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INTRODUCTORY SECTION
## COMMISSION

**Member Agency and Representatives**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Member</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Sanitary District</td>
<td>Jennifer Toy</td>
<td>Chair</td>
</tr>
<tr>
<td></td>
<td>Anjali Lathi</td>
<td>Alternate</td>
</tr>
<tr>
<td>Oro Loma Sanitary District</td>
<td>Roland J. Dias</td>
<td>Vice Chair</td>
</tr>
<tr>
<td></td>
<td>Frank Sidari</td>
<td>Alternate</td>
</tr>
<tr>
<td>City of Hayward</td>
<td>William H. Ward</td>
<td>Commissioner</td>
</tr>
<tr>
<td></td>
<td>Roberta Cooper</td>
<td>Alternate</td>
</tr>
<tr>
<td>City of San Leandro</td>
<td>Shelia Young</td>
<td>Commissioner</td>
</tr>
<tr>
<td></td>
<td>Glenda Nardine</td>
<td>Alternate</td>
</tr>
<tr>
<td>Castro Valley Sanitary District</td>
<td>Harry Francis</td>
<td>Commissioner</td>
</tr>
<tr>
<td></td>
<td>Ralph Johnson</td>
<td>Alternate</td>
</tr>
</tbody>
</table>

Charles Weir  
General Manager

Karl Royer  
Treasurer-Controller
FINANCIAL SECTION
INDEPENDENT AUDITOR’S REPORT

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

We have audited the accompanying financial statements of the business-type activities and each major fund East Bay Dischargers Authority (the Authority) as of and for the fiscal year ended June 30, 2005, which collectively comprise the Authority’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority’s management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Authority as of and for the fiscal year ended June 30, 2004 were audited by other auditors whose report dated September 10, 2004 expressed unqualified opinions on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the State Controller’s Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the East Bay Dischargers Authority as of June 30, 2005, and the respective changes in financial position and cash flows where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2005 on our consideration of the Authority’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.
The Management’s Discussion and Analysis (MD&A) on pages 4 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The accompanying schedules listed in the table of contents as supplementary information were not audited by us, and have not been subjected to the audited procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Moss, Levy & Hartzheim
October 12, 2005
The East Bay Dischargers Authority’s (the Authority) Management’s Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent fiscal years challenges), and (d) identify individual fund issues or concerns.

The Management’s Discussion and Analysis is presented at the front of each fiscal year’s financial statements. Comparative information is presented on Tables 1, 2, and 3, respectively.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current fiscal year activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- The Authority had a net asset balance of $37,184,995 at June 30, 2005.
- The Authority’s total operating revenues were $2,836,103 at June 30, 2005, and were comprised of 77% from Member assessments.
- The Authority’s total operating expenses were $3,385,660 at June 30, 2005 and were comprised of 27% of depreciation and amortization and 57% of operations and maintenance.

USING THIS ANNUAL REPORT

The Management’s Discussion and Analysis is a different presentation of the Authority’s previous financial statements and became a requirement in 2004.

1. **MD&A**
   - Management’s Discussion and Analysis pages 4-10

2. **Government-wide Financial Statements**
   - Statement of Net Assets (refocused) page 11
   - Statement of Activities (refocused) page 12
3. Fund Financial Statements
   • Balance Sheet by Fund pages 13-14
   • Statement of Revenues, Expenses, and Changes in Net Assets by Fund page 15
   • Statement of Cash Flows by Fund pages 16-17

4. Notes to Basic Financial Statements

GOVERNMENT-WIDE FINANCIAL STATEMENTS
The Authority consists of Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector.

Statement of Net Assets: The focus of the Statement of Net Assets (the “Unreserved Net Assets”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

   • Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have any debt as of June 30, 2005.

   • Reserved Net Assets: This component of Net Assets consists of reserved assets; when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc..

   • Unreserved Net Assets: Consists of Net Assets that do not meet the definition of “Invested in Capital Assets, Net of Related Debt”, or “Reserved Net Assets”.

Statement of Activities: (similar to an Income Statement). This Statement includes Program Revenues and Expenses from discharge services and General Revenues.

The focus of the Statement of Activities is the “Change in Net Assets”, which is similar to Net Income or Loss.

FUND FINANCIAL STATEMENTS

Fund Financial Statements include additional information to the users of the Authority’s financial report. The following describes the activities of the funds reported in these schedules. Please see pages 13-17.
Fund 12 - Operation and Maintenance Effluent Disposal - This covers all costs directly associated with the operation, maintenance, and repair of the Joint Facilities including labor, materials, supplies, power, chemicals, utilities, professional or contractual services, research and monitoring, tools, and equipment, to keep the facilities in proper operating condition and maintain its useful life, plus general administrative expenses attributable to Operation and Maintenance activities.

Fund 13 - Special Projects (Planning and Special Studies Costs) - This covers those costs associated with advanced planning, facilities planning, feasibility studies, research and development, environmental evaluations, and studies as related to the overall Joint Facilities or of general interest or benefit to all agencies.

Fund 14 - Water Recycling (Reclamation/Reuse Study) - This covers "Reclamation/Reuse Studies" as approved by the Commission, including the Bay Area Regional Water Recycling Project and the Skywest Golf Course.

Fund 31 - Renewal and Replacement Fund - This revises current replacement costs based on capital projects, valuation provided by an outside consultant, and changes in the San Francisco Bay Area Consumer Price Index. A 40-year list is maintained and updated annually. Annual approval by the Commission authorizes replacement of specific items each year. Replacement costs include purchase, taxes, shipping, installation, programming, and design when applicable.

Fund 41 – Capital Projects/Grants – None at this time.
EAST BAY DISCHARGERS AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

STATEMENT OF NET ASSETS

The following table reflects the condensed statement of net assets for the current fiscal year. The Authority is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$4,143,894</td>
<td>$4,560,448</td>
<td>12.08%</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>34,003,879</td>
<td>33,201,962</td>
<td>87.92%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$38,147,773</td>
<td>$37,762,410</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>375,801</td>
<td>432,134</td>
<td>1.14%</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>135,907</td>
<td>145,281</td>
<td>0.39%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>511,708</td>
<td>577,415</td>
<td>1.53%</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>34,003,879</td>
<td>33,201,962</td>
<td>87.92%</td>
</tr>
<tr>
<td>Reserved</td>
<td>3,559,380</td>
<td>3,898,688</td>
<td>10.32%</td>
</tr>
<tr>
<td>Unreserved</td>
<td>72,806</td>
<td>84,345</td>
<td>0.22%</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>37,636,065</td>
<td>37,184,995</td>
<td>98.47%</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$38,147,773</td>
<td>$37,762,410</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

For more detailed information see pages 13-14 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

- Since the Authority acquires its capital assets from member contributions, state, and federal grants, there were no long-term debts at June 30, 2005.

- Unrestricted net assets consists of reserved for operations and maintenance, replacement, insurance, and capital projects for BACWA.

- Ninety-six percent (96%) of the current assets consist of cash and investments at June 30, 2005.
EAST BAY DISCHARGERS AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Table 2, presents the revenues and expenses for the current fiscal year. The Authority is engaged only in Business-type Activities.

### TABLE 2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>June 30, 2005</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member assessments</td>
<td>$2,205,014</td>
<td>$2,195,589</td>
<td>77.42%</td>
</tr>
<tr>
<td>LAVWMA assessments</td>
<td>529,832</td>
<td>453,540</td>
<td>15.99%</td>
</tr>
<tr>
<td>Sale of reclaimed water</td>
<td>52,200</td>
<td>62,760</td>
<td>2.21%</td>
</tr>
<tr>
<td>Other</td>
<td>17,633</td>
<td>124,214</td>
<td>4.38%</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>2,804,679</td>
<td>2,836,103</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and</td>
<td>2,067,863</td>
<td>1,930,225</td>
<td>57.01%</td>
</tr>
<tr>
<td>maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water recycling</td>
<td>61,808</td>
<td>51,221</td>
<td>1.51%</td>
</tr>
<tr>
<td>Planning and special studies</td>
<td>325,158</td>
<td>488,328</td>
<td>14.42%</td>
</tr>
<tr>
<td>Capital projects</td>
<td>243</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>936,780</td>
<td>915,886</td>
<td>27.06%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>3,391,852</td>
<td>3,385,660</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>OPERATING LOSS</strong></td>
<td>(587,173)</td>
<td>(549,557)</td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUE</strong></td>
<td>468,400</td>
<td>506,116</td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING EXPENSE</strong></td>
<td>(407,629)</td>
<td>(407,629)</td>
<td></td>
</tr>
<tr>
<td><strong>DECREASE IN NET ASSETS</strong></td>
<td>$(526,402)</td>
<td>$(451,070)</td>
<td></td>
</tr>
</tbody>
</table>

For more detailed information see page 15
Major Factors Affecting the Statement of Revenue, Expenses and Changes In Net Assets:

- The decrease in net assets was primarily due to the depreciation of capital assets. The net assets increased by $464,816, if depreciation expense were to be removed from the change in net assets.

- The non-operating income and expense included payments received and subsequently disbursed to member agencies for the LAVWMA Interim Agreement in the amount of $407,629.

- Personnel services of $410,598 were included in the operating expenses.

- Repairs and maintenance expense of $548,040 were included in the operating expenses.

**CAPITAL ASSETS**

As of June 30, 2005, the Authority had $33 million invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of $801,917 or 2.36% from the end of last fiscal year.

**TABLE 3**

<table>
<thead>
<tr>
<th>CAPITAL ASSETS AT FISCAL YEAR-END - NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2004</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Land</td>
</tr>
<tr>
<td>Permanent Easements</td>
</tr>
<tr>
<td>Building and Structures</td>
</tr>
<tr>
<td>Sewage Disposal Facilities</td>
</tr>
<tr>
<td>Data Acquisition System</td>
</tr>
<tr>
<td>Water Recycling Facilities</td>
</tr>
<tr>
<td>Subsurface Lines</td>
</tr>
<tr>
<td>Office Equipment</td>
</tr>
<tr>
<td>Field Equipment</td>
</tr>
<tr>
<td>Automotive Equipment</td>
</tr>
<tr>
<td>Total Cost</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
</tr>
<tr>
<td>Net Capital Assets</td>
</tr>
</tbody>
</table>

The above reconciliation summarizes the change in Capital Assets, which is presented in detail on pages 24 and 25 of the notes to the basic financial statements.
EAST BAY DISCHARGERS AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

ECONOMIC FACTORS

Significant economic factors affecting the Authority, are as follows:

- The Authority was not negatively impacted by economic conditions, the war in Iraq, or the hurricanes in the southeast United States. Authority member agencies have been impacted by State of California budget issues, but these impacts have not had any direct impact on the Authority.

FINANCIAL CONTACT

- The individual to be contacted regarding this report is Charles V. Weir, General Manager, East Bay Dischargers Authority, (510) 278-5910. Specific requests may be submitted to Charles V. Weir, General Manager, East Bay Dischargers Authority, 2651 Grant Avenue, San Lorenzo, CA 94580.
**EAST BAY DISCHARGERS AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

### ASSETS

#### CURRENT ASSETS
- Cash and investments: $4,358,456
- Accounts receivable: 4,460
- Interest receivable: 30,894
- Due from other governments:
  - Member agencies: 36,805
  - Other agencies: 76,115
- Inventory: 22,808
- Prepaid expenses: 26,725
- Deposits: 4,185

**TOTAL CURRENT ASSETS**: $4,560,448

#### NONCURRENT ASSETS
- Land: 10,161
- Permanent easements: 432,178
- Buildings and structures: 484,267
- Sewage disposal facilities: 12,346,763
- Data acquisition system: 264,902
- Water recycling facilities: 669,807
- Subsurface lines: 39,910,872
- Office equipment: 86,322
- Field equipment: 71,054
- Automotive equipment: 17,757
- Accumulated depreciation: (21,092,121)

**TOTAL NONCURRENT ASSETS**: $33,201,962

**TOTAL ASSETS**: $37,762,410

### LIABILITIES

#### CURRENT LIABILITIES
- Accrued claims payable: 102,728
- Due to other governments:
  - Member agencies: 87,500
  - Other agencies: 241,906

**TOTAL CURRENT LIABILITIES**: $432,134

#### NONCURRENT LIABILITIES
- Compensated absences: 145,281

**TOTAL NONCURRENT LIABILITIES**: 145,281

**TOTAL LIABILITIES**: 577,415

### NET ASSETS
- Invested in capital assets, net of related debt: $33,201,962
- Unrestricted: 3,983,033

**TOTAL NET ASSETS**: $37,184,995

The accompanying notes are an integral part of this statement.
EAST BAY DISCHARGERS AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharge services</td>
<td>$3,385,660</td>
<td>$2,711,889</td>
<td>$124,214</td>
<td>$1,841</td>
<td>$(547,716)</td>
</tr>
<tr>
<td>Total business-type activities</td>
<td>3,385,660</td>
<td>2,711,889</td>
<td>124,214</td>
<td>1,841</td>
<td>(547,716)</td>
</tr>
</tbody>
</table>

General Revenues:
Interest Income

Total general revenues

Changes in net assets

Net assets at beginning of fiscal year

Net assets at end of fiscal year

See accompanying notes to basic financial statements
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$688,252</td>
<td>$39,753</td>
<td>$3,602,179</td>
<td>$16,503</td>
<td>$11,769</td>
<td>$4,358,456</td>
<td>$4,007,693</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>4,460</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,460</td>
<td>4,460</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>30,894</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30,894</td>
<td>14,601</td>
</tr>
<tr>
<td>Due from other governments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member agencies</td>
<td>36,805</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36,805</td>
<td>8,426</td>
</tr>
<tr>
<td>Other agencies</td>
<td></td>
<td>5,230</td>
<td>9,790</td>
<td>61,095</td>
<td>76,115</td>
<td>32,120</td>
<td>15,628</td>
</tr>
<tr>
<td>Inventory</td>
<td>22,808</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22,808</td>
<td>16,981</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>29,725</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>26,725</td>
<td>38,486</td>
</tr>
<tr>
<td>Deposits</td>
<td>4,185</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,185</td>
<td>42,079</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>783,235</td>
<td>44,983</td>
<td>3,642,863</td>
<td>77,598</td>
<td>11,769</td>
<td>4,560,448</td>
<td>4,143,894</td>
</tr>
<tr>
<td><strong>NONCURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>10,161</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10,161</td>
<td>10,161</td>
</tr>
<tr>
<td>Permanent easements</td>
<td>429,458</td>
<td>2,720</td>
<td></td>
<td></td>
<td></td>
<td>432,178</td>
<td>432,178</td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>484,267</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>484,267</td>
<td>471,253</td>
</tr>
<tr>
<td>Sewage disposal facilities</td>
<td>12,346,763</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,346,763</td>
<td>12,267,686</td>
</tr>
<tr>
<td>Data acquisition system</td>
<td>264,902</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>264,902</td>
<td>264,902</td>
</tr>
<tr>
<td>Water recycling facilities</td>
<td>669,807</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>669,807</td>
<td>652,591</td>
</tr>
<tr>
<td>Subsurface lines</td>
<td>39,910,872</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>39,910,872</td>
<td>39,906,210</td>
</tr>
<tr>
<td>Office equipment</td>
<td>86,322</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>86,322</td>
<td>86,322</td>
</tr>
<tr>
<td>Field equipment</td>
<td>71,054</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>71,054</td>
<td>71,054</td>
</tr>
<tr>
<td>Automotive equipment</td>
<td>17,757</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17,757</td>
<td>17,757</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(20,619,998)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(20,619,998)</td>
<td>(20,176,235)</td>
</tr>
<tr>
<td><strong>TOTAL NONCURRENT ASSETS</strong></td>
<td>33,001,558</td>
<td>200,404</td>
<td></td>
<td></td>
<td></td>
<td>33,201,962</td>
<td>34,003,879</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$33,784,793</td>
<td>$245,387</td>
<td>$3,642,863</td>
<td>$77,598</td>
<td>$11,769</td>
<td>$37,762,410</td>
<td>$38,147,773</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
<table>
<thead>
<tr>
<th>Operations and Maintenance</th>
<th>Water Recycling</th>
<th>Renewal and Replacement</th>
<th>Planning and Special Studies</th>
<th>Capital Projects</th>
<th>Totals June 30, 2005</th>
<th>Totals June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued claims payable</td>
<td>$ 80,275</td>
<td>$ 1,120</td>
<td>$ 5,254</td>
<td>$ 16,079</td>
<td>$ 102,728</td>
<td>$ 92,932</td>
</tr>
<tr>
<td>Due to other governments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member agencies</td>
<td>52,187</td>
<td>3,753</td>
<td>7,195</td>
<td>24,365</td>
<td>87,500</td>
<td>188,092</td>
</tr>
<tr>
<td>Other agencies</td>
<td>231,684</td>
<td></td>
<td>10,222</td>
<td></td>
<td>241,906</td>
<td>94,777</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>$364,146</td>
<td>4,873</td>
<td>12,449</td>
<td>50,666</td>
<td>432,134</td>
<td>375,801</td>
</tr>
</tbody>
</table>

| **NONCURRENT LIABILITIES** |                |                         |                            |                 |                     |                     |
| Compensated Absences       | 145,281        |                         |                            |                 | 145,281             | 135,907             |
| **TOTAL NONCURRENT LIABILITIES** | $145,281 |                         |                            |                 | 145,281             | 135,907             |
| **TOTAL LIABILITIES**      | $509,427       | 4,873                   | 12,449                     | 50,666          | 577,415             | 511,708             |

| **NET ASSETS**             |                |                         |                            |                 |                     |                     |
| Invested in capital assets, net of related debt | $33,011,558  | 200,404                 | $3,630,414               | $26,932         | 33,201,962          | 34,003,879          |
| Unrestricted               | 273,808        | 40,110                  | 3,630,414                 | 26,932          | 3,983,033           | 3,632,186           |
| **TOTAL ASSETS**           | $33,275,366    | $240,514                | $3,630,414                | $26,932         | $37,184,995         | $37,636,065         |

The accompanying notes are an integral part of this statement.
# EAST BAY DISCHARGERS AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

With comparative totals for the fiscal year ended June 30, 2004

## Business-type Activities—Enterprises Funds

### Operations and Renewal Planning and Special Projects

<table>
<thead>
<tr>
<th>Activities</th>
<th>Maintenance</th>
<th>Recycling</th>
<th>Replacement</th>
<th>Studies</th>
<th>Totals June 30, 2005</th>
<th>Totals June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member assessments</strong></td>
<td>$1,561,919</td>
<td>$345,000</td>
<td>$288,670</td>
<td>$2,195,589</td>
<td>$2,205,014</td>
<td></td>
</tr>
<tr>
<td><strong>LAVWMA assessments</strong></td>
<td>347,152</td>
<td>9,790</td>
<td>96,598</td>
<td>453,540</td>
<td>529,832</td>
<td></td>
</tr>
<tr>
<td><strong>Sale of reclaimed water</strong></td>
<td>62,760</td>
<td>103,060</td>
<td>52,200</td>
<td>124,214</td>
<td>17,632</td>
<td></td>
</tr>
<tr>
<td><strong>Other operating revenues</strong></td>
<td>21,154</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>1,930,225</td>
<td>62,760</td>
<td>354,790</td>
<td>488,328</td>
<td>2,836,103</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,836,103</td>
<td>488,328</td>
<td>2,804,679</td>
<td>3,391,852</td>
<td>3,385,660</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>2,836,492</td>
<td>354,790</td>
<td>3,385,660</td>
<td>3,391,852</td>
<td>3,391,852</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,836,492</td>
<td>354,790</td>
<td>3,385,660</td>
<td>3,391,852</td>
<td>3,391,852</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING INCOME (LOSS)</strong></td>
<td>(906,267)</td>
<td>1,920</td>
<td>354,790</td>
<td>(549,557)</td>
<td>(587,173)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>96,646</td>
<td></td>
<td></td>
<td>96,646</td>
<td>60,771</td>
<td></td>
</tr>
<tr>
<td><strong>LAVWMA interim agreement revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td>407,629</td>
<td>407,629</td>
<td></td>
</tr>
<tr>
<td><strong>LAVWMA interim agreement expense</strong></td>
<td></td>
<td></td>
<td></td>
<td>(407,629)</td>
<td>(407,629)</td>
<td></td>
</tr>
<tr>
<td><strong>Contributed capital</strong></td>
<td>1,841</td>
<td></td>
<td></td>
<td>1,841</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NONOPERATING REVENUES (EXPENSES)</strong></td>
<td>1,841</td>
<td>96,646</td>
<td></td>
<td>98,487</td>
<td>60,771</td>
<td></td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transfer In</strong></td>
<td>94,912</td>
<td>17,216</td>
<td></td>
<td>112,128</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transfer Out</strong></td>
<td></td>
<td></td>
<td></td>
<td>(112,128)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>94,912</td>
<td>17,216</td>
<td></td>
<td>(112,128)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(809,514)</td>
<td>19,136</td>
<td>339,308</td>
<td>(451,070)</td>
<td>(526,402)</td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS AT BEGINNING OF FISCAL YEAR</strong></td>
<td>34,084,880</td>
<td>221,378</td>
<td>3,291,106</td>
<td>26,932</td>
<td>37,636,065</td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS AT END OF FISCAL YEAR</strong></td>
<td>33,275,366</td>
<td>240,514</td>
<td>3,630,414</td>
<td>26,932</td>
<td>37,184,995</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
### EAST BAY DISCHARGERS AUTHORITY
#### STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

**FISCAL YEAR ENDED JUNE 30, 2005**

**WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<table>
<thead>
<tr>
<th>Operations and Water Maintenance</th>
<th></th>
<th>Renewal and Replacement</th>
<th></th>
<th>Planning and Special Projects</th>
<th></th>
<th>Totals June 30, 2005</th>
<th></th>
<th>Totals June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from members</td>
<td>$1,533,540</td>
<td>$ -</td>
<td>$345,000</td>
<td>$288,670</td>
<td>$ -</td>
<td>$2,167,210</td>
<td>$2,197,919</td>
<td></td>
</tr>
<tr>
<td>Cash received from LAVWMA</td>
<td>347,152</td>
<td></td>
<td>9,790</td>
<td>96,598</td>
<td></td>
<td>453,540</td>
<td>529,832</td>
<td></td>
</tr>
<tr>
<td>Cash received from others</td>
<td>16,694</td>
<td>57,530</td>
<td>5,238</td>
<td>42,565</td>
<td></td>
<td>122,027</td>
<td>286,723</td>
<td></td>
</tr>
<tr>
<td>Cash payments for personnel services</td>
<td>(397,134)</td>
<td>(1,405)</td>
<td></td>
<td>(313)</td>
<td></td>
<td>(398,852)</td>
<td>(384,951)</td>
<td></td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>(1,329,561)</td>
<td>(52,897)</td>
<td>(1,983)</td>
<td>(576,946)</td>
<td></td>
<td>(1,961,387)</td>
<td>(2,254,075)</td>
<td></td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$170,691</td>
<td>$382,538</td>
<td></td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** |  |  |  |  |  |  |  |
| Contributed capital | 1,841 |  |  |  |  |  |  |
| Acquisition of capital assets | (96,753) | (17,216) |  |  |  | (113,969) | (117,672) |
| **NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES** |  |  |  |  |  | (94,912) | (112,128) |

| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |  |  |  |
| Interest on Investments |  |  |  |  |  |  |  |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** |  |  |  |  |  |  |  |
| Interfund transfers | 94,912 | 17,216 |  |  |  | (112,128) |  |
| **NET CASH PROVIDED (USED) BY NON CAPITAL AND RELATED FINANCING ACTIVITIES** |  |  |  |  |  |  |  |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** |  |  |  |  |  |  |  |
| CASH AND CASH EQUIVALENTS - BEGINNING OF FISCAL YEAR | 517,561 | 36,525 | 3,275,909 | 165,929 | 11,769 | 4,007,693 | 3,687,420 |
| CASH AND CASH EQUIVALENTS - END OF FISCAL YEAR | $688,252 | $39,753 | $3,602,179 | $16,503 | $11,769 | $4,358,456 | $4,007,693 |

The accompanying notes are an integral part of this statement.
<table>
<thead>
<tr>
<th>Operations and Maintenance</th>
<th>Water Recycling</th>
<th>Renewal and Replacement</th>
<th>Planning and Special Studies</th>
<th>Capital Projects</th>
<th>Totals June 30, 2005</th>
<th>Totals June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income (Loss)</td>
<td>(906,267)</td>
<td>$ 1,920</td>
<td>$ 354,790</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (549,557)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>906,267</td>
<td>9,619</td>
<td></td>
<td></td>
<td>915,886</td>
<td>936,780</td>
</tr>
<tr>
<td>(Increase) Decrease in accounts receivables</td>
<td>(4,460)</td>
<td></td>
<td></td>
<td></td>
<td>(4,460)</td>
<td>668</td>
</tr>
<tr>
<td>(Increase) Decrease in due from member agencies</td>
<td>(28,379)</td>
<td></td>
<td></td>
<td></td>
<td>(28,379)</td>
<td>(7,095)</td>
</tr>
<tr>
<td>(Increase) Decrease in due from other agencies</td>
<td></td>
<td>(5,230)</td>
<td>5,238</td>
<td>(60,495)</td>
<td>(60,487)</td>
<td>122,451</td>
</tr>
<tr>
<td>(Increase) Decrease in inventory</td>
<td>(5,827)</td>
<td></td>
<td></td>
<td></td>
<td>(5,827)</td>
<td>4,951</td>
</tr>
<tr>
<td>(Increase) Decrease in prepaid expenses</td>
<td>11,761</td>
<td></td>
<td></td>
<td></td>
<td>11,761</td>
<td>(5,356)</td>
</tr>
<tr>
<td>(Increase) Decrease in deposits</td>
<td>37,894</td>
<td></td>
<td></td>
<td></td>
<td>37,894</td>
<td>94,175</td>
</tr>
<tr>
<td>Increase (Decrease) in accrued claims payable</td>
<td>16,986</td>
<td>(384)</td>
<td>(9,178)</td>
<td>2,372</td>
<td>9,796</td>
<td>(141,718)</td>
</tr>
<tr>
<td>Increase (Decrease) in due to member agencies</td>
<td>(44,984)</td>
<td>(2,697)</td>
<td>7,195</td>
<td>(60,106)</td>
<td>(100,592)</td>
<td>(85,094)</td>
</tr>
<tr>
<td>Increase (Decrease) in due to other agencies</td>
<td>178,326</td>
<td></td>
<td>(31,197)</td>
<td></td>
<td>147,129</td>
<td>93,844</td>
</tr>
<tr>
<td>Increase (Decrease) in deposits held</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(68,872)</td>
<td></td>
</tr>
<tr>
<td>Increase (Decrease) in compensated absences</td>
<td>9,374</td>
<td></td>
<td></td>
<td></td>
<td>9,374</td>
<td>17,886</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED BY)</strong> OPERATING ACTIVITIES</td>
<td>$ 170,691</td>
<td>$ 3,228</td>
<td>$ 358,045</td>
<td>(149,426)</td>
<td>$ -</td>
<td>$ 382,538</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
NOTE 1  NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

A. Nature of Business

East Bay Dischargers Authority (Authority) was formed on February 15, 1974, under a “joint exercise of powers agreement” entered into by the City of Hayward, City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, and Union Sanitary District (the Agencies). The Authority operates under a Commission consisting of a representative from each agency.

The purpose of the agreement is to provide for the “more efficient disposal of wastewater produced in each Agency, all to the economic and financial advantage of each Agency and otherwise for the benefit of each Agency; and, each of the Agencies is willing to plan with the other Agencies for joint wastewater facilities which will protect all the Agencies.” Since the Authority’s inception, it has administered numerous joint-use and sole-use grant funded construction and planning and special studies projects.

Legal title and all pertinent grant documents and conditions for sole-use facilities administered by the Authority under the grant program are transferred to the Owner-Agency upon completion of the project. Operation and maintenance of these sole-use facilities is the responsibility of the Owner-Agency.

Legal title and all pertinent grant documents and conditions for joint-use facilities remain with the Authority. Each Agency owns an undivided portion of the joint facilities used by it, equal to the percentage of project costs paid for it. Percentages are as defined by the Joint Exercise of Powers Agreement. Operations and maintenance of the completed joint-use facilities is the responsibility of the Authority.

The Authority applied for and received a National Pollutant Discharge Elimination System (NPDES) Permit No. CA 0037869 from the California Regional Water Quality Control Board to discharge up to 189.1 MGD of secondary treated wastewater to San Francisco Bay. It is the Authority’s responsibility to assure that all treatment of wastewater by each member agency is in compliance with the Federal Water Pollution Control Act (P.L. 92-500) and as amended by the Clean Water Act of 1986.

B. Basis of Accounting

The Authority is accounted for as enterprise funds (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.
NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Proprietary fund types distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the Authority are charged to the member agencies for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both reserved and unreserved resources are available for use, it is the Authority’s policy to use reserved resources first, then unreserved resources as they are needed.

The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB’s) of the Committee on Accounting Procedure.

C. Inventories

Inventories are valued at a cost using a first in, first out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

D. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $500 and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

- Concrete and paving: 40 years
- Structures: 40-50 years
- Mechanical and pump equipment: 25 years
- Electrical and plumbing: 20 years
- Piping-above ground: 20-40 years
- Subsurface lines: 75 years
- Motor control units: 20 years
- Heating, ventilating and air-conditioning: 20 years
- Data acquisition system: 5 years
- Equipment and furnishings: 5 to 20 years
- Automotive equipment: 5 years

E. Compensated Absences

Employees can accrue vacation leave up to a maximum of 240 hours. Vacation leave accrues at a rate of 80 working hours per year from the date of employment. Employees shall not be permitted to take any vacation during the first six months of employment.
E. Compensated Absences (Continued)

Full time employees shall earn an additional eight (8) hours vacation leave allowance for each full year of continuous employment thereafter, up to a maximum of 160 working hours per year. Sick leave accrues at the rate of one day per month. Upon termination of an employee, the employee or heir shall receive compensation for unused sick leave equal to 0.167% of sick leave earned, but unused at the time of separation, times the number of whole months of continuous employment, times the employee’s hourly rate of pay at time of separation.

All accumulated vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

F. Allocation of Costs

Expenses are allocated to the various member agencies in accordance with the Joint Exercise of Powers Agreement.

G. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

H. Investments

Investments are reported in the statement of net assets at fair value. Changes in market value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

I. Funding

East Bay Dischargers Authority’s capital projects and planning and special studies funds were funded by Federal, State, and Local agency grants and/or member agency contributions.

The eligible projects costs have been funded under the Clean Water Grants Program, which was administered by the Environmental Protection Agency (EPA) for the federal government and the State Water Resources Control Board (SWRCB) for the state government. The federal and state governments’ share of the eligible projects costs was 75 percent and 12.5 percent, respectively.

The Authority’s operations and maintenance is funded by the member agencies and other local agencies on the basis of formulas established in the Joint Powers Agreement and other service agreements.

East Bay Dischargers Authority is also funded for the future replacement of certain joint-use facilities assets by the member agencies and local agencies. Each year the Authority calculates the annual deposit required for Renewal and Replacement based upon the method adopted by the Commission. Contributions for Renewal and Replacement are made in accordance with Resolution No. 90-11, dated May 17, 1990 and as amended annually by resolution.
NOTE 1  NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J.  Budgetary Controls

The Authority must adopt a budget prior to June 1 of each year for the following fiscal year.  Formal budgetary integration is employed as a management control device during the year.

K.  Comparative Data

Comparative total data for the prior fiscal year have been presented in order to provide an understanding of the changes in the financial position, operations, and cash flows of the Authority.

L.  Reclassifications

Certain reclassifications have been made to prior fiscal year amounts to conform to the current fiscal year presentation.

M.  Estimates

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

N.  New Accounting Pronouncements

The Authority has implemented the requirements of GASB Statement No. 40 during the final fiscal year ended June 30, 2005. This statement provides for additional disclosure related to investments and their related risks.

NOTE 2  CASH AND INVESTMENTS

Cash and Investments held by the Authority at June 30, 2005 and 2004, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits in bank</td>
<td>$30,769</td>
<td>$35,061</td>
</tr>
<tr>
<td>LAIF</td>
<td>$4,327,687</td>
<td>$3,972,632</td>
</tr>
<tr>
<td></td>
<td>$4,358,456</td>
<td>$4,007,693</td>
</tr>
</tbody>
</table>
NOTE 2  CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity Of Portfolio</th>
<th>Maximum Percentage</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Bankers’ Acceptances</td>
<td>180 days</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>92 days</td>
<td>20% of base value</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>5 years</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>County Pooled Investment Fund</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>JPA Pools (other investment pools)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investments by maturity:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Amount</th>
<th>Remaining Maturity (in Months)</th>
<th>12 Months</th>
<th>13-24</th>
<th>25-60</th>
<th>More than 60 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>$4,327,687</td>
<td>$4,327,687</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total</td>
<td>$4,327,687</td>
<td>$4,327,687</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>
NOTE 2  CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the actual rating as of fiscal year end for each investment type.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Amount</th>
<th>Minimum Legal Rating</th>
<th>Exempt From Disclosure</th>
<th>Rating of Fiscal Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>$ 4,327,687</td>
<td>N/A</td>
<td>$ -</td>
<td>$ - $ - $ - $ - $ 4,327,687</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,327,687</td>
<td>$ -</td>
<td>$ -</td>
<td>$ - $ - $ - $ 4,327,687</td>
</tr>
</tbody>
</table>

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments.

Custodial Credit Risk

Custodial credit risk for 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 California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the Authority’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).
NOTE 2  CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority’s investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Authority’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3  CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at</th>
<th>Additions</th>
<th>Deletions</th>
<th>Adjustments</th>
<th>Balance at</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2004</td>
<td></td>
<td></td>
<td></td>
<td>June 30, 2005</td>
</tr>
<tr>
<td>Capital Assets, Not Being</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 10,161</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 10,161</td>
</tr>
<tr>
<td>Permanent easements</td>
<td>432,178</td>
<td></td>
<td></td>
<td></td>
<td>432,178</td>
</tr>
<tr>
<td>Total Capital Assets, Not</td>
<td>442,339</td>
<td></td>
<td></td>
<td></td>
<td>442,339</td>
</tr>
<tr>
<td>Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets, Being</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and Structures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations center</td>
<td>471,254</td>
<td>13,013</td>
<td></td>
<td></td>
<td>484,267</td>
</tr>
<tr>
<td>Sewage Disposal Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Leandro pump station</td>
<td>618,387</td>
<td>15,206</td>
<td></td>
<td></td>
<td>633,593</td>
</tr>
<tr>
<td>Oro Loma pump station</td>
<td>6,439,685</td>
<td>41,456</td>
<td></td>
<td></td>
<td>6,481,141</td>
</tr>
<tr>
<td>Marina dechlorination facility</td>
<td>2,333,597</td>
<td>9,793</td>
<td></td>
<td>3,406</td>
<td>2,346,796</td>
</tr>
<tr>
<td>Hayward pump station</td>
<td>738,905</td>
<td>885</td>
<td></td>
<td></td>
<td>739,790</td>
</tr>
<tr>
<td>Alvarado pump station</td>
<td>2,133,707</td>
<td>11,736</td>
<td></td>
<td></td>
<td>2,145,443</td>
</tr>
<tr>
<td>Data acquisition system</td>
<td>268,308</td>
<td></td>
<td></td>
<td>(3,406)</td>
<td>264,902</td>
</tr>
<tr>
<td>Water Recycling Facilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skywest Golf Course irrigation facilities</td>
<td>652,590</td>
<td>17,217</td>
<td></td>
<td></td>
<td>669,807</td>
</tr>
<tr>
<td>Subsurface Lines:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bay outfall</td>
<td>19,507,690</td>
<td></td>
<td></td>
<td></td>
<td>19,507,690</td>
</tr>
<tr>
<td>San Leandro to Marina</td>
<td>3,707,991</td>
<td></td>
<td></td>
<td></td>
<td>3,707,991</td>
</tr>
<tr>
<td>Loma to Marina forcemain</td>
<td>5,551,059</td>
<td></td>
<td></td>
<td></td>
<td>5,551,059</td>
</tr>
<tr>
<td>Oro Loma to Hayward</td>
<td>2,755,067</td>
<td></td>
<td></td>
<td></td>
<td>2,755,067</td>
</tr>
<tr>
<td>Hayward to Alvarado</td>
<td>8,372,755</td>
<td></td>
<td></td>
<td>4,663</td>
<td>8,377,418</td>
</tr>
<tr>
<td>Seismic design</td>
<td>11,647</td>
<td></td>
<td></td>
<td></td>
<td>11,647</td>
</tr>
<tr>
<td>Office equipment</td>
<td>86,322</td>
<td></td>
<td></td>
<td></td>
<td>86,322</td>
</tr>
<tr>
<td>Field equipment</td>
<td>71,054</td>
<td></td>
<td></td>
<td></td>
<td>71,054</td>
</tr>
<tr>
<td>Automotive equipment</td>
<td>17,757</td>
<td></td>
<td></td>
<td></td>
<td>17,757</td>
</tr>
<tr>
<td>Total Capital Assets, Being</td>
<td>53,737,775</td>
<td>113,969</td>
<td></td>
<td></td>
<td>53,851,744</td>
</tr>
<tr>
<td>Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>54,180,114</td>
<td>113,969</td>
<td></td>
<td></td>
<td>54,294,083</td>
</tr>
</tbody>
</table>
NOTE 3  CAPITAL ASSETS (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>Accumulated Depreciation</th>
<th>Dispositions</th>
<th>Current Year Depreciation</th>
<th>Accumulated Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2004</td>
<td></td>
<td>June 30, 2005</td>
<td></td>
</tr>
<tr>
<td>Buildings and Structures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations center</td>
<td>$ (303,731)</td>
<td>$ -</td>
<td>$ (9,722)</td>
<td>$ (313,453)</td>
</tr>
<tr>
<td>Sewage Disposal Facilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Leandro pump station</td>
<td>(427,252)</td>
<td></td>
<td>(19,155)</td>
<td>(446,407)</td>
</tr>
<tr>
<td>Oro Loma pump station</td>
<td>(3,378,242)</td>
<td></td>
<td>(159,851)</td>
<td>(3,538,093)</td>
</tr>
<tr>
<td>Marina dechlorination facility</td>
<td>(1,469,563)</td>
<td></td>
<td>(76,952)</td>
<td>(1,546,515)</td>
</tr>
<tr>
<td>Hayward pump station</td>
<td>(412,209)</td>
<td></td>
<td>(21,178)</td>
<td>(433,387)</td>
</tr>
<tr>
<td>Alvarado pump station</td>
<td>(1,076,570)</td>
<td></td>
<td>(71,193)</td>
<td>(1,147,763)</td>
</tr>
<tr>
<td>Data acquisition system</td>
<td>(265,401)</td>
<td></td>
<td>(7,213)</td>
<td>(272,614)</td>
</tr>
<tr>
<td>Water Recycling Facilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skywest Golf Course irrigation facilities</td>
<td>(462,504)</td>
<td></td>
<td>(9,619)</td>
<td>(472,123)</td>
</tr>
<tr>
<td>Subsurface Lines:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bay outfall</td>
<td>(6,006,716)</td>
<td>(261,730)</td>
<td></td>
<td>(6,268,446)</td>
</tr>
<tr>
<td>San Leandro to Marina forcemain</td>
<td>(1,138,182)</td>
<td>(49,616)</td>
<td></td>
<td>(1,187,798)</td>
</tr>
<tr>
<td>Marina to Oro Loma forcemain</td>
<td>(1,674,665)</td>
<td>(73,096)</td>
<td></td>
<td>(1,747,761)</td>
</tr>
<tr>
<td>Oro Loma to Hayward forcemain</td>
<td>(850,769)</td>
<td>(36,739)</td>
<td></td>
<td>(887,508)</td>
</tr>
<tr>
<td>Hayward to Alvarado forcemain</td>
<td>(2,574,234)</td>
<td>(111,510)</td>
<td></td>
<td>(2,685,744)</td>
</tr>
<tr>
<td>Seismic design</td>
<td>(3,262)</td>
<td></td>
<td>(466)</td>
<td>(3,728)</td>
</tr>
<tr>
<td>Office equipment</td>
<td>(64,389)</td>
<td>(4,950)</td>
<td></td>
<td>(69,339)</td>
</tr>
<tr>
<td>Field equipment</td>
<td>(50,789)</td>
<td>(2,896)</td>
<td></td>
<td>(53,685)</td>
</tr>
<tr>
<td>Automotive equipment</td>
<td>(17,757)</td>
<td></td>
<td></td>
<td>(17,776)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(20,176,235)</td>
<td></td>
<td>(915,886)</td>
<td>(21,092,121)</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$ 34,003,879</td>
<td></td>
<td>$ (801,918)</td>
<td>$ 33,201,962</td>
</tr>
</tbody>
</table>

NOTE 4  NONCURRENT LIABILITIES

Noncurrent liabilities for the fiscal year ended June 30, 2005 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance at June 30, 2004</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2005</th>
<th>Amount due within one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated Absences</td>
<td>$ 135,907</td>
<td>$ 9,374</td>
<td>$ -</td>
<td>$ 145,281</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Noncurrent Liabilities</td>
<td>$ 135,907</td>
<td>$ 9,374</td>
<td>$ -</td>
<td>$ 145,281</td>
<td>$ -</td>
</tr>
</tbody>
</table>
NOTE 5  DEFINED BENEFIT PENSION PLAN

Plan Description

The East Bay Dischargers Authority contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and district ordinance. Copies of CalPERS’ annual financial report may be obtained from: Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Authority employees are required to contribute 8% of their annual salary to the CalPERS. The Authority makes the entire contribution on behalf of the employees. The Authority is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration.

Annual Pension Cost

For fiscal year ended June 30, 2005 the Authority’s annual pension cost of $24,907 was equal to the Authority’s required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members; and (c) 3.75% payroll growth. Both (a) and (b) include an inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of CalPERS assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Beginning on July 1, 1997 all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology will be amortized separately over a 20-year period. In addition, all gains or losses will be tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan’s accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (APC)</th>
<th>APC Contributed</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2003</td>
<td>$22,809</td>
<td>100%</td>
<td>$</td>
</tr>
<tr>
<td>6/30/2004</td>
<td>$23,722</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/2005</td>
<td>$24,097</td>
<td>100%</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 5  DEFINED BENEFIT PENSION PLAN (Continued)

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Accrued Liability</th>
<th>Value of Assets</th>
<th>Unfunded/Liability (Excess Assets)</th>
<th>Funded Status</th>
<th>Covered Payroll</th>
<th>Percentage of Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2002</td>
<td>$1,739,334</td>
<td>$2,528,218</td>
<td>$ (788,884)</td>
<td>145.4%</td>
<td>$270,564</td>
<td>(291.6%)</td>
</tr>
<tr>
<td>6/30/2003</td>
<td>1,978,950</td>
<td>2,533,718</td>
<td>(554,768)</td>
<td>128.0%</td>
<td>285,120</td>
<td>(194.6%)</td>
</tr>
<tr>
<td>6/30/2004</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

*Information not available

NOTE 6  COMMITMENTS

The Authority has a long-term operating lease on land, ending in the year 2020, with Oro Loma Sanitary District. Current payments on the lease are $3,600 per year. Since the lease terms will be modified every 5th year, the future commitments beyond 2011 are estimated based on the current lease payment. The total lease obligation is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$4,140</td>
</tr>
<tr>
<td>2007</td>
<td>4,140</td>
</tr>
<tr>
<td>2008</td>
<td>4,140</td>
</tr>
<tr>
<td>2009</td>
<td>4,140</td>
</tr>
<tr>
<td>2010</td>
<td>4,140</td>
</tr>
<tr>
<td>2011-2020</td>
<td>41,400</td>
</tr>
<tr>
<td>Estimated</td>
<td></td>
</tr>
</tbody>
</table>

Total $62,100

NOTE 7  JOINT POWERS ASSOCIATION

The Authority participates in a joint venture activity through a formally organized and separate entity established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, the entity exercises full power and authority within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entity are not those of the Authority. The Bay Area Clean Water Agencies (BACWA) was established by Central Contra Costa Sanitary District, East Bay Municipal Utility District, East Bay Dischargers Authority, the City and County of San Francisco, and the City of San Jose for the purpose of coordinating the water quality activities of the members, to jointly contract for consultant services that are of joint benefit and to interpret data collected by BACWA and by others, in order to assess the effects of pollution and other factors on the San Francisco Bay system.
NOTE 7  JOINT POWERS ASSOCIATION (Continued)

As a result of the Authority’s ability to exercise significant influence over operating and financial policies of BACWA, the Authority’s proportionate share of BACWA’s net assets, excluding sole-use facilities, have been recorded in the financial statements as an investment in BACWA, accounted for under the equity method.

A summary of the annual financial information as of and for the fiscal year ended June 30, 2005, for BACWA is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$1,436,615</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>330,844</td>
</tr>
<tr>
<td>Total net assets</td>
<td>1,105,771</td>
</tr>
<tr>
<td>Total revenues</td>
<td>1,966,111</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>1,979,312</td>
</tr>
<tr>
<td>Decrease in net assets</td>
<td>13,201</td>
</tr>
</tbody>
</table>

Audited financial statements of BACWA can be obtained from BACWA, 375 11th Street, Oakland, California 94607.

NOTE 8  SELF INSURANCE

The Authority has chosen to be self-insured for pollution liability insurance. The Authority has elected to retain all risk of loss. As of the audit date, the Authority had no claims outstanding.

The possibility of an incurred but not reported claim is remote, as the Authority only discharges disinfected secondary treated effluent.

The Authority is exposed to various other risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

NOTE 9  LEASE OF ADDITIONAL CAPACITY

The Authority signed an agreement with Livermore-Amador Valley Water Management Agency (LAVWMA) dated February 1, 1978, and as amended on March 26, 1981 and February 18, 1993. The purpose of the agreement is to allow LAVWMA to use the facilities of the Authority to discharge wastewater. The agreement provides for a reasonable method of allocating costs to LAVWMA that will be incurred as a result of the discharge rights. The term is for thirty years, with the right of renewal or early termination. The Authority signed an Interim Agreement with LAVWMA on March 18, 1998 to provide additional system discharge services.

The 1998 Interim Agreement provided for a capital buy-in fee of $7,000,000. LAVWMA elected to defer making payments until July 1, 2001. The Interim Agreement provides that the buy-in fee accrue interest from 10/01/1997 thru 06/30/2001. The final buy-in fee was $7,921,966. During the fiscal year LAVWMA made an annual principal and interest payment of $183,510 and $224,119, respectively, totaling $407,629 towards the buy-in fee.
NOTE 9  LEASE OF ADDITIONAL CAPACITY (Continued)

The remaining balance was $7,287,111 at June 30, 2005. The annual payments cover a thirty-year period and are based on the annual change in the San Francisco area CPI. The interest rate is charged at a minimum of 3% and a maximum of 6%. The Authority has recorded the payments received and subsequent disbursements to Member Agencies as non-operating income and expense when payments are made.

NOTE 10 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2004-2005 fiscal year, are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Transfers In</th>
<th>Transfers Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations and Maintenance</td>
<td>$ 94,912</td>
<td>$ -</td>
</tr>
<tr>
<td>Water Recycling</td>
<td>17,216</td>
<td></td>
</tr>
<tr>
<td>Renewal and Replacement</td>
<td></td>
<td>112,128</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 112,128</td>
<td>$ 112,128</td>
</tr>
</tbody>
</table>

NOTE 11 - NET ASSETS

The business-type activity and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.
<table>
<thead>
<tr>
<th>PROGRAMS</th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>VARIANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administration</td>
<td>$519,073</td>
<td>$526,208</td>
<td>$(7,135)</td>
<td></td>
</tr>
<tr>
<td>Outfall and forcemains</td>
<td>106,172</td>
<td>86,712</td>
<td>19,460</td>
<td></td>
</tr>
<tr>
<td>San Leandro pump station</td>
<td>59,176</td>
<td>73,935</td>
<td>(14,759)</td>
<td></td>
</tr>
<tr>
<td>Marina Dechlorination Facility</td>
<td>418,910</td>
<td>299,485</td>
<td>119,425</td>
<td></td>
</tr>
<tr>
<td>Oro Loma pump station</td>
<td>331,836</td>
<td>320,254</td>
<td>11,582</td>
<td></td>
</tr>
<tr>
<td>Hayward pump station</td>
<td>90,352</td>
<td>73,614</td>
<td>16,738</td>
<td></td>
</tr>
<tr>
<td>Alvarado pump station</td>
<td>205,352</td>
<td>190,964</td>
<td>14,388</td>
<td></td>
</tr>
<tr>
<td>Bay and effluent monitoring</td>
<td>329,209</td>
<td>359,053</td>
<td>(29,844)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2,060,080</strong></td>
<td><strong>1,930,225</strong></td>
<td><strong>129,855</strong></td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense

Total $2,836,492
<table>
<thead>
<tr>
<th>item</th>
<th>budget</th>
<th>actual</th>
<th>variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$276,995</td>
<td>$289,798</td>
<td>$ (12,803)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>78,228</td>
<td>74,499</td>
<td>3,729</td>
</tr>
<tr>
<td>Commissioners' compensation</td>
<td>44,500</td>
<td>43,756</td>
<td>744</td>
</tr>
<tr>
<td>Fuel, oil and lubricants</td>
<td>900</td>
<td>1,025</td>
<td>(125)</td>
</tr>
<tr>
<td>Insurance</td>
<td>15,000</td>
<td>14,588</td>
<td>412</td>
</tr>
<tr>
<td>Memberships</td>
<td>4,650</td>
<td>4,443</td>
<td>207</td>
</tr>
<tr>
<td>Supplies</td>
<td>6,000</td>
<td>8,025</td>
<td>(2,025)</td>
</tr>
<tr>
<td>Contractual services</td>
<td>3,000</td>
<td>1,808</td>
<td>1,192</td>
</tr>
<tr>
<td>Professional services</td>
<td>42,000</td>
<td>42,969</td>
<td>(969)</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>800</td>
<td>380</td>
<td>420</td>
</tr>
<tr>
<td>Rental</td>
<td>4,000</td>
<td>3,935</td>
<td>65</td>
</tr>
<tr>
<td>Maintenance</td>
<td>20,000</td>
<td>15,578</td>
<td>4,422</td>
</tr>
<tr>
<td>Travel</td>
<td>12,000</td>
<td>16,218</td>
<td>(4,218)</td>
</tr>
<tr>
<td>Utilities</td>
<td>10,000</td>
<td>8,678</td>
<td>1,322</td>
</tr>
<tr>
<td>Other</td>
<td>1,000</td>
<td>508</td>
<td>492</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$519,073</td>
<td>$526,208</td>
<td>$ (7,135)</td>
</tr>
</tbody>
</table>
EAST BAY DISCHARGERS AUTHORITY  
WATER RECYCLING FUND  
SCHEDULE OF EXPENSES  
BUDGET VS. ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<table>
<thead>
<tr>
<th>WATER RECYCLING PROGRAMS</th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skywest Golf Course Irrigation</td>
<td>$ 62,434</td>
<td>$ 51,221</td>
<td>$ 11,213</td>
</tr>
<tr>
<td>BARWRP Recycling Study</td>
<td>23,000</td>
<td></td>
<td>23,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 85,434</td>
<td>51,221</td>
<td>$ 34,213</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td></td>
<td>9,619</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$ 60,840</td>
<td></td>
</tr>
</tbody>
</table>
EAST BAY DISCHARGERS AUTHORITY
PLANNING AND SPECIAL STUDIES FUND
SCHEDULE OF EXPENSES
BUDGET VS. ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<table>
<thead>
<tr>
<th>Program/Activity</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LAVWMA Project Studies</strong></td>
<td>$3,751</td>
<td>$3,138</td>
<td>$613</td>
</tr>
<tr>
<td>DSRSD Antidegradation Analysis</td>
<td>173,502</td>
<td>101,014</td>
<td>72,488</td>
</tr>
<tr>
<td>Regional Monitoring Plan</td>
<td>250,000</td>
<td>240,953</td>
<td>9,047</td>
</tr>
<tr>
<td>NPDES Permit Issues</td>
<td>75,000</td>
<td>50,925</td>
<td>24,075</td>
</tr>
<tr>
<td>NPDES Testing-Member Agencies</td>
<td>78,000</td>
<td>80,945</td>
<td>(2,945)</td>
</tr>
<tr>
<td><strong>LAVWMA Interim Agreement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of San Leandro</td>
<td>75,888</td>
<td>75,819</td>
<td>69</td>
</tr>
<tr>
<td>Oro Loma Sanitary District</td>
<td>78,744</td>
<td>78,672</td>
<td>72</td>
</tr>
<tr>
<td>Castro Valley Sanitary District</td>
<td>42,432</td>
<td>42,393</td>
<td>39</td>
</tr>
<tr>
<td>City of Hayward</td>
<td>134,640</td>
<td>134,518</td>
<td>122</td>
</tr>
<tr>
<td>Union Sanitary District</td>
<td>76,296</td>
<td>76,227</td>
<td>69</td>
</tr>
<tr>
<td><strong>Water Environment Research Foundation (WERF)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12,000</td>
<td>11,353</td>
<td>647</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,000,253</td>
<td>$895,957</td>
<td>$104,296</td>
</tr>
</tbody>
</table>

33
EAST BAY DISCHARGERS AUTHORITY
SCHEDULE OF CUMULATIVE EXPENDITURES
CAPITAL PROJECTS AND PLANNING AND SPECIAL STUDIES FUNDS
FROM INCEPTION TO JUNE 30, 2005

<table>
<thead>
<tr>
<th></th>
<th>PRELIMINARY ENGINEERING</th>
<th>FINAL DESIGN</th>
<th>CONSTRUCTION</th>
<th>CONSTRUCTION PRESERVATION</th>
<th>RIGHT-OF-WAY ACQUISITIONS</th>
<th>PLANNING AND SPECIAL STUDIES FUND</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative balance at June 30, 2004</td>
<td>$1,793,555</td>
<td>$6,446,495</td>
<td>$131,368,161</td>
<td>$108,686</td>
<td>$1,428,899</td>
<td>$9,870,986</td>
<td>$151,016,782</td>
</tr>
<tr>
<td>Current year expenditures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$895,957</td>
<td>$895,957</td>
</tr>
<tr>
<td>Cumulative balance at June 30, 2005</td>
<td>1,793,555</td>
<td>6,446,495</td>
<td>131,368,161</td>
<td>108,686</td>
<td>1,428,899</td>
<td>10,766,943</td>
<td>151,912,739</td>
</tr>
<tr>
<td>Transfer of completed joint-use facilities to Funds</td>
<td>(770,081)</td>
<td>(1,960,537)</td>
<td>(46,455,940)</td>
<td>(108,686)</td>
<td>(712,274)</td>
<td>(58,866)</td>
<td>(50,066,384)</td>
</tr>
<tr>
<td>Transfer of completed sole-use facilities to owner-agency</td>
<td>(901,554)</td>
<td>(3,844,269)</td>
<td>(84,746,231)</td>
<td>-</td>
<td>(716,625)</td>
<td>-</td>
<td>(90,208,679)</td>
</tr>
<tr>
<td>PreDischarge monitoring study expended</td>
<td>(121,920)</td>
<td>(641,689)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(763,609)</td>
</tr>
<tr>
<td>Grants Close-Out Programs Expensed:</td>
<td>-</td>
<td>-</td>
<td>(129,270)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(129,270)</td>
</tr>
<tr>
<td>Joint-use</td>
<td>-</td>
<td>-</td>
<td>(129,270)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(129,270)</td>
</tr>
<tr>
<td>Sole-use</td>
<td>-</td>
<td>-</td>
<td>(36,720)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(36,720)</td>
</tr>
<tr>
<td>Planning and Special Studies Programs Expensed:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joint-use</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(9,211,025)</td>
</tr>
<tr>
<td>Sole-use</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,497,052)</td>
</tr>
</tbody>
</table>

Total Construction in Progress - June 30, 2005

$ - $ - $ - $ - $ - $ - $ -
## EAST BAY DISCHARGERS AUTHORITY
## SCHEDULE OF SOLE-USE PROJECTS
## CAPITAL PROJECTS FUND
## FROM INCEPTION TO JUNE 30, 2005

### COMPLETED PROJECTS

#### City of San Leandro:
- Treatment plant improvements: $1,480,369
- Secondary treatment in improvements: $6,216,527
- Data Acquisition system: $1,195
- Completion contract: $23,717
- Site improvements at Marina Dechlorination Facility: $15,466

#### Oro Loma/Castro Valley Sanitary Districts:
- Treatment plant improvements: $1,183,182
- Incinerator modifications: $404,780
- Dechlorination Facilities: $76,321

#### City of Hayward:
- Treatment plant improvements: $2,039,560
- Sand filter: $216,875
- Innovative/alternative pilot study: $184,413
- Secondary treatment facilities-unit 1, fixed film reactor: $6,064,511
- Sludge drying beds: $64,319
- Oxidation ponds: $842
- Secondary treatment facilities- unit 2, wastewater plant: $15,254,732

#### Union Sanitary District:
- Dechlorination Facilities: $140,235
- Treatment plant: $26,918,937
- Rotating biological contactors modification: $16,386
- Alvarado to Newark force main: $10,059,045
- Newark to Irvington force main: $13,311,800
- Newark gravity sewer: $224,495
- Completion contracts: $44,566
- Newark pump station: $3,039,602
- Irvington pump station: $2,072,808
- Cathodic protection: $112,138
- Miscellaneous improvements: $59,089
- Demolition of Irvington treatment plant and miscellaneous improvements: $647,388
- Treatment plant expansion: $1,477
- Treatment plant odor control: $283,904

#### Skywest Golf Course Irrigation:
- Grants Close-Out Programs Expenses:
  - City of San Leandro: $5,492
  - City of Hayward: $14,930
  - Union Sanitary District: $16,298

### TOTAL CAPITAL PROJECTS
- $90,245,399
## EAST BAY DISCHARGERS AUTHORITY
## SCHEDULE OF JOINT-USE PROJECTS
## CAPITAL PROJECTS FUND
## FROM INCEPTION TO JUNE 30, 2005

### COMPLETED PROJECTS:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Center</td>
<td>$456,205</td>
</tr>
<tr>
<td>Data acquisition system</td>
<td>$405,827</td>
</tr>
<tr>
<td>Bay Outfall</td>
<td>$19,475,150</td>
</tr>
<tr>
<td>San Leandro to Marina Forcemain</td>
<td>$3,775,940</td>
</tr>
<tr>
<td>Marina to Oro Loma Forcemain</td>
<td>$5,410,434</td>
</tr>
<tr>
<td>Oro Loma to Hayward Forcemain</td>
<td>$2,760,721</td>
</tr>
<tr>
<td>Hayward to Alvarado Forcemain</td>
<td>$8,656,375</td>
</tr>
<tr>
<td>San Leandro pump station</td>
<td>$408,316</td>
</tr>
<tr>
<td>Oro Loma pump station</td>
<td>$4,878,889</td>
</tr>
<tr>
<td>Hayward pump station</td>
<td>$473,018</td>
</tr>
<tr>
<td>Union Sanitary District pump station</td>
<td>$1,215,335</td>
</tr>
<tr>
<td>Marina Dechlorination Facility</td>
<td>$1,139,870</td>
</tr>
<tr>
<td>Completion contracts</td>
<td>$70,230</td>
</tr>
<tr>
<td>Site improvement at Marina Dechlorination Facility</td>
<td>$121,240</td>
</tr>
<tr>
<td>Miscellaneous improvements</td>
<td>$3,035</td>
</tr>
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<td><strong>Total</strong></td>
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