/01/30	242,730,000	242,100,000
Revenue Bonds, Series 2014C	6/26/14	6/01/44	75,000,000	75,000,000
Revenue Refunding Bonds, Series 2015A	3/03/15	6/01/37	429,360,000	429,360,000
Revenue Bonds, Series 2015B (Green Bonds)	6/17/15	6/01/45	74,335,000	74,335,000
Revenue Bonds, Series 2015C	6/17/15	6/01/45	110,715,000	110,715,000
Total Water System Revenue Bonds			$2,629,640,000	$2,319,730,000
Parity Debt:				
Safe Drinking Water State Revolving Fund Loan (Upper San Leandro Reservoir)	1/01/03	1/01/24	2,188,000	1,064,423[2]
State Water Resources Control Board Loan (East Bayshore Recycled Water Project)	5/22/08	4/01/28	20,100,000	13,931,832
Total Parity State Loans			$ 22,288,000	$ 14,996,255
Subordinate Debt:				
Commercial Paper Notes (Water Series)	Various	Various	359,800,000[3]	359,800,000
Total Debt			$3,011,728,000	$2,694,526,255

(1) Liquidity support currently provided by Standby Bond Purchase Agreements with Wells Fargo Bank, National Association (Series 2008A-1 Bonds and Series 2008A-4 Bonds, expiring December 9, 2016) and U.S. Bank National Association (Series 2008A-2 and Series 2008A-3 Bonds, expiring July 2, 2018). The District has entered into interest rate swap agreements that provide a hedge for the Series 2008A Bonds.

(2) Reflects July 1, 2015 payment made in Fiscal Year 2014-15.

(3) Commercial paper notes may be issued by the District in an amount up to the statutory limit described herein.

Source: The District.

The following Table 2 summarizes the District's Wastewater System outstanding long-term debt. All information is presented as of June 30, 2015.

TABLE 2: SUMMARY OF WASTEWATER SYSTEM DEBT OUTSTANDING

	Date of Issue	*Last Maturity*	*Amount Issued*	*Outstanding June 30, 2015*
Wastewater System Revenue Bonds:				
Revenue Refunding Bonds, Series 2007B	06/06/07	06/01/26	$ 46,670,000	$ 29,815,000
Revenue/Refunding Bonds, Series 2010A	10/20/10	06/01/29	58,095,000	46,560,000
Revenue Bonds, Series 2010B	10/20/10	06/01/40	150,000,000	150,000,000
Revenue Refunding Bonds, Series 2012A	10/10/12	06/01/37	20,000,000	20,000,000
Revenue Refunding Bonds, Series 2014A	08/28/14	06/01/31	82,150,000	80,425,000
Revenue Refunding Bonds, Series 2015A	03/03/15	06/01/38	68,370,000	68,370,000
Revenue Refunding Bonds, Series 2015B	03/03/15	06/01/30	2,795,000	2,795,000
Total Wastewater System Revenue Bonds			$430,585,000	$397,965,000
Subordinate Debt:				
Commercial Paper Notes (Wastewater Series)	Various	Various	15,000,000[(1)]	15,000,000
General Obligation Bonds:				
Refunding Series G	02/27/14	04/01/18	14,160,000	10,910,000
Total Debt			$459,745,000	$423,875,000

(1) Commercial paper notes may be issued in an amount up to the statutory limit described herein.
Source: The District.

Commercial Paper Program

The District has authorized a short-term extendable commercial paper borrowing program. Under this program, the Water System or the Wastewater System may issue commercial paper notes at prevailing interest rates for periods of not more than 120 days from the date of issuance with the option by the District to extend the maturity for another 150 days. The program is not supported by any liquidity or revolving credit agreement.

As of June 30, 2015, $374,800,000 principal amount of extendable commercial paper notes was outstanding under the District's extendable commercial paper program, consisting of $359,800,000 of Extendable Municipal Commercial Paper Notes (Water Series) and $15,000,000 of Extendable Municipal Commercial Paper Notes (Wastewater Series), with an average weighted remaining life to maturity of 43 days.

During Fiscal Year 2016, the District authorized a traditional commercial paper program as an additional or alternative short-term borrowing mechanism. Commercial paper notes under the traditional commercial paper program may be issued for the Water System ("Commercial Paper Notes (Water Series)") or the Wastewater System ("Commercial Paper Notes (Wastewater Series)") at prevailing interest rates for periods of not more than 270 days from the date of issuance. The District has secured liquidity arrangements from various banking institutions in order to provide an additional source of repayment for commercial paper notes issued pursuant to its traditional commercial paper program. The District has provided for the issuance of Commercial Paper Notes (Water Series) under its traditional

commercial paper program for the purpose of refinancing and retiring all of its $359,800,000 Extendable Municipal Commercial Paper Notes (Water Series). Upon the issuance of such Commercial Paper Notes (Water Series) under the newly established traditional commercial paper program, no Extendable Municipal Commercial Paper Notes (Water Series) will remain outstanding.

Short-term indebtedness (including commercial paper notes under either of the above-mentioned programs, and/or other forms of bonds, notes or other evidences of short-term indebtedness, including bank credit) may be issued by the District under the authority of Chapter 7.5 of the Municipal District Act in a maximum aggregate principal amount outstanding at any one time of up to the lesser of either (1) the annual average of the total revenue for the three preceding years or, (2) 25% of the District's outstanding bonds. As of June 30, 2015, this limit was determined to be approximately $522,000,000.

The Water System and the Wastewater System commercial paper notes are payable from and secured by a pledge of the respective System's revenues on a basis subordinate to the Water System and Wastewater System revenue bonds.

The proceeds of the District's commercial paper notes may be used to finance or refinance the costs of (i) the planning, design, engineering, acquisition or construction of facilities for the storage, transmission or distribution of water; the storage, transmission or treatment of sewage or byproducts of sewage treatment; or the generation or transmission of electricity, (ii) the replacement of works of the District that have been damaged or demolished by reason of fire, flood, earthquake, sabotage or acts of God or the public enemy, (iii) any expenses or charges incurred in connection with the foregoing purposes and to reimburse the District for expenditures for any such purposes, or for the purpose of paying commercial paper notes issued for the foregoing purposes. There were no unused proceeds on June 30, 2015.

Investment Policy

The District's investment policy can be summarized as follows:

Funds of the District are invested in accordance with the Government Code of the State of California, the Municipal Utility District Act and the District's Investment Policy. Investments shall be in securities with a range of maturities to provide a high rate of return on investments while providing adequate security and liquidity to pay demands when due. Criteria for selecting investments, in order of priority, are:

1. *Safety* - The District's ability to recover principal and interest. Investments shall be made that will seek to insure the preservation of principal and interest and minimize the risk to the greatest extent possible. It is the primary duty of the Treasurer to protect, preserve and maintain cash on behalf of the District.
2. *Liquidity* - The District's ability to have cash available when needed to support expenditure cycles and budgetary objectives. The average maturity of the portfolio shall not exceed 720 days in order to balance liquidity and yields. No single investment can have a maturity of more than 5 years or, in the case of California municipal bonds, must have a put option within 5 years of the date of purchase.
3. *Yield* - Ability to provide maximum return on the District's investments while conforming to the safety and liquidity criteria above.

4. *Diversity* - Ability to maintain a broad investment portfolio for the District. In order to accomplish this, no more than 40% of the total cash portfolio shall be invested in any one type of security. Other than federally backed securities, no more than 10% of the total cash portfolio will be invested in any one investment issue, and no more than 10% with any one issuer.

Investment Options

The following are investment options for the District under the Government Code of the State of California.

1. US Treasury Notes, Bonds and Bills
2. The State of California Local Agency Investment Fund
3. Obligations issued by Federal Agencies
4. Banker's Acceptances
5. Commercial Paper
6. Medium Term Corporate Notes
7. Collateralized Repurchase Agreements
8. Certificates of Time Deposit
9. Negotiable Certificates of Deposit
10. Money Market Mutual Funds
11. California Municipal Bonds
12. California Asset Management Program (CAMP)

The District does not enter into reverse repurchase agreements or otherwise borrow for purposes of investing. The District does not invest in highly volatile derivatives and other such securities. Pursuant to the District's investment policy, all securities purchased from dealers and brokers are held in safekeeping by the trust department of a state or national bank on a payment vs. delivery basis. Collateral is delivered or assigned under a tri-party agreement for all repurchase agreements. Trade confirmations are reviewed for conformity to the original transaction by an individual other than the one who originated the transaction. Transactions are ratified by the General Manager and reported quarterly to the Finance/Administration Committee of the District's Board of Directors.

District Population

The District occupies approximately 332 square miles in 20 incorporated and 15 unincorporated communities in both Alameda and Contra Costa Counties. It covers the eastern shore of San Francisco Bay from Carquinez Strait in the north to and including San Lorenzo in the south and it extends approximately 20 miles east, beyond the Oakland-Berkeley hills, into Contra Costa County.

The District's Water System serves this entire area, reaching approximately 1.4 million people, or approximately 53% of the combined population of Alameda County and Contra Costa County. The District's Wastewater System treats and disposes of the wastewater from an area within the District designated as Special District No. 1, serving approximately 680,000 people in an approximately 88 square mile area of the two counties, extending from Richmond in the north, southward to San Leandro.

Table 3 shows the population trends for the six largest cities in the District, Alameda and Contra Costa Counties and the State for the five years 2011 to 2015.

TABLE 3: DISTRICT WATER SYSTEM SIX LARGEST CITIES ALAMEDA, CONTRA COSTA COUNTIES AND CALIFORNIA POPULATION TRENDS[(1)]

	2011	2012	2013	2014	2015
Oakland	392,446	395,690	401,628	405,703	410,603
Berkeley	113,918	114,807	116,118	117,383	118,780
Richmond	104,388	104,639	105,530	106,388	107,346
San Leandro	85,354	86,029	86,981	87,661	88,441
Alameda	74,044	74,619	75,395	75,961	76,638
Walnut Creek	64,710	65,071	65,652	66,319	66,868
Total Six Cities	834,860	840,855	851,304	859,415	868,676
Alameda County	1,517,756	1,532,253	1,555,241	1,574,497	1,594,569
Contra Costa County	1,056,306	1,062,746	1,074,317	1,089,219	1,102,871
California	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725

(1) As of January 1 of each year.

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2011-2015, with 2010 Census Benchmark*. Sacramento, California, May 2015.

Table 4 shows the population trends for the seven largest cities within the District's Wastewater System service area, Alameda and Contra Costa Counties and the State for the five years 2011 to 2015. The District's Wastewater System treats domestic, commercial and industrial wastewater for the six cities of Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont (the "six participating cities"), and for the Stege Sanitary District, which includes El Cerrito, Kensington and part of Richmond.

TABLE 4: SEVEN LARGEST CITIES IN DISTRICT WASTEWATER SYSTEM SERVICE AREA ALAMEDA, CONTRA COSTA COUNTIES AND CALIFORNIA POPULATION TRENDS[(1)]

	2011	2012	2013	2014	2015
Oakland	392,446	395,690	401,628	405,703	410,603
Berkeley	113,918	114,807	116,118	117,383	118,780
Alameda	74,044	74,619	75,395	75,961	76,638
El Cerrito	23,646	23,707	23,885	24,115	24,288
Albany	18,343	18,481	18,483	18,457	18,565
Piedmont	10,708	10,801	10,925	11,011	11,113
Emeryville	10,108	10,194	10,302	10,481	10,570
Total Seven Cities	643,213	648,299	656,736	663,111	670,557
Alameda County	1,517,756	1,532,253	1,555,241	1,574,497	1,594,569
Contra Costa County	1,056,306	1,062,746	1,074,317	1,089,219	1,102,871
California	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725

(1) As of January 1 of each year. Includes the six participating cities and El Cerrito, the largest incorporated portion of the Stege Sanitary District service area.

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State – 2011-2015, with 2010 Census Benchmark*. Sacramento, California, May 2015.

Taxable Property/Assessed Valuations

Table 5 shows a five-year record of assessed valuations, secured roll levies and delinquencies for the taxable property included within the District.

TABLE 5: TAXABLE PROPERTY WITHIN THE WATER SYSTEM
ASSESSED VALUATION AND TAX COLLECTION RECORD

Fiscal Year	2011	2012	2013	2014	2015
ASSESSED VALUATION FOR TAXATION PURPOSES[1]					
Alameda County	$ 92,498,938,097	$ 94,461,089,218	$ 98,956,612,301	$103,645,001,482[3]	$112,041,019,464
Contra Costa County[2]	79,597,672,310	81,219,124,927	83,087,433,870	89,671,760,809	96,462,650,792
TOTAL	$172,096,610,407	$175,680,214,145	$182,044,046,171	$193,316,762,291	$208,503,670,256
COUNTY 1% ALLOCATED PROPERTY TAX REVENUES TO DISTRICT[4]					
Alameda County	$11,404,014	$12,463,643	$14,417,608	$13,669,336	$14,943,333
Contra Costa County	10,831,553	10,921,960	12,018,366	11,823,055	12,978,787
TOTAL	$22,235,567	$23,385,603	$26,435,974	$25,492,391	$27,922,120
DELINQUENCIES[5]					
Delinquent June 30					
Amount	$377,242	$353,191	$260,612	$211,831	$198,418
Percent	1.70%	1.51%	0.99%	0.83%	0.71%

(1) Net of all exemptions except homeowner's exemptions, the taxes on which are paid by the State. All valuations are stated on a 100% of full cash value basis as defined by law. Assessed valuations shown include redevelopment project area incremental valuations.
(2) Minor differences in Contra Costa assessed valuation numbers from amounts previously reported due to a change in source data used.
(3) Difference from number shown in continuing disclosure information statement for Fiscal Year 2014 due to prior typographical error and rounding.
(4) Net basis excluding all exemptions. Levies reflect the tax reductions effected by the adoption of Article XIIIA of the State Constitution in 1978, the "Jarvis-Gann Initiative." For Alameda County, receipts include District's share of prior years' delinquencies when collected.
(5) Amounts apply to Alameda County only, since Contra Costa County guarantees 100% payment of the District's secured roll levy. The delinquency percentages are calculated based on the two counties' secured roll levies.

Sources: Reports of the Auditor-Controller's Offices of Alameda and Contra Costa Counties, table data as compiled by the District.

Table 6 shows a five-year record of assessed valuations, secured roll levies and delinquencies for the taxable property included within Special District No. 1.

TABLE 6: TAXABLE PROPERTY WITHIN THE WASTEWATER SYSTEM ASSESSED VALUATION AND TAX COLLECTION RECORD

Fiscal Year	2011	2012	2013	2014	2015
ASSESSED VALUATION FOR TAXATION PURPOSES[1]					
Alameda County	$70,659,732,542	$71,934,582,382	$75,005,826,233	$79,134,556,452	$85,882,609,820
Contra Costa County[2]	4,336,037,207	4,216,252,764	4,436,837,170	4,842,733,443	5,290,848,742
TOTAL	$74,995,777,554	$76,150,842,951	$79,442,671,208	$83,977,290,120	$91,173,458,562
COUNTY 1% ALLOCATED PROPERTY TAX REVENUES TO DISTRICT[3]					
Alameda County	$3,002,026	$3,407,488	$4,111,766	$3,557,107	$3,656,005
Contra Costa County	297,289	290,580	301,272	973,382	323,779
TOTAL	$3,299,315	$3,698,068	$4,413,038	$4,530,489	$3,979,784
DISTRICT G. O. BOND AD VALOREM TAX LEVY					
Alameda County	$3,819,476	$4,340,344	$4,712,548	$5,054,513	$4,254,983
Contra Costa County	260,298	268,200	282,625	296,047	233,603
TOTAL	$4,079,774	$4,608,544	$4,995,173	$5,350,560	$4,488,586
TOTAL PROPERTY TAX/AD VALOREM TAX REVENUES					
Alameda County	$6,821,501	$7,747,832	$8,824,314	$8,611,620	$7,910,988
Contra Costa County	557,588	558,780	583,897	1,269,429	557,382
TOTAL	$7,379,089	$8,306,612	$9,408,211	$9,881,049	$8,468,370
DELINQUENCIES[4]					
Delinquent June 30					
Amount	$255,170	$214,184	$172,212	$143,118	$117,831
Percent	3.46%	2.58%	1.83%	1.45%	1.39%

(1) Net of all exemptions except homeowner's exemptions, the taxes on which are paid by the State. All valuations are stated on a 100% of full cash value basis as defined by law. Assessed valuations shown include redevelopment project area incremental valuations.

(2) Minor differences in Contra Costa assessed valuation numbers from amounts previously reported due to a change in source data used.

(3) Net basis excluding all exemptions. Levies reflect the tax reductions effected by the adoption of Article XIIIA of the State Constitution in 1978, the "Jarvis-Gann Initiative." For Alameda County, receipts include District's share of prior years' delinquencies when collected.

(4) Amounts apply to Alameda County only, since Contra Costa County guarantees 100% payment of the District's secured roll levy. The delinquency percentages are calculated based on the two counties' secured roll levies.

Sources: Reports of the Auditor-Controller's Offices of Alameda and Contra Costa Counties, table data as compiled by the District.

WATER SYSTEM

Material Changes in Water Supply

There have been no material changes in the District's primary sources of water supply. However, the availability of these sources is impacted by California hydrology, which is highly variable from year to year. Water Year 2015 (which ended on September 30, 2015) had the driest winter in California's written records. 2015 is the fourth consecutive drought year and the seventh dry year out of the last eight in California. On April 1, 2015, Governor Jerry Brown issued Executive Order B-29-15 (the "Executive Order") to address the ongoing drought conditions in California. The Executive Order, among other things, directed the State Water Resources Control Board (the "SWRCB") to impose restrictions to achieve a statewide 25% reduction in potable urban water usage from 2013 levels through February 28, 2016. The Executive Order further called upon the SWRCB to direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees and penalties, to maximize water conservation consistent with statewide water restrictions. On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the Executive Order. Under the adopted regulation, which became effective May 18, 2015, the District is subject to a 16% conservation standard as established for its per capita water usage tier classification.

On April 14, 2015, the District's Board of Directors adopted revised Drought Management Program ("DMP") Guidelines and declared a Stage 4 critical drought within the District's service area. Consistent with the approved revised DMP Guidelines, at this time the Board of Directors further adopted a mandatory District-wide water use reduction goal of 20% for all District customers. On June 9, 2015, the District's Board of Directors adopted a new system of drought surcharges using drought stages corresponding to the revised DMP Guidelines. Commencing with bills issued on and after July 1, 2015, the applicable drought surcharges for a Stage 4 drought are currently in effect for District customers. The District monitors precipitation and its reservoir levels daily. To the extent dry weather patterns persist, the District will continue to assess water supply conditions, including customer conservation patterns and reservoir levels, to determine what additional action may be warranted and manage unbudgeted pressures as necessary. Investors may obtain additional information regarding the District's water supply and its responses to ongoing dry weather conditions by obtaining a copy of the District's most recent official statement from the Municipal Securities Rulemaking Board at http://emma.msrb.org/ or from the District's website at http://www.ebmud.com.

Gross Water Production

Annual water production in the District since Fiscal Year 2006 is shown in Table 7 below. Note that this information has been re-labeled as "production" rather than "consumption" to more accurately characterize the data. Water production includes the total water produced at the District's water treatment plants and water moved through the distribution system that was delivered to customers, as well as water lost through leaks in the transmission system, water used in the treatment process, evaporation, water used for fighting fires and other miscellaneous causes.

TABLE 7: WATER PRODUCTION BY FISCAL YEAR[(1)]

Fiscal Year	*Annual Production (Acre-Feet)*	*Annual Production (Thousands of Ccf)*	*Annual Production (Million Gallons)*	*Average Production Per Day (Million Gallons per Day)*
2006	236,866	103,179	77,174	211
2007	236,111	102,850	76,932	211
2008	230,363	100,346	75,059	205
2009	203,423	88,611	66,281	182
2010	195,158	85,011	63,588	174
2011	194,642	84,786	63,420	174
2012	200,220	87,216	65,242	178
2013	205,889	89,685	67,089	184
2014	209,467	91,244	68,255	184
2015	174,411	75,974	56,832	156

(1) Water production includes water lost through leaks in the transmission system, used in the treatment process, evaporation, fighting fires and other miscellaneous causes, which approximates 10.0% of gross production.

Source: The District.

Sources of Funds/Summary of Revenues and Contributions

The following Table 8 sets forth the District's Water System sources of funds for the five most recent Fiscal Years ended June 30, 2015. The sources of funds in the table below include certain funds which do not constitute Subordinated Water Revenues for purposes of the Indenture. Subordinated Water Revenues include all charges received for, and all other income and receipts derived by the District from, the operation of the Water System or arising from the Water System, which includes, without limitation, the District's water rates, system capacity charge and seismic surcharge, as well as investment income. Property taxes are applied to reduce Operation and Maintenance Costs and are not pledged to the repayment of the Water System Revenue Bonds. Contributions received for facility relocations, main extensions and service installations, and grants and other reimbursements, which are restricted to use for the specified purposes are not included in Subordinated Water Revenues for purposes of the Indenture. Only Subordinated Water Revenues are pledged to the payment of the Water System Revenue Bonds.

TABLE 8: WATER SYSTEM SOURCES OF FUNDS/SUMMARY OF REVENUES AND CONTRIBUTIONS
FIVE FISCAL YEARS ENDED JUNE 30, 2015
(MILLIONS)

	Fiscal Year Ending June 30				
	2011	***2012***	***2013***	***2014***	***2015***
Operating Revenue and Other Income:					
Water sales	$283.6	$306.2	$336.1	$367.5	$362.1
Power sales	8.1	4.6	3.6	1.4	2.2
Interest[1]	5.7	5.5	3.7	1.7	3.5
Taxes	22.2	23.4	26.4	25.5	27.9
Other[2]	13.4	16.2	12.8	19.9	15.3
Total Operating Revenue and Other Income	$333.0	$355.9	$382.6	$416.0	$411.0
Capital Contributions:					
Seismic Surcharge[3]	$ 18.1	$ 19.2	$ 20.6	$ 22.6	$ 22.2
System Capacity Charge[4]	17.6	16.1	22.7	20.4	29.7
Earned contributions on construction[5]	6.5	5.8	4.5	5.2	17.1
Grants and reimbursements	3.6	4.1	8.0	0.8	2.5
Total Contributions	$ 45.8	$ 45.2	$ 55.8	$ 49.0	$ 71.5
Total	$378.8	$401.1	$438.4	$465.0	$482.5

(1) Includes interest earnings on Water System Fund, including earnings on proceeds of the District's Water System Revenue Bonds.
(2) Other Revenues include receipts from property sales, rental of District property, fees for use of District recreational facilities and other miscellaneous receipts. Beginning in Fiscal Year 2010, Other Revenues also includes interest subsidy payments received in each year by the District in connection with its Series 2010B Bonds which are Build America Bonds. Excludes reimbursements and other receipts applied directly to operating expenses.
(3) The sunset of the seismic surcharge became effective July 1, 2015 and beginning with Fiscal Year 2016 the seismic surcharge is no longer being collected.
(4) System capacity charge collections presented in the table above include the "buy-in" portion and the "future water supply" portion of SCC charges when collected. Does not include the "future water supply" portion of SCC charges applied from the Future Water Supply Fund to offset debt service costs.
(5) Includes contributions for facility relocations, main extensions and service installations.

Source: The District.

Water Sales Revenues, Number of Connections (Accounts) and Metered Consumption

The following Table 9 sets forth water sales revenues, consumption and number of connections by customer type.

TABLE 9: WATER SALES REVENUES, CONSUMPTION AND NUMBER OF CONNECTIONS BY CUSTOMER TYPE FISCAL YEAR ENDED JUNE 30, 2015

Type of Customer	*Sales Revenues* [1]	*Percent of Revenues*	*Consumption (MGD)*	*Percent of Consumption*	*Number of Connections*[2]	*Percent of Connections*
Residential	$200,513,070	55.4%	76.2	51.3%	346,394	89.2%
Commercial	116,994,616	32.3	48.4	32.6	38,099	9.8
Industrial	30,251,848	8.3	17.5	11.8	1,446	0.4
Other[3]	14,376,085	4.0	6.3	4.3	2,416	0.6
Total[4]	$362,135,618	100.0%	148.5	100.0%	388,355	100.0%

[1] Excludes proceeds from the seismic surcharge which the District capitalizes in its audited financial statements in accordance with Generally Accepted Accounting Principles. Seismic surcharge revenues are Water Revenues for purposes of the Indenture. The sunset of the seismic surcharge became effective July 1, 2015 and beginning with Fiscal Year 2016 the seismic surcharge is no longer being collected. Does not include account establishment fees, recycled water fees and certain other miscellaneous charges.
[2] Connections as of June 30, 2015.
[3] Includes public agencies, recycled water customers and late charges.
[4] Totals may not add due to rounding.
Source: The District.

Rates and Charges

From Fiscal Year 2012 through Fiscal Year 2016, residential rates for water service have increased by an average of 7.71% per Fiscal Year. The overall average rate increase, which includes the rate increases for all customer classes and rate components, for the same period was 7.85%. The District's most increases in water service rates and charges included the adoption on June 9, 2015 of overall average rate increases (including meter, volume, elevation charges, non-potable (recycled) water and private fire service) of 8.0% for Fiscal Year 2016 and 7.0% for Fiscal Year 2017. Table 10 sets forth the average residential and overall average rate increases enacted by the District for Fiscal Years 2012 through 2015 and the average residential rate increases adopted for Fiscal Years 2016 and 2017:

TABLE 10: WATER RATE INCREASES

Fiscal Year	*Average Residential Rate Increase*	*Overall Average Rate Increase*[1]
2012	6.00%	6.00%
2013	6.00	6.00
2014	9.79	9.75
2015	9.43	9.50
2016[2]	7.35[2]	8.00[2]
2017[3]	7.02[3]	7.00[3]

[1] Overall average rate increase includes water rates for all customer classes (including residential) and water rate components.
[2] Fiscal Year 2016 rate increase is subsequent to cost of service adjustments. As a result of certain adjustments to individual meter, volume, elevation, non-potable and private fire service rates and charges designed to implement the results of an updated cost of service study completed by the District, different rate increases are applicable for each customer class and for individual customers within each customer class depending on water use and meter size. Rate increase excludes drought surcharge.
[3] Adopted overall average rate increase to take effect on bills issued on and after July 1, 2016. Excludes drought surcharge.
Source: The District.

Table 11 shows the rate schedule effective July 1, 2015 for Fiscal Year 2016. The monthly water bill for a typical residential account consuming 1,000 cubic feet (10 Ccf or 7,480 gallons) per month, excluding any drought surcharge, is $52.17, which represents an average increase of 8.00% for residential customers from Fiscal Year 2015 rates.

TABLE 11: WATER SYSTEM RATES AND CHARGES[1]
EFFECTIVE JULY 1, 2015

Service Charge

Meter Size	*Per Month*
5/8-inch and ¾-inch	$19.34
1-inch	29.20
1 ½-inch	53.88
2-inch	83.48
Over 2-inch	Various

Charge for Water Delivered

Rate Class	*Per Hundred Cubic Feet (Ccf)*
Basic Rate – Single Family[1]	$2.95
Basic Rate – Multi Family	4.17
Basic Rate – Other	4.15
Elevation Band Surcharges[2] –	
Band 2: Pressure Zones 2 through 5	0.60
Band 3: Pressure Zones 6 and higher	1.24

(1) Applies to first 172 gallons per day (7 Ccf) for single family residential customers. Additional consumption by residential customers is billed at $4.06 per Ccf for consumption between 173 and 393 gallons per day (16 Ccf), and $5.36 for all water used in excess of 393 gallons per day. For a household using 10 Ccf in Fiscal Year 2016, the water usage charge for the first 7 Ccf at the first tier rate of $2.95 per Ccf would be $20.65 and the water usage charge for the additional 3 Ccf at the second tier rate of $4.06 per Ccf would be $12.18, for a total charge for water delivered of $32.83; the monthly service charge would be $19.34, resulting in a total monthly bill of $52.17.

(2) The water elevation surcharge provides for the increased power and facility costs needed to pump water to locations (zones) 200 or more feet above sea level.

Source: The District.

As noted above, on June 9, 2015, in connection with the adoption of rates and charges for Fiscal Years 2016 and 2017, the District's Board of Directors adopted drought surcharges that may be implemented in the event of ongoing drought conditions when the Board declares specific drought stages pursuant to its water shortage contingency plan. The drought surcharges, corresponding to increasingly severe stages of water shortages, are applied to each unit of water used during the billing period, and are calculated to recover costs of providing supplemental water, increased costs of water shortage-related customer service and loss of revenue. The staged system of drought surcharges and expected water use restrictions and supplemental supply needs for each of the four drought stages are summarized below.

Staged System of Drought Surcharges

Drought Stage:	0	1	2	3	4
Demand Reduction	--	Voluntary 0-15%	Voluntary 0-15%	Mandatory Up to 15%	Mandatory ≥ 15%
Supplemental Supplies	--	--	Up to 35,000 acre-feet	35,000-65,000 acre-feet	≥ 65,000 acre-feet
Rates and Charges	Normal rates	Normal rates	Normal rates + Up to 8% surcharge	Normal rates + Up to 20% surcharge	Normal rates Up to 25% surcharge

The District's adopted schedule of drought surcharges is set forth below. The surcharges do not apply to non-potable water.

Monthly Drought Surcharges
Water Flow Charge per 100 Cu. Ft.

	Maximum Applicable Drought Surcharge in 4 Stages			
	1	2	3	4
Single-Family Residential Accounts				
For the first 172 gpd	$0.00	$0.23	$0.59	$0.73
For all water used in excess of 172 gpd, up to 393 gpd	0.00	0.31	0.79	0.99
For all water used in excess of 393 gpd	0.00	0.40	1.03	1.30
Multi-Family Residential	0.00	0.32	0.81	1.02
All Other Accounts	0.00	0.32	0.81	1.01

The new system of drought rates also includes a penalty on excessive water use in stages 3 and 4 to be applicable to the single family residential customer class. The penalty is $2 per Ccf for any potable water use over 120 Ccf during a billing cycle (for billing cycles of 55 to 68 days) in a drought declared to be stage 3 by the District's Board of Directors and for use over 80 Ccf during a billing cycle (for billing cycles of 55 to 68 days) in a drought declared to be stage 4 by the District's Board of Directors. The water use penalty was adopted by ordinance approved by the Board on April 28, 2015.

Commencing with bills issued on and after July 1, 2015, the applicable drought surcharges for a Stage 4 drought are currently in effect for District customers.

Historical Operating Results

Table 12 sets forth the historical operating results and the calculation of the debt service coverage ratio for the Water System for each of the last five Fiscal Years.

TABLE 12: WATER SYSTEM HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE[1] FISCAL YEARS 2011 THROUGH 2015

	2011	*2012*	*2013*	*2014*	*2015*
WATER REVENUES[2]:					
Water Sales[3]	$283,643,516	$306,228,357	$336,065,516	$367,547,268	$362,135,681
Power Revenue	8,081,710	4,609,259	3,595,948	1,380,348	2,209,938
Interest	4,551,068	3,731,406	1,691,927	1,691,927	3,449,378
SCC Revenue[4]	46,190,321	30,733,972	22,673,134	20,365,047	29,725,090
Seismic Rate Surcharge[5]	18,102,265	19,172,928	20,536,924	22,628,261	22,258,683
Other Revenue[6]	13,363,139	16,159,977	12,842,012	19,937,710	15,291,924
TOTAL WATER REVENUES	$374,714,060	$381,455,561	$399,444,940	$433,550,561	$435,070,694
RATE STABILIZATION FUND TRANSFERS:					
Deposits to the Rate Stabilization Fund	$ 0	$ 0	$ 0	$(35,000,000)	$(10,000,000)
Withdrawals from Rate Stabilization Fund for Inclusion in revenues	0	0	0	0	0
WATER REVENUES AFTER RATE STABILIZATION TRANSFER	$374,714,060	$381,455,561	$399,444,940	$398,550,561	$425,070,694
WATER OPERATION & MAINTENANCE COSTS:					
Operating Expenses	$181,709,853	$197,818,566	$197,249,098	$213,692,428	$210,786,463
(Less Tax Receipts)[7]	(22,235,567)	(23,385,603)	(26,435,974)	(25,492,391)	(27,922,120)
TOTAL WATER OPERATION & MAINTENANCE COSTS	$159,474,286	$174,432,963	$170,813,124	$188,200,037	$182,864,343
NET WATER REVENUES	$215,239,774	$207,022,598	$228,631,816	$210,350,524	$242,206,351
PARITY DEBT SERVICE:					
Water System Revenue Bonds[8]	$142,284,287	$129,330,308	$132,270,442	$125,016,887	$144,320,119
Parity State Loans	1,400,108	1,400,105	1,400,105	1,400,107	1,400,108
TOTAL PARITY DEBT SERVICE	$143,684,395	$130,730,413	$133,670,547	$126,416,994	$145,720,227
PARITY DEBT SERVICE COVERAGE	**1.50**	**1.58**	**1.71**	**1.66**	**1.66**
SUBORDINATE WATER SYSTEM DEBT SERVICE[9]	$ 3,086,117	$ 8,495,107	$ 687,369	$ 13,562,675	$ 335,794
TOTAL PARITY AND SUBORDINATE DEBT SERVICE	$146,770,512	$139,225,520	$134,357,916	$139,979,669	$146,056,021
TOTAL PARITY AND SUBORDINATE DEBT SERVICE COVERAGE	1.47	1.49	1.70	1.50	1.66

(1) Calculated in accordance with the Indenture as footnoted.
(2) Revenues exclude grant receipts, taxes, and certain developer contributions which are treated as contributions (not Water Revenues).
(3) Reflects average daily billed consumption of 160.5 MGD in Fiscal Year 2011, 162.1 MGD in Fiscal Year 2012, 168.4 MGD in Fiscal Year 2013, 167.5 MGD in Fiscal Year 2014 and 148.5 MGD in Fiscal Year 2015.
(4) System Capacity Charge ("SCC") Revenues presented in the table above include the "buy-in" portion of SCC charges when collected and the "future water supply" portion of SCC charges when applied from the Future Water Supply Fund to offset such debt service costs. SCC Revenues are capitalized and are not recognized as operating revenues for purposes of the District's audited financial statements.
(5) Seismic rate surcharge revenues are capitalized and are not recognized as operating revenues for purposes of the District's audited financial statements. The sunset of the seismic surcharge became effective July 1, 2015 and beginning with Fiscal Year 2016 the seismic surcharge is no longer being collected.
(6) Includes BABs Interest Subsidy Payments received in connection with the Series 2010B Bonds. In Fiscal Year 2011, does not include payment received by the District from Chevron for reimbursement of capital costs incurred by the District for the RARE Water Project.
(7) Operation and Maintenance Costs exclude those expenses paid from District's share of countywide 1% property tax revenues. Under current District policy, District's share of countywide 1% property tax revenues are used to pay for operations allocable to maintenance of fire protection capacity.
(8) Includes net swap payments. Debt service on the Series 2010B Bonds is gross of the BABs Interest Subsidy Payments received by the District.
(9) Includes outstanding Water System commercial paper notes and certain federal and State subordinate loans (which subordinate loans have been retired). Commercial paper notes debt service includes interest and a one-time principal pay down in Fiscal Year 2014 of $13.1 million.

Source: The District.

WASTEWATER SYSTEM

Wastewater Flows

Table 13 presents a ten-year record of wastewater flows through the District's Main Wastewater Treatment Plant, expressed as the average daily flow for each Fiscal Year.

TABLE 13: AVERAGE DAILY WASTEWATER FLOW
(MILLION GALLONS PER DAY)

Fiscal Year Ended June 30	*Flow*
2006	81
2007	67
2008	69
2009	67
2010	68
2011	70
2012	62
2013	61
2014	56
2015	55

Source: The District.

Sources of Funds/Summary of Revenues and Contributions

The following Table 14 sets forth the District's Wastewater System sources of funds for the five most recent Fiscal Years ended June 30, 2015. The sources of funds in the table below include certain funds that do not constitute Subordinated Wastewater Revenues for purposes of the Indenture. Subordinated Wastewater Revenues include all charges received for, and all other income and receipts derived by the District from, the operation of the Wastewater System or arising from the Wastewater System, which includes, without limitation, the District's dry weather user charges, wet weather facilities charges, wastewater capacity fees and resource recovery program revenues, as well as investment income. Property taxes are applied to reduce Operation and Maintenance Costs and are not pledged to the repayment of the Wastewater System Revenue Bonds. Certain grants and contributions earned on construction which are restricted to use for specified purposes are not included in Subordinated Wastewater Revenues for purposes of the Indenture. Only Subordinated Wastewater Revenues are pledged to the payment of the Wastewater System Revenue Bonds.

TABLE 14: WASTEWATER SYSTEM SOURCES OF FUNDS
FIVE FISCAL YEARS ENDED JUNE 30, 2015
(MILLIONS)

	2011	*2012*	*2013*	*2014*	*2015*
Operating Revenue and Other Income:					
Dry Weather User Charges	$50.9	$55.2	$ 58.8	$ 61.8	$ 65.1
Wet Weather Facilities Charges	16.1	17.2	18.3	19.4	21.8
Resource Recovery	9.4	9.1	9.2	10.6	11.3
Interest[(1)]	2.0	1.6	0.3	0.2	0.3
Taxes[(2)]	7.4	8.3	9.4	9.9	8.5
Other Revenues[(3)]	2.4	3.5	4.1	6.3	5.6
Total Revenues	$88.2	$94.9	$100.1	$108.2	$112.6
Capital Contributions:					
Wastewater Capacity Fees	2.4	2.8	1.3	0.8	2.8
Earned contributions on construction	0.7	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.3	0.4	0.3
Total Contributions	$ 3.1	$ 2.8	$ 1.6	$ 1.2	$ 3.1
TOTAL	$91.3	$97.7	$101.7	$109.4	$115.7

(1) Includes interest earnings on Wastewater System Fund, including earnings on proceeds of the District's Wastewater System Revenue Bonds.
(2) Includes the District's share of 1% countywide property tax and the *ad valorem* tax levied for repayment of Special District No. 1's general obligation bonds.
(3) Beginning in Fiscal Year 2011, Other Revenues includes interest subsidy payments received by the District in connection with its Series 2010B Bonds which are Build America Bonds. In Fiscal Years 2012 through 2015, Other Revenues also includes revenues received from the sale of energy to the utility grid. Other Revenues excludes reimbursements and certain other receipts applied directly to operating expenses.

Source: The District.

Wastewater User Charge Revenues and Number of Connections by User Type

Table 15 sets forth a breakdown of the District's dry weather user charge revenues and number of connections by customer class for the Fiscal Year ended June 30, 2015.

TABLE 15: WASTEWATER USER CHARGE REVENUES AND NUMBER OF CONNECTIONS BY USER TYPE
FISCAL YEAR ENDED JUNE 30, 2015

Type of Customer	*User Charge Revenues*	*Percent of Revenues*	*Number of Connections*	*Percent of Accounts*
Residential	$37,936,467	58.3%	157,771	89.6%
Commercial	22,124,062	34.0	16,807	9.6
Industrial	2,110,970	3.2	698	0.4
Public	2,936,289	4.5	751	0.4
Total[(2)]	$65,107,788	100.0%	176,027	100.0%

(1) Dry weather user charges collected on the water bill includes permit fees, pollution prevention fees and late fees. Does not include wet weather facilities charges, resource recovery treatment fees or private sewer lateral compliance certificate fees.
(2) Totals may not add due to rounding.

Source: The District.

Rates and Charges

From Fiscal Year 2012 through Fiscal Year 2016, residential rates for wastewater service have increased by an average of 5.52% per Fiscal Year. The overall average rate increase, which includes the rate increases for all customer classes and rate components, for the same period was 6.90%. The District's most recent increases in wastewater service rates and charges included the adoption on June 9, 2015 of overall rate increases of 5.00% and 5.00% for Fiscal Years 2016 and 2017, respectively. Table 16 sets forth the average residential and overall average rate increases enacted by the District for Fiscal Years 2012 through 2015 and the average residential rate increases adopted for Fiscal Years 2016 and 2017:

TABLE 16: WASTEWATER RATE INCREASES

Fiscal Year	*Average Residential Rate Increase*	*Overall Average Rate Increase*[(1)]
2012	5.97%	6.00%
2013	5.93	6.00
2014	8.24	9.00
2015	8.29	8.50
2016[(2)]	(0.81)[(2)]	5.00[(2)]
2017[(3)]	4.88[(3)]	5.00[(3)]

(1) Overall average rate increase includes wastewater treatment and disposal charges, wet weather facilities charges and San Francisco Bay Pollution Prevention Fees for all customer classes (including residential).

(2) Fiscal Year 2016 rate increase is subsequent to cost of service adjustments. As a result of certain adjustments to individual wastewater component charges for wastewater flow, strength, inflow and infiltration designed to implement the results of the updated cost of service study completed by the District, different rate increases are applicable for each customer class and individual customers within each customer class depending on wastewater flow and strength and by parcel size.

(3) Adopted overall average rate increase to take effect on bills issued on and after July 1, 2016.

Source: The District.

The District's current (Fiscal Year 2016) wastewater rates are set forth in Table 17 below.

TABLE 17: WASTEWATER SYSTEM RATES AND CHARGES
EFFECTIVE JULY 1, 2015

Residential Charge:		
Service Charge (per account)	$ 5.29	per month
Strength Charge (per dwelling unit)	7.28	per month
Flow Charge	1.04	per 100-cubic foot unit, to a maximum of 9 units
San Francisco Bay Pollution Prevention Fee	0.20	per month per dwelling unit
Non-Residential Charge:		
Service Charge (per meter)	5.29	per month
Treatment Charge	1.18-13.81	per unit, depending on the nature of the business
San Francisco Bay Pollution Prevention Fee	5.48	per month
Minimum Monthly Charge:		
Duplex	20.25	per month
Triplex	27.73	per month
Permit Accounts:		
Flow Charge	1.033	per hundred cubic feet
COD	0.306	per pound of discharge
Suspended Solids	0.447	per pound of discharge
Wet Weather Facilities Charge:		
Small lot (0-5,000 sq. ft.)	$ 89.62	per year per land parcel
Medium lot (5,001-10,000 sq. ft.)	$ 140.00	per year per land parcel
Large lot (>10,000 sq. ft.)	$ 320.00	per year per land parcel

Source: The District.

Historical Operating Results

Table 18 sets forth the historical operating results and the calculation of the debt service coverage ratio for the Wastewater System for each of the last five Fiscal Years. The presentation below differs from that previously reported in that Wastewater Capacity Fees previously excluded are now reflected as a component of Wastewater Revenues for purposes of the coverage calculation as permitted by the Indenture.

TABLE 18: WASTEWATER SYSTEM HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE[1] FISCAL YEARS 2011 THROUGH 2015

	2011	2012	2013	2014	2015
WASTEWATER REVENUES[2]					
Dry Weather User Charges	$50,909,726	$55,191,460	$58,783,692	$61,774,568	$ 65,107,788
Wet Weather Facilities Charges	16,063,834	17,228,380	18,320,550	19,388,979	21,809,317
Interest	1,076,342	856,218	368,315	223,672	271,736
Resource Recovery	9,403,337	9,061,029	9,226,468	10,570,194	11,309,181
Wastewater Capacity Fees	2,423,103	2,824,137	1,278,961	805,590	2,785,820
Other Revenue[3]	2,407,895	3,507,474	4,061,513	6,315,048	5,558,340
TOTAL WASTEWATER REVENUE	$82,284,237	$88,668,698	$92,039,499	$99,078,051	$106,842,182
RATE STABILIZATION FUND TRANSFERS					
Deposits to the Rate Stabilization Fund	$ 0	$ 0	$ 0	$(2,590,000)	$(6,500,000)
Withdrawals from Rate Stabilization Fund for Inclusion in Revenues	0	0	0	0	0
WASTEWATER REVENUES AFTER RATE STABILIZATION TRANSFER	$82,284,237	$88,668,698	$92,039,499	$96,488,051	$100,342,182
WASTEWATER OPERATION & MAINTENANCE COSTS					
Operating Expenses	$49,553,385	$52,482,539	$51,435,631	$55,318,873	$ 55,336,812
(Less Tax Receipts)[4]	(3,299,315)	(3,698,069)	(4,413,039)	(4,530,489)	(3,979,783)
TOTAL WASTEWATER OPERATION & MAINTENANCE COSTS	$46,254,070	$48,784,470	$47,022,592	$50,788,384	$ 51,357,029
NET WASTEWATER REVENUES	$36,030,167	$39,884,228	$45,016,907	$45,699,667	$ 48,985,153
PARITY DEBT SERVICE					
Wastewater System Revenue Bonds[5]	$20,084,078	$26,385,738	$28,284,129	$28,559,257	$ 27,976,848
Parity State Loans	1,326,979	0	0	0	0
TOTAL PARITY DEBT SERVICE	$21,411,057	$26,385,738	$28,284,129	$28,559,257	$ 27,976,848
PARITY DEBT SERVICE COVERAGE	**1.68**	**1.51**	**1.59**	**1.60**	**1.75**
SUBORDINATE WASTEWATER SYSTEM DEBT SERVICE[6]	$ 3,922,392	$ 33,300	$ 33,910	$ 20,116	$ 14,342
TOTAL PARITY AND SUBORDINATE DEBT SERVICE	$25,333,449	$26,419,038	$28,318,039	$28,579,373	$ 27,991,190
PARITY AND SUBORDINATE DEBT SERVICE COVERAGE	1.42	1.51	1.59	1.60	1.75

(1) Calculated in accordance with the Indenture as footnoted.

(2) Wastewater Revenues exclude grant receipts, taxes and certain reimbursements.

(3) Beginning in Fiscal Year 2011, Other Revenues includes BABs Interest Subsidy Payments received in connection with Series 2010B Bonds. In Fiscal Years 2012 through 2015, Other Revenues also includes revenues received from the sale of energy to the utility grid of $333,812, $693,272, $1,099,418 and $1,092,911, respectively.

(4) Wastewater Operation and Maintenance Costs exclude those expenses paid from the share of the 1% countywide *ad valorem* tax levy allocated to Special District No. 1. Under current District policy, taxes are used to pay for operations allocable to storm water processing and infiltration/inflow processing.

(5) Includes net swap payments. Net of capitalized interest. Debt service on the Series 2010B Bonds is gross of the BABs Interest Subsidy Payments received by the District.

(6) Includes outstanding Wastewater System commercial paper notes and certain subordinate State Loans (which State Loans have subsequently been retired or refunded by Wastewater System Revenue Bonds). With respect to commercial paper notes includes interest only with no principal amortization.

Source: The District.

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EBMUD WEB SITE

Since September 1996, the District has made available general financial information on its web site: (http://www.ebmud.com.) The site is updated periodically and is designed to assist ratepayers, investors and other interested parties in learning more about the District's financial condition. However, the information presented therein is not part of this Continuing Disclosure Information Statement and must not be relied upon in making any investment decision with respect to the District's bonds.