NEW ISSUE – BOOK-ENTRY ONLY

Ratings:
Moody's: "Aa2"
S&P: "A+"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the 2011 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$105,345,000
LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY
2011 SEWER REVENUE REFUNDING BONDS

Date: Date of Delivery **Due: August 1, as shown below**

The 2011 Bonds. The Livermore-Amador Valley Water Management Agency 2011 Sewer Revenue Refunding Bonds (the "2011 Bonds") are being issued by the Livermore-Amador Valley Water Management Agency ("LAVWMA") pursuant to an Indenture of Trust, dated as of October 1, 2011 (the "Indenture "), between LAVWMA and U.S. Bank National Association as trustee (the "Trustee"), for the purpose of providing funds to (i) refinance LAVWMA's outstanding $142,385,000 initial principal amount ($121,330,000 outstanding) Sewer Revenue Bonds, Series A (the "2001 Bonds"), which were issued to finance improvements to the LAVWMA wastewater disposal system (the "LAVWMA Enterprise") and (ii) pay costs of issuing the 2011 Bonds, as more fully described in this Official Statement. LAVWMA operates the LAVWMA Enterprise for the benefit of the following public agencies (collectively, the "Members"): Dublin San Ramon Services District ("DSRSD") and the Cities of Pleasanton ("Pleasanton") and Livermore ("Livermore").

Interest on the 2011 Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2012. The 2011 Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2011 Bonds. Individual purchases will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the 2011 Bonds purchased. See APPENDIX C - "BOOK-ENTRY SYSTEM."

Redemption Prior to Maturity. **The 2011 Bonds are subject to optional redemption prior to maturity, as described in this Official Statement.**

Security for the 2011 Bonds. The 2011 Bonds are payable solely from "LAVWMA Net Revenues," consisting principally of payments from DSRSD, on behalf of itself and Pleasanton, and Livermore under an Amended and Restated Sewer Service Contract, dated as of October 1, 2011 (the "Sewer Service Contract"), among LAVWMA and the Members, less "LAVWMA Maintenance and Operation Costs." Under the Sewer Service Contract, in consideration of LAVWMA providing "Sewer Service" capacity, the Members agree to make payments to LAVWMA (the "Payments"); the Payments have a fixed and a variable component and are intended to be sufficient to pay debt service on the 2011 Bonds and to pay the costs of operating and maintaining the LAVWMA Enterprise. **LAVWMA's obligation to pay debt service on the 2011 Bonds is limited to the extent it receives the Payments for that purpose from the Members.**

Security for the Obligation to Make the Payments. Pursuant to the Sewer Service Contract, the Members pledge and create, in favor of LAVWMA and the Trustee for the 2011 Bonds, a lien on the Net Revenues of their respective wastewater systems (the "Sewer Systems"), to pay to LAVWMA the amounts owed in order for LAVWMA to pay debt service on the 2011 Bonds. There are three important limitations with respect to this pledge of Net Revenues. First, this lien is subordinate to the Members' existing obligations payable from their Net Revenues, as well as obligations payable from their Net Revenues to be issued in the future by the Members to finance or refinance improvements to their respective Sewer System. Second, for DSRSD and Pleasanton, "Net Revenues" are not defined in the Sewer Service Contract to include all of the fees, rates and charges collected by DSRSD and Pleasanton in connection with their Sewer System; DSRSD and Pleasanton have only pledged regional service charges as security for their obligation to make the Payments. Third, Pleasanton, in its capacity as the largest customer of DSRSD's Sewer System, is only obligated to levy regional charges and fees established by DSRSD and to transfer the amount collected to DSRSD. See "SECURITY FOR THE 2011 BONDS – Sewer Service Contract" for the definition of Net Revenues.

The obligation of the Members to pay the Payments is a several, but not joint obligation, and there is no cross-collateralization of the Payment obligation among the Members.

Rates and Charges Levied by Members. Pursuant to the Sewer Service Contract, the Members have covenanted to undertake certain actions with respect to rates and charges and their respective Sewer System. See "SECURITY FOR THE 2011 BONDS – Rate Covenants."

2011 Bonds are a Limited Obligation of LAVWMA. THE 2011 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF LAVWMA AND ARE PAYABLE SOLELY FROM LAVWMA NET REVENUES. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2011 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF LAVWMA OR ANY MEMBER OF LAVWMA FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. LAVWMA HAS NO TAXING POWER.

Parity Bonds. LAVWMA may issue or incur additional Parity Bonds, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement.

No Debt Service Reserve Fund. LAVWMA is not funding a debt service reserve fund for the 2011 Bonds.

MATURITY SCHEDULE – See Inside Front Cover

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" for a description of certain of the risks associated with an investment in the 2011 Bonds.

The 2011 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Jones Hall is also acting as Disclosure Counsel to LAVWMA. Certain legal matters will be passed upon for LAVWMA by Burke, Williams & Sorensen LLP, Oakland, California, and for the Members by their respective counsel. Stone & Youngberg LLC, San Francisco, California, is serving as Financial Advisor to LAVWMA in connection with the issuance of the 2011 Bonds. It is expected that the 2011 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about October 13, 2011.

The date of this Official Statement is September 28, 2011

MATURITY SCHEDULE
(Base CUSIP†: 538152)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Number	Maturity (August 1)	Principal Amount	Interest Rate	Yield		CUSIP† Number
2012	$4,195,000	2.000%	0.500%	BS7	2022	$5,195,000	5.000%	3.240%	C	CC1
2013	3,310,000	5.000	0.750	BT5	2023	5,460,000	3.500	3.500		CD9
2014	3,485,000	5.000	1.150	BU2	2024	5,660,000	5.000	3.600	C	CE7
2015	3,660,000	5.000	1.440	BV0	2025	5,950,000	5.000	3.740	C	CF4
2016	3,850,000	5.000	1.870	BW8	2026	6,250,000	4.000	4.000		CG2
2017	4,050,000	5.000	2.090	BX6	2027	6,510,000	5.000	3.960	C	CH0
2018	4,255,000	5.000	2.350	BY4	2028	6,845,000	5.000	4.060	C	CJ6
2019	4,475,000	5.000	2.720	BZ1	2029	7,195,000	4.250	4.300		CK3
2020	4,705,000	5.000	2.940	CA5	2030	7,510,000	4.375	4.400		CL1
2021	4,940,000	5.000	3.090	CB3	2031	7,845,000	4.500	4.500		CM9

C: Priced to first optional redemption date of August 1, 2021.

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† CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP services. Neither LAVWMA, the Members nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth above.

No dealer, broker, salesperson or other person has been authorized by LAVWMA, the Members or the Underwriter to give any information or to, make any representations with respect to the 2011 Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2011 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2011 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact.

The information set forth in this Official Statement has been provided by LAVWMA, the Members and other sources that are believed by LAVWMA to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expression of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of LAVWMA or the Members since the date of this Official Statement. This Official Statement, including any supplement or amendment, is intended to be deposited with one or more repositories.

In connection with this offering, the Underwriter may overallot or effect transactions which may stabilize or maintain the market price of the 2011 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "FINANCIAL INFORMATION ON LAVWMA - Projected Operating Results and Debt Service Coverage," DUBLIN SAN RAMON SERVICES DISTRICT - Financial Information," "CITY OF PLEASANTON - Financial Information," and "CITY OF LIVERMORE - Financial Information."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. LAVWMA DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LAVWMA, DSRSD, Livermore and Pleasanton maintain internet websites, but the information on those websites is not incorporated by reference in this Official Statement.

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY

Governing Board of LAVWMA

Doug Horner, Chair
City Council Member, City Of Livermore

Dawn L. Benson, Vice Chair
Director, Dublin San Ramon Services District

John Marchand, Member
Vice Mayor, City Of Livermore

Matt Sullivan, Member
City Council Member, City of Pleasanton

Jerry Thorne, Member
City Council Member, City of Pleasanton

Georgean Vonheeder-Leopold, Member
Director, Dublin San Ramon Services District

Management

Ed Cummings, General Manager
Lori Rose, Treasurer

General Counsel
Burke, Williams & Sorensen LLP
Oakland, California

Special Services

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Corporation
San Francisco, California

Financial Advisor
Stone & Youngberg
San Francisco, California

Verification Agent
Causey Demgen & Moore Inc.
Denver, Colorado

Escrow Agent
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Trustee
U.S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT

$105,345,000
LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY
2011 SEWER REVENUE REFUNDING BONDS

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2011 Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

Purpose

The purpose of this Official Statement, which includes the cover page and appendices, is to set forth certain information concerning the issuance and sale of the Livermore-Amador Valley Water Management Agency 2011 Sewer Revenue Refunding Bonds (the "**2011 Bonds**") pursuant to an Indenture of Trust, dated as of October 1, 2011 (the "**Indenture**"), between the Livermore-Amador Valley Water Management Agency ("**LAVWMA**") and U.S. Bank National Association, as trustee (the "**Trustee**"), for the purpose of providing funds to (i) refinance LAVWMA's outstanding $142,385,000 initial principal amount ($121,330,000 outstanding) Sewer Revenue Bonds (the "**2001 Bonds**"), which were issued to finance improvements to the LAVWMA wastewater disposal system (the "**LAVWMA Enterprise**") and (ii) pay costs of issuing the 2011 Bonds. See "REFUNDING PLAN".

LAVWMA and the LAVWMA Enterprise

LAVWMA. LAVWMA owns, operates and maintains an export pipeline and related facilities for wastewater disposal which benefit the following public agencies (collectively, the "**Members**") and their respective system for providing collection, treatment, disposal or reuse of wastewater, as applicable (each, a "**Sewer System**"):

- Dublin San Ramon Services District ("**DSRSD**" or the "**District**")
- City of Pleasanton ("**Pleasanton**")
- City of Livermore ("**Livermore**").

See "-The Members" below.

LAVWMA was created on June 18, 1974 by a Joint Exercise of Powers Agreement, most recently in the form of an Amended and Restated Joint Exercise of Powers Agreement for the Livermore-Amador Valley Water Management Agency, dated September 10, 1997, among the Members. LAVWMA was created for the purpose of providing for the construction, operation, maintenance, repair and replacement of LAVWMA facilities for wastewater disposal to serve the general plans of Livermore and Pleasanton and the service area of DSRSD's sewer system (see "LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY – Wastewater Service Area and Customers").

LAVWMA Enterprise. The principal facility of LAVWMA is a 16-mile pipeline that transports treated wastewater from the LAVWMA export pump station in Pleasanton to the East Bay Dischargers Authority ("**EBDA**") pipeline in San Leandro pursuant to an agreement between LAVWMA and EBDA (referred to as the "**EDBA Agreement**"). The project financed with the 2001 Bonds (the "**2001 Project**") included (i) an export pumping and pipeline expansion that increased the total design capacity of the LAVWMA Enterprise from 21 million gallons per day ("**mgd**") peak wet weather flow ("**PWWF**") to 41.2 mgd PWWF (the "**LAVWMA Expansion Project**") and (ii) a significant rehabilitation of the existing pipeline between Pleasanton and Castro Valley (the "**Rehabilitation Project**").

LAVWMA provides service to the Members pursuant to an Amended and Restated Sewer Service Contract dated as of October 1, 2011 (the "**Sewer Service Contract**") as well as other contracts described in "LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY." The Amended and Restated Sewer Service Contract amends and restates a Sewer Service Contract dated as of March 1, 2001 (the "**Original Sewer Service Contract**").

Because each Member's obligation to pay for the LAVWMA Expansion Project is different from its obligation to pay for the Rehabilitation Project, the Sewer Service Contract distinguishes between "Expansion Project Bonds" and "Rehabilitation Project Bonds". See "-Security for the 2011 Bonds" below.

Refunding Plan

The 2001 Bonds are subject to optional redemption at a redemption price equal to the outstanding principal amount, without premium, plus interest accrued to the redemption date. See "THE REFUNDING PLAN."

The Members

DSRSD. DSRSD is a special district located in Alameda and Contra Costa Counties that provides water and wastewater service in the City of Dublin, wastewater service in the City of San Ramon and wastewater treatment and disposal service to Pleasanton under contract (defined in the Sewer Service Contract as the "**Regional Agreement**"). See "DUBLIN SAN RAMON SERVICES DISTRICT - Rates and Charges." The wastewater service area of DSRSD has a population of approximately 132,000 (including 70,643 people in Pleasanton). DSRSD provides wastewater service to 64,048 dwelling unit equivalents ("**DUEs**") (including treatment for 33,833 Pleasanton DUEs). DSRSD provides wastewater collection and treatment to 30,215 DUEs in Dublin and San Ramon.

Pleasanton. Pleasanton is a city within Alameda County with a population of 70,643 as of January 1, 2011. Pleasanton provides wastewater collection to 34,706 DUEs within Pleasanton. Pleasanton is a customer of DSRSD's Sewer System and its primary obligation under the Sewer Service Contract is to levy on users of its Sewer System the Regional Service Charges, the Regional Capacity Reserve Buy-In Fees and the Regional Capacity Reserve Fees established by DSRSD.

Livermore. Livermore is a city within Alameda County with a population of 81,687 as of January 1, 2011. Livermore provides wastewater collection and treatment service to 41,240 DUEs within Livermore.

See “DUBLIN SAN RAMON SERVICES DISTRICT,” “CITY OF PLEASANTON” and “CITY OF LIVERMORE” for information about the respective Sewer Systems of the Members.

Security for the 2011 Bonds

LAVWMA Net Revenue. The 2011 Bonds are payable solely from “**LAVWMA Net Revenues**,” consisting principally of payments (the “**Payments**”) from DSRSD, on behalf of itself and Pleasanton (see “DUBLIN SAN RAMON SERVICES DISTRICT - Rates and Charges”), and Livermore under the Sewer Service Contract, less “**LAVWMA Maintenance and Operation Costs**.” The Members make the Payments in consideration of the provision by LAVWMA of capacity for the disposal or reuse of wastewater (the “**Sewer Service**”). Under the Sewer Service Contract, the Payments consist of the following:

(i) “**Fixed Cost Allocation for Debt Service**,” which equals a fixed percentage of the debt service on the 2011 Bonds, any bonds issued on a parity with the 2011 Bonds under the Indenture (“**Parity Bonds**”) and any bonds issued to refund the 2011 Bonds or the Parity Bonds (collectively, the “**Bonds**”). The Fixed Cost Allocation for Debt Service on Rehabilitation Bonds, i.e., Bonds issued to finance the Rehabilitation Project is the following: Livermore (39.95%) and DSRSD/Pleasanton (60.05%). The Fixed Cost Allocation for Debt Service on Expansion Project Bonds, i.e., Bonds issued to finance the LAVWMA Expansion Project to increase capacity to 41.2 mgd peak wet weather flow is the following: Livermore (22.52%) and DSRSD/Pleasanton (77.48%). See Tables 2A and 2B for historical debt service coverage and Table 3 for a projected debt service coverage table.

(ii) LAVWMA Maintenance and Operation Costs, which consist of “**Fixed LAVWMA Maintenance and Operation Costs**” and “**Variable LAVWMA Maintenance and Operation Costs**.” The Fixed Cost Allocation for Fixed Maintenance and Operation Costs of the Members is the following: Livermore (30.10%) and DSRSD/Pleasanton (69.90%).

Limited Obligation. **The 2011 Bonds are special, limited obligations of LAVWMA, and are only secured by a pledge of LAVWMA Net Revenues. LAVWMA’s obligation to pay debt service on the 2011 Bonds is limited to the extent that it receives the Fixed Cost Allocation for Debt Service component of the Payments from the Members and that other Payments from the Members are sufficient to pay LAVWMA’s Maintenance and Operation Costs; the Fixed Cost Allocation for Debt Service component of the Payments is sized to be equal to the scheduled debt service on the 2011 Bonds (without any coverage).** See, however, “ SECURITY FOR THE 2011 Bonds – Rate Stabilization Fund” for a discussion of other moneys that may be available to pay debt service on the 2011 Bonds.

THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2011 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF LAVWMA OR ANY MEMBER OF LAVWMA FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. LAVWMA HAS NO TAXING POWER.

Security for the Payments

Security for the Obligation to Make the Payments. Pursuant to the Sewer Service Contract, the Members pledge and create, in favor of LAVWMA and the Trustee for the 2011 Bonds, a lien on the Net Revenues of their respective Sewer Systems, to pay to LAVWMA the amounts owed in order for LAVWMA to pay debt service on the 2011 Bonds. There are three important limitations with respect to this pledge of Net Revenues:

First, this lien on Net Revenues is subordinate to the Members' existing "**Obligations**" that are secured by a pledge of Net Revenues (as defined in "SECURITY FOR THE 2011 BONDS – Sewer Service Contract" below) as well as Obligations secured by a pledge of Net Revenues to be issued in the future by the Members to finance or refinance improvements to their respective Sewer Systems.

Second, for DSRSD and Pleasanton, "**Net Revenues**" are not defined in the Sewer Service Contract to include all of the fees, rates and charges collected by DSRSD and Pleasanton in connection with their Sewer System; DSRSD and Pleasanton have only pledged regional service charges as security for their obligation to make the Payments. See "SECURITY FOR THE 2011 BONDS – Sewer Service Contract" for the definition of Net Revenues. See Tables 2A and 2B for historical Net Revenues and historical debt service coverage.

Third, Pleasanton, in its capacity as the largest customer of DSRSD's Sewer System, is only obligated to levy regional charges and fees established by DSRSD (Regional Service Charges, Regional Capacity Reserve Fees and Regional Capacity Reserve Buy-In Fees) and to transfer the amount collected to DSRSD. For this reason, the Official Statement aggregates Pleasanton and DSRSD's Member Net Revenues for purposes of financial analysis (see Tables 2A, 2B, 3, 4, 6, 11A, 11B and 12).

Rates Covenant by the Members. Pursuant to the Sewer Service Contract, the Members have covenanted to undertake certain actions with respect to rates and charges and their respective Sewer System. See "SECURITY FOR THE 2011 BONDS – Rate Covenants" below.

No Joint Obligation. The obligation of the Members to pay the Payments is a several, but not joint obligation, and there is no cross-collateralization of the Payment obligation between the Members. See "SECURITY FOR THE 2011 BONDS."

Limited Abatement. The obligation of the Members to make Payments for Fixed LAVWMA Maintenance and Operation Costs is subject to abatement during any period in which there is a material interruption in the Sewer Service to the Members. **The Members' Payments for their Fixed Cost Allocation for Debt Service are not subject to abatement**.

Additional LAVWMA Obligations

LAVWMA may issue or incur Parity Bonds, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement. See "SECURITY FOR THE 2011 BONDS - Parity Bonds."

Other Obligations of the Members

The Members have outstanding, and may incur in the future, Obligations which are payable from Member Net Revenues. The Sewer Service Contract and the Indenture do not limit the amount of such Obligations that the Members may incur. See the subsections entitled "-Outstanding Long-Term Obligations" in the sections entitled "DUBLIN SAN RAMON SERVICES DISTRICT," "CITY OF PLEASANTON" and "CITY OF LIVERMORE."

The Members' covenants in the Sewer Service Contract (see "SECURITY FOR THE 2011 Bonds - Rate Covenants") are intended to ensure that the Members will have sufficient Member Net Revenues to satisfy their obligations under the Sewer Service Contract as well as their other Obligations.

No Reserve Account

LAVWMA will not fund or maintain a debt service reserve account for the 2011 Bonds. See "RISK FACTORS – No Debt Service Reserve Fund."

Rate Stabilization Fund

A Rate Stabilization Fund is maintained by DSRSD. As of the date of delivery of the 2011 Bonds, the amount on deposit in the Rate Stabilization Fund is expected to be approximately $25,849,600. All Regional Capacity Reserve Fees, which are excluded from DSRSD and Pleasanton's Member Net Revenues, are deposited into the Rate Stabilization Fund. Generally, in calculating annual debt service for purposes of the rate-related covenant for DSRSD/Pleasanton (see "SECURITY FOR THE 2011 BONDS – Rate Covenants"), a credit is given for transfers from the Rate Stabilization Fund to pay "Expansion Project Debt Service" (as defined in "SECURITY FOR THE 2011 BONDS – Rate Covenants").

Although the amounts in the Rate Stabilization Fund, if any, may be used to pay debt service on the 2011 Bonds and the Treatment Plant Note (as defined in DUBLIN SAN RAMON SERVICES DISTRICT – Outstanding Long-Term Obligations"), the Rate Stabilization Fund is not pledged to the 2011 Bonds and moneys in the Rate Stabilization Fund can be used for other purposes. Moreover, in general, the Rate Stabilization Fund is only funded from Regional Capacity Reserve Fees. Accordingly, there can be no assurance as to the future balances of the Rate Stabilization Fund.

See "SECURITY FOR THE 2011 BONDS - Rate Stabilization Fund."

Continuing Disclosure

LAVWMA and the Members have each covenanted for the benefit of the holders and beneficial owners of the 2011 Bonds to provide certain financial information and operating data by not later than 210 days following the end of LAVWMA's fiscal year (presently June 30) (the "**Annual Reports**"), commencing with the report for fiscal year 2010-11, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed with the Municipal Securities Rulemaking Board (the "**MSRB**"). The specific nature of the information to be contained in the Annual Reports and the notice of enumerated events is set forth in APPENDIX E - "PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

LAVWMA has not failed to comply in all material respects with an undertaking under the Rule in the previous five years.

DSRSD has not failed to comply in all material respects with an undertaking under the Rule in the previous five years.

Livermore has not failed to comply in all material respects with an undertaking under the Rule in the previous five years.

Pleasanton has not failed to comply in all material respects with an undertaking under the Rule in the previous five years.

Other Matters

The summaries of and references to all documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. Reference is made to Appendix D for certain of the defined terms in the Sewer Service Contract and the Indenture.

Additional Information

Copies of the Regional Agreement, the EBDA Agreement (as defined in "THE LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY – EBDA Agreement"), the Sewer Service Contract and the Indenture will be available for inspection at the offices of LAVWMA, and will be available upon request and payment of duplication costs from the Trustee. Information regarding this Official Statement may be obtained by contacting the General Manager, Livermore-Amador Valley Water Management Agency, 7051 Dublin Boulevard, Dublin, California, 94568.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the 2011 Bonds are as follows:

Sources:	
Par Amount	$105,345,000.00
Plus Net Original Issue Premium	8,309,676.20
Plus Moneys held in the Reserve Account for the 2001 Bonds	9,859,500.00
Total	$123,514,176.20
Uses:	
Deposit to Escrow Fund	$122,576,644.83
Costs of Issuance (1)	937,531.37
Total	$123,514,176.20

(1) Includes fees and expenses of Bond Counsel and Disclosure Counsel, fees of the Financial Advisor, underwriter's discount ($608,715.01), fees of the Trustee, fees of the Escrow Agent, consulting fees, rating agency fees, verification agent fees, printing costs and certain miscellaneous expenses.

REFUNDING PLAN

Redemption of the 2001 Bonds. Pursuant to the Indenture, LAVWMA will deliver a portion of the proceeds of the 2011 Bonds along with moneys held in the Reserve Account for the 2001 Bonds to the Trustee for deposit in the escrow fund (the "**Escrow Fund**") established pursuant to an Escrow Deposit and Trust Agreement, dated as of October 1, 2011 (the "**Escrow Agreement**"), between LAVWMA and The Bank of New York Mellon Trust Company, N.A., as escrow agent for the 2001 Bonds (the "**Escrow Agent**").

The Escrow Agent will hold the moneys in the Escrow Fund uninvested. From the moneys on deposit in the Escrow Fund, the Escrow Agent will pay the redemption price of the 2001 Bonds on October 14, 2011, being the outstanding principal amount of $121,330,000, without premium, plus interest accrued to the redemption date.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore, Inc. (the "**Verification Agent**"). See "Verification of Mathematical Accuracy" below. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2001 Bonds will be defeased on the date of issuance of the 2011 Bonds.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of amounts due and payable by LAVWMA with respect to the 2001 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the 2011 Bonds.

Verification of Mathematical Computations. The Verification Agent will examine the arithmetical accuracy of certain computations included in the schedules provided by LAVWMA relating to defeasance of the 2001 Bonds and the redemption of the 2001 Bonds on October 14, 2011.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

DEBT SERVICE SCHEDULE

2011 Bonds as Expansion Project Bonds and Rehabilitation Project Bonds. The Sewer Service Contract provides that 69.54% of the 2011 Bonds are Expansion Project Bonds and 30.46% of the 2011 Bonds are Rehabilitation Project Bonds. The Sewer Service Contract requires each Member to pay specific percentages of debt service on Expansion Project Bonds and specific percentages of debt service on Rehabilitation Project Bonds. See "SECURITY FOR THE 2011 BONDS - Sewer Service Contract."

Scheduled Debt Service. The following table sets forth the annual debt service on the 2011 Bonds and the amount of debt service allocable to each Member pursuant to the Sewer Service Contract.

Debt Service Coverage. See Table 3 for a projected debt service coverage table.

Year (ending August 1)	2011 Bonds Principal	2011 Bonds Interest	2011 Bonds Total	Portion Attributable to DSRSD/Pleasanton	Portion Attributable to Livermore
2012	$4,195,000	$3,885,500.00	$8,080,500.00	$5,831,763.27	$2,248,736.73
2013	3,310,000	4,772,975.00	8,082,975.00	5,833,549.50	2,249,425.50
2014	3,485,000	4,607,475.00	8,092,475.00	5,840,405.73	2,252,069.27
2015	3,660,000	4,433,225.00	8,093,225.00	5,840,947.01	2,252,277.99
2016	3,850,000	4,250,225.00	8,100,225.00	5,845,998.97	2,254,226.03
2017	4,050,000	4,057,725.00	8,107,725.00	5,851,411.78	2,256,313.22
2018	4,255,000	3,855,225.00	8,110,225.00	5,853,216.05	2,257,008.95
2019	4,475,000	3,642,475.00	8,117,475.00	5,858,448.43	2,259,026.57
2020	4,705,000	3,418,725.00	8,123,725.00	5,862,959.11	2,260,765.89
2021	4,940,000	3,183,475.00	8,123,475.00	5,862,778.68	2,260,696.32
2022	5,195,000	2,936,475.00	8,131,475.00	5,868,552.35	2,262,922.65
2023	5,460,000	2,676,725.00	8,136,725.00	5,872,341.32	2,264,383.68
2024	5,660,000	2,485,625.00	8,145,625.00	5,878,764.52	2,266,860.48
2025	5,950,000	2,202,625.00	8,152,625.00	5,883,816.48	2,268,808.52
2026	6,250,000	1,905,125.00	8,155,125.00	5,885,620.75	2,269,504.25
2027	6,510,000	1,655,125.00	8,165,125.00	5,892,837.83	2,272,287.17
2028	6,845,000	1,329,625.00	8,174,625.00	5,899,694.06	2,274,930.94
2029	7,195,000	987,375.00	8,182,375.00	5,905,287.30	2,277,087.70
2030	7,510,000	681,587.50	8,191,587.50	5,911,936.03	2,279,651.47
2031	7,845,000	353,025.00	8,198,025.00	5,916,582.03	2,281,442.97
Total	$105,345,000				

THE 2011 BONDS

General

The 2011 Bonds will be dated their date of delivery, will bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) at the rates per annum (payable semiannually on February 1 and August 1 in each year, commencing on February 1, 2012) and will mature and become payable on August 1 in each of the years in the principal amounts set forth on the inside cover page of this Official Statement. The 2011 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000.

Optional Redemption

The 2011 Bonds maturing on or before August 1, 2021 are not subject to optional redemption prior to maturity. The 2011 Bonds maturing on or after August 1, 2022 are subject to redemption prior to their respective maturity dates, at the option of LAVWMA, on any date on or after August 1, 2021, from any source of available funds, at the principal amount of the 2011 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Notice. Notice of redemption of any 2011 Bond will be mailed, by first class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, to certain information services (as provided in the Indenture) and to the registered owners of the 2011 Bonds or portions thereof to be redeemed, at their addresses appearing on the Bond Registration Books, but neither failure of any owner to receive any such notice nor any immaterial defect contained therein shall invalidate any of the proceedings taken in connection with such redemption.

Effect of Redemption. From and after the date so designated for redemption, the interest on the 2011 Bonds so called for redemption will cease to accrue, and such 2011 Bonds will cease to be entitled to any benefit or security under the Indenture and the registered owners of such 2011 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry System

The 2011 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of The Depository Trust Company, New York, New York ("**DTC**"), which will act as securities depository for the 2011 Bonds. So long as the 2011 Bonds remain in book-entry form, payments of principal of and interest on the 2011 Bonds will be made by the Trustee to DTC for subsequent credit to DTC Participants and disbursement to Beneficial Owners. One fully-registered Bond will be issued for each maturity of the 2011 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX C - Book Entry System."

LAVWMA, the Members and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium on the 2011 Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. LAVWMA, the Members and the Trustee are not responsible or liable for the failure of DTC or any DTC

Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2011 Bonds or an error or delay relating thereto.

SECURITY FOR THE 2011 BONDS

Pledge Under the Indenture

General. The 2011 Bonds are special limited obligations of LAVWMA payable solely from LAVWMA Net Revenues. LAVWMA Net Revenues are defined as the "**LAVWMA Gross Revenues**" received by LAVWMA less LAVWMA Maintenance and Operation Costs. The 2011 Bonds are secured by a pledge of the portion of LAVWMA Net Revenues needed to pay debt service on the Bonds (including the 2011 Bonds and any Parity Bonds).

Definitions. The Indenture defines the following terms:

"**LAVWMA Gross Revenues**" are defined in the Indenture as, for any period of computation, all amounts received for, and all other income and revenues derived by LAVWMA from, the ownership or operation of the LAVWMA Enterprise, or otherwise arising from the LAVWMA Enterprise during such period, including but not limited to (a) all amounts received by LAVWMA from the Members under the Sewer Service Contract (see "- Sewer Service Contract" below) and the Regional Agreement (see "DUBLIN SAN RAMON SERVICES DISTRICT – Regional Agreement") for disposal or reuse of the Members' wastewater, (b) all receipts derived from the investment of funds held by the Treasurer or the Trustee under the Indenture, and (c) all moneys received by LAVWMA in connection with the LAVWMA Enterprise.

"**LAVWMA Maintenance and Operation Costs**" are defined in the Indenture as, for any given period for any given facilities of the LAVWMA Enterprise, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service, amortization of intangibles or other book-keeping entries of a similar nature, and costs paid out of the Sole-Use, Dual-Use and Joint-Use Replacement Funds.

Assignment by LAVWMA to the Trustee. Under the Indenture, LAVWMA assigns to the Trustee, for the benefit of the Owners of the Bonds (i.e., the 2011 Bonds and any Parity Bonds), that portion of the LAVWMA Net Revenues which is necessary to pay the principal or redemption price of and interest on the Bonds in any fiscal year, together with all moneys on deposit in the Debt Service Fund, and such portion of the LAVWMA Net Revenues is irrevocably pledged to the punctual payment of the principal or redemption price of and interest on the Bonds. The LAVWMA Net Revenues pledged under the Indenture are not permitted to be used for any other purpose while any of the Bonds remain Outstanding, except that out of LAVWMA Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture.

Limited Obligation. The 2011 Bonds are special, limited obligations of LAVWMA, and are only secured by a pledge of LAVWMA Net Revenues. LAVWMA's obligation to pay debt service on the 2011 Bonds is limited to the extent that it receives Fixed Cost Allocation for Debt Service component of the Payments from the Members and that other Payments from the Members are sufficient to pay LAVWMA's Maintenance and Operation Costs; the Fixed Cost Allocation for Debt Service component of Payments is sized to be equal to the scheduled debt service on the 2011 Bonds (without any coverage). See, however, " – Rate Stabilization Fund" for a discussion of other moneys that may be available to pay debt service on the 2011 Bonds.

Sewer Service Contract

Payments Comprise LAVWMA Gross Revenues. As explained in the previous section, LAVWMA Gross Revenues principally consist of Payments from DSRSD, on behalf of itself and Pleasanton (see "DUBLIN SAN RAMON SERVICES DISTRICT - Rates and Charges"), and Livermore under the Sewer Service Contract. The Payments made by each Member consist of a fixed percentage (the "**Fixed Cost Allocation**") of the debt service on the 2011 Bonds and the LAVWMA Maintenance and Operation Costs, in consideration of the provision by LAVWMA of Sewer Service capacity.

The obligation of the Members to make payments of Fixed Maintenance and Operation Costs (as defined below) is subject to abatement during any period in which there is a material interruption in the Sewer Service to the Members. **However, the Members' Payments for their Fixed Cost Allocation for Debt Service are not subject to abatement**.

Security for the Obligation to Make the Payments. Pursuant to the Sewer Service Contract, the Members pledge and create, in favor of LAVWMA and the Trustee for the 2011 Bonds, a lien on the Net Revenues of their respective Sewer Systems, to pay to LAVWMA the amounts owed in order for LAVWMA to pay debt service on the 2011 Bonds. There are three important limitations with respect to this pledge of Net Revenues:

First, this lien is subordinate to the Members' existing **Obligations** that are payable from Member Net Revenues as well as Obligations secured by a pledge of Member Net Revenues to be issued in the future by the Members to finance or refinance improvements to their respective Sewer Systems. "**Obligations**" is defined in the Sewer Service Contract as bonds, notes, installment sale agreements or other obligations issued or to be issued by the Members, the proceeds of which are applied to finance or refinance improvements or repair to their respective Sewer Systems, and payable from Charges, including specifically the Treatment Plant Note. "**Treatment Plant Note**" means the note in the amount of $18,486,000 issued by DSRSD on September 10, 2009 under that certain Loan Agreement, dated as of September 1, 2009, between DSRSD and Bank of America, N.A. See the subsections entitled "- Outstanding Long-Term Obligations" in the sections entitled "DUBLIN SAN RAMON SERVICES DISTRICT," "CITY OF PLEASANTON" and "CITY OF LIVERMORE."

Second, for DSRSD and Pleasanton, "**Net Revenues**" is <u>not</u> defined in the Sewer Service Contract to include all of the fees, rates and charges collected by DSRSD and Pleasanton in connection with their Sewer System; DSRSD and Pleasanton have only pledged Regional Service Charges and Regional Capacity Reserve Buy-In Fees (but not Regional Capacity Reserve Fees) as security for their obligation to make the Payments. Livermore, on the other hand, has made a more traditional Net Revenue pledge as security for its obligation to make Payments, as can be seen by reference to

the definition of the term "Charges" (see below). The following are the relevant definitions from the Sewer Service Contract:

"**Net Revenues**" means, for each Member, such Member's Gross Revenues, *less* (i) such Member's Maintenance and Operation Costs and (ii) such Member's share of LAVWMA's Maintenance and Operation Costs, whether paid directly by such Member or, as in the case of Pleasanton, paid on behalf of Pleasanton by DSRSD.

"**Gross Revenues**" is defined to mean, for the pertinent period of computation, (a) all Charges, (b) the Regional Capacity Reserve Buy-In Fees, and (c) all receipts derived from the investment of Charges and the Regional Capacity Reserve Buy-In Fees held by such Member (excluding the Rate Stabilization Fund).

"**Charges**" is defined to mean, (i) for DSRSD and Pleasanton, Regional Services Charges, and (ii) for Livermore, fees, connection fees, tolls, assessments, rates and charges, including user charges prescribed and collected by the City Council of Livermore for the services and facilities of Livermore's Sewer System furnished by Livermore within its jurisdiction. To provide clarity, the term Charges does not include Pleasanton Local Charges (see "SECURITY FOR THE 2011 BONDS – Rate Covenants").

"**Regional Service Charges**" is defined as the service charges described in the Regional Agreement, whether levied and collected by Pleasanton or DSRSD.

"**Regional Capacity Reserve Buy-In Fee**" is defined as the buy-in component of the regional capacity fee levied by Pleasanton and DSRSD, which is based on a new customer's share of Regional Facilities that have already been constructed.

"**Maintenance and Operation Costs"** is defined as follows:

(1) When used with respect to DSRSD and Pleasanton, for any given period for the Regional Facilities, the reasonable and necessary costs of maintaining and operating the Regional Facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service (including amounts paid by or on behalf of DSRSD or Pleasanton under the Sewer Service Contract for debt service), amortization of intangibles or other book-keeping entries of a similar nature. To provide clarity, the term "Maintenance and Operation Costs" does not include Pleasanton Local Maintenance and Operation Costs (see "SECURITY FOR THE 2011 BONDS – Rate Covenants").

(2) When used with respect to Livermore's Sewer System, means, for any given period for any given facilities of Livermore's Sewer System, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working

order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefore; debt service (including amounts paid by or on behalf of Livermore under the Sewer Service Contract for debt service), amortization of intangibles or other book-keeping entries of a similar nature.

"**Regional Facilities**" is defined to include DSRSD's treatment plant and other facilities that increase the treatment capacity rights or disposal capacity rights of DSRSD or Pleasanton, but does not include facilities owned, provided, or furnished by LAVWMA.

Third, Pleasanton, in its capacity as the largest customer of DSRSD's Sewer System, is only obligated to levy regional charges and fees established by DSRSD (Regional Service Charges, Regional Capacity Reserve Fees and Regional Capacity Reserve Buy-In Fees) and to transfer the amount collected to DSRSD. For this reason, the Official Statement aggregates Pleasanton and DSRSD's Member Net Revenues for purposes of financial analysis (see Tables 2A, 2B, 3, 4, 6, 11A, 11B and 12).

Fixed Cost Allocation for Debt Service. The Sewer Service Contract establishes a Fixed Cost Allocation for Debt Service for Livermore and DSRSD as follows:

(i) for Livermore: (1) 39.95% of Debt Service on Rehabilitation Project Bonds; and (2) 22.52% of Debt Service on Expansion Project Bonds;

(ii) for DSRSD, for itself and on behalf of Pleasanton, acting under the terms of the Regional Agreement, as defined in this Official Statement, (1) 60.05% of Debt Service on Rehabilitation Project Bonds; and (2) 77.48% of Debt Service on Expansion Project Bonds.

"**Expansion Project Bonds**" are bonds the proceeds of which were applied to the acquisition and construction of the LAVWMA Expansion Project. The amount of Expansion Project Bonds for any Member will be determined, at the time of calculation, by multiplying the principal amount of Expansion Project Bonds then outstanding times the percentage for which a Member is responsible for Debt Service on Expansion Project Bonds, as described above. Of the 2011 Bonds outstanding at any particular time, 69.54% of the principal amount of such 2011 Bonds will be treated as Expansion Project Bonds.

"**Rehabilitation Project Bonds**" are bonds the proceeds of which were applied to the acquisition and construction of the Rehabilitation Project. The amount of Rehabilitation Project Bonds for any Member will be determined, at the time of calculation, by multiplying the principal amount of Rehabilitation Project Bonds then Outstanding times the percentage for which a Member is responsible for Debt Service on Rehabilitation Project Bonds, as described above. Of the 2011 Bonds outstanding at any particular time, 30.46% of the principal amount of such 2011 Bonds will be treated as Rehabilitation Project Bonds.

Fixed Cost Allocation for Fixed Maintenance and Operation Costs. The Fixed Cost Allocation for Fixed Maintenance and Operation Costs for the Members is the following: for Livermore, 30.10%; for Pleasanton/DSRSD, 69.90%. These percentages may be modified if any

two Members agree to apportion between themselves the total of their Fixed Cost Allocations; subject to the requirement that the Member transferring a Fixed Cost Allocation to another Member will retain its responsibility to pay the percentage share of Fixed Cost Allocation specified above.

Estimated Flows. Not less than 90 days before the beginning of each Fiscal Year, LAVWMA is required to prepare and submit to each Member LAVWMA's best estimate of what such Member's Actual Flow will be for each of the three-calendar-month periods in such Fiscal Year, beginning with January 1, April 1, July 1 and October 1.

Advance Payment. In consideration of the provision by LAVWMA of the Sewer Service capacity, whether or not such Sewer Service is used, on or before each December 1 and June 1 during the term of the Sewer Service Contract, Livermore and DSRSD, acting for itself and Pleasanton, are obligated to pay to LAVWMA their respective shares of budgeted costs identified in LAVWMA's adopted budget as follows:

(a) Total Budgeted Fixed Costs and Budgeted Variable Maintenance will be paid in two equal amounts on or before each December 1 and June 1.

(b) 100% of the EBDA Capacity Payments will be paid each June 1. "**EBDA Capacity Payments**" are defined in "THE LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY – EBDA Agreement."

(c) Debt Service due on the Bonds on August 1 of each year will be paid June 1 of each year, and Debt Service due on the Bonds on February 1 of each year will be paid on December 1 of the prior year.

(d) Livermore and DSRSD will take such action as may be necessary to include all such payments in their respective annual budgets, and will make the necessary annual appropriations for such payments.

(e) Pleasanton agrees to make all payments due to DSRSD under Section 10 of the Regional Agreement within 30 days, and DSRSD agrees to enforce said payment obligation, if needed, and will apply amounts received from Pleasanton pursuant to Section 10 of the Regional Agreement to its payment obligation under the Sewer Service Contract.

"**Budgeted Fixed Costs**" is defined in the Sewer Service Contract to mean, for any given period, the estimated Fixed Costs for such period as stated in the annual budget for the Enterprise prepared and submitted to Members.

"**Fixed Costs**" is defined in the Sewer Service Contract to mean, for any given period, the sum of the following amounts:

(1) amounts to be deposited during such period into the Sole-Use, Dual-Use and Joint-Use Replacement Funds established and maintained in accordance with Board policy; and

(2) all Fixed Maintenance and Operation Costs.

"Variable Maintenance and Operation Costs" is defined in the Sewer Service Contract as, for any given period for any given facilities of the Enterprise, those LAVWMA Maintenance and Operation Costs incurred during such period for energy used for pumping and for chemicals used in the treatment of Wastewater.

"**Budgeted Variable Maintenance and Operation Costs**" is defined in the Sewer Service Contract as, for any given period for any given facilities of the Enterprise, the estimated Variable Maintenance and Operation Costs for such period for such facilities as stated in the annual budget for the Enterprise prepared and submitted to Members in accordance with the Sewer Service Contract.

Abatement. The Sewer Service Contract provides that payments of Fixed Maintenance and Operation Costs under the Sewer Service Contract will be abated during any period in which by reason of any damage or destruction (other than by condemnation, which is provided for separately in the Indenture; see Appendix D) there is a material interruption in the Sewer Service to the Members. **The Members' payments for their Fixed Cost Allocation for Debt Service are not subject to abatement**. Abatement will continue for the period commencing with damage or destruction and ending upon the restoration of Sewer Service by LAVWMA. The proceeds of any insurance covering such damage or destruction are required to be deposited and applied by LAVWMA as provided in the Indenture. See "- Insurance" below.

Under the Sewer Service Contract, LAVWMA covenants, to the extent permitted by law, to accept wastewater of Members notwithstanding any disruption in pipeline capacity and to use its best efforts in the event of any such disruption to undertake alternative and interim methods of storage and disposal of wastewater. See "Risk Factors - Abatement."

Flow of Funds Under the Indenture

LAVWMA covenants in the Indenture to transfer that portion of the LAVWMA Net Revenues which is necessary to pay the principal or Redemption Price of and interest on the Bonds in any Fiscal Year to the Trustee for deposit in the Livermore-Amador Valley Water Management Agency Revenue Fund (the "**Revenue Fund**"). On or before the second day prior to each Interest Payment Date, the Trustee is required to transfer from the Revenue Fund to the Debt Service Fund for the Bonds (the "**Debt Service Fund**") an amount equal to principal (including mandatory sinking fund payments) and interest on the next interest payment date.

Within the Debt Service Fund, the Trustee will establish a "**Redemption Account**." On or before the date on which Bonds are subject to redemption (see "THE 2011 BONDS – Redemption" above) the Treasurer will transfer to the Trustee for deposit in the Redemption Account an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the Debt Service Fund) of such Bonds to be redeemed on such date. Amounts in the Redemption Account will be applied by the Trustee solely for the purpose of paying the Redemption Price of Bonds to be redeemed pursuant to the Indenture. If after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Redemption Account, such moneys shall be transferred by the Trustee to the Treasurer for deposit in the Revenue Fund.

No Reserve Account

LAVWMA will not fund or maintain a debt service reserve fund for the 2011 Bonds and is not required to fund one in connection with the issuance of any Parity Bonds.

Rate Covenants

The Members covenant under the Sewer Service Contract as follows:

(a) Livermore agrees to fix, prescribe and collect Charges in connection with its sewer service to its sewer customers during each Fiscal Year so as to yield Member Net Revenues from such Charges in an amount at least equal to 1.1 times Livermore's obligations to LAVWMA due during such Fiscal Year under the Sewer Service Contract and 1.0 times amounts owed on other Obligations of Livermore due during such Fiscal Year having a lien on such Member Net Revenues.

(b) DSRSD will determine the amount of the Regional Service Charge pursuant to the Regional Agreement (see "DUBLIN SAN RAMON SERVICES DISTRICT – Regional Agreement" and "- Rates and Charges") which will produce aggregate Member Net Revenues of DSRSD and Pleasanton during each Fiscal Year in an amount at least equal to 1.1 times the Rate Covenant Debt Service (defined below) due during such Fiscal Year, and agrees to fix, prescribe and collect Regional Service Charges during such Fiscal Year in connection with sewer service provided to its sewer customers at the levels so determined. In addition, DSRSD agrees that it will not hereafter incur any District Local Obligations (as defined below) secured by or payable from Regional Service Charges.

"**District Local Charges**" means fees, connection fees, capacity fees, tolls, assessments, rates and charges prescribed and collected by the Board of Directors of DSRSD for the wastewater collection services and facilities of DSRSD's Sewer System furnished by the District within its jurisdiction. To provide clarity, the term "**District Local Charges**" does not include the Regional Service Charge or the Regional Capacity Reserve Fee.

"**District Local Obligations**" means bonds, notes, installment sale agreements or other obligations issued or to be issued by or on behalf of DSRSD, the proceeds of which are applied to finance or refinance improvements or repair to DSRSD's Sewer System, and payable from District Local Charges.

(c) Pleasanton agrees to fix, prescribe and collect Regional Service Charges during each Fiscal Year at the levels prescribed by DSRSD pursuant to the Regional Agreement. (See "DUBLIN SAN RAMON SERVICES DISTRICT – Regional Agreement.")

In addition, solely in order to ensure that Regional Service Charges received by Pleasanton will be available to DSRSD continuously and without interruption to meet DSRSD's obligations under the Sewer Service Contract, Pleasanton agrees that, as long as its $1,760,000 initial principal amount City of Pleasanton Sewer Revenue Refunding Bonds, Series 2004 (the "**2004 Bonds**"), described in "CITY OF PLEASANTON – Outstanding Long-Term Obligations," are outstanding, it will fix, prescribe and collect Pleasanton Local Charges (as defined below) in connection with its Sewer System so as to yield revenues from such Pleasanton Local Charges in an amount at least equal to 1.0 times the sum of (A) Pleasanton Local Maintenance and Operation Costs (as defined below) and (B) amounts owed on Pleasanton Local Obligations (as defined below). In

addition, Pleasanton agrees that it will not hereafter incur any Pleasanton Local Obligations secured by or payable from Regional Service Charges.

"**Pleasanton Local Charges**" means fees, connection fees, capacity fees, tolls, assessments, rates and charges prescribed and collected by the City Council of Pleasanton for the wastewater collection services and facilities of Pleasanton's Sewer System furnished by Pleasanton within its jurisdiction; the term Pleasanton Local Charges does not include the Regional Service Charge or the Regional Capacity Reserve Fee. Similarly, Pleasanton Local Charges are not included in Pleasanton Member Gross Revenues.

"**Pleasanton Local Maintenance and Operation Costs**" means, for any given period for any given facilities of Pleasanton's Sewer System, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor; debt service, amortization of intangibles or other book-keeping entries of a similar nature. The term Pleasanton Local Maintenance and Operation Costs does not include any portion of LAVWMA's Maintenance and Operation Costs.

"**Pleasanton Local Obligations**" means bonds, notes, installment sale agreements or other obligations issued or to be issued by or on behalf of Pleasanton, the proceeds of which are applied to finance or refinance improvements or repair to Pleasanton's Sewer System, and payable from Pleasanton Local Charges.

"**Rate Covenant Debt Service**" is defined to mean (1) Amounts payable by DSRSD, for itself and on behalf of Pleasanton, as Fixed Cost Allocation for Debt Service; *plus* (2) Debt Service on the Treatment Plant Note; *plus* (3) Debt Service on Obligations of DSRSD that are payable on a parity basis with the Treatment Plant Note; *less* the Actual Rate Stabilization Fund Draw; see "Rate Stabilization Fund" below.

"**Regional Capacity Reserve Fees**" is defined in the Sewer Service Contract to mean the connection fees described in Section 10(a) of the Regional Agreement, whether levied and collected by Pleasanton or DSRSD. The term Regional Capacity Reserve Fee – which is used to fund expansion of the Regional Facilities -- does not include the Regional Capacity Reserve Buy-In Fee, which is used to fund replacement of the Regional Facilities.

Rate Stabilization Fund

General. A Rate Stabilization Fund is maintained by DSRSD. As of the date of delivery of the 2011 Bonds, the amount on deposit in the Rate Stabilization Fund is expected to be approximately $25,849,600. The importance of the Rate Stabilization Fund is that DSRSD and Pleasanton are obligated to deposit Regional Capacity Reserve Fees in the Rate Stabilization Fund held by DSRSD and that amounts in the Rate Stabilization Fund are available – but not pledged -- to pay debt service on the 2011 Bonds.

Provisions Governing Rate Stabilization Funds. Generally, in calculating annual debt service for purposes of the rate covenant for DSRSD/Pleasanton, a credit is given for transfers from the Rate Stabilization Fund to pay Expansion Project Debt Service in advance of each Bond Year. See "- Rate Covenants" above. The Sewer Service Contract defines "**Expansion Project Debt Service**" as, for any period, the aggregate of Debt Service due in such period on: (i) Expansion Project Bonds (i.e., Bonds issued to finance the LAVWMA Expansion Project) and (ii) the Treatment Plant Note (as described above, the Treatment Plant Note is a note incurred by DSRSD to finance expansion of DSRSD's treatment plant).

Although the amounts in the Rate Stabilization Fund, if any, may be used to pay debt service on the Bonds, the Rate Stabilization Fund is not pledged to the Bonds, and amounts in the Rate Stabilization Fund can be used for the purposes described below. Accordingly, there can be no assurance as to the future balances of the Rate Stabilization Fund or whether any amounts on deposit in the Fund will be applied to pay debt service on the Bonds.

Provisions which govern the use of the Rate Stabilization Fund include the following:

(1) All Regional Capacity Reserve Fees, whether collected by DSRSD or collected by Pleasanton and paid to DSRSD, are required to be deposited into the Rate Stabilization Fund.

(2) All amounts in the Rate Stabilization Fund are required to be available to pay the following:

(a) Expansion Project Debt Service (*i.e.*, debt service allocable to the Expansion Project);

(b) Bond Redemptions;

(c) any capital improvements permitted to be paid for from the Regional Capacity Reserve Fees under the Regional Agreement, as well as any reimbursement of replacement reserves and any funds other than Regional Capacity Reserve Fees which have been deposited therein or which have been advanced by DSRSD (on behalf of itself or Pleasanton) from Regional Service Charges to pay Expansion Project Debt Service; and

(d) any other purpose agreed to between DSRSD and Pleasanton.

(3) DSRSD will attempt to maintain the Rate Stabilization Fund at or above the Target Level (i.e.; two times Maximum Annual Expansion Project Debt Service; see "- Sewer Service Contract" above); provided, that DSRSD is not required to fund the Rate Stabilization Fund from revenues derived from Regional Service Charges assessed to wastewater customers.

(4) Amounts in the Rate Stabilization Fund will be available to pay the items listed in paragraph (2) above; provided that draws on the Rate Stabilization Fund which cause the funds therein to fall below the Target Level are not permitted, except as described below. In the event draws on the Rate Stabilization Fund would cause the Rate Stabilization Fund balance to fall below the Target Level, such draw is limited to pay Expansion Project Debt Service, in an amount equal to the sum of: (i) one-third of the lesser of (a) the Target Level; or (b) the amount then on hand in the Rate

Stabilization Fund, plus (ii) the amount then on hand in the Rate Stabilization Fund in excess of the Target Level.

(5) The Rate Stabilization Fund may be depleted and closed if: (i) Expansion Project Debt Service is in fact being paid entirely from Regional Service Charges; or (ii) if all scheduled Expansion Project Debt Service has been paid or provided for.

Current Status of Rate Stabilization Fund. In only one of the past seven fiscal years have Regional Capacity Reserve Fees received in the fiscal year been sufficient to pay DSRSD and Pleasanton's share of Expansion Project Debt Service (77.48% following issuance of the 2011 Bonds) in that fiscal year; as explained in "DEBT SERVICE SCHEDULE" above, 69.54% of the debt service on the 2011 Bonds is Expansion Project Debt Service. However, accumulated moneys in the Rate Stabilization Fund were utilized to ensure full payment of the Expansion Project Debt Service in those fiscal years. See "DUBLIN SAN RAMON SERVICES DISTRICT – Wastewater Service Area and Customers" for historical connection information in DSRSD's service area (including Pleasanton) and "CITY OF LIVERMORE – Wastewater Service Area and Customers" for historical connection information in Livermore's service area.

For a variety of reasons, most notably (i) a recent decline in new construction in the service area of DSRSD (including Pleasanton), resulting in fewer connections and the payment of fewer Regional Capacity Reserve Fees, and (ii) use of moneys in the Rate Stabilization Fund to prepay some of the principal of DSRSD's 2000 Certificates of Participation (which were subsequently refinanced by the Treatment Plant Note) and to pay for capital projects, the expected balance in the Rate Stabilization Fund as of the date of issuance of the 2011 Bonds (approximately $25,849,600) is almost twice the expected Target Level following issuance of the 2011 Bonds (approximately $14,309,600 million). If the amount in the Rate Stabilization Fund falls below the Target Level, then, as described above, there is a limitation on the use of moneys in the Rate Stabilization Fund to pay Expansion Project Debt Service and, in order to pay only Expansion Project Debt Service, DSRSD will need to either raise Regional Service Charges or borrow money from its Repair and Replacement Fund until such time (if any) that sufficient funds are available in the Rate Stabilization Fund to pay DSRSD and Pleasanton's share of Expansion Project Debt Service.

Neither LAVWMA nor the Members can provide any assurance that Regional Capacity Reserve Fees will be sufficient in the future to maintain the Rate Stabilization Fund at the Target Level or to provide sufficient moneys to pay Expansion Project Debt Service.

Other Obligations of the Members' Sewer Systems

The Members have outstanding, and may incur in the future, Obligations payable from Member Net Revenues. The Sewer Service Contract and the Indenture do not limit the amount of such Obligations that the Members may incur. The Members' covenants in the Sewer Service Contract (see "- Rate Covenants") are intended to ensure that the Members will have sufficient Member Net Revenues to satisfy their obligations under the Sewer Service Contract as well as their other Obligations.

See the subsections entitled "- Outstanding Long-Term Obligations" in the sections entitled "DUBLIN SAN RAMON SERVICES DISTRICT," "CITY OF PLEASANTON" and "CITY OF LIVERMORE."

Parity Bonds

In addition to the 2011 Bonds, LAVWMA may, under a Parity Bonds Instrument (defined in the Indenture), issue or incur other loans, advances or indebtedness payable from LAVWMA Net Revenues (the "**Parity Bonds**"), to provide financing for the LAVWMA Enterprise, in such principal amount as will be determined by LAVWMA. Issuance of Parity Bonds is subject to satisfaction of certain conditions under the Indenture, including the following:

(a) LAVWMA must be in compliance with all covenants set forth in the Indenture, except to the extent any breach of a covenant in the Indenture will be cured by reason of the issuance of the Parity Bonds.

(b) The following coverage tests must be satisfied:

(i) The Member Net Revenues of the "**Regional Members**" (which the Indenture defines as DSRSD and Pleasanton), calculated on sound accounting principles, as shown by the books of the Regional Members for the latest Fiscal Year or any more recent 12-month period selected by the Regional Members ending not more than 90 days prior to the adoption of the legal document pursuant to which such Parity Bonds are issued (the "**Parity Bonds Instrument**"), as shown by the books of the Regional Members, any or all of the items designated in the following clause (iii), must at least equal 110% of the sum of: (1) DSRSD's (on behalf of itself and Pleasanton) pro rata share of Maximum Annual Debt Service, calculated in accordance with the Sewer Service Contract, with Maximum Annual Debt Service calculated on all Bonds to be Outstanding immediately subsequent to the issuance of such Parity Bonds which have a lien on LAVWMA Net Revenues; plus (2) Maximum Annual Debt Service on all Obligations which have a lien on the aggregate Member Net Revenues of the Regional Members; provided, that in the event the Parity Bonds are to be issued solely for the purpose of refunding and retiring any Bonds then Outstanding, interest and principal payments on the Bonds to be so refunded and retired from the proceeds of such Parity Bonds being issued may be excluded from the foregoing computation of Maximum Annual Debt Service; and

(ii) Livermore's Member Net Revenues, calculated on sound accounting principles, as shown by the books of Livermore for the latest Fiscal Year or any more recent 12-month period selected by Livermore ending not more than 90 days prior to the adoption of the Parity Bonds Instrument pursuant to which such Parity Bonds are issued, as shown by the books of Livermore, plus, at the option of Livermore, any or all of the items designated in the following clause (iii), shall at least equal 110% of the sum of: (1) Livermore's pro rata share of Maximum Annual Debt Service, calculated in accordance with the Sewer Service Contract, with Maximum Annual Debt Service calculated on all Bonds to be Outstanding immediately subsequent to the issuance of such Parity Bonds which have a lien on LAVWMA Net Revenues; plus (2) Maximum Annual Debt Service on all Obligations which have a lien on Livermore's Member Net Revenues.

(iii) The following items may be added to the Member Net Revenues for the purpose of issuing or incurring Parity Bonds:

(A) an allowance for earnings arising from Member Net Revenues of the Member resulting from any increase in the Charges which has become effective prior to the incurring of such Parity Bonds but which, during all or any

part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the amount by which the Member Net Revenues of such Member would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown in the written report of an Independent Consultant engaged by the applicable Member;

(B) an allowance for Member Net Revenues of a Member from any additions or improvements to or extensions of the Sewer System of such Member which, during all or any party of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by a Member, were not in service, all in an amount equal to 75% of the estimated additional average annual Member Net Revenues of such Member to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by such Member; and

(C) Regional Capacity Reserve Fees collected by the Regional Members, in an amount equal to the greater of: (1) Regional Capacity Reserve Fees collected by the Regional Members in the prior 12 months; or (2) the average annual amount of Regional Capacity Reserve Fees collected by the Regional Members during the prior 36 months.

(iv) For purposes of the calculations made under the Parity Bonds test described above:

(A) Member Net Revenues of the Regional Members will not include any draws made by DSRSD from the Rate Stabilization Fund to pay Debt Service on the Bonds; and

(B) in the event the Parity Bonds are to be issued solely for the purpose of refunding and retiring any Bonds then Outstanding, interest and principal payments on the Bonds to be so refunded and retired from the proceeds of such Parity Bonds being issued will be excluded from the computation of Maximum Annual Debt Service.

(c) The Parity Bonds Instrument providing for the issuance of such Parity Bonds must provide that:

(i) The proceeds of such Parity Bonds will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the LAVWMA Enterprise, or otherwise for facilities, improvements or property which LAVWMA determines are of benefit to the Enterprise, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which LAVWMA deems necessary or advisable) relating thereto;

(ii) Interest on the Parity Bonds must be payable on an Interest Payment Date; and

(iii) The principal of such Parity Bonds must be payable on August 1 in any year in which principal is payable.

(d) The Sewer Service Contract will be amended or supplemented, if needed, to provide that one or more of the Members is obligated to pay Debt Service on the Parity Bonds.

Insurance

Under the Indenture, LAVWMA covenants that it will maintain insurance on the LAVWMA Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the LAVWMA Enterprise is damaged or destroyed, such part is required to be restored to use. The Net Proceeds of insurance against accident to or destruction of the physical LAVWMA Enterprise will be used for repairing or rebuilding the damaged or destroyed portions of the LAVWMA Enterprise.

THE LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY

General

LAVWMA owns, operates and maintains an export pipeline and related facilities for wastewater disposal that benefit DSRSD, Pleasanton and Livermore. LAVWMA was created on June 18, 1974 by a Joint Exercise of Powers Agreement, most recently in the form of an Amended and Restated Joint Exercise of Powers Agreement for the Livermore-Amador Valley Water Management Agency, dated September 10, 1997 (the "**Joint Powers Agreement**"), among the Members and LAVWMA. The Joint Powers Agreement was executed pursuant to the provisions of Article 4 of the Government Code of the State governing joint exercise of powers agencies (commencing with Section 6584) (the "**Joint Exercise of Powers Act**"). LAVWMA was created for the purpose of providing for the construction, operation, maintenance, repair and replacement of LAVWMA facilities for wastewater disposal to serve the general plans of Livermore and Pleasanton and the general plans of the planning agencies that DSRSD serves. The Joint Powers Agreement may be amended at any time by the written agreement of all the parties. The withdrawal of a Member from LAVWMA is only permitted upon payment in full or defeasance of any revenue bonds or other obligations, such as installment sale agreements or certificates of participation, of LAVWMA. Under the Sewer Service Contract, the Members have covenanted that they will not amend the Joint Powers Agreement so as to materially affect the holders of the Bonds.

The Livermore-Amador Valley is located approximately 30 miles east of the San Francisco Bay. Prior to the late 1960s, the Valley was primarily rural. Around that time, the area began to develop with residential, commercial, and industrial land uses leading to increased demand for wastewater treatment and disposal. In 1974, Livermore, Pleasanton and DSRSD (then known as the Valley Community Services District) formed LAVWMA as a means of developing joint solutions for wastewater disposal needs among the member agencies. On the basis of disposal studies, LAVWMA decided to export wastewater to the East Bay Dischargers Authority ("**EBDA**") interceptor pipeline for ultimate discharge to San Francisco Bay via a deepwater outfall. The original LAVWMA export pipeline system was constructed in 1979 and upgraded in 1986 and in 2001 to result in a contractual capacity limit of 41.2 mgd, which is sufficient to serve the current planned build out of all three Members.

EBDA Agreement

General. LAVWMA is party to a Master Agreement, dated April 26, 2007, with EBDA (the "**EBDA Agreement**"). The EBDA Agreement expires on January 1, 2020.

EBDA. EBDA is a joint powers agency comprised of the Cities of Hayward and San Leandro, Oro Lomo Sanitary District, Castro Valley Sanitary District and Union Sanitary District.

EBDA Services. EBDA owns, operates and maintains pump stations and a forcemain and outfall system (the "**EBDA System**") extending from central and southern Alameda County to a deepwater discharge into the San Francisco Bay which receives and discharges treated wastewater from EBDA member agencies in compliance with federal and state water quality requirements.

Key Provisions. The EBDA Agreement includes the following provisions:

- LAVWMA is authorized by EBDA to connect its wastewater line to EBDA's System along EBDA's forcemain north of the Oro Loma Pump Station and south of the Marina Outfall and to discharge its treated wastewater in and through the EBDA forcemain subject to the provisions, limitations and conditions of the EBDA Agreement.
- LAVWMA has the right to discharge a total of 41.2 mgd PWWF (peak wet weather flow) into the EBDA System, which right consists of Firm Capacity of 19.72 mgd and 21.48 mgd of "Interruptible Capacity." "**Interruptible Capacity**" is defined as the capacity which exceeds LAVWMA's Firm Capacity of 19.72 mgd and which is restricted to the difference between EBDA's Design Capacity of 189.1 mgd and the actual total combined instantaneous flow from all EBDA member agencies plus LAVWMA's Firm Capacity of 19.72 mgd which occurs at any particular time.
- LAVWMA must provide disposal options for all interruptible flows in accordance with the measures and timetables described in LAVWMA's certified EIR for its Export Expansion Project and in compliance with current and future National Pollutant Discharge Elimination System ("**NPDES**") permits; provided, however, the disposal options must be capable of allowing LAVWMA to immediately interrupt its flow above 19.72 mgd when requested by EBDA and must be fully operational so as to coincide with increases in PWWF of LAVWMA member agencies. LAVWMA's wet weather discharge facilities to San Lorenzo Creek with a permitted capacity of 21.5 mgd fulfill this requirement. See "- Permits and Regulations" below for information about LAVWMA's disposal options.
- The EBDA Agreement provides that the likelihood of interruption by EBDA is expected to increase and will require future planning and additional facilities. In that event, it will be the responsibility of LAVWMA to provide alternate means of disposing of the interrupted flows of LAVWMA. LAVWMA's San Lorenzo Creek discharge facilities will continue to meet this requirement—the frequency of interruption will increase but the amount of interruptible capacity remains at 21.48 mgd.
- In the event that the EBDA System is damaged or destroyed by causes beyond the control or responsibility of EBDA such that LAVWMA flows covered under the EBDA Agreement cannot be accommodated in the EBDA System, EBDA will not be liable to LAVWMA or its member agencies for failure to provide the services. EBDA will use its best efforts to repair its system and restore service within a reasonable time.

- LAVWMA must discharge its wastewater into EBDA's facilities such that its treated wastewater complies with all NPDES permit requirements imposed upon EBDA as well as any NPDES permit requirements imposed directly upon LAVWMA or its member agencies by any regulatory agency. EBDA will perform the dechlorination requirements imposed by both federal and state agencies, and LAVWMA will reimburse EBDA for dechlorination costs.
- Prior to discharging its wastewater into EBDA's forcemain system, LAVWMA maintains the right to market its wastewater for recycling purposes within EBDA's service area. LAVWMA's water recycling projects are limited to those that are in the corridor of its existing pipeline through EBDA's service area. All flows diverted from the LAVWMA pipeline for recycling purposes within EBDA's contiguous service area will not be deducted from the total reported flow exported from the LAVWMA service area. Recycled flows diverted within either service area will not reduce or increase LAVWMA's capacity allocation in the EBDA System.
- LAVWMA will be responsible for its share of all costs of EBDA, except those costs specifically associated with the pump stations at Alvarado and Hayward and the forcemain from Alvarado to Oro Loma, including operations, maintenance, administration, studies, reports, and renewal and replacement of equipment including equipment covered by EBDA's Renewal and Replacement Program. The following table lists LAVWMA's payments to EBDA for operation costs over the past five fiscal years**.**
- LAVWMA is responsible for its share of costs for any capital project that is intended to replace or repair any EBDA facility, except the Alvarado and Hayward Pump Stations and the forcemain from Alvarado to Oro Loma. LAVWMA expects to meet its obligations from amounts in its Renewal Replacement Fund. The following table lists LAVWMA's payments to EBDA for capital costs over the past five fiscal years**.**
- LAVWMA is obligated to pay to EBDA the sum of $10,000,000 to "buy in" to the EBDA System under the following terms and conditions:
  (a) LAVWMA paid an initial sum of $3,000,000 plus accrued interest.
  (b) LAVWMA agrees to continue to pay the remaining principal balance plus accrued interest at a variable rate of interest, through and including July 1, 2030. The annual "buy in" payments to EBDA range from approximately $400,000 to $450,000. The Sewer Service Contract refers to these payments as the "**EBDA Capacity Payments**."

The following table summarizes payments by LAVWMA to EBDA for operation costs and capital costs during fiscal years 2005-06 through 2009-10.

Table 1
Livermore-Amador Valley Water Management Agency
Payments to EBDA for Operation Costs and Capital Costs
Fiscal Years 2005-06 through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
EBDA O&M					
Fixed	$262,354.57	$280,202.43	$200,652.33	$177,089.23	$179,902.87
Variable	191,635.50	185,384.36	186,193.29	232,822.52	277,453.09
Total O&M	453,990.07	465,586.79	386,845.62	409,911.75	457,355.96
EBDA Capital Costs	$16,899.28	$92,605.93	$190,188.44	$23,403.52	$34,558.28

Source: Livermore-Amador Valley Water Management Agency.

Governance and Management

LAVWMA is governed by a Board of Directors. Each Member appoints two directors. Each director is required to be a member of the governing board of said Member. All directors serve until replaced by the appropriate appointing jurisdiction. The table below lists the current Directors of LAVWMA, together with their affiliation and expiration of term of their positions at their respective member agencies.

LAVWMA Board of Directors

Name	Affiliation	Term Expires
Doug Horner – Chair	City of Livermore, Council Member	November 2013
Dawn L. Benson – Vice Chair	DSRSD, Director	November 2014
John Marchand – Member	City of Livermore, Vice Mayor	November 2014
Matt Sullivan – Member	City of Pleasanton, Council Member	November 2012
Jerry Thorne – Member	City of Pleasanton, Council Member	November 2014
Georgean Vonheeder-Leopold, Member	DSRSD, Director	November 2014

Ed Cummings is the LAVWMA General Manager. Mr. Cummings has been with LAVWMA since October 2006 and has over 25 years of experience with management of utility systems.

Lori Rose is the LAVWMA Treasurer. Ms. Rose is employed full time by DSRSD as its Financial Services Manager/Treasurer and provides Treasurer services to LAVWMA pursuant to LAVWMA's contract with DSRSD.

Facilities

LAVWMA owns and operates storage, pumping and pipeline facilities for the disposal of wastewater effluent. The wastewater effluent is received from wastewater treatment plants which are owned by Livermore and DSRSD. Effluent is conveyed through LAVWMA's 16 mile

export pipeline (approximately 4 miles of force main and 12 miles of gravity interceptor) from LAVWMA's export pump station located in Pleasanton to the EBDA pipeline in San Leandro where it is ultimately discharged into San Francisco Bay. The existing facilities of LAVWMA have a maximum flow capacity of 41.2 mgd PWWF.

The LAVWMA system receives and transports treated wastewater from the DSRSD Wastewater Treatment Plant and the Livermore Water Reclamation Plant. LAVWMA's storage and pumping facilities are located in Pleasanton. Treated wastewater is stored in three concrete-lined basins with a total capacity of 18 million gallons ("**mg**"). There is 21.9 mg of additional existing storage at the DSRSD Wastewater Treatment Plant and 11 mg at the Livermore Water Reclamation Plant.

The LAVWMA pumping station has 10 vertical turbine pumps, and is designed for 9 pumps to operate simultaneously to convey 41.2 mgd to the EBDA pipeline, while the 10th pump is available as a standby. The existing force main section of the LAVWMA pipeline conveys wastewater from the pumping station in Pleasanton to the summit of Dublin Canyon Road in Dublin Canyon. The dual 36-inch-diameter force main piping constitutes the first 4-mile segment of the 16-mile export pipeline. The gravity pipeline extends for approximately 12 miles from the end of the force main through Dublin Canyon, Castro Valley, San Lorenzo and San Leandro and discharges into the EBDA interceptor pipeline, with final disposal in San Francisco Bay. Approximately 2,000 feet before the connection with the EBDA interceptor, LAVWMA has an emergency bypass pipeline that allows discharges to San Lorenzo Creek. The existing emergency bypass facilities have a NPDES permit limit of 21.5 mgd.

LAVWMA is not a member of EBDA, but has a contractual agreement with EBDA for firm disposal capacity rights of 19.72 mgd and interruptible capacity of 21.48 mgd as the EBDA capacity allows, for a total right to discharge 41.2 mgd. See "- EBDA Agreement" above. In conjunction with this disposal capacity, LAVWMA has an NPDES permit for emergency discharge of up to 21.5 mgd of treated and dechlorinated effluent into San Lorenzo Creek during peak wet-weather conditions. See "- Permits and Regulations" below.

Member Influent Limits

The Joint Powers Agreement establishes limits for raw wastewater influent that may be treated by the Members' treatment facilities. These limits total 31.8 mgd average dry weather flow ("**ADWF**"). Further, LAVWMA system capacity during peak wet weather is limited by the Joint Powers Agreement to 41.2 mgd. The raw wastewater ADWF influent limit is allocated as follows: Livermore 11.1 mgd; Pleasanton 10.3 mgd; and DSRSD 10.4 mgd. PWWF capacity is allocated as follows: Livermore 12.4 mgd; Pleasanton 14.4 mgd; and DSRSD 14.4 mgd. Two Members may transfer between them a portion of their influent allocation upon mutual agreement. The influent limit remains in place unless modified by unanimous agreement of the Members.

Service Area

LAVWMA provides wastewater disposal to a service area, which includes the wastewater service areas of DSRSD, Pleasanton and Livermore. Under the Joint Powers Agreement, Members may provide wastewater service only to those areas that now, or in the future, are incorporated within the city limits of Livermore, Pleasanton, and Dublin. DSRSD may provide service to the area within the city limits of San Ramon that DSRSD served as of September 10, 1997, and any area in the Specific Plan for Westside San Ramon (adopted in

November 1989) that is subsequently incorporated into the City of San Ramon. DSRSD may also provide service to Camp Parks for governmental uses. Livermore may continue to provide service to the Ruby Hill subdivision in Pleasanton. In addition, the Members may continue to serve unincorporated areas currently served. Furthermore, Livermore may provide wastewater treatment and disposal service to approved uses in the unincorporated Agricultural Enhancement/Rural Management Zone (Zone B), which may be established within the planning area for the North Livermore General Plan Amendment adopted by the Livermore City Council on October 11, 1993, and to the Veterans Administration Hospital property for governmental uses. In the interest of public health and safety, Members may also provide service to unincorporated properties adjoining a city, unless the cumulative amount of proposed service in any one contiguous unincorporated geographic area exceeds 10 residential connections or the equivalent, in which case such service would require unanimous approval of the LAVWMA Board. Except as described above, no Member may provide service to an unincorporated area of Alameda County south of Interstate 580 or to the planning area for the North Livermore General Plan Amendment (except for certain minor exceptions) without unanimous vote of the LAVWMA Board.

LAVWMA Budget

General. Pursuant to the Joint Powers Agreement, each Member is required to provide its share of LAVWMA's annual operating budget including debt service and replacement, fixed operating costs, and variable costs, with cash advances made on a quarterly basis. These obligations are also provided for under the Sewer Service Contract. See "SECURITY FOR THE 2011 BONDS - Sewer Service Contract."

- Debt service and replacement reserve accrual allocations are based on each Member's capacity rights in sole-use, dual-use, and joint-use facilities.

- Operating and maintenance costs are ongoing expenditures for repair, replacement and other costs incurred upon completion of construction of facilities so that the facility can continue to perform the function for which it was designed.

- Fixed operating costs are a function of the facilities constructed and allocations are based on each Member's joint-use PWWF capacity rights and include all operation and maintenance costs except for variable costs.

- Variable operating costs are a function of actual flows discharged to LAVWMA and include costs of chemicals and power. Variable costs are allocated to each Member based on estimated flows.

At the end of each fiscal year and after approval of an audit, cash advances based on estimates of the preceding year will be reconciled with actual costs and actual flows. Surpluses are reimbursed to Members and deficits cause an additional cash payment to LAVWMA by the Members. See "SECURITY FOR THE 2011 BONDS - Sewer Service Contract."

The 2011 Bonds are a Limited Obligation of LAVWMA. The 2011 Bonds are special, limited obligations of LAVWMA, and are only secured by a pledge of LAVWMA Net Revenues. LAVWMA's obligation to pay debt service on the 2011 Bonds is limited to the extent that it receives the Fixed Cost Allocation for Debt Service component of the Payments from the Members and that other Payments from the Members are sufficient to pay LAVWMA's

Maintenance and Operation Costs; the Fixed Cost Allocation for Debt Service component of the Payments is sized to be equal to the scheduled debt service on the 2011 Bonds (without any coverage). See, however, "SECURITY FOR THE 2011 BONDS – Rate Stabilization Fund" for a discussion of other moneys available to pay debt service on the 2011 Bonds.

Permits and Regulations

General. Livermore and DSRSD each separately own and operate wastewater treatment facilities that discharge fully treated effluent to LAVWMA for pumping and disposal into San Francisco Bay. Pleasanton discharges untreated sewage from its sanitary sewer collection system to DSRSD for treatment and disposal under the terms of the Regional Agreement. During wet weather events, LAVWMA is also permitted to discharge a portion of its flows to San Lorenzo Creek and/or Alamo Creek. LAVWMA is not aware of any environmental or regulatory issues that would adversely impact its ability to pump, treat, and properly dispose of wastewater effluent, or the ability of its member entities to treat and properly convey treated wastewater to LAVWMA.

Permitting. LAVWMA's NPDES permit regulating wet weather discharges was recently approved for renewal effective July 1, 2011. LAVWMA's new permit expires June 30, 2016. Pleasanton has no related NPDES permit. Livermore and DSRSD recently applied to renew their individual NPDES permits that regulate the operation of their respective wastewater treatment facilities; neither agency requested any changes to their permit status (no changes in flow or wastewater characteristics). The individual NPDES permit renewals are scheduled for Bay Area Regional Water Quality Control Board ("**RWQCB**") approval in January, 2012. LAVWMA is not aware of any environmental or regulatory issues that would adversely impact the ability of the Members to obtain renewals of their individual discharge permits.

Capacity Rights. Livermore and DSRSD discharge to LAVWMA, and LAVWMA in turn discharges to EBDA via the terms and conditions of the EBDA Agreement. The EBDA Agreement provides for a total of 41.2 mgd of peak flow capacity for LAVWMA, which is further defined as 19.7 mgd of "firm" capacity, and 21.48 mgd of "interruptible" capacity.

The wet weather permit that the RWQCB granted to LAVWMA provides permitted points of discharge into San Lorenzo Creek and Alamo Creek. The outfall into San Lorenzo Creek is permitted during wet weather events when EBDA exercises its right to interrupt a portion of LAVWMA's discharge flow (i.e. the 21.48 mgd of "interruptible" capacity). The outfall into Alamo Creek is permitted during prolonged wet weather events when all of LAVWMA's on-site storage capacity is filled. The EBDA Agreement expires on January 1, 2020, which coincides with the term of EBDA's separate Joint Exercise of Powers Agreement. However, the EBDA Agreement allows LAVWMA to continue discharging to EBDA even after the EBDA Agreement expires, as long as LAVWMA continues to be responsible for its share of EBDA's cost of operations, maintenance, and other costs. The EBDA Agreement may be amended or extended at any time by the written agreement of both parties. LAVWMA is not aware of any environmental or regulatory issues that would adversely impact EBDA's contractual capacity or its ability to provide effluent pumping and disposal.

Wastewater Treatment. The applicable regulatory standards for the effluent discharged to LAVWMA are provided in Section 402 of the Federal Clean Water Act ("**CWA**"), Chapter 5.5, Division 7 of the California Water Code ("**CWC**"), and Article 4, Chapter 4 of the CWC. These regulations incorporate the requirements of the U.S. Environmental Protection Agency in conformance with implementing the CWA. The standards specify water quality sampling

frequencies and location, as well as maximum concentrations of chemical constituents, and the regulations are continuously revised and amended.

DSRSD properly disposes of biosolids using a dedicated land disposal site which is covered by a Water Discharge Requirements ("**WDR**") Permit issued by the Bay Area RWQCB. The WDR issued to DSRSD incorporates the requirements of Title 27, Section 20250 of the California Code or Regulations.

Livermore utilizes a contractor to perform biosolids hauling and offsite disposal utilizing an agricultural land application site. Livermore's land application of biosolids is regulated by the SWRCB's adopted Water Quality Order No. 2004-12-DWQ (General Order), which in turn is supported by a statewide Programmatic Environmental Impact Report (PEIR). The General Order incorporates the minimum standards established by 40 CFR Part 503 and expands upon the Federal requirements to fulfill obligations to the California Water Code.

Neither LAVWMA nor the Members are aware of any environmental or regulatory issues that would adversely impact the ability of LAVWMA or the Members to provide adequate wastewater treatment and/or biosolids disposal.

Recycled Water. A small portion of LAVWMA's flow has been recycled on occasion and used for beneficial purposes, including construction grading (i.e. CalTrans) and sewer cleaning (Castro Valley Sanitary District). It should be noted that this recycling was intermittent, and the quantities recycled were insignificant. DSRSD and Livermore each independently own and operate recycled water treatment and distribution systems, and a portion of the treated effluent from both wastewater treatment facilities is diverted for recycling throughout the year. Almost all of this recycling is utilized for landscape irrigation, so diversions for recycling are greatest during the dry summer months, and least during the wetter winter months. DSRSD, Livermore, and LAVWMA's use of treated effluent for recycling as described is subject to regulation under the Bay Area RWQCB's General Water Reuse Permit, Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code, and regulations promulgated by the California Department of Health Services. On February 3, 2009, the State Water Resources Control Board ("**SWRCB**") adopted a statewide Recycled Water Policy to support increased sustainable local water supplies by increased production and use of recycled water. LAVWMA is not aware of any environmental or regulatory issues related to water recycling that would adversely impact its ability to provide effluent pumping and disposal.

Members' Sewer Systems. Sanitary sewer collection systems are owned and operated by the Members. The collection systems are permitted individually via WDRs issued by the SWRCB. Regulatory requirements applicable to the Members' Sewer Systems are contained in or imposed by regulation pursuant to the Federal Water Pollution Control Act, as amended, and the State of California Porter Cologne Water Quality Control Act of 1969, as amended. Both federal and State regulations are administered through the Bay Area RWQCB. Neither LAVWMA nor the Members are aware of any environmental or regulatory issues that would adversely impact the ability of the Members to provide sewer collection service.

Air Emissions Permits. LAVWMA operates a small emergency generator located at the export pump station in Pleasanton, which is permitted by the Bay Area Air Quality Management District ("**BAAQMD**"). Greenhouse gas emissions for LAVWMA are reported annually by DSRSD pursuant to the requirements of the California Air Resources Control Board ("**CARB**").

LAVWMA is not aware of any environmental or regulatory issues that would adversely impact air emissions related to its ability to provide effluent pumping and disposal.

Insurance

LAVWMA currently maintains comprehensive liability and property insurance from the California Special District Risk Management Authority with claims limits of $5 million and $100 million respectively. LAVWMA carries no earthquake insurance The Sewer Service Contract does not require any earthquake insurance on LAVWMA facilities. See "RISK FACTORS – Earthquakes, Floods and Other National Disasters."

Employees

LAVWMA has no permanent employees. All of LAVWMA's work is completed by consultants or by contract. LAVWMA facilities are operated and maintained by DSRSD operations and maintenance staff under contract. The contract provides payments of salary, materials, equipment and contract labor as required to operate and maintain facilities.

For information regarding DSRSD employees see "DUBLIN SAN RAMON SERVICES DISTRICT."

FINANCIAL INFORMATION ON LAVWMA

Financial Statements

Copies of the most recent audited financial statements of LAVWMA are included in Appendix A (the "**LAVWMA Financial Statements**"). The LAVWMA Financial Statements include a letter from the firm of R.J. Ricciardi, Inc. (the "**LAVWMA Auditors**"), which concludes that the LAVWMA Financial Statements present fairly, in all material respects, the financial position of LAVWMA as of June 30, 2010 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. The LAVWMA Financial Statements attached should be read in their entirety. The LAVWMA Auditors have not reviewed or audited this Official Statement and have not been asked to nor have they consented to the inclusion of the LAVWMA Financial Statements in this Official Statement.

Summary of Historical Operating Results of Members

The following tables 2A and 2B show historical debt service coverage in fiscal years ending June 30, 2007 through June 30, 2011. These results have been derived from the audited financial statements of the Members but exclude certain non-cash items and include certain other adjustments. The tables have not been reviewed or audited by the Members' auditors. See "DUBLIN SAN RAMON SERVICES DISTRICT - Financial Information," "CITY OF PLEASANTON - Financial Information" and "CITY OF LIVERMORE - Financial Information" below for a more detailed summary of historical operating results of the Sewer System of each of the Members.

Table 2A: Table 2A shows debt service coverage based on the Members' rate covenants and the pledge of "Net Revenues" under the Original Sewer Service Contract, which was executed in connection with issuance of the 2001 Bonds. Under the Original Sewer Service Contract, the term "Net Revenues" when applied to DSRSD and

Pleasanton's Sewer Systems was defined to include not only Regional Service Charges but also the net revenues generated as a result of the collection of local service charges and connection fees. The pledge of each Member's Net Revenues as security for its payment obligation under the Original Sewer Service Contract was subordinate to the pledge of such Net Revenues to then-existing and future Obligations of the Member's' Sewer Systems, including obligations payable from local service charges and connection fees. It is important to note that the members met their rate covenants under the Original Sewer Service Contract in each of the years covered by this table. The Original Sewer Service Contract is being amended and restated in connection with issuance of the 2011 Bonds. One of the amendments made to the Original Sewer Service Contract will be a change to the term "Net Revenues", which will now mean, when applied to DSRSD and Pleasanton's Sewer Systems, only Regional Service Charges and Regional Capacity Reserve Buy-In Fees, but no local service charges or connection fees.

Table 2B: Table 2B shows debt service coverage based on the Members' rate covenants and the definition of Net Revenues under the Amended and Restated Sewer Service Contract, which is being executed concurrently with issuance of the 2011 Bonds. Table 2B is presented to provide historical context for an analysis of the Member Net Revenues and Regional Capacity Reserve Fees that will be a source of payment for the 2011 Bonds. However, it is important to note that Table 2B shows historical debt service coverage based on contractual definitions that were not in place prior to issuance of the 2011 Bonds, and, consequently, it is not representative of the Members' contractual obligations during the years covered by this table.

Table 2A
DSRSD, Pleasanton and Livermore Sewer Systems
Summary of Historical Debt Service Coverage by Member
Fiscal Year Ended June 30 (1)

	Audited 2007	Audited 2008	Audited 2009	Audited 2010 (5)	Unaudited 2011
Livermore					
Livermore's Member Net Revenue (2)	$7,492,313	$7,525,645	$7,162,753	$5,973,581	$5,054,610
Livermore's Share of LAVWMA Debt Service	2,498,856	2,498,545	2,654,844	1,104,418	1,611,333
LAVWMA Debt Service Coverage	3.00	3.01	2.70	5.41	3.14
DSRSD/Pleasanton					
Rate Covenant Debt Service Coverage					
DSRSD/Pleasanton Member Net Revenues (3)	9,599,367	7,678,026	6,576,492	6,111,430	6,659,076
Rate Covenant Debt Service	2,417,864	2,127,783	1,951,349	767,675	1,688,985
Debt Service Coverage	3.97	3.61	3.37	7.96	3.94
Comparison of Regional Capacity Reserve Fees and Expansion Project Debt Service					
Regional Capacity Reserve Fees (4)	7,261,003	7,136,845	1,886,377	5,717,414	11,321,553
Expansion Project Debt Service	6,872,706	6,609,799	9,062,921	9,608,490	9,246,739

(1) Terms in line items are defined in the Original Sewer Service Contract.
(2) See Table 23. Reflects Net Revenues remaining after payment of debt service on Livermore's Obligations. See "CITY OF LIVERMORE – Outstanding Long-Term Obligations."
(3) See Table 11A. Under the Original Sewer Service Contract, Member Net Revenues included net revenues generated by the collection of local service charges and connection fees. DSRSD/Pleasanton's Member Net Revenues do not include Regional Capacity Reserve Fee revenues, which are deposited in the Rate Stabilization Fund held by DSRSD. However, the amount of Rate Covenant Debt Service shown in this table reflects a deduction as a result of the application of Regional Capacity Reserve Fee revenues transferred from the Rate Stabilization Fund to pay Expansion Project Debt Service. See "SECURITY FOR THE 2011 BONDS – Rate Stabilization Fund."
(4) See Table 11B.
(5) The reduction in fiscal year 2009-10 Rate Covenant Debt Service reflects the fact that, in that fiscal year, LAVWMA used $4.01 million of surplus funds to pay Pleasanton/DSRSD's share of debt service on the 2001 Bonds. See Tables 11A and 11B.

Source: Livermore-Amador Water Management Agency.

Table 2B
DSRSD, Pleasanton and Livermore Sewer Systems
Summary of Historical Debt Service Coverage by Member
Fiscal Year Ended June 30 (1)

	Audited 2007	Audited 2008	Audited 2009	Audited 2010 (5)	Unaudited 2011
Livermore					
Livermore's Member Net Revenue (2)	$7,492,313	$7,525,645	$7,162,753	$5,973,581	$5,054,610
Livermore's Share of LAVWMA Debt Service	2,498,856	2,498,545	2,654,844	1,104,418	1,611,333
LAVWMA Debt Service Coverage	3.00	3.01	2.70	5.41	3.14
DSRSD/Pleasanton					
Rate Covenant Debt Service Coverage					
DSRSD/Pleasanton Member Net Revenues (3)	6,788,624	5,037,405	5,576,716	3,710,732	4,742,220
Rate Covenant Debt Service (4)	2,363,265	2,073,665	1,951,349	767,675	1,688,985
Debt Service Coverage	2.87	2.43	2.86	4.83	2.81
Comparison of Regional Capacity Reserve Fees and Expansion Project Debt Service					
Regional Capacity Reserve Fees	7,261,003	7,136,845	1,886,377	5,717,414	11,321,553
Expansion Project Debt Service	6,872,706	6,609,799	9,062,921	9,608,490	9,246,739

(1) Terms in line items are defined in the Sewer Service Contract. See "SECURITY FOR THE 2011 BONDS – Sewer Service Contract".
(2) See Table 23. Reflects Net Revenues remaining after payment of debt service on Livermore's Obligations. See "CITY OF LIVERMORE – Outstanding Long-Term Obligations."
(3) See Table 11B. DSRSD's Member Net Revenues do not include Regional Capacity Reserve Fee revenues, which are deposited in the Rate Stabilization Fund held by DSRSD. However, the amount of Rate Covenant Debt Service shown in this table reflects a deduction as a result of the application of Regional Capacity Reserve Fee revenues transferred from the Rate Stabilization Fund to pay Expansion Project Debt Service. See "SECURITY FOR THE 2011 BONDS – Rate Stabilization Fund."
(4) See Table 11A.
(5) The reduction in fiscal year 2009-10 Rate Covenant Debt Service reflects the fact that, in that fiscal year, LAVWMA used $4.01 million of surplus funds to pay Pleasanton/DSRSD's share of debt service on the 2001 Bonds. See Tables 11A and 11B.

Source: Livermore-Amador Water Management Agency.

Projected Operating Results and Debt Service Coverage

Estimated projected debt service coverage based on estimated projected Member Net Revenues and Regional Capacity Reserve Fees in fiscal years ending June 30, 2012 through June 30, 2016 is set forth below. The projection reflects certain significant assumptions concerning future events and circumstances. See "DUBLIN SAN RAMON SERVICES DISTRICT - Financial Information," "CITY OF PLEASANTON - Financial Information" and "CITY OF LIVERMORE - Financial Information" below for a more detailed projection of Member Net Revenues and Regional Capacity Reserve Fees for each of the Members.

Table 3
DSRSD, Pleasanton and Livermore Sewer Systems
Summary of Projected Debt Service Coverage by Member
Fiscal Year Ended June 30 (1)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Livermore					
Livermore's Member Net Revenue (2)	$5,075,730	$4,900,967	$4,983,343	$6,217,515	$6,844,546
Livermore's Share of LAVWMA Debt Service	2,171,472	2,507,388	2,226,397	2,227,823	2,226,814
LAVWMA Debt Service Coverage	2.34	1.95	2.24	2.79	3.07
DSRSD/Pleasanton					
Rate Covenant Debt Service Coverage					
DSRSD/Pleasanton Member Net Revenues (3)	$5,293,929	$5,190,238	$6,250,491	$7,437,512	$8,773,870
Rate Covenant Debt Service (4)	1,465,368	1,648,026	1,463,340	1,464,277	1,463,614
Debt Service Coverage	3.61	3.15	4.27	5.08	5.99
Comparison of Regional Capacity Reserve Fees and Expansion Project Debt Service					
Regional Capacity Reserve Fees	$8,956,717	$11,836,026	$14,033,937	$13,149,909	$14,426,838
Expansion Project Debt Service (5)	6,616,751	7,154,800	6,610,778	6,613,539	6,611,586

(1) Terms in line items are defined in the Sewer Service Contract. See "SECURITY FOR THE 2011 BONDS – Sewer Service Contract". All debt service shown on fiscal year basis.
(2) Reflects Net Revenues remaining after payment of debt service on Livermore's Obligations. See "CITY OF LIVERMORE – Outstanding Long-Term Obligations."
(3) DSRSD's Member Net Revenues do not include Regional Capacity Reserve Fee revenues, which are deposited in the Rate Stabilization Fund held by DSRSD. Transfers from the Rate Stabilization Fund are based on assumed new connections as described in Tables 12 (DSRSD/Pleasanton) and 24 (Livermore).
(4) Rate Covenant Debt Service is defined in the Sewer Service Contract as (1) Amounts payable by DSRSD, for itself and on behalf of Pleasanton, as Fixed Cost Allocation for Debt Service; plus (2) Debt Service on the Treatment Plant Note; plus (3) Debt Service on Obligations of DSRSD that are payable on a parity basis with the Treatment Plant Note (of which there are currently none); less the Actual Rate Stabilization Fund Draw. The Rate Stabilization Fund is funded from Regional Capacity Reserve Fees. Debt service on Pleasanton's 2004 Bonds, which is secured by and payable from Regional Service Charges received by Pleasanton as well as the net revenues of its local Sewer System, is not shown. See Table 12 for the calculation of projected Rate Covenant Debt Service.
(5) The Sewer Service Contract defines "Expansion Project Debt Service" as, for any period, the aggregate of Debt Service due in such period on: (i) Expansion Project Bonds (i.e., Bonds issued to finance the LAVWMA Expansion Project) and (ii) the Treatment Plant Note.

Source: Livermore-Amador Water Management Agency.

Outstanding Long-Term Obligations

LAVWMA currently has no outstanding debt except the 2001 Bonds, which will be defeased and redeemed with proceeds of the 2011 Bonds. For information on outstanding Obligations of the Members, see “DUBLIN SAN RAMON SERVICES DISTRICT,” “CITY OF PLEASANTON” and “CITY OF LIVERMORE” below.

Capital Improvement Program

LAVWMA’s capital improvement program consists solely of ongoing renewal and replacement of existing facilities. LAVWMA has no plans to incur additional debt to finance capital improvements.

THE MEMBERS

The Members consist of DSRSD, Livermore and Pleasanton. See Appendix A for the audited financial statements of DSRSD and excerpts of the audited financial statements of Livermore and Pleasanton, which should be read in their entirety. See Appendix B for demographic information on the service area of the Members. See also "DUBLIN SAN RAMON SERVICES DISTRICT," "CITY OF PLEASANTON" and "CITY OF LIVERMORE" below.

DUBLIN SAN RAMON SERVICES DISTRICT

General

The Dublin San Ramon Services District ("**DSRSD**" or the "**District**") is a special district that was established in 1953, under the Community Services District Law, Sections 61000 et seq. of the California Governmental Code. DSRSD's headquarters are located in the City of Dublin. DSRSD provides:

- water distribution and wastewater collection, treatment and disposal to residential, commercial and municipal customers in or near the City of Dublin;
- wastewater collection, treatment and disposal to the residential, commercial and municipal customers in the southern portion of the City of San Ramon; and
- wastewater treatment and disposal (not collection) service to Pleasanton (see "CITY OF PLEASANTON").

The relationship between Pleasanton and DSRSD is governed by a number of agreements, including (i) the Regional Agreement; (ii) the Financing Implementation Agreement; (iii) the Sewer Service Contract, and such other supplements and amendments as may be made from time to time.

History

DSRSD began in 1953 as the Parks Community Services District. Septic Tanks were failing in what was then rural, unincorporated county land, and local residents hoped to replace them with a new sewage treatment system. DSRSD, however, did not begin any actual operations until 1960. Early in 1960 a residential development company purchased over 4,000 acres of open land within Alameda and Contra Costa counties. Before allowing the developer to build homes on the property, the two counties required that a public agency be in place to furnish water, sewage treatment, trash collection and fire protection. That year the District was re-organized and authorized to provide these municipal services, and it was given a new name, the Valley Community Services District. By the end of 1960, DSRSD's water distribution system and temporary sewage treatment facilities began operating. By fall 1961, DSRSD had built a permanent wastewater treatment plant with a 2.5 mgd capacity.

The remainder of the 1960s was a time of great change within the Amador and San Ramon Valleys, and DSRSD adapted its utility systems to the new demands. During this period, DSRSD transferred its water system in what is now the southern portion of the City of San Ramon to the East Bay Municipal Utility District, and contracted with Pleasanton to treat that city's sewage. DSRSD negotiated an agreement in 1963 with Zone 7 of the Alameda County Flood Control and Water Conservation District to obtain a supply of groundwater and eventually

surface water from the California Water Project, an arrangement that continues to serve DSRSD water customers today.

In 1977, DSRSD adopted the name by which it is known today, the Dublin San Ramon Services District. In 1977, the Alameda County Water District objected to the continued discharge of treated wastewater to Alameda Creek which provides part of the water supply for Fremont, Union City and Newark. In 1979, with other local agencies, DSRSD established its current system of pumping treated wastewater through pipelines operated by LAVWMA and EBDA to San Francisco Bay.

As the community developed, cities incorporated: the City of Dublin was incorporated in 1982, and the City of San Ramon incorporated in 1983. These newly incorporated cities took over garbage collection, fire protection and parks and recreation services from DSRSD. In 1990, the DSRSD Board of Directors reorganized staff, redefined department responsibilities and approved plans for a new administration building. The administration building opened in October 1992, with DSRSD administration services, planning and permitting staff as well as management employees located in one facility.

Governance and Management

DSRSD operates under a Board of Directors - Manager form of government. DSRSD is governed by a five-member governing board. The current directors and the expiration dates of their terms are set forth below.

Board Member	Expiration of Term (November)
Dwight L. Howard, President	2012
Richard M. Halket, Vice President	2012
Daniel Scannell, Director	2012
Georgean Vonheeder-Leopold, Director	2014
Dawn L. Benson, Director	2014

The following individuals are responsible for day-to-day management of DSRSD:

Bert Michalczyk was appointed General Manager in 2001. Mr. Michalczyk has been with the Dublin San Ramon Services District since August 1990. He is currently the General Manager but has also held the positions of Technical Services Manager, Assistant General Manager, as well as Acting Administrative Services Manager/Finance Officer. Mr. Michalczyk has over 10 years prior experience working for the Central Contra Costa Sanitary District in Martinez, and Montgomery Watson in Pasadena. Mr. Michalczyk holds a Bachelor's degree in Civil Engineering from the University of Toledo, Ohio, and a Master's degree in Civil Engineering from Purdue University, Lafayette, Indiana. He is a registered Professional Engineer in the state of California.

Dave Requa was appointed Assistant General Manager/District Engineer in 1995. Before entering the public sector, Mr. Requa served as the Western Region Engineering Manager for the sixth largest engineering consulting firm in the world where he worked for 15 years. His projects there were primarily planning, designing and constructing potable water, recycled water, and wastewater projects around the United States. Mr. Requa spent the next 20 years at special districts including Union Sanitary District and Contra Costa Water District. He is a past president of the WateReuse Association and currently serves as Secretary on its Board

of Directors. Mr. Requa earned his Bachelor and Masters of Science degrees from the University of California at Davis in Civil Engineering with an emphasis in water and wastewater.

Lori Rose was appointed Financial Services Manager in 2001 and oversees finance, accounting, customer service, utility billing, and information technology. Ms. Rose has directed the development of formalized policies for rate setting, reserves, debt, investments, and long term financial planning. In addition, she has been instrumental in the early adoption and funding of DSRSD's Other Post Employment Benefits (OPEB) trust. Ms. Rose has been in the public sector since 1994, working for both DSRSD and the City of San Ramon. Previously she worked for a local public accounting firm and was involved in governmental agency audits. Ms. Rose earned her Bachelor's of Business Administration degree with an Accounting major at Columbus College (now Columbus State University), Columbus Georgia and became licensed as a Certified Public Accountant in California in 1993. She is currently serving as Vice President of the California WateReuse Finance Authority.

John Archer was appointed Financial Services Supervisor in 2002 and oversees the accounting division, which handles rate studies, budgets, and long term planning in addition to the day-to-day accounting activities. Previously the Chief Financial Officer for an independent toy manufacturer, he has 30 years experience in the field and became licensed as a Certified Public Accountant in Louisiana. Mr. Archer graduated with a Bachelor of Science degree in Accounting from Spring Hill College, Mobile, Alabama.

Daniel Gallagher was appointed Operations Manager in 2006 and oversees potable water, recycled water, and wastewater treatment and disposal for DSRSD. Before joining DSRSD, Mr. Gallagher served as the General Manager of the Victor Valley Wastewater Reclamation Authority in Victorville, California from 1996 to 2006. In 2003, Mr. Gallagher was awarded the Recycled Water Advocate of the Year by the California Section of Water Reuse. He holds a Bachelor's degree in Environmental Science from Bradley University, is a Registered Professional Engineer in Illinois, and is a Certified Wastewater Treatment Plant Operator in California and Illinois. He has more than 27 years experience in water, wastewater, and solid waste operations, engineering, and management. He is a registered Professional Engineer in the State of California.

Mary Gordon was appointed as Organizational Services Manager in 1995 and oversees human resources, risk management, environmental and employee safety, legislative affairs and public information. Highlights of her career include receiving the 2005 Pacesetter's Award for Outstanding Public Sector Labor and Employee Relations by the National Public Employers' Labor Relations Association. Ms. Gordon has 25 years experience working in the public sector, which includes working for the Department of Defense and the Department of Veteran Affairs. Ms. Gordon holds a Bachelor's of Art degree in Journalism with emphasis in Public Relations and a Minor in Economics from San Diego State University.

Wastewater Facilities and Capital Program

DSRSD's wastewater system facilities include a regional wastewater treatment facility (the "**DSRSD Treatment Plant**") located within the boundaries of Pleasanton and 186 miles of wastewater collection facilities. DSRSD employs 38 people in the operation and maintenance of the DSRSD Treatment Plant. The DSRSD Treatment Plant currently has a capacity to treat 17.0 mgd of raw sewage, as well as 3.2 mgd of capacity for brine discharges from a permitted groundwater demineralization facility. The current average dry weather flow is approximately 11.5 mgd and peak flow capacity is 74 mgd. Discharges from the DSRSD Treatment Plant are

conveyed to San Francisco Bay by LAVWMA using the deep water outfall owned and operated by EBDA. See "LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY".

The DSRSD Treatment Plant provides primary and secondary treatment and disinfection for the discharges conveyed by LAVWMA to EBDA for disposal in San Francisco Bay. In addition, some of this flow that would otherwise be discharged is diverted for additional treatment via filtration and UV disinfection, and it is then recycled for landscape irrigation and other non-potable uses. Primary treatment is a physical process that removes solids that settle out of the wastewater, as well as floatable materials such as cooking oils and grease. Secondary treatment is a more complex, biological process that uses bacteria to convert dissolved organic matter into suspended matter that settles out and can then be removed and further treated for land disposal.

Wastewater Service Area and Customers

DSRSD's wastewater service area, including Pleasanton, totals approximately 47 square miles. DSRSD provides wastewater collection, treatment and disposal service to an area of approximately 25 square miles in the City of Dublin and the southern portion of the City of San Ramon. DSRSD provides wastewater treatment and disposal (not collection) service to an area of approximately 22 square miles in Pleasanton.

The population of DSRSD's service area is currently estimated to be approximately 132,000 (including 70,643 persons in Pleasanton). DSRSD provides wastewater treatment service to 48,926 connections, representing 64,048 dwelling unit equivalents ("**DUEs**") (including 33,833 of those in Pleasanton). DSRSD's total number of direct connections in Dublin and San Ramon is currently 22,891, representing 30,215 DUEs. DSRSD treats and disposes of wastewater from 26,035 connections in Pleasanton, representing 33,833 DUEs. The tables below show the current number of connections served by the DSRSD wastewater system by classification of user and revenues by class of user.

Table 4
Dublin San Ramon Services District Sewer System
Dwelling Unit Equivalents and Connections
by Classification of User
As of June 30, 2011

	Single Family	Condos	Multi-Family	Commercial/Institutional	Total
Connections					
District	14,103	4,796	3,455	537	22,891
Pleasanton	18,257	1,760	5,119	899	26,035
Total	32,360	6,556	8,574	1,436	48,926
DUEs					
District	14,103	3,213	1,921	10,978	30,215
Pleasanton	18,257	1,179	2,815	11,582	33,833
Total	32,366	4,392	4,736	22,560	64,048

Source: Dublin San Ramon Services District.

The number of new connections in DSRSD's service area (including Pleasanton) in the last six fiscal years is set forth in the following table.

Table 5
Dublin San Ramon Services District Sewer System
New Connections (in DUEs)
Fiscal Years 2005-06 through 2010-11

Fiscal Year	Connections (in DUEs)
2005-06	1,505
2006-07	855
2007-08	531
2008-09	108
2009-10	461
2010-11	830

Source: Dublin San Ramon Services District.

The following table shows, for fiscal years 2006-07 through 2010-11, revenues received by DSRSD as a result of the levy of Regional Service Charges and Regional Capacity Reserve Fees in the service area of DSRSD's Sewer System ***including*** Pleasanton. The table does not show any revenue attributable to non-regional service charges or connection fees (now called capacity reserve fees), which revenue is excluded from the definition of Members' Gross Revenues.

Table 6
Dublin San Ramon Services District Sewer System
Revenues Generated by Regional Charges by Type of Fee and Class of User
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Regional Service Charges DSRSD	Regional Service Charges Pleasanton	Regional Capacity Reserve Fees - DSRSD	Regional Capacity Reserve Buy-In Fees - DSRSD	Regional Capacity Reserve Fees -Pleasanton	Regional Capacity Reserve Buy-In Fees – Pleasanton	Total Charges and Fees	Percentage of Revenues from Residential	Percentage of Revenues from Commercial/ Industrial
2011	$7,381,383	$7,471,717	$9,838,611	$1,296,232	$1,464,045	$245,856	$27,697,844	65%	35%
2010	7,395,827	7,206,970	5,079,452	877,857	637,962	99,828	21,297,895	64	36
2009	7,079,877	7,129,448	1,255,593	51,138	630,784	96,599	16,243,438	64	36
2008	6,818,435	7,588,000	5,767,797	-	1,369,048	-	21,543,280	62	38
2007	7,179,168	7,610,163	5,151,667	-	2,109,336	-	22,050,334	54	46

Source: Dublin San Ramon Services District and City of Pleasanton.

The table below shows the ten largest users of the DSRSD Sewer System based only on Regional Service Charge revenue during fiscal year 2010-11.

Table 7
Dublin San Ramon Services District Sewer System
Ten Largest Users Based on Regional Service Charges
Fiscal Year 2010-11

User	Regional Service Charge Revenue	Percentage of Total Regional Service Charges
City of Pleasanton	$7,471,717	50.1%
Alameda County	830,078	5.7
Bureau of Prisons (FCI)	596,384	4.1
USAG CSTC	91,818	0.6
Waterford Place Apartments	51,480	0.4
Prometheus Real Estate	51,302	0.4
Ulferts Center Inc.	47,403	0.3
Archstone-Smith	45,169	0.3
The Groves at Dublin	44,890	0.3
Fairway Family Community	43,250	0.3
Totals	$9,273,491	62.2%

Source: Dublin San Ramon Services District.

The following table sets forth the volume of wastewater collected by the DSRSD Sewer System and pumped to the DSRSD Treatment Plant in the preceding 10 fiscal years.

Table 8
Dublin San Ramon Services District Sewer System
Average Daily Flow

Year	Average Daily Flow (mgd)
2001	10.25
2002	10.44
2003	10.79
2004	10.65
2005	11.75
2006	12.54
2007	11.65
2008	10.87
2009	10.13
2010	11.04
2011	11.31

Source: Dublin San Ramon Services District.

Regional Agreement

DSRSD and Pleasanton are parties to an Agreement for Wastewater Disposal Services, dated November 3, 1992, as supplemented (the "**Regional Agreement**"), which establishes the following relationship between DSRSD and Pleasanton:

- Pleasanton will own and operate its own collection system.
- DSRSD will own and operate its own collection system.
- DSRSD will own and operate "Regional Sewerage Facilities," including the DSRSD Treatment Plant.
- The parties will charge a uniform regional connection fee for sewer service to be used for the planning, design, acquisition and construction of improvements or expansions to the Regional Sewerage Facilities or the facilities of LAVWMA. This fee has two components: an expansion-related fee is referred to as the "Regional Capacity Reserve Fee" in the Sewer Service Contract and a replacement-related fee is referred to as the Regional Capacity Reserve Buy-In Fee" in the Sewer Service Contract.
- The parties will charge a uniform regional service charge. This charge is referred to as the "Regional Service Charge" in the Sewer Service Contract.
- Each of DSRSD and Pleasanton will be responsible for levying charges on its customers for its own collection system.
- The agreement has an indefinite term, but each party has the right to terminate the Regional Agreement upon five years' prior written notice. However, under the Sewer Service Contract, DSRSD and Pleasanton surrender their right to terminate the Regional Agreement until either (i) the 2011 Bonds have been paid or defeased or (2) the assumption by a new entity of the obligations of DSRSD and Pleasanton under the Sewer Service Contract. DSRSD and Pleasanton have also agreed not to amend the Regional Agreement in any way that would adversely impact the rights of the holders of the 2011 Bonds.
- The parties have the following respective treatment and disposal capacity rights:

Capacity Right	Pleasanton	DSRSD
Treatment Capacity at DSRSD Treatment Plant	8.5 mgd ADWF	8.5 mgd ADWF
Disposal Capacity, in LAVWMA facilities	14.4 mgd PWWF	14.4 mgd PWWF

Rates and Charges

DSRSD has the power to establish wastewater rates and charges. Its wastewater charges are established by its governing board and are not subject to review or approval by any other agency. DSRSD principally relies on user charges and capacity reserve fees to generate revenues to support its Sewer System. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES - Articles XIIIC and XIIID of the California Constitution."

Rate Setting Process. DSRSD periodically contracts with a consultant to perform a comprehensive review and analysis of rates. The most recent study was completed in March 2010. The consultant performs an extensive study of sewer rates, industrial waste service charges, and assesses replacement reserves. The consultant prepares a report detailing historical data, goals, and other information including recommendations. Staff reviews the consultant's reports and makes a recommendation to the Board of Directors to adjust the rates, as necessary.

Rate Collections. DSRSD collects its wastewater user fees by several means. DSRSD collects its sewer user charges for residential customers in the City of Dublin and San Ramon via the County tax bill. Pleasanton collects regional charges from most customers through its own billing process and collects charges from some customers via the County property tax bill and remits regional receipts to DSRSD on a monthly basis.

Current User Charges. On July 20, 2010, DSRSD's Board of Directors adopted Resolution No. 31-10 to establish the local sewer service charge and the Regional Service Charges, subject to automatic increases each July 1 beginning July 1, 2011 and continuing until July 1, 2015. The local sewer service charge and the Regional Service Charge effective July 1, 2011 are listed in the following table. **It is important to note that only the Regional Service Charge is included in Member Gross Revenues; information about the DSRSD local sewer service charges is provided for information only.**

Customer Class	Billing Unit	Local Sewer Service Charge	Regional Service Charge	Total Sewer Rate
Residential				
Single-family and Townhouse	Fixed; billed bi-monthly	$10.51	$47.00	$57.51
Condominium	Fixed; billed bi-monthly	7.88	31.26	39.14
Multiple-family	Fixed per dwelling unit; billed bi-monthly	6.85	26.16	33.01
Commercial				
Auto Steam Cleaning	Per CCF	0.56	6.60	7.16
Bakery	Per CCF	0.56	4.97	5.53
Commercial Laundry	Per CCF	0.56	2.84	3.40
Grocery with Garbage Disposal	Per CCF	0.56	5.21	5.77
Mortuary	Per CCF	0.56	5.55	6.11
Restaurant – Fast Food	Per CCF	0.56	3.46	4.02
Restaurant – Full Service	Per CCF	0.56	3.96	4.52
All Other Commercial	Per CCF	0.56	2.37	2.93
Institutional				
Schools (submetered)	Per CCF	0.56	2.06	2.62
Schools (not submetered)	Per CCF	0.56	1.58	2.14
All Other Institutional	Per CCF	0.56	2.52	3.08

The following table lists the current year's, next year's and the last 10 years' local sewer service charge and regional service charges, as of June 30 in the listed years.

Table 9
Dublin San Ramon Services District Sewer System
Historical Sewer Service Charges

Year (June 30)	Local Sewer Rate	Regional Service Charge	Total Sewer Rate
2001	$12.80	$41.30	$54.10
2002	13.20	41.30	54.50
2003	13.20	41.30	54.50
2004	13.20	41.30	54.50
2005	13.20	41.30	54.50
2006	13.20	41.30	54.50
2007	12.20	41.30	53.50
2008	9.80	41.30	51.10
2009	10.08	38.60	48.68
2010	10.16	38.91	49.07
2011	10.33	44.47	54.80
2012	10.51	47.00	57.51

Capacity Reserve Fees. The capacity reserve fee collected by DSRSD as of July 1, 2011, which includes the Regional Capacity Reserve Fee (which DSRSD deposits in the Rate Stabilization Fund) and the Regional Capacity Reserve Buy-In Fee (which is included in DSRSD's Member Gross Revenues), is identified below.

Customer Class	Regional Capacity Reserve Fee	Regional Capacity Reserve Buy-In Fee	Total Capacity Fee
Single Family	$12,302.50	$1,900.50	$14,203.00
Condominium	9227.00	1,426.00	10,653.00
Apartment	8,107.00	1,253.00	9,360.00

Comparative Rates. The chart below shows the monthly residential wastewater service charges and residential connection fees of other public agencies in surrounding areas to DSRSD.

Table 10
Dublin San Ramon Services District Sewer System
Comparative Monthly Residential Wastewater Service Charges
and Residential Connection Fees
as of July 1, 2011

Public Agency	Monthly Residential Wastewater Service Charge	Residential Connection Fee*
Sonoma Valley CSD	$61.00	$11,631.19
City of Benicia	41.33	7,500.00
City of Livermore	40.75	4,633.70
City of Pleasanton	34.54	14,703.00
Dublin San Ramon Services District	28.76	15,913.00
Central Contra Costa Sanitary District	28.42	7,071.00
East Bay Municipal Utility District	17.05	1,235.00

* Includes the sum of local and regional fees.
Source: Dublin San Ramon Services District.

Delinquencies. DSRSD has not experienced annual uncollected delinquencies for wastewater users exceeding $10,000 or 0.1% of annual wastewater billings over the last 5 years.

Financial Information

Budgetary Process. DSRSD prepares a two-year operating budget which is reviewed and approved by the Board of Directors. The budget covers all water and sewer operations of DSRSD. In addition to the operating budget, DSRSD also prepares a ten-year capital improvement plan and a one-year improvement budget. The capital improvement plan and budget are prepared annually.

Financial Statements. The most recent audited financial statements of DSRSD (the "**DSRSD Financial Statements**") are included in Appendix A. The DSRSD Financial Statements include a letter from Maze & Associates (the "**DSRSD Auditor**") which concludes that the DSRSD Financial Statements present fairly, in all material respects, the financial position of DSRSD as of June 30, 2010 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. The DSRSD Financial Statements should be read in their entirety. The DSRSD Auditor has not reviewed or audited this Official Statement and has not been asked to consent nor has it consented to the inclusion of the DSRSD Financial Statements in this Official Statement.

The summary operating results contained under "Summary of Historical Operating Results" are derived from the DSRSD Financial Statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such Statements, including the notes thereto. The DSRSD Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

Summary of Historical Operating Results. The following tables are a summary of historical "Net Revenues" for DSRSD and Pleasanton for the fiscal years ending June 30, 2006 through 2010 (audited) and June 30, 2011 (unaudited). The audited results have been derived from the DSRSD Financial Statements but exclude certain non-cash items and include certain other adjustments, and are qualified in their entirety by reference to such Statements, including the notes thereto. The tables have not been reviewed or audited by the DSRSD Auditor.

Table 11A: Like Table 2A, Table 11A shows "Net Revenues" and debt service coverage based on DSRSD/Pleasanton's rate covenants and the definitions under the Original Sewer Service Contract, which was executed in connection with issuance of the 2001 Bonds. Under the Original Sewer Service Contract, the term "Net Revenues" when applied to DSRSD and Pleasanton's Sewer Systems was defined to include not only Regional Service Charges but also the net revenues generated as a result of the collection of local service charges and connection fees. The Original Sewer Service Contract is being amended and restated in connection with issuance of the 2011 Bonds. One of the amendments made to the Original Sewer Service Contract will be a change to the term "Net Revenues", which will now mean, when applied to DSRSD and Pleasanton's Sewer Systems, only Regional Service Charges and Regional Capacity Reserve Buy-In Fees, but no local service charges or connection fees (whether local connection fees or Regional Capacity Reserve Fees).

Table 11B: Like Table 2B, Table 11B shows "Net Revenues" and debt service coverage based on the Members' rate covenants and the definition of Net Revenues under the Amended and Restated Sewer Service Contract, which is being executed concurrently with issuance of the 2011 Bonds. Table 11B is presented to provide historical context for an analysis of the Member Net Revenues and Regional Capacity Reserve Fees that will be a source of payment for the 2011 Bonds. However, it is important to note that Table 11B shows historical debt service coverage calculated based on contractual definitions that were not in place prior to issuance of the 2011 Bonds, and, consequently, it is not representative of the Members' contractual obligations during the years covered by this table.

Table 11A
Dublin San Ramon Services District and City of Pleasanton
Summary of Historical Net Revenues
Fiscal Year Ended June 30
(Original Sewer Service Contract)

	Audited 2006	Audited 2007	Audited 2008	Audited 2009	Audited 2010	Unaudited 2011
Gross Revenues						
Wastewater Service Charges (1)	$20,142,482	$20,306,115	$19,681,660	$19,399,774	$19,896,059	$20,094,084
Connection / Capacity Fees (2)	15,968,766	7,760,135	7,957,064	2,152,442	7,330,028	14,057,137
Less Expansion-Related Capacity Fees (3)	-14,215,841	-7,261,003	-7,136,845	-1,886,377	-5,717,414	-11,321,553
Interest Income	2,893,973	4,875,971	4,309,971	1,703,740	503,111	227,969
Other Revenue (4)	1,261,176	1,898,362	2,234,466	6,162,260	2,995,426	1,965,966
Total Gross Revenues	26,050,556	27,579,580	27,046,316	27,531,839	25,007,210	25,023,603
Maintenance & Operations Costs (5) (6) (10)	16,876,217	17,980,213	19,368,290	20,955,347	18,895,780	18,364,527
Net Revenues	9,174,339	9,599,367	7,678,026	6,576,492	6,111,430	6,659,076
Rate Covenant Debt Service						
DSRSD/Pleasanton Share of LAVWMA Debt Service	6,943,889	6,945,909	6,945,043	6,943,871	6,945,296	6,946,450
Amount paid from LAVWMA Surplus (11)					-4,085,220	
1997 Revenue Bonds (7)	249,632	251,157	248,940	262,991	285,957	
2000 Sewer Revenue COP (7)	1,328,959	11,415,536	13,042,020	3,542,860	2,915,797	
Treatment Plant Note					1,150,144	2,300,289
Less RSF Draw for Expansion-Related Debt	-6,282,800	-16,194,738	-6,223,220	-8,798,373	-6,444,299	-7,557,754
Less Principal Payoff from other reserves (8)			-11,885,000			
Rate Covenant Debt Service	2,239,680	2,417,864	2,127,783	1,951,349	767,675	1,688,985
Coverage On Rate Covenant Debt Service From Net Revenues (9)	**4.10**	**3.97**	**3.61**	**3.37**	**7.96**	**3.94**
Other City of Pleasanton Wastewater Obligations						
2002 Sewer Revenue Bonds Obligations	402,266	407,338	410,844	422,750	427,875	0
2004 Sewer Revenue Bonds Obligations	240,206	226,406	227,656	228,684	184,288	179,638
Total	642,472	633,744	638,500	651,434	612,163	179,638
Net Revenues Available after all Obligations	6,292,187	6,547,759	4,911,743	3,973,709	4,731,593	4,790,454
RSF Beginning Balance	30,254,754	42,457,094	31,669,244	30,641,457	19,667,668	18,411,695
Target Level (12)	7,002,575	6,426,887	6,463,797	21,630,636	15,116,327	15,116,327
RSF Ending Balance	42,457,094	31,669,244	30,641,457	19,667,668	18,411,695	23,765,222

1. Includes Regional and Local Charges of DSRSD and Pleasanton.
2. Includes all Regional and Local Connection/Capacity Fees collected by DSRSD and Pleasanton.
3. Regional Capacity Reserve Fees – which are expansion-related capacity fees -- are deposited to the Rate Stabilization Fund and are excluded from Gross Revenues; Regional Capacity Reserve Buy-in Fees – which are replacement-related capacity fees -- were established in 2009 and are included in Gross Revenues.
4. LAVWMA returned $4.6 million in surplus replacement reserves to DSRSD in 2009.
5. Maintenance and operation costs of DSRSD's and Pleasanton's Sewer System funds (including amounts paid to LAVWMA) excludes depreciation, non-cash items and debt.
6. In 2009, DSRSD changed its accounting method for LAVWMA to reflect all costs of LAVWMA as a maintenance and operation expense. Maintenance and operation costs as reflected in DSRSD's financial statements have been adjusted to remove LAVWMA debt accordingly.
7. Refinanced in November 2009 by the Treatment Plant Note.

8. Regional Replacement fund reserves used to make principal payment.
9. Coverage on Rate Covenant Debt Service is calculated by dividing Net Revenues of DSRSD/Pleasanton by Rate Covenant Debt Service. It is important to note that the “Amount Paid from LAVWMA Surplus” and “Principal Payoff from other reserves” are not included in the definition of Rate Covenant Debt Service. It is also worth highlighting that the 1997 Revenue Bonds and the 2000 COPs were both refinanced by the Treatment Plant Note, but the 1997 Revenue Bonds were not included in the definition of Rate Covenant Debt Service.
10. In 2008, DSRSD recorded a non-cash transaction for possible future remediation of the land disposal site; $620K has been excluded accordingly.
11. In 2010, LAVWMA used surplus funds to pay $4.01 million of DSRSD and Pleasanton's debt service.
12. The term “Target Level” is defined to mean, with respect to amounts on deposit in the Rate Stabilization Fund, an amount equal to two times (2.0x) Maximum Annual Expansion Project Debt Service.

Source: Dublin San Ramon Services District

Table 11B
Dublin San Ramon Services District and City of Pleasanton
Summary of Historical Net Revenues
Fiscal Year Ended June 30
(Amended and Restated Sewer Service Contract)

	Audited 2006	Audited 2007	Audited 2008	Audited 2009	Audited 2010	Unaudited 2011
Gross Revenues						
Regional Service Charges (1)	$14,727,838	$14,789,331	$14,406,435	$14,209,325	$14,602,797	$14,853,100
Connection/Capacity Fees (2)	14,215,840	7,261,003	7,136,845	2,034,113	6,695,099	12,844,744
Less Expansion-Related Capacity Fees (3)	-14,215,841	-7,261,003	-7,136,845	-1,886,377	-5,717,414	-11,321,553
Interest Income	3,885,879	3,421,367	2,754,013	995,245	224,336	152,323
Other Revenue (4)	108,946	321,699	508,792	5,043,364	1,167,343	1,915,966
Total Gross Revenues	18,722,662	18,532,397	17,669,240	20,395,670	16,972,161	18,444,580
Maintenance & Operations Costs (5) (6) (9)	11,071,360	11,743,773	12,631,835	14,818,954	13,261,429	13,702,360
Net Revenues	7,651,302	6,788,624	5,037,405	5,576,716	3,710,732	4,742,220
Calculation of Rate Covenant Debt Service						
DSRSD/Pleasanton Share of LAVWMA Debt Service	6,943,889	6,945,909	6,945,043	6,943,871	6,945,296	6,946,450
Amount paid from LAVWMA Surplus (10)					-4,085,220	
1997 Revenue Bonds (7)	195,364	196,558	194,822	262,991	285,957	
2000 Sewer Revenue COP (7)	1,328,959	11,415,536	13,042,020	3,542,860	2,915,797	
Treatment Plant Note					1,150,144	2,300,289
Less RSF Draw for Expansion-Related LAVWMA Debt	-6,282,800	-16,194,738	-6,223,220	-8,798,373	-6,444,299	-7,557,754
Less Principal Payoff from other reserves (8)			-11,885,000			
Rate Covenant Debt Service	2,185,412	2,363,265	2,073,665	1,951,349	767,675	1,688,985
Coverage on Rate Covenant Debt Service from Net Revenues (11)	**3.50**	**2.87**	**2.43**	**2.86**	**4.83**	**2.81**
Net Revenues Available after all Obligations	5,465,890	4,425,359	2,963,740	3,625,367	2,943,057	3,053,235
RSF Beginning Balance	30,254,754	42,457,094	31,669,244	30,641,457	19,667,668	18,411,695
Target Level (12)	7,002,575	6,426,887	6,463,797	21,630,636	15,116,327	15,116,327
RSF Ending Balance	42,457,094	31,669,244	30,641,457	19,667,668	18,411,695	23,765,222

1. Includes Regional Service Charges billed by Pleasanton.
2. Total Regional connection/capacity reserve fees collected by DSRSD and Pleasanton (includes both the Regional Capacity Reserve Fee and the Regional Capacity Reserve Buy-In Fee).
3. Regional Capacity Reserve Fees – which are expansion-related capacity fees -- are deposited to the Rate Stabilization Fund and are excluded from Gross Revenues; Regional Capacity Reserve Buy-in Fees – which are replacement-related capacity fees -- were established in 2009 and are included in Gross Revenues.
4. LAVWMA returned $4.6 million in surplus replacement reserves to DSRSD in 2009.
5. Maintenance and operation costs of DSRSD'S Regional funds (including amounts paid to LAVWMA on behalf of Pleasanton) excludes depreciation, non-cash items and debt.
6. In 2009, DSRSD changed its accounting method for LAVWMA to reflect all costs of LAVWMA as a maintenance and operation expense. Maintenance and operation costs as reflected in DSRSD's financial statements have been adjusted to remove LAVWMA debt accordingly.
7. Refinanced in November 2009 by the Treatment Plant Note.
8. Regional Replacement fund reserves used to make principal payment
9. In 2008, DSRSD recorded a non-cash transaction for possible future remediation of the land disposal site; $620K has been excluded accordingly
10. In 2010, LAVWMA used surplus funds to pay $4.01 million of DSRSD and Pleasanton's debt service.

11. Coverage on Rate Covenant Debt Service is calculated by dividing Net Revenues of DSRSD/Pleasanton by Rate Covenant Debt Service. It is important to note that the "Amount Paid from LAVWMA Surplus" and "Principal Payoff from other reserves" are not included in the definition of Rate Covenant Debt Service. It is also worth highlighting that the 1997 Revenue Bonds and the 2000 COPs were both refinanced by the Treatment Plant Note, but the 1997 Revenue Bonds were not included in the definition of Rate Covenant Debt Service.
12. The term "Target Level" is defined to mean, with respect to amounts on deposit in the Rate Stabilization Fund, an amount equal to two times (2.0x) Maximum Annual Expansion Project Debt Service.

Source: Dublin San Ramon Services District.

Projected Operating Results. DSRSD's estimated projected Net Revenues for the fiscal years ending June 30, 2012 through June 30, 2016 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents DSRSD's estimate of projected financial results based upon its judgment of the probable occurrence of future events. Certain assumptions underlying the forecast are set forth in part in the footnotes to the chart set forth below; in addition, the projections assume (i) a 3% annual increase in sewer rates consistent with DSRSD's adopted rate structure, (ii) annual growth in the number of connections of 2.5%, (iii) investment earnings on fund balances of 3.0% per year, and (iv) annual expense increases of 3.0%. The increase in connections is based on the existing city master plans and modified based on developer updates, as follows:

	2012	**2013**	**2014**	**2015**	**2016**
DSRSD	550	725	876	821	925
Pleasanton	100	100	150	200	250
Total	650	825	1,026	1,021	1,175

The assumptions are material in the development of DSRSD's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Table 12
DSRSD Sewer System
Summary of Projected Operating Results
Fiscal Year Ended June 30

	2012	2013	2014	2015	2016
Gross Revenues					
Regional Service Charges (1)	$17,931,838	$18,466,831	$19,065,259	$19,680,099	$20,320,267
Connection / Capacity Fees (2)	9,576,917	12,191,701	15,260,405	15,369,795	17,776,789
Less Expansion-Related Capacity Fees (3)	(8,956,717)	(11,836,026)	(14,033,937)	(13,149,909)	(14,426,838)
Other Revenues	430,063	483,613	498,121	513,065	528,457
Total Gross Revenues	18,982,101	19,306,119	20,789,848	22,413,050	24,198,675
Maintenance & Operations Costs (4)	13,688,172	14,115,881	14,539,357	14,975,538	15,424,804
Net Revenues	5,293,929	5,190,238	6,250,491	7,437,512	8,773,870
LAVWMA Debt Service (5)					
Rehabilitation Debt Service (6)	1,465,368	1,648,026	1,463,340	1,464,277	1,463,614
Expansion Debt Service (6)	4,316,462	4,854,511	4,310,489	4,313,250	4,311,297
Treatment Plant Note	2,300,289	2,300,289	2,300,289	2,300,289	2,300,289
RSF Draw for Regional Debt Service	(6,616,751)	(7,154,800)	(6,610,778)	(6,613,539)	(6,611,586)
LAVWMA Rate Covenant Debt Service	1,465,368	1,648,026	1,463,340	1,464,277	1,463,614
Coverage on Rate Covenant Debt Service from Net Revenues	3.61	3.15	4.27	5.08	5.99
Net Revenues Available after all Obligations	3,828,561	3,542,212	4,787,151	5,973,235	7,310,256
RSF Beginning Balance	23,765,222	25,866,281	30,336,130	37,813,632	44,096,885
Capacity Fees	8,956,717	11,836,026	14,033,937	13,149,909	14,426,838
Other Revenues	203,353	230,883	654,103	771,643	833,423
Capital Projects	(55,000)	(55,000)	(212,500)	(637,500)	(6,416,800)
EBDA Capacity Payment	(387,260)	(387,260)	(387,260)	(387,260)	(387,260)
Debt	(6,616,751)	(7,154,800)	(6,610,778)	(6,613,539)	(6,611,586)
RSF Ending Balance	25,866,281	30,336,130	37,813,632	44,096,885	45,941,500
Maximum Annual Debt Service-LAV	4,854,511	4,854,511	4,332,552	4,332,552	4,332,552
Maximum Annual Debt Service- Treatment Plant Note	2,300,289	2,300,289	2,300,289	2,300,289	2,300,289
	7,154,800	7,154,800	6,632,841	6,632,841	6,632,841
Target Level (2x)	14,309,600	14,309,600	13,265,682	13,265,682	13,265,682

(1) Includes Regional Service Charges billed by Pleasanton and rate increase effective July 2011.
(2) Total Regional Capacity Reserve Fees and Regional Capacity Reserve Buy-In Fees (as defined in the Amended and Restated Sewer Service Contract) collected by DSRSD and Pleasanton.
(3) Regional Capacity Reserve Fees, which are deposited to the Rate Stabilization Fund, are (unlike Regional Capacity Reserve Buy-In Fees) not included in Gross Revenues. The Regional Capacity Reserve Buy-in Fee was established in 2009.
(4) O&M of DSRSD's Regional funds (including amounts paid to LAVWMA on behalf of Pleasanton) excludes depreciation, non-cash items and debt.
(5) Includes those amounts paid on behalf of the City of Pleasanton. Debt service is shown on a fiscal year basis.
(6) For fiscal year 2011-12, LAVWMA Debt Service is equivalent to the 8/1/11 principal and interest payment on the 2001 Bonds only. There will not be a debt service payment on the 2011 Bonds in fiscal year 2011-12.

Source: Dublin San Ramon Services District.

Outstanding Long-Term Obligations

The following summarizes the DSRSD Sewer System's outstanding long-term obligation as of June 30, 2010 that is payable from Regional Service Charges and Regional Capacity Reserve Fees on a senior basis to DSRSD's Payments under the Sewer Service Contract.

Name of Obligation	Principal Amount	Final Maturity Date	Security
Treatment Plant Note	$17,720,457	9/1/2019	Net revenues of the Sewer System (including both local charges and fees, Regional Service Charge and Regional Capacity Reserve Fee)

Capital Improvement Program

DSRSD's most recent 10-Year capital improvement plan calls for 8 projects over the next 10 years totaling $36 million. No major projects are scheduled to be undertaken until fiscal year 2015-16. At this time, DSRSD has no plans to incur additional debt to finance these projects.

Insurance

DSRSD currently maintains comprehensive liability insurance from the California Sanitation Risk Management Authority with a claims limit of $750,000. Excess public entity liability insurance with a claims limit up to $10,000,000 is purchased from the Ironshore Specialty Insurance Co. DSRSD does not carry earthquake insurance.

Employees

DSRSD has 109 employees, of which 104 are represented by four bargaining groups; three of the four memoranda of understanding (MU) expire in December 2011. DSRSD has not had any work stoppages by its employees in many years. For information regarding pension plans for DSRSD employees, see Appendix A attached hereto.

CITY OF PLEASANTON

Introduction

Pleasanton is a participant in the 2011 financing only in its capacity as the largest customer of DSRSD's Sewer System. In that capacity, Pleasanton is only obligated under the Sewer Service Contract to levy regional charges and fees established by DSRSD (Regional Service Charges, Regional Capacity Reserve Fees and Regional Capacity Reserve Buy-In Fees) and to transfer the amount collected to DSRSD. For this reason, the Official Statement aggregates Pleasanton and DSRSD's Member Net Revenues for purposes of financial analysis (see Tables 2A, 2B, 3, 4, 6, 11A, 11B and 12). Consequently, the information in this section of the Official Statement relating to Pleasanton's local Sewer System is for background information only; the revenues and expenses of Pleasanton's local Sewer System are not incorporated in the definition of Pleasanton's Member Net Revenues.

General

The City of Pleasanton ("**Pleasanton**") is a general law city incorporated in 1894. Pleasanton is located in south central Alameda County in the Livermore-Amador Valley (called the Tri-Valley area which contains the cities of Pleasanton, Livermore, Dublin and San Ramon), approximately 40 miles southeast of San Francisco and 25 miles southeast of Oakland. Pleasanton comprises an area of approximately 24 square miles and has an estimated population of 70,643 as of January 2011.

Pleasanton's elevation is approximately 335 feet above sea level. The mean temperatures for January and July are 42 degrees and 72 degrees, respectively. Rainfall averages 17 inches per year.

Since its incorporation in 1894, Pleasanton has grown from a small rural community with an agricultural base to a medium-sized suburban community with a diverse economic base.

Governance and Management

Pleasanton operates under a City Council/City Manager form of government. Pleasanton is governed by a five-member governing board. The current members of the City Council and the expiration dates of their terms are set forth below.

Council Member	Expiration of Term
Jennifer Hosterman, Mayor	November 2012
Cheryl Cook-Kallio, Vice Mayor	November 2014
Cindy McGovern	November 2012
Matt Sullivan	November 2012
Jerry Thorne	November 2014

The City Council appoints a City Manager who manages and administers the daily affairs of the City. The City Manager is Nelson Fialho. Mr. Fialho has been with Pleasanton for a total of 15 years; as Deputy City Manager for 8 years and City Manager for 7 years. Mr. Fialho has approximately 20 years of experience in city management, also working in the California cities of Hayward, San Dimas and Campbell. Mr. Fialho has a Masters Degree in Public Administration.

Daniel Smith has been with Pleasanton since January 2000 and has served as the Director of Operations Services since September 2008. The Director of Operations Services oversees the operations of the Water and Sewer systems, as well as, the Parks and Streets operations of the City. Mr. Smith has over 23 years experience in municipal public works activities. Prior to his career in Pleasanton, Mr. Smith was with the City of San Diego and worked in their Wastewater Operations.

Emily Wagner is the Director of Finance. Ms. Wagner has been the Director of Finance since July 2010 and has over 30 years of experience in municipal finance. Prior to her current position with the City, Ms. Wagner had a career in investment banking specializing in the issuance of over $4 billion in municipal bonds and previously served as the Assistant City Manager/Director of Finance for Pleasanton from 1977 to 1985. Ms. Wagner has a Masters of Business Administration in Finance.

Wastewater Facilities

Pleasanton's Sewer Division is responsible for implementing and managing Pleasanton's Sewer System through its Sanitary Sewer Program and Pump Stations Program. The Sewer Division employs nine people in the operation and maintenance of the Sewer System.

Since 1980, the Sewer System has been collecting most of the wastewater and sewage in Pleasanton and transporting it to DSRSD for treatment and ultimate disposal through LAVWMA's pipeline to EBDA. See "DUBLIN SAN RAMON SERVICES DISTRICT" and "LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY." The wastewater from Pleasanton's Ruby Hills Country Club area (873 EDUs as of June 30, 2011) is collected by Pleasanton and transported to Livermore for treatment. Pursuant to an Agreement for Wastewater and Disposal Services dated September 13, 1993, Livermore provides treatment and disposal of wastewater from the Ruby Hills area, (ii) Pleasanton levies connection fees and basic service charges established by Livermore (in addition to Pleasanton's local fees/charges) and (iii) Pleasanton transmits quarterly to Livermore the amounts collected as a result of the levy of the connection fees/service charges. The Sewer System consists of more than 150 miles of pipeline ranging from 6 to 33 inches in diameter and 10 sewage lift stations.

Wastewater Service Area and Customers

Pleasanton's Sewer System provides services for the collection and disposal (through DSRSD) of wastewater to an area of approximately 24 square miles serving a population of approximately 70,643 as of January 1, 2011. Currently, the Sewer System collects wastewater from 34,706 DUEs as of June 30, 2011. Pleasanton's aggregate wastewater flow averages 6 mgd with peaks of approximately 7.6 mgd.

The tables below show the number of DUEs and connections served by Pleasanton's Sewer System as of June 30, 2011 by classification of user and revenues by class of user.

Table 13
Pleasanton Sewer System
Number of Dwelling Unit Equivalents and Connections
by Classification of User
As of June 30, 2011

User Type	Dwelling Unit Equivalents	Connections
Single Family Residential	19,078 (1)	19,078 (1)
Condominiums	1,179	1,760
Multiple Family Residential	2,815	5,119
Commercial/Institutional	11,634 (2)	903 (2)
Total users	34,706	26,860

(1) Includes 821 DUEs/connections in the Ruby Hills area.
(2) Includes 52 DUEs/connections in the Ruby Hills area.
Source: City of Pleasanton

The table below shows the 10 largest users of the Sewer System during fiscal year 2010-11 based on Regional Service Charges only.

Table 14
Pleasanton Sewer System
Ten Largest Users
Fiscal Year 2010-11

User	User Type	Fees and Charges	Percent of Total
Archstone Communities	Apartment	$75,793	1.01%
Stoneridge Residential, LLC	Apartment	72,852	0.98
Las Positas GHOA	Townhomes	68,373	0.92
Valley Care Hospital Corp	Hospital	62,445	0.84
Stoneridge HOA, INC	Apartment	60,661	0.81
Avalonbay Communities, Inc	Apartment	59,937	0.80
Springhouse Apartments, LLC	Apartment	46,530	0.62
Cyn Mdows of Pleasanton HOA	Condo	40,738	0.55
Pleasanton Unified Schools	School	35,213	0.47
Civic Square Apartments	Apartment	34,685	0.46
Total		$557,227	7.46%

Source: City of Pleasanton

Rates and Charges

Pleasanton has the power to establish its local wastewater rates and charges. The local wastewater charges established by Pleasanton are not subject to review or approval by any other agency. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES – Articles XIIIC and XIIID of the California Constitution." The City recovers the cost of its Sewer System operation, maintenance and replacement, and capital expansion through a user fee system involving service fees and connection charges. The user fees currently imposed by Pleasanton are based on two components: (1) a local component (for collection), and (2) the Regional Service Charge (for treatment and disposal, which rate is set by DSRSD). Pleasanton's current rate structure has been in effect since July 1, 2011.

Rate Setting Process. Pleasanton has adopted a financial policy that provides for a review of user fees at least every two years based on budgeted and projected maintenance, operation, and capital costs of wastewater collection, treatment and disposal service. The focus of the periodic wastewater rate review is to set these charges at a level that fully supports the total direct and indirect cost of the service that Pleasanton provides to its residents all in accordance with Pleasanton's Fee Policy. The fee policy assures that Pleasanton's Sewer System continues to be financially self-sufficient, maintains adequate reserves, and adequately funds capital replacement and improvement projects.

Rate Collections. Billing for wastewater and sewer services takes place bimonthly. Most customers are billed by the City Utility Billing Division and some of the accounts are billed via the County property tax bill.

Current Service Charges. Pleasanton's current service charge structure was established by Ordinance No. 2002, adopted by the City Council on June 15, 2010. The residential bi-monthly rate for wastewater and sewer service is $69.07, consisting of a $47.00 Regional Service Charge and $22.07 local service charge. The bi-monthly commercial rate for

wastewater collection and treatment service varies amongst different types of businesses and is based on flow per hundred cubic feet ("**CCF**"). For the next five fiscal years, the rates will increase or decrease annually, on an automatic basis, without further City Council action, based on (i) the change in consumer price index as applied to local sewer rates and charges imposed by Pleasanton beginning July 1, 2011 and (b) the change in regional treatment rates charged to the City by DSRSD and Livermore, beginning July 15, 2010.

Pleasanton's wastewater service charges currently in effect by customer type are listed below.

City of Pleasanton Sewer System
Bi-Monthly Service Charges as of 7/1/2011

Customer Type	Local Service Charge	Regional Service Charge
Residential		
Single Family & Townhomes	$22.07	$47.00
Condominiums	15.15	31.26
Multiple Family	11.54	26.16
Commercial (Cost/100 cubic feet of wastewater discharge)		
Auto Steam Cleaning	1.24	6.60
Bakeries	1.23	4.97
Commercial Laundries	1.24	2.84
Groceries	1.19	5.21
Mortuaries	1.44	5.55
Restaurant - Diner	1.16	3.96
All Others	1.05	2.37
Fast Food Restaurants	1.16	3.46
Schools	1.01	2.06

Source: City of Pleasanton

Current Connection Charges. Regional capacity fees – which include the Regional Capacity Reserve Buy-In Fees and the Regional Capacity Reserve Fees -- for the DSRSD sewage treatment facilities are currently $14,203 per single-family dwelling unit equivalent. In addition, local connection fees for Pleasanton's collection and conveyance facilities are currently $500 per single-family dwelling unit equivalent. See "DUBLIN SAN RAMON SERVICES DISTRICT – Risks and Charges" for additional detail.

Comparative Rates. For comparative rate information, see "DUBLIN SAN RAMON, SERVICES DISTRICT – Rates and Charges – Comparative Rates."

Delinquencies. Pleasanton has not experienced annual uncollected delinquencies for wastewater users exceeding $16,000 and 0.4% of billable service over the last 5 years.

Financial Information

Budgetary Process. The operating budget takes the form of a two-year financial plan which is adopted in its entirety by the City Council. The operating budget is presented on a program basis, with an emphasis on matching services with the cost of providing those services. A mid-period review is conducted and appropriations are adjusted accordingly. The operating

budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions.

Financial Statements. Excerpts of the most recent audited financial statements of Pleasanton (the "**Pleasanton Financial Statements**") are included in Appendix A of this Official Statement. The Pleasanton Financial Statements include a letter from Caporicci & Larson, Inc. a subsidiary of Marcum LLP (the "**Pleasanton Auditor**") which concludes that the Pleasanton Financial Statements present fairly, all material respects, the financial position of the City as of June 30, 2010 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. The excerpts from the Pleasanton Financial Statements should be read in their entirety. The Pleasanton Auditor has not reviewed or audited this Official Statement and has not been asked to consent nor has it consented to the inclusion of the Pleasanton Financial Statements in this Official Statement.

The summary operating results contained under "Summary of Historical Operating Results" are derived from the Pleasanton Financial Statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

Summary of Historical Operating Results. The following table is a summary of operating results of Pleasanton's Sewer System for the fiscal years ending June 30, 2006 through 2010 (audited) and June 30, 2011 (unaudited). The audited results have been derived from the Pleasanton Financial Statements but exclude certain non-cash items and include certain other adjustments, and are qualified in their entirety by reference to such statements, including the notes thereto.

The following table is provided to give investors a picture of the financial results of Pleasanton's local Sewer System over the past five fiscal years. However, it is important to note that the term Member Net Revenues under the Sewer Service Contract only includes revenue received by Pleasanton from the Regional Service Charge and the Regional Capacity Reserve Buy-In Fee and, upon collection of Regional Capacity Reserve Fees, Pleasanton is only obligated to transfer them to DSRSD. These amounts are identified in Tables 5 and 10A/10B.

Table 15
Pleasanton Sewer System (Local System Only)
Summary of Historical Operating Results
Fiscal Year Ended June 30

	Audited 2006 (1)	Audited 2007 (1)	Audited 2008 (1)	Audited 2009 (1)	Audited 2010 (1)	Unaudited 2011 (8)
Gross Revenues						
Local Charges for Service (2)	$3,479,723	$3,501,573	$3,588,005	$3,358,578	$3,487,328	$3,326,164
Local Connection Fees (3)	133,196	103,562	80,962	29,269	27,924	60,000
Interest Earnings	264,895	404,514	555,477	420,122	202,033	27,000
Miscellaneous Revenues (4)	425	62,053	835	7,034	25,623	50,000
Total Gross Revenues	3,878,239	4,071,702	4,225,279	3,815,003	3,742,908	3,463,164
Local Maintenance & Operations Costs (5)	2,263,940	2,438,303	2,441,648	2,475,781	2,293,146	1,919,031
Net Revenues	1,614,299	1,633,399	1,783,631	1,339,222	1,449,762	1,544,134
Other Pleasanton Obligations						
2002 Sewer Revenue Bonds Obligations (6)	402,266	407,338	410,844	422,750	427,875	
2004 Sewer Revenue Bonds Obligations (6)	240,206	226,406	227,656	228,684	184,288	179,638
Total of Other Pleasanton Obligations	642,472	633,744	638,500	651,434	612,163	179,638
Transfers						
Annual Repair & Replacement Funding	1,100,000	1,100,000	1,200,000	1,200,000	1,200,000	1,200,000
Local Connection Fees to Expansion Fund	133,196	103,562	80,962	29,269	27,924	60,000
Net Revenues Available after all Obligations (7)	$(261,369)	$(203,907)	$(135,831)	$(541,481)	$(390,325)	$104,496

(1) Derived from audited financials for fiscal years ending June 30, 2006-2010 by Pleasanton staff.
(2) Includes only local service charges collected in Pleasanton's service area.
(3) Includes only local connection fees collected in Pleasanton's service area. Pleasanton sends Regional Capacity Reserve Fees received by Pleasanton to DSRSD.
(4) Miscellaneous Revenues are audited estimates adjusted to exclude revenues associated with the disposal of fixed assets in non-operating funds and equity interest in joint ventures. Interfund transfers-in are included in miscellaneous revenues.
(5) M&O excludes depreciation and certain other amounts (expenses related to non-operating funds). See "SECURITY FOR THE 2011 BONDS."
(6) Includes obligation attributable to Pleasanton's sewer enterprise fund.
(7) The beginning fund balance on 7/1/2006 was $4,451,104 and the ending fund balance on 6/30/2010 was $3,118,672. The fund balance was drawn down over the five years ending 6/30/2010 to fund operations. The City restructured its local sewer rate effective September 2010.
(8) Revenues and expenses for fiscal year 2010-11 are mid-year 2010-11 budget review estimates unless otherwise specified.
Source: City of Pleasanton

Projected Operating Results and Debt Service Coverage. Pleasanton's estimated projected operating results for its local Sewer System for the fiscal years ending June 30, 2012 through June 30, 2016 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents Pleasanton's estimate of projected financial results based upon its judgment of the probable occurrence of future events. Certain assumptions underlying the forecast are set forth in part in the footnotes to the chart set forth below; in addition, the forecast assumes the following number of connections during the years shown in the table:

	2012	**2013**	**2014**	**2015**	**2016**
Pleasanton	100	100	150	200	250

The assumptions are material in the development of Pleasanton's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

The following table is provided to give investors a forecast of the financial results of Pleasanton's Sewer System over the next five fiscal years. However, it is important to note that the term Member Net Revenues under the Sewer Service Contract only includes revenue received by Pleasanton from the Regional Service Charge and the Regional Capacity Reserve Buy-in Fee, and, upon collection of Regional Capacity Reserve Fees, Pleasanton is only obligated to transfer them to DSRSD. See Table 12 for DSRSD's estimated projected revenues from Regional Service Charges, Regional Capacity Reserve Buy-in Fees and Regional Capacity Reserve Fees.

Table 16
Pleasanton Sewer System (Local System Only)
Summary of Projected Operating Results
Fiscal Year Ended June 30

	2012	2013	2014	2015	2016
Gross Revenues					
Local Charges for Service (1)	$3,911,711	$4,108,929	$4,232,197	$4,359,163	$4,489,938
Local Connection Fees (2)	50,000	50,000	75,000	100,000	125,000
Interest Income (3)	49,000	72,000	80,000	80,000	80,000
Miscellaneous Revenues (4)	10,000	10,000	10,000	10,000	10,000
Total Gross Revenues	4,020,711	4,240,929	4,372,197	4,499,163	4,629,938
Maintenance & Operations Costs (5)	2,323,400	2,431,851	2,504,806	2,579,950	2,657,349
Net Revenues	1,697,312	1,809,078	1,867,391	1,919,212	1,972,589
2004 Sewer Revenue Bonds Obligations (6)	184,838	179,784	184,253	183,150	-
Transfers					
Annual Repair & Replacement Funding (7)	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Local Connection Fees to Expansion Fund	50,000	50,000	75,000	100,000	125,000
Net Revenues Available after all Obligations	$262,474	$379,294	$433,138	$486,062	$722,589

(1) Includes only local service charges collected in Pleasanton's service area.
(2) Includes only local connection fees collected in Pleasanton's service area. Pleasanton sends Regional Capacity Reserve Fees received by Pleasanton to DSRSD.
(3) Interest income projections were prepared by the City of Pleasanton staff based upon projected fund balances through fiscal year 2010-11.
(4) Miscellaneous revenues are projected as an average of historical miscellaneous revenues from fiscal years 2005-06 through 2010-11.
(5) Maintenance & Operations Costs were projected based on fiscal year 2010-11 costs and a growth factor of 3% per annum. Rates would ultimately be set to cover actual needs.
(6) Includes obligation attributable to Pleasanton's sewer enterprise fund.
(7) Pleasanton plans to replace its East Amador Relief Station at a cost of $4.8 million, which it expects to pay for with cash in the Sewer System's Repair and Replacement Fund. The transfers to the Repair and Replacement Fund shown in this table are intended to restore the balance in the Repair and Replacement Fund to $9 million by fiscal year 2015-16.

Source: City of Pleasanton.

Outstanding Long-Term Obligations

The following summarizes the Pleasanton Sewer System's outstanding long-term obligations for the wastewater system.

Name of Obligation	Principal Amount Outstanding	Final Maturity Date	Security
2004 Sewer Revenue Refunding Bonds	$840,000	2014	"Net Revenues" of Pleasanton's Sewer System (see the following paragraph)

Source: City of Pleasanton

The 2004 Bonds are payable from "Net Revenues", which is defined for purposes of the 2004 Bonds in an Indenture of Trust dated as of December 1, 2004 to include Regional Service Charges received by Pleasanton. As a result, the City has committed in the Sewer Service Contract to a rate covenant that is intended to ensure that the Regional Service Charges received by Pleasanton will be available to DSRSD to meet DSRSD's obligations under the Sewer Service Contract. See "SECURITY FOR THE 2011 BONDS – Rate Covenants."

Capital Improvement Program

Pleasanton adopted a capital improvement plan for its Sewer System through fiscal year 2012-13 (the "**Pleasanton CIP**"). The Pleasanton CIP calls for a number of capital projects but Pleasanton has no plans to incur additional indebtedness to finance those projects.

Insurance

Pleasanton participates in the Bay Cities Joint Powers Insurance Authority (the "**Insurance Authority**") and the California Affiliated Risk Management Authority for its general comprehensive liability insurance for claims between $250,000 and $29,000,000. Similarly, employment practices liability claims between $75,000 and $1,000,000 are covered through the Employment Risk Management Authority and claims between $1,000,000 and $3,000,000 through Lloyds of London-Beazley.

Pleasanton is self-insured for workers' compensation liability. Pleasanton has established a liability insurance reserve and a workers' compensation reserve to account for and finance Pleasanton's liability insurance premiums and the deductible portion of any claims.

Employees

Pleasanton has 9 employees employed in its Sewer Division. Eight of these employees are represented by the Pleasanton City Employees Association, whose contract expires on March 31, 2013. Pleasanton has not had any work stoppages by its employees in recent years.

For information regarding pension plans for Pleasanton's employees, see Appendix A attached.

CITY OF LIVERMORE

General

The City of Livermore ("**Livermore**") is a general law city founded in 1869 and incorporated in 1876. Livermore is located in Alameda County on the eastern edge of the Livermore-Amador Valley (called the Tri-Valley area which contains the cities of Pleasanton, Livermore, Dublin and San Ramon), approximately 50 miles southeast of San Francisco and 30 miles southeast of Oakland. Livermore comprises an area of approximately 22.57 square miles of the 413 square miles in the valley, with a reported population of 81,687, as of January 1, 2011 based on the 2011 Census.

Livermore is accessible by Interstates 580 and 680 which provide easy access to residents, commuters and travelers to and from the Central Valley and the San Francisco Bay metropolitan area.

Livermore's elevation is approximately 390 feet above sea level at the municipal airport terminal. The mean temperatures for January and July are 37 degrees and 88 degrees, respectively. Rainfall averages 14.4 inches per year.

Livermore is a modern suburban community whose roots go back to 1835 when an English sailor, by the name of Robert Livermore, settled the community and founded Rancho Las Positas, a cattle ranch which is encompassed by much of the present day City. In its early days, the area now known as the Livermore-Amador Valley had traditionally been a ranching and agricultural community. Today, Livermore is still surrounded by vineyards and ranches; growing from a shipping processing point for valley produce, including cattle, and particularly dry white wines, to a growing center for high tech industry and a destination for visitors seeking a relaxing visit to one of many local wineries.

The establishment in 1952 of the Lawrence Radiation Laboratory (renamed Lawrence Livermore Laboratory in 1971 and Lawrence Livermore National Laboratory in 1979) by the University of California spurred Livermore's technological growth in the fields of atomic ordnance, nuclear research and medicine. Today, Lawrence Livermore National Laboratory is the largest employer in Livermore employing over 6,500 people.

Governance and Management

Livermore operates under a City Council/City Manager form of government. Livermore is governed by a five-member governing board. The current members of the City Council and the expiration dates of their terms are set forth below.

Council Member	Expiration of Term
Marshall Kamena, Mayor	November 2011
John Marchand, Vice Mayor	November 2013
Jeff Williams, Council Member	November 2011
Marjorie Leider, Council Member	November 2011
Doug Horner, Council Member	November 2013

The City Council appoints a City Manager who manages and administers the daily affairs of Livermore under guidelines of the City Council. The City Manager is Linda Barton. Ms. Barton was appointed to the City in February 2001 as City Manager and has approximately 35

years of experience in city management. Prior to her current position with Livermore, Ms. Barton was Deputy City Manager of Bellevue, Washington, City Manager of Bedford, Texas, and City Manager of Burnsville, Minnesota. Ms. Barton has a Masters Degree in Public Administration from the University of Colorado.

Dan McIntyre has been the City of Livermore Director of Public Works since 2003, and has over 20 years' experience in municipal engineering and public works activities. Prior to holding this position, Mr. McIntyre served as City Engineer for Livermore.

Wastewater Facilities

Livermore's Water Resources Division ("**LWRD**") is responsible for implementing and managing Livermore's Sewer System. The Sewer System treats all of the wastewater and sewage in Livermore at its Livermore Water Resources Plant ("**LWRP**") and then sends the treated wastewater (which is not reclaimed for reuse) to the LAVWMA pipeline for transmission to EBDA for discharge into the San Francisco Bay. See "THE LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY".

LWRD employs 47.5 people in the operation and maintenance of the LWRP, which has the processing capacity to treat 8.5 mgd of wastewater and sewage. See Table 20, below, for the historical volume of wastewater pumped to the LWRP. Livermore will expand the capacity of the LWRP to accommodate the build-out of the Livermore General Plan (and is permitted under its NPDES permit to do so, see "-Wastewater Permits, Licenses and Other Regulations" below), but has no immediate plans to do so based on current levels of development in Livermore.

LWRD provides primary, secondary, and tertiary treatment processes common to most modern wastewater treatment facilities, and recycles more than 40% of its flow during peak irrigation season.

Wastewater Permits, Licenses and Other Regulations

Livermore's Sewer System operates under an NPDES permit from RWQCB. This permit provides for treatment and disposal of up to 8.5 mgd average dry weather flow (12.4 mgd peak wet weather flow) of treated wastewater through the LAVWMA and EBDA pipeline and into San Francisco Bay. The NPDES permit would allow an expansion to 11.1 mgd average dry weather flow. There have been no recent compliance issues with respect to this permit.

Wastewater Service Area and Customers

The area served by the Sewer System consists of approximately 14,500 net acres of sewered area, including approximately 37,761 DUEs. The population of Livermore's Sewer System service area is currently estimated to be 81,687 as of January 1, 2011 with total connections currently at 31,161.

The tables below show the current number of DUEs and connections served by the Sewer System by classification of user and revenues by class of user.

Table 17
Livermore Sewer System
Number of Dwelling Unit Equivalents and Connections
by Classification of User
As of June 30, 2010 and June 30, 2011

User Type	Flow/Volume in mg	2009/10 DUEs	Connections	Flow/Volume in mg	2010/11 DUEs	Connections
Single Family Residential	1,891	24,531	23,232	1,895	24,588	23,286
Condominiums/Multiple Family Residential	461	7,010	6,713	465	7,073	6,778
Commercial/Institutional	383	6,072	1,090	433	6,866	1,097
Total Users	2,735	37,613	31,035	2,793	38,527	31,161

Source: City of Livermore.

The number of new connections in Livermore's service area in the past five fiscal years is set forth in the following table.

Table 18
Livermore Sewer System
New Connections (in DUEs)
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Connections (in DUEs)
2006-07	365
2007-08	264
2008-09	196
2009-10	90
2010-11	107

Source: City of Livermore.

Table 19
Livermore Sewer System
Revenues by Class of User
Fiscal Year 2010-11

User Class	Fiscal Year Revenue	Percentage of Revenue
Residential	$13,412,747	80.8%
Commercial/Industrial	3,186,291	19.2
Total	16,559,038	100.0

Source: City of Livermore.

The table below shows the seven largest users of the sewer system facilities during fiscal year 2010-11.

Table 20
Livermore Sewer System
Seven Largest Users
Fiscal Year 2010-11

User	Revenue	Percentage of Fiscal Year Revenue
Lawrence Livermore Laboratory	$559,895	3.37%
City of Pleasanton	417,711	2.52
FormFactor	119,804	0.72
LVUJSD	55,328	0.33
Sun Valley Mobile Estates	42,288	0.25
Bridgelux	49,242	0.30
R&D Management	53,821	0.32
Total	$1,298,089	7.81%

Source: City of Livermore.

The following table sets forth the volume of wastewater collected by the Livermore Sewer System and pumped to the LWRP in the preceding ten calendar years.

Table 21
Livermore Sewer System
Average Daily Influent Flow (mgd)

Calendar Year	Average Daily Influent Flow (mgd)
2001	6.226
2002	6.374
2003	6.551
2004	6.992
2005	7.234
2006	7.490
2007	7.248
2008	7.152
2009	7.269
2010	7.086

Source: City of Livermore.

Rates and Charges

Livermore recovers the cost of the Sewer System operation, maintenance and replacement, and capital expansion through a user fee system involving sewer service charges and connection fees. The components of the user fees currently imposed by Livermore are: (1) charges based on flow and wastewater strength, which are divided into rates for residential, commercial and industrial users, (2) miscellaneous fees and charges, including industrial waste inspection fees, and (3) sales of services and surplus equipment. Livermore has the power to establish wastewater rates and charges. The wastewater charges established by Livermore are not subject to review or approval by any other agency. See “CONSTITUTIONAL LIMITATIONS

ON APPROPRIATIONS AND CHARGES – Articles XIIIC and XIIID of the California Constitution."

Rate Setting and Approval Process. Sewer service charges for the Livermore Sewer System are reviewed annually as part of Livermore's budgetary process. After developing budgeted expenditures for operation, maintenance, and renewal replacement activities, staff determines if the existing sewer service charge will generate sufficient revenues to cover budgeted expenditures or if a rate increase is necessary. The timing of rate adjustments may or may not coincide with the budget adoption process, however, increased revenue realized from projected rate adjustments are considered during budget development. The process used to set rates follows State regulations concerning the operation of local government utilities. Typically, several public hearings are held to review staff or consultant studies and recommendations concerning rate adjustments before final adoption of rate changes.

Rate Collections. Billing for residential wastewater services takes place semi-annually and occurs in conjunction with ad valorem property tax bills sent by the County of Alameda. As with property taxes, wastewater service fees are due twice a year on November 1 and February 1. If unpaid, these service fees become delinquent on December 10 and April 10, respectively. Property taxes are not considered fully paid unless wastewater charges are also paid. Billing for commercial customers is conducted on a monthly basis.

Historical Service Charges. The following table identifies Livermore's sewer service charges for residential properties for fiscal years 2000-01 through 2010-11.

Table 22
Livermore Sewer System
Historical Residential Sewer Service Charge
Fiscal Years 2000-01 through 2009-10

Fiscal Year	Single-Family	Condominium	Multi-Family
2000-01	$33.70	$22.15	$18.90
2001-02	36.60	25.10	20.95
2002-03	37.60	25.35	21.25
2003-04	38.75	26.00	21.75
2004-05	38.75	26.00	21.75
2005-06	38.75	26.00	21.75
2006-07	38.75	26.00	21.75
2007-08	40.75	27.60	22.65
2008-09	40.75	27.60	22.65
2009-10	40.75	27.60	22.65
2010-11	40.75	27.60	22.65

Source: City of Livermore.

Current Service Charges. The City Council adopted its current rates by ordinance on June 9, 2008. The single-family residential sewer service charge is currently $40.75 effective July 1, 2008, and the commercial rate ranges from $4.00/ccf to $9.00/ccf.

Current Connection Charges. Livermore's current connection charge for residential connections is $4,633. Connection charges for commercial connections are calculated based on a formula that takes into account flow and characteristics of flow.

Livermore has an ordinance which prohibits the issuance of building permits if mandatory water rationing is imposed on residents of Livermore. If this were to occur, there would be an adverse effect on the amounts collected by Livermore from sewer connection charges. However, water rationing is only contemplated in the highest stages of the Livermore Water Shortage Contingency Plan corresponding to required demand reductions of between 35% and 50% of normal demand. Livermore has never needed to enact water rationing to meet demands during even the most severe droughts.

Comparative Rates. For monthly residential Sewer System service, charges and residential connection fees of other public agencies in surrounding areas to Livermore, see "DUBLIN SAN RAMON SERVICES DISTRICT – Rates and Charges – Comparative Rates."

Delinquencies. Livermore has not experienced annual uncollected delinquencies for wastewater users exceeding 1.5% annually over the last 5 years.

Financial Information

Budgetary Process. The operating budget takes the form of a two-year financial plan which is adopted in its entirety by the City Council. The operating budget is presented on a program basis, with an emphasis on matching services with the cost of providing those services. A mid-period review is conducted in the off-year and appropriations are adjusted accordingly. The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions.

Financial Statements. Excerpts of the most recent audited financial statements of Livermore (the "**Livermore Financial Statements**") are included in Appendix A. The Livermore Financial Statements include a letter from Maze & Associates, Inc. (the "**Livermore Auditor**") which concludes that the Livermore Financial Statements present fairly, in all material respects, the financial position of Livermore as of June 30, 2010 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. The excerpts from the Livermore Financial Statements should be read in their entirety. The Livermore Auditor has not reviewed or audited this Official Statement and has not been asked to consent nor has it consented to the inclusion of the Livermore Financial Statements as Appendix A to this Official Statement.

The summary operating results contained under "Summary of Historical Operating Results" are derived from the Livermore Financial Statements (excluding certain non-cash items and after certain, other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Livermore Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

Summary of Historical Operating Results. The following table is a summary of operating results of Livermore's Sewer System for the fiscal years ending June 30, 2006 through 2010 (audited) and June 30, 2011 (unaudited). The audited results have been derived from the Livermore Financial Statements but exclude certain non-cash items and include certain other adjustments, and are qualified in their entirety by reference to such statements, including the notes thereto. The table has not been audited by Livermore's Auditor.

Table 23
Livermore Sewer System
Summary of Historical Operating Results (1)
Fiscal Year Ended June 30

	Audited 2006/07	Audited 2007/08	Audited 2008/09	Audited 2009/10	Unaudited 2010/11
Gross Revenues					
Charges for services	$15,981,308	$16,019,677	$17,184,321	$17,002,738	$16,599,038
Connection Fees	1,460,241	1,051,365	700,055	408,302	489,044
Interest Income	1,565,080	1,583,850	1,186,770	799,920	848,186
Other Revenue	180,268	235,373	255,564	190,140	184,031
Total Gross Revenues	19,186,897	18,890,265	19,326,710	18,401,100	18,120,299
Maintenance & Operations Costs (2)	10,858,859	10,528,895	11,328,232	11,591,794	12,229,964
LAVWMA Net Revenues	8,328,038	8,361,370	7,998,478	6,809,306	5,890,335
Other Livermore Obligations					
1994 State Loan Payments (3)	835,725	835,725	835,725	835,725	835,725
Net Revenue minus Obligations (4)	7,492,313	7,525,645	7,162,753	5,973,581	5,054,610
Share of LAVWMA Debt Service					
Rehabilitation Project	1,330,419	1,330,253	1,096,519	462,610	674,943
Expansion Project	1,168,437	1,168,292	1,558,325	641,808	936,390
Total LAVWMA Debt Service	2,498,856	2,498,545	2,654,844	1,104,418	1,611,333
LAVWMA Debt Service Coverage	3.00	3.01	2.70	5.41	3.14
Net Revenues Available after Obligations/LAVWMA	$4,993,457	$5,027,100	$4,507,909	$4,869,163	$3,443,277

(1) Figures are derived from Livermore audited financial statements.
(2) M&O excludes depreciation and debt service. M&O includes Payments to LAVWMA for LAVWMA Maintenance and Operation Costs. See "SECURITY FOR THE 2011 BONDS."
(3) The 1994 State Loan Payments are payable on a senior basis to Livermore's Payments under the Sewer Service Contract.
(4) Reflects Net Revenues remaining after payment of debt service on Livermore's Obligations.
Source: City of Livermore Audited Financial Statements.

Projected Operating Results and Debt Service Coverage. Livermore's estimated projected operating results for the Sewer System for the fiscal years ending June 30, 2012 through June 30, 2016 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents Livermore's estimate of projected financial results based upon its judgment of the probable occurrence of future events. Certain assumptions underlying the forecast are set forth in part in the footnotes to the chart set forth below; in addition, the projections assume (i) a 1.5% to 2% annual increase in sewer rate revenue due to projected growth with no projected increase in sewer rates, (ii) investment earnings on fund balances of 2% per year, and (iii) annual expense increases of 3% to 5%. The assumptions are material in the development of Livermore's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Table 24
Livermore Sewer System
Summary of Projected Operating Results [1]
Fiscal Year Ended June 30

	2011/12	2012/13	2013/14	2014/15	2015/16
Gross Revenues (1)					
Charges for services	$17,250,000	$17,508,750	$17,771,381	$18,126809	$18,489,345
Connection Fees (2)	477,000	492,000	1,118,000	1,770,000	2,455,000
Interest Income	516,476	440,684	275,696	340,238	626,510
Other Revenue	184,031	186,791	189,593	193,385	197,253
Total Member Gross Revenues	18,427,507	18,628,225	19,354,671	20,430,432	21,768,108
Maintenance & Operations Costs (1)	12,516,052	12,891,534	13,536,111	14,212,916	14,923,562
Member Net Revenues (1)	5,911,455	5,736,692	5,818,560	6,217,515	6,844,546
Other Livermore Obligations					
1994 State Loan Payments (3)	835,725	835,725	835,217	0	0
Net Revenue minus Obligations (4)	5,075,730	4,900,967	4,983,343	6,217,515	6,844,546
Share of LAVWMA Debt Service (5)					
Rehabilitation Project	882,178	1,096,397	973,529	974,153	973,712
Expansion Project	1,289,294	1,410,991	1,252,868	1,253,70	1,253,103
Total LAVWMA Debt Service	2,171,472	2,507,388	2,226,397	2,227,823	2,226,814
LAVWMA Debt Service Coverage	2.34	1.95	2.24	2.79	3.07
Net Revenues Available after Obligations/LAVWMA	2,904,258	2,393,579	2,756,946	3,989,692	4,617,732

(1) Per definitions in Sewer Service Contract; M&O excludes depreciation and debt service. M&O includes Payments to LAVWMA for LAVWMA Maintenance and Operation Costs. See "SECURITY FOR THE 2011 BONDS."
(2) Livermore's connection fee revenue projections are based on the following connection projections based on Livermore's General Plan, the most recent connection fee study, and reduced growth patterns associated with the ongoing economic recession:

2012	2013	2014	2015	2016
85	85	188	289	389

(3) The 1994 State Loan Payments are payable on a senior basis to Livermore's Payments under the Sewer Service Contract.
(4) Reflects Net Revenues remaining after payment of debt service on Livermore's Obligations.
(5) Debt service shown on a fiscal year basis.
Source: City of Livermore.

Outstanding Long-Term Obligations

The following summarizes the Livermore Sewer System's outstanding long-term obligations as of June 30, 2010. The 1994 State Loan is payable from Member Net Revenues on a senior basis to Livermore's Payments under the Sewer Service Contract.

Name of Obligation	Principal Amount Outstanding	Final Maturity Date	Security
1994 State Loan	$3,128,887	2014	Member Net Revenues

Source: City of Livermore

Capital Improvement Program

On March 6, 2007, the Livermore City Council adopted a citywide Capital Improvement Program for fiscal years 2008-09 through 2039-40, which included projects for the Livermore Sewer System (the "**Livermore CIP**"). The Livermore City Council also adopts a more-detailed two-year Capital Improvement Program when developing the overall City budget. For fiscal years 2011-12 through 2020-21, the long-term Livermore CIP calls for $14 million of debt financing by Livermore in fiscal year 2013-14 and $9 million of debt by Livermore in fiscal 2019-20 to complete projects to maintain, upgrade or expand the LWRP. However, due to the continued decline in economic activity and growth rates, the projected facilities will not be needed as soon as contemplated when the Livermore CIP was adopted. Therefore, the need for Livermore to issue additional debt financing to complete LWRP projects will be postponed at least three to five years. The timing and need for these additional LWRP projects and the associated debt financing will be evaluated in a Wastewater Treatment Master Plan Update to be completed in fiscal year 2011-12.

Insurance

Risk Retention Pool Self Insurance. Livermore currently maintains comprehensive liability insurance from the California Joint Powers Risk Management Authority ("**CJPRMA**") with a claims limit of $39.5 million. Livermore retains $500,000. Property insurance coverage with a $25,000 deductible and excess of coverage of $300,000,000.

Workers Compensation Risk Retention Pool. Livermore maintains worker's compensation insurance from the Local Agency Worker's Compensation Excess Joint Powers Authority. Livermore retains $350,000 while the pool retention is $5,000,000. Excess worker's compensation insurance with a statutory claims limit is maintained through membership in CSAC-EIA.

Employees

Livermore has 47.5 employees employed in its Water Resource Division. 39.5 of these employees are in Municipal Employees Agency for Negotiations, whose contract expires on March 31, 2012. Livermore has not had any work stoppages by its employees in recent years.

For information regarding pension plans for City's employees, see Appendix A attached hereto.

PLANNED DEVELOPMENT IN THE LAVWMA SERVICE AREA

Moderate residential and commercial development is expected to occur within the LAVWMA service area over the next 10 years. However, this projected growth is occurring more slowly than estimated in the General Plans of the municipalities when the plans were adopted. Most of this development is expected within the city limits of Dublin with very little growth expected in San Ramon. The projections relating to the payment of Expansion Project Debt Service on the 2011 Bonds by DSRSD, on behalf of itself and Pleasanton, assume that connection fees will be a significant source of future revenue. See "RISK FACTORS – Dependence of Connection Fee Revenue on Development."

In 1993, Dublin approved the Eastern Dublin Specific Plan and General Plan Amendment (the "**Dublin General Plan**"), which calls for the development of approximately 13,000 homes and 11 million. square feet of commercial and office floor space. Since that time, the Dublin General Plan has been amended to add 2,300 homes and 300,000 square feet of commercial and office space. To date, construction of approximately 1,500 homes and 5 million square feet of commercial development has commenced or been completed.

The table below summarizes a four-year history of permits issued by DSRSD. Each permit is the equivalent a single-family dwelling unit in revenue generated.

Table 24
Permits Issued by DSRSD
Over Last Five Fiscal Years Ending June 30

Fiscal Year	Permits
2007	595
2008	53
2009	41
2010	393
2011	703

Source: Dublin San Ramon Services District.

The table below summarizes the current status of the major developments currently known to DSRSD to be planned between July 1, 2011 and June 30, 2016 in DSRSD's service area. As noted, all planned development shown in the table below complies with the current general or specific plans, as applicable, and zoning requirements of Dublin. There can be no assurance that any of the development described below will be completed.

Major Planned Development in DSRSD Service Area

Major Development	Residential Units Planned Within 5 Years	Commercial Development Planned Within 5 Years (sq. ft.)	City Approvals Status	Estimated Start Date
Windstar	238	3.750	Approved	2012
Arroyo Vista	79	0	Approved	2012
Dublin Ranch	561	49,000	Needs environmental clearance	2013
Tralee	233	35,000	Approved	2015
Dublin Ranch West	561	0	Approved	2014
Fallon Village	213	0	Approved	2013
Misc	10	10,500	Approved	2012
Valley Christian	23	85,000	Needs entitlements	2015
Dublin Ranch	713	201,000	Needs environmental clearance	2013
Alameda County	169	340,000	Needs entitlements	2015
Transit corridor	623	199,000	Approved	2013
Camp Parks	78	45,000	Needs entitlements	2016
Moller Ranch	141	0	Needs entitlements	2016

Source: Dublin San Ramon Services District.

Land Use Initiatives. On November 7, 2000, Alameda County voters approved County of Alameda Measures D and M. Measure D limits development outside of city boundaries in eastern Alameda County by amending the county's East County Area Plan (ECAP), adopted May 5, 1994, to add new growth control policies. The current ECAP establishes permissible land uses in the unincorporated areas of eastern Alameda County. Measure D revises the county's current Urban Growth Boundary in eastern Alameda County (which coincides "with the boundaries for the Eastern Dublin Specific Plan) to reserve less land for urban growth and more land for agricultural and open space, and would apply similar policies to rural canyonlands in the Castro Valley and Palomares areas. Dublin has reported that the planned development in the

Dublin area involves only a limited amount of housing in the Dublin's eastern sphere of influence outside the city limits. Dublin has reported that some 1,300 units planned in an area outside the city limits maybe affected by Measure D (the Eastern Dublin Specific Plan presently anticipates 13,000 homes and 11 million square feet of commercial space). These affected units are not included in the table above. DSRSD's projections of connection fees in this Official Statement do not include development of the affected 1,300 units.

Measure D also removes Alameda County from participation in the North Livermore planning process, which includes plans for development of 12,500 housing units north of Interstate 580, which area would be designated as agricultural land. Expansion of the South Livermore Valley Plan Area would be limited under the measure to one mile beyond the boundary that existed as of February 1, 2000. The projections of connection fee revenue by the City of Livermore take these restrictions on development into account.

Measure M calls for an adoption of an Urban Limit Line in Dublin and other provisions that would change the Dublin General Plan for the Western Extended Planning Area, located west of the current city limits. It general, Measure M would restrict annexation and associated development west of Dublin city boundaries. No development has been projected in the area west of Dublin as part of the projections in this Official Statement.

Environmental Issues. As in many areas of the San Francisco Bay Area and the State of California, residential and commercial development in the LAVWMA service area has been constrained by state and federal laws and regulations that protect wetlands and endangered species. Development proposals in the service area are already required to deal with issues concerning endangered species, such as the California red-legged frog, the Alameda whipsnake and the San Joaquin kit fox under both the Endangered Species Act ("**ESA**") and the California Environmental Quality Act ("**CEQA**"). The ESA determination is made on a case-by-case basis, depending in part on whether the endangered species actually use or occupy the area to be developed. Projects involving federal funding or a federal permit require consultation under the ESA and may require mitigation of impacts on endangered species. While few development projects have been stopped because of the ESA, some have incurred significant mitigation costs and permitting delays, and the approved developments have sometimes been smaller than originally proposed in order to minimize impacts.

On March 13, 2001, the U.S. Fish and Wildlife Service ("**Service**") designated approximately 4.1 million acres across 31 California counties as "critical habitat" for the California red-legged frog (the designation becomes effective April 12, 2001). This designation includes much of the undeveloped area of Dublin. As a result of this critical habitat designation, some future projects may undergo additional regulatory involvement by the Service. Also, under CEQA, every development project must undergo environmental review. In that process, impacts to "critical habitat" could be deemed to constitute an environmental impact requiring analysis and mitigation. Thus, for some future projects the designation of "critical habitat" may result in additional environmental review and mitigation beyond that which would otherwise be performed. LAVWMA cannot predict the ultimate effect of the critical habitat designation on development in the Dublin area.

Other environmental issues impacting development in Dublin are likely to arise in the future. LAVWMA and the Members cannot predict what environmental issues may arise and what impact they may have on development. Dublin has assumed that environmental issues will not stop the planned development in the table above. LAVWMA has in turn based its projections

of Regional Capacity Reserve Fees on planned development information provided by Dublin, as well as the Members.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIIIB

Article XIIIB of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIIIB generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The Members are of the opinion that their wastewater fees and charges do not exceed the costs they reasonably bear in providing such services and therefore are not subject to the limits of Article XIIIB.

Articles XIIIC and XIIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIIC broadly define "tax," but specifically exclude, among other things:

> "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
> (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
> …
> (6) A charge imposed as a condition of property development.
> (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

Property-Related Fees and Charges. Under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Article XIIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (26 Cal.Rptr.3d 153), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (46 Cal.Rptr.3d 73), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Application of Article XIIIC and Article XIIID. For information concerning the specific procedures employed by each Member with respect to its charges and fees, see "DUBLIN SAN RAMON SERVICES DISTRICT," "CITY OF PLEASANTON" and "CITY OF LIVERMORE."

The Members believe their wastewater service charges do not constitute "taxes" under Article XIIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIIC, they are "property-related fees imposed in accordance with the provisions of Article XIIID" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIIID) and because, as described in subsection 1(e)(2) of Article XIIIC, they are charged for wastewater service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

The Members believe their connection fees are not "taxes" as defined by Article XIIIC as revised by Proposition 26 because they are charges to a landowner that are imposed (typically in connection with property development) and, as described in subsection 1(e) of Article XIIIC, they are imposed (1) "for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged" and/or (2) "for a specific government service or product [a time-limited share of capacity in the wastewater system] provided directly to the payor that is not provided to those not charged," and which do not exceed either the reasonable costs of conferring the benefit or granting the privilege and/or the reasonable costs of providing the service or product.

The Members intend to continue complying with the provisions of Articles XIIIC and XIIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

Conclusion. It is not possible to predict how courts will interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the Members' rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

Future Initiatives

Articles XIIIB, XIIIC and XIIID were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the Members' revenues or ability to increase revenues.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the 2011 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2011 Bonds and does not necessarily reflect the relative importance of the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the 2011 Bonds. There can be no assurance that other risk factors will not become material in the future.

General

The payment of principal of and interest on the 2011 Bonds is secured solely by a pledge of LAVWMA Net Revenues to the extent necessary to pay debt service on the Bonds

(consisting principally of Payments of the Members made from Member Net Revenues) and certain funds under the Indenture. The realization of LAVWMA Net Revenues is subject to, among other things, the capabilities of management of LAVWMA and the Members, the ability of LAVWMA to provide wastewater disposal service to Members, the ability of the Members to provide wastewater services to their users, and the ability of the Members to establish and maintain wastewater fees and charges sufficient to provide the required debt service coverage as well as pay for Member and LAVWMA Maintenance and Operation Costs.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Member Net Revenues realized by the Members and ultimately the ability of the Members to pay the Payments.

Demand and Usage

There can be no assurance that the local demand for services provided by the Members and LAVWMA will continue according to historical levels. Reduction in the level of demand could require an increase in rates or charges in order to produce Member Net Revenues sufficient to comply with the Members' obligations under the Sewer Service Contract. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand.

In addition, drought conditions and voluntary or mandatory conservation measures could decrease usage of the services of the Members. Reduction in usage could require an increase in rates or charges in order to produce Member Net Revenues sufficient to comply with the Members' obligations under the Sewer Service Contract.

Expenses

There can be no assurance that maintenance and operation expenses and capital expenses, including those payment obligations arising as a result of the Members' participation in joint powers authorities or its shared ownership or capacity rights in facilities owned by other local agencies, will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses and increased regulatory requirements would reduce LAVWMA Net Revenues or Member Net Revenues, and could require substantial increases in rates or charges in order for Members to comply with their obligations under the Sewer Service Contract. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Earthquakes, Floods and Other Natural Disasters

Earthquakes, floods or other natural disasters could interrupt operation of the Members' Sewer Systems and the LAVWMA Enterprise and cause increased costs and thereby interrupt the ability of the Members to realize Member Net Revenues sufficient to pay the Payments or affect the LAVWMA Net Revenues. The Members are located in active seismic areas. The Members are not obligated under the Sewer Service Contract to have earthquake or flood insurance.

Set forth below is information about seismic, wildfire and flood-related conditions in the jurisdictions of the Members.

Seismic. The area in which LAVWMA, DSRSD, Livermore and Pleasanton provide service, like most regions in California, is an area of significant seismic activity, and therefore, is subject to potentially destructive earthquakes. The following information about seismic risk in that area is derived from the general plan documents for DSRSD, Livermore, Pleasanton and, where indicated, the cities of Dublin and San Ramon.

Livermore. Because of the high level of seismic activity in and around Livermore, the area has been classified as seismic risk Zone 4 by the California Building Code, which is the highest risk category. The Greenville Fault, an active fault that is the easternmost strand of the San Andreas fault system in the San Francisco Bay region, is located approximately four miles to the east of downtown Livermore. Each of the three segments of the Greenville Fault is considered capable of generating earthquakes in the range of Richter magnitude 6.6 to 6.9. If all segments were to rupture in a single seismic event, a 7.2 magnitude earthquake would be expected. The United States Geologic Survey estimates a 6% probability of a 6.7 magnitude or greater earthquake on the Greenville Fault during the period 2000 to 2030.

The Las Positas Fault, which is considered to be active, is located approximately 2.5 miles to the southeast of downtown Livermore. The Las Positas Fault could potentially generate an earthquake of Richter magnitude 6.3.

In addition, several other major active faults are located in the vicinity of Livermore, including the Calaveras and Hayward faults. In addition, the Livermore Fault is considered to be potentially active and capable of generating an earthquake with moment magnitude of 6.2.

Finally, there is a structural trend of folds and thrust faults in the hills north of Livermore, the largest of which is the Mount Diablo anticline; the Mount Diablo anticline presents the potential for an earthquake with a magnitude of 6.7 with a 4% probability of occurring during the period 2000 to 2030.

Pleasanton. The active faults in or near the City of Pleasanton include the Calaveras, Concord-Green Valley, Greenville, Hayward, Mt. Diablo Thrust, and San Andreas Faults. The Calaveras and Verona Faults are the only faults within the Planning Area that the State currently designates as Alquist-Priolo Earthquake Fault Zones.

DSRSD.

City of Dublin: According to the Seismic Safety and Safety Element of the City of Dublin's General Plan, the Calaveras Fault is the major active fault in the Dublin planning area. The Pleasanton Fault, near the west edge of Camp Parks, is difficult to locate precisely. The State has established Alquist-Priolo Special Studies Zones along both faults, requiring detailed studies of rupture hazards prior to construction. Few potential building sites within the City of Dublin or the extended planning area are without geologic impact or hazard. The hazard may be actual, such as an active landslide or proximity to an active fault, or potential, such as a proposed cut that might activate a landslide.

City of San Ramon: According to the Safety Element of the City of San Ramon's General Plan 2020, the major active fault with rupture potential is the Calaveras Fault. The California Legislature has established an Alquist-Priolo

Earthquake Fault Zone along the fault, requiring detailed studies of rupture hazards prior to construction. Two smaller faults, the Dublin Fault and the Bollinger Fault, also traverse portions of the City and its Sphere of Influence. While these faults are not regarded as active, evidence is inconclusive. Minor, presumed inactive, faults intersect active or potentially active faults. Any movement of the master fault could trigger adjustments on minor cross faults or adjacent subparallel faults.

City of Pleasanton: See above.

Flood. The area in which LAVWMA, DSRSD, Livermore and Pleasanton provide service, like many regions in California, may be subject to flood damage. The following information about flood risk in that area is derived from the general plan documents for LAVWMA, DSRSD, Livermore, Pleasanton and, where indicated, the cities of Dublin and San Ramon.

Livermore. According to the Federal Emergency Management Agency ("**FEMA**"), the majority of Livermore is subject to minimal flooding, although there are 100-year flood zones in some portions of Livermore. Most flooding within Livermore is caused by heavy rainfall and subsequent runoff volumes that cannot be adequately conveyed by the existing storm drainage system combined with surface water bodies. Flooding could also result from the catastrophic failure of nearby Del Valle Dam and Patterson Reservoir, which would result in the release of a large volume of water in a relatively short period of time. Livermore is not subject to inundation by coastal hazards.

Pleasanton. According to FEMA information, approximately 1,900 acres in the City are in the 100-year FEMA flood plain and approximately 3,425 acres are in the 500-year flood plain. In addition, approximately 6,000 acres in the City are located within the dam failure inundation hazard area for Lake Del Valle Dam. The 235-foot Del Valle Dam impounds a reservoir with a total capacity of 77,100 acre-feet. To provide a flood-protection reserve, it normally stores from 25,000 to 40,000 acre-feet. This dam is under the jurisdiction of the California Department of Water Resources ("**DWR**"), Division of the Safety of Dams. Existing dams under DWR jurisdiction are periodically inspected to ensure adequate maintenance and to direct the owner to correct any deficiencies found. Dam failure and flooding could potentially cause DSRSD's sewage treatment plant to overflow, resulting in raw sewage flowing down Alameda Creek leading to short-term negative impacts.

DSRSD.

City of Dublin: According to the Seismic Safety and Safety Element of the City of Dublin's General Plan, flooding has not been a major problem in the City of Dublin and, as of January 1992, there were no major flood improvement projects needed or planned for the City of Dublin.

City of San Ramon: According to the Safety Element of the City of San Ramon's General Plan 2020, based on information from FEMA, a majority of Contra Costa County's creeks and shoreline lie within the 100-year floodplain. Drainage facilities in Contra Costa County are provided by the cities, the County of Contra Costa, and the Contra Costa County Flood Control and Water Conservation District.

City of Pleasanton: See above.

Fire Hazard. The area in which LAVWMA, DSRSD, Livermore and Pleasanton provide service, like many regions in California where development occurs outside an urban core, is an area of significant fire hazard. Many believe that climate change will aggravate the risk of wildfires. The following information about wildfire risk in that area is derived from the general plan documents for LAVWMA, DSRSD, Livermore, Pleasanton and, where indicated, the cities of Dublin and San Ramon.

Livermore. Features in some parts of Livermore, including flammable vegetation, warm and dry summers, rugged topography and occasional human presence create the risk of potential wildland fires. According to the California Department of Forestry, wildland fire risk is moderate in Livermore.

Pleasanton. More than 7,000 acres in the City are identified in Special Fire Protection Areas that are in wildland-urban interface fire-threat areas. DSRSD's facilities are not located in a Special Fire Protection Area.

DSRSD.

City of Dublin: According to the Seismic Safety and Safety Element of the City of Dublin's General Plan, steep, inaccessible slopes and brush create a high fire hazard in the western hills of the City of Dublin.

City of San Ramon: According to the Safety Element of the City of San Ramon's General Plan 2020, the risk of both urban and wildland fires exists in the San Ramon planning area. This risk is the result of a variety of factors, including: the type of vegetation and ground cover in the planning area, the combustibility of certain building materials, ground slope, adequacy of access to fire suppression services, water supply, water pressure, and weather conditions. Fire hazards in the City of San Ramon are usually created by increases in the number of homes adjoining open space; therefore, much of the threat of wildland fires is due to open grasslands abutting residential developments. Many neighborhoods within the City are located in remote regions and are surrounded by grasslands. As the City of San Ramon continues to expand, more of these urban-rural interface areas are created. This situation creates extreme fire hazards. Areas in the City of San Ramon representing the greatest risk include the Dougherty Valley and Tassajara Valley areas to the east of the City limit and the wildland areas at the planning area's western edge and northwestern corner. New development will likely create increased fire hazards caused by interactions between open grassland and dense residential development.

City of Pleasanton: See above.

Permits and Regulation

Non-compliance with discharge permits may result in significant penalties from the State Water Resources Control Board or other enforcement actions that could have a material adverse effect on the finances and operations of LAVWMA and the Members. Changes in regulation could increase the costs of operating the LAVWMA Enterprise and the Member's

Sewer Systems. See "THE LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY – Permits and Regulations."

Abatement

The Sewer Service Contract provides that Payments for Fixed LAVWMA Maintenance and Operation Costs under the Sewer Service Contract will be abated during any period in which by reason of any damage or destruction (other than by condemnation, which is provided for separately in the Indenture; see Appendix D) there is a material interruption in the Sewer Service to the Members. Abatement will continue for the period commencing with the damage or destruction and ending upon the restoration of Sewer Service by LAVWMA. The proceeds of any insurance covering such damage or destruction are required to be deposited and applied by LAVWMA as provided in the Indenture. See "- Insurance" below. Under the Sewer Service Contract, LAVWMA covenants, to the extent permitted by law, to accept wastewater of Members notwithstanding any disruption in pipeline capacity and to use its best efforts in the event of any such disruption to undertake alternative and interim methods of storage and disposal of wastewater.

The Members' Payments for their Fixed Cost Allocation for Debt Service are not subject to abatement.

Dependence of Connection Fee Revenue on Development

The projections relating to the payment of Expansion Project Debt Service on the 2011 Bonds by DSRSD, on behalf of itself and Pleasanton, and the payment of Payments by Livermore under the Sewer Service Contract assume that some revenue will be generated as a result of the collection of connection fees. See "DUBLIN SAN RAMON SERVICES DISTRICT," "CITY OF PLEASANTON" and "CITY OF LIVERMORE." In general, receipt of connection fee revenue is dependent upon development of land. See "PLANNED DEVELOPMENT IN THE LAVWMA SERVICE AREA." The actual course of land development within the Members' service areas may vary significantly from the projections.

Although the Members assume they will collect connection fee revenue, wastewater service charges are the ultimate financial support for the payment of the Payments under the Sewer Service Contract. In general, the Members agree annually to set rates for wastewater service charges at a level which will generate revenues sufficient to cover annual debt service on the 2011 Bonds (with an allowance for amounts transferred from the Rate Stabilization Fund to pay the Expansion Debt Service on the 2011 Bonds). See "SECURITY FOR THE 2011 BONDS - Rate Covenants."

Land development is subject to comprehensive federal, state and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development. For information on certain environmental issues concerning development, see "PLANNED DEVELOPMENT IN THE LAVWMA SERVICE AREA."

The installation of the necessary infrastructure improvements and the construction of the proposed development are subject to the receipt of ministerial and discretionary approvals from a number of public agencies concerning the layout and design of the proposed development, the nature and extent of the improvements, land use, health and safety requirements and other matters. Moreover, land development operations may be adversely affected by future governmental policies, including, but not limited to, governmental policies to restrict or control development.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits.

In the past, a number of communities in California, including Dublin, Pleasanton, Livermore and San Ramon have had initiative measures placed on the ballot intended to control the rate of future development. It is possible that future initiatives could be enacted, could become applicable to the proposed development and could negatively impact the ability of the developers, and their successors, to complete land development. The application of future land use regulations to land development could cause significant delays and cost increases in the completion of development.

On November 7, 2000, Alameda County voters approved two growth control measures, known as County of Alameda Measures D and M. For a discussion of these measures with respect to planned development in the LAVWMA service area, see "PLANNED DEVELOPMENT IN THE LAVWMA SERVICE AREA."

There can be no assurance that land development operations will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the state and/or national economy.

Investment of Funds

All funds and accounts held under the Indenture are required to be invested in Authorized Investments as provided under the Indenture. See Appendix D for a summary of the definition of Authorized Investments. See the Members' financial statements attached as Appendix A for a summary of the Members' investments as of the date of such financial statements. All investments, including the Authorized Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Members, including but not limited to the Rate Stabilization Fund, could have a material adverse effect on the security of the 2011 Bonds.

Limitations on Remedies and Bankruptcy

The rights and remedies provided in the Indenture and the Sewer Service Contract may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of

California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix F), will be similarly qualified.

The enforcement of the remedies provided in the Indenture and the Sewer Service Contract could prove both expensive and time consuming. In the event of a default, the Trustee is not empowered to accelerate the payments on the 2011 Bonds or sell any facilities of the LAVWMA Enterprise in order to pay debt service on the 2011 Bonds. In addition, the rights and remedies provided in the Indenture and the Sewer Service Contract may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If LAVWMA or a Member were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the owners of the 2011 Bonds and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Sewer Service Contract.

No Debt Service Reserve Fund

Neither LAVWMA nor the Members are obligated to fund or maintain a debt service reserve fund for the 2011 Bonds.

Parity Bonds

Although LAVWMA has covenanted not to issue additional obligations payable from LAVWMA Net Revenues that are senior to the 2011 Bonds, the Indenture permits the issuance by LAVWMA of certain indebtedness that may have a lien upon the LAVWMA Net Revenues which is on a parity basis to the 2011 Bonds (see " SECURITY FOR THE 2011 BONDS – Parity Bonds" in this Official Statement).

These tests for the issuance of Parity Bonds involve, to some extent, projections of LAVWMA Net Revenues. If such indebtedness is issued, the debt service coverage for the 2011 Bonds will be diluted below what it otherwise would be if the Parity Bonds were not issued. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future LAVWMA Net Revenues may be less than projected, and the actual amount of LAVWMA Net Revenues may be insufficient to provide for the payment of debt service on the 2011 Bonds and such additional indebtedness.

In addition, the Sewer Service Contract does not place any limits on the ability of the Members to incur additional indebtedness payable from Members' Net Revenues. The Members' covenants in the Sewer Service Contract (see "SECURITY FOR THE 2011 BONDS - Rate Covenants") are intended to ensure that the Members will have sufficient Member Net Revenues to satisfy their obligations under the Sewer Service Contract as well as their other Obligations.

Loss of Tax Exemption

As discussed in the section entitled "TAX MATTERS," interest on the 2011 Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance, as a result of acts or omissions of LAVWMA or the Members subsequent to issuance in violation of their covenants applicable to the 2011 Bonds. Should interest become includable in gross income, the 2011 Bonds are not subject to redemption by reason thereof

and may remain outstanding. The 2011 Bonds are subject to redemption for other reasons as discussed in the section entitled "THE 2011 BONDS - Redemption."

Proposed Legislation Limiting Federal Tax Exclusion

On September 12, 2011, President Obama submitted to Congress a legislative proposal entitled the "American Jobs Act of 2011" (the "**Jobs Act**"). If enacted, the Jobs Act would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28% irrespective of the actual marginal tax rate imposed on such taxpayers. The Jobs Act would be effective for taxable years beginning on or after January 1, 2013. Neither LAVWMA nor the Members can predict whether the Jobs Act or any other provision affecting the value of the exclusion for tax-exempt interest will ultimately be enacted.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of LAVWMA after reasonable investigation, threatened against LAVWMA (i) affecting the existence of LAVWMA or the titles of its officers to their respective offices or (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the 2011 Bonds or (iii) contesting or affecting, as to LAVWMA, the validity or enforceability of the 2011 Bonds, the Sewer Service Contract or the Indenture (iv) contesting the powers of LAVWMA or its authority to enter into, adopt or perform its obligations under any of the foregoing, or (v) wherein an unfavorable decision, ruling or finding would materially adversely affect the operations or finances of LAVWMA.

Each Member will certify on the delivery date of the 2011 Bonds that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the Member after reasonable investigation, threatened against the Member (i) affecting the existence of the Member or the titles of its officers to their respective offices or contesting or (ii) affecting, as to the Member, the validity or enforceability of the Sewer Service Contract or (iii) contesting the powers of the Member or its authority to enter into, adopt or perform its obligations under any of the foregoing, or (iv) wherein an unfavorable decision, ruling or finding would materially adversely affect the finances and operations of the Member.

TAX MATTERS

Federal Taxation. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2011 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that LAVWMA comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2011 Bonds. LAVWMA has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2011 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2011 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2011 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2011 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2011 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2011 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2011 Bonds who purchase the 2011 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2011 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2011 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2011 Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2011 Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2011 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2011 Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2011 Bond premium is not deductible for federal income tax purposes. Owners of premium 2011 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2011 Bonds.

State of California Personal Income Taxes. In the further opinion of Bond Counsel, interest on the 2011 Bonds is exempt from California personal income taxes.

Other Tax Consequences. Owners of the 2011 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2011 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no

opinion regarding any federal or state tax consequences arising with respect to the 2011 Bonds other than as expressly described above.

APPROVAL OF LEGALITY

The issuance of the 2011 Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, with respect to validity and tax exemption. Jones Hall is also acting as Disclosure Counsel to LAVWMA. Certain legal matters will be passed upon for LAVWMA by its General Counsel, Burke, Williams & Sorensen LLP, and for the Members by their respective counsels.

Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon issuance of the 2011 Bonds.

RATINGS

Moody's Investors Service ("**Moody's**") has assigned its municipal bond rating of "Aa2" to the 2011 Bonds and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its municipal bond rating of "A+" to the 2011 Bonds."

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. LAVWMA and the Members have provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2011 Bonds may have an adverse effect on the market price or marketability of the 2011 Bonds.

UNDERWRITING

The 2010 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "**Underwriter**") pursuant to a competitive sale held on September 28, 2011. The Underwriter has agreed, subject to certain conditions, to purchase the 2011 Bonds at a price of $113,045,961.19 (representing $105,345,000.00 aggregate principal amount of the 2011 Bonds, plus $8,309,676.20 of net original issue premium, and less $608,715.01 of Underwriter's discount). The Underwriter is obligated to purchase all the 2011 Bonds if any are purchased. The 2011 Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriter.

MISCELLANEOUS

References made in this Official Statement to certain documents and reports are brief summaries and do not purport to be complete or definitive, and reference is made to such documents and reports for a full and complete statement of their contents.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between LAVWMA and the purchasers or registered owners of any of the 2011 Bonds. The execution and delivery of this Official Statement has been duly authorized by LAVWMA.

LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY

By: /s/ Ed Cummings
General Manager

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF LAVWMA AND DSRSD; EXCERPTS OF AUDITED FINANCIAL STATEMENTS OF LIVERMORE AND PLEASANTON

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LIVERMORE AMADOR VALLEY WATER MANAGEMENT AGENCY

DUBLIN, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Livermore Amador Valley Water Management Agency
Dublin, California

We have audited the accompanying basic financial statements of the business-type activities and the major fund of Livermore Amador Valley Water Management Agency as of June 30, 2010 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Livermore Amador Valley Water Management Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized information has been derived from Livermore Amador Valley Water Management Agency's June 30, 2009 financial statements and, in our report dated October 12, 2009; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the business-type activities and the major fund of Livermore Amador Valley Water Management Agency as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Livermore Amador Valley Water Management Agency. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and accordingly, we express no opinion on it.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 30, 2010

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This section of Livermore Amador Valley Water Management Agency's (the Agency's) basic financial statements presents management's overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's audited financial statements, which are comprised of the basic financial statements.

The required financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Fund Net Assets; and the Statement of Cash Flows. Notes to the financial statements, supplementary detail and/or statistical information, and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Agency.

Statement of Net Assets:
This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Assets"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the Agency as a whole.

Statement of Revenues, Expenses and Changes in Fund Net Assets:
This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently revenues and/or expenditures reported during this fiscal year may result in changes to cash flows in a future period.

Statement of Cash Flows:
This statement reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements:
This additional information is essential to a full understanding of the data reported in the basic financial statements.

Supplemental Information:
This is offered to support the required financial statements and to assist the reader in a clearer understanding of the operating units within the Agency.

The Agency is a political sub-division of the State of California. It provides wastewater disposal services to its member agencies and is governed by a Board of Directors.

Analytical Overview

A. Business-type Activities

The Statement of Net Assets and Statement of Activities present a summary of the Agency's Business-type Activities that are composed of the Agency's Enterprise fund.

Table 1
Business-type Net Assets

	2010	2009
Current assets	$ 44,069,736	$ 55,906,898
Non-current assets	124,196,330	116,729,839
Total assets	168,266,066	172,636,737
Other liabilities	7,373,933	3,219,763
Long-term debt outstanding	128,420,794	131,585,429
Total liabilities	135,794,727	134,805,192
Net assets:		
Invested in capital assets, net of related debt	(5,120,100)	(15,805,517)
Unrestricted	37,591,439	53,637,062
Total net assets	$ 32,471,339	$ 37,831,545

Summary

Total assets of the Agency have decreased this year by $5,360,206. This classification is comprised of Current Assets, which decreased overall by $11,837,162. The decrease relates to reduction in cash and investments related to current year and prior year change in net assets

Liabilities have increased this year by $989,935.

The overall change to net assets is a decrease of $5,360,206 resulting in a June 30, 2010 balance of $32,471,339.

Change in Net Assets

	6/30/10	6/30/09	Change	
Operating revenues	$ 6,671,290	$ 6,091,642	$ 579,648	Note 1
Operating expenses	3,233,269	2,871,294	(361,975)	Note 2
Net operating income	$ 3,438,021	$ 3,220,348	$ 217,673	
Non operating revenues (expenses)	$ (8,798,227)	$ (8,108,536)	$ (689,691)	Note 3
Change in net assets	$ (5,360,206)	$ (4,888,188)	$ (472,018)	

Note 1 – The increase in operating revenues related to an increase in member service charges and related advances.

Note 2 – The increase relates to an increase in contract service costs.

Note 3 – This investment income decrease is due to a decrease in interest income resulting from a decrease in interest rates and cash available for investments.

B. Capital Assets

At the end of fiscal year 2010, the cost of infrastructure and other capital assets recorded in the Agency's financial statements was as shown in Table 2 below:

Table 2
Capital Assets at year end

	Balance at June 30, 2010
Business-type activities	
Pipeline	$ 117,481,386
Pump Station	18,226,297
Export facility	7,043,600
Construction in progress	2,911,937
Less: accumulated depreciation	(22,768,320)
Business-type activity capital assets, net	$ 122,894,900

Detail on capital assets, current year additions and construction in progress can be found in Note 4.

C. Debt Administration

The Agency made all scheduled repayments of existing debt. The Agency's debt issue is discussed in detail in Note 6 to the financial statements. As of June 30, 2010, the Agency's debt comprised:

Table 3
Outstanding Debt

	June 30, 2010
Business-type activity debt:	
2001 Revenue Bond Series A	$ 128,015,000
Bond issuance premium	405,794
Total business-type activity debt	$ 128,420,794

D. Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the Agency.

Considering the general economic slowdown, the economic condition of the Agency as it appears on the balance sheet reflects financial stability. The Agency will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

E. Contacting the Agency's Financial Management

The Basic Financial Statements are intended to provide citizens, taxpayers, and creditors with a general overview of the Agency's finances. Questions about this report should be directed to Livermore-Amador Valley Water Management Agency, 7051 Dublin Boulevard, P.O. Box 2945, Dublin, CA 94568.

Livermore Amador Valley Water Management Agency
STATEMENTS OF NET ASSETS
June 30, 2010
(With Comparative Totals for June 30, 2009)

	2010	2009
ASSETS		
Current assets:		
Cash and investments held by trustee	$ 43,866,028	$ 55,906,898
Due from members	203,708	-
Total current assets	44,069,736	55,906,898
Non-current assets:		
Advances to members	317,829	320,800
Bond issuance cost, net of amortization	983,601	1,054,556
Capital assets, net of accumulated depreciation	122,894,900	115,354,483
Total non-current assets	124,196,330	116,729,839
Total assets	168,266,066	172,636,737
LIABILITIES		
Current liabilities:		
Accounts payable	825,826	484,197
Interest payable	2,620,208	2,674,792
Due to members	3,927,899	60,774
Total current liabilities	7,373,933	3,219,763
Long-term liabilities:		
Bond issuance premium, net of amortization	405,794	425,429
Due within one year	3,275,000	3,145,000
Due in more than one year	124,740,000	128,015,000
Total long-term liabilities	128,420,794	131,585,429
Total liabilities	135,794,727	134,805,192
NET ASSETS		
Invested in capital assets, net of related debt	(5,120,100)	(15,805,517)
Unrestricted net assets	37,591,439	53,637,062
Total net assets	$ 32,471,339	$ 37,831,545

The accompanying notes are an integral part of these financial statements.

Livermore Amador Valley Water Management Agency
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010	2009
Operating revenues:		
Service charges	$ 6,549,495	$ 12,181,531
Service charges - prior year	(81,913)	(6,029,115)
Service charges - other	203,708	(60,774)
Total operating revenues	6,671,290	6,091,642
Operating expenses:		
Energy	1,219,720	1,241,921
East Bay Dischargers Authority	480,766	424,920
Administrative costs	246,574	155,328
Personnel services	780,342	664,685
Professional services	73,279	174,835
Repair and maintenance	352,170	121,502
Operating expense	64,648	78,399
Miscellaneous	15,770	9,704
Total operating expenses	3,233,269	2,871,294
Operating income (loss)	3,438,021	3,220,348
Non-operating revenues (expenses)		
Depreciation	(3,176,885)	(2,967,082)
Amortization	(51,320)	(51,320)
Interest income	857,794	1,399,920
Other income	-	83,830
Bond interest expense	(6,427,816)	(6,573,884)
Total non-operating revenues (expenses)	(8,798,227)	(8,108,536)
Change in net assets	(5,360,206)	(4,888,188)
Net assets, beginning of period	37,831,545	42,719,733
Net assets, end of period	$ 32,471,339	$ 37,831,545

The accompanying notes are an integral part of these financial statements.

Livermore Amador Valley Water Management Agency
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 6,467,582	$ 6,091,642
Payments to suppliers	920,901	(3,759,948)
Net cash provided (used) by operating activities	7,388,483	2,331,694
Cash flows from capital and related financing activities:		
Advances to members	2,971	(236,970)
Acquisition of capital assets	(10,717,302)	(2,598,404)
Disposal of capital assets	-	-
Principal paid on long-term debt	(3,145,000)	(3,005,000)
Interest paid on long-term debt	(6,427,816)	(6,573,884)
Net cash provided (used) by capital and related financing activities	(20,287,147)	(12,414,258)
Cash flows from investing activities:		
Interest on cash and investments	857,794	1,399,920
Net cash provided (used) by investing activities	857,794	1,399,920
Net increase (decrease) in cash and cash equivalents	(12,040,870)	(8,682,644)
Cash and cash equivalents - beginning of period	55,906,898	64,589,542
Cash and cash equivalents - end of period	$ 43,866,028	$ 55,906,898
Reconciliation of operating income (loss) to net cash provided (used) in operating activities:		
Operating income (loss)	$ 3,438,021	$ 3,220,348
Changes in certain assets and liabilities:		
Accounts payable	341,629	(240,755)
Interest payable	(54,584)	(52,416)
Due to/from members	3,663,417	(595,483)
Total adjustments	3,950,462	(888,654)
Net cash provided (used) by operating activities	$ 7,388,483	$ 2,331,694

The accompanying notes are an integral part of these financial statements.

Livermore Amador Valley Water Management Agency
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - GENERAL

Livermore Amador Valley Water Management Agency (the Agency) is a joint powers agency that was formed in 1974 by a joint exercise of powers agreement between the cities of Pleasanton and Livermore and the Dublin-San Ramon Services District. The Agency has implemented a water quality management program involving wastewater disposal. The Agency operates an export pipeline connecting with the East Bay Dischargers Authority's system and discharges treated wastewater, through a deepwater outfall, into San Francisco Bay. The Agency currently has an Amended and Restated Joint Exercise of Powers Agreement dated September 10, 1997, among the members. This agreement, among other things, sets forth capacity limitations and capacity rights of each member as well as cost-sharing procedures for debt service and fixed operating costs related to capacity rights and variable operating costs related to actual use of the export facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Agency is the only entity included in these financial statements.

B. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity.

The Agency maintains a proprietary fund that is used to account for the financing of goods or services provided by the Agency to other governments on a cost-reimbursement basis.

The Agency is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. 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 and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded in its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

C. Basis of Accounting

Records of the Agency are maintained on the accrual basis. Revenues are recognized when earned and expenses are recognized when incurred.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include member contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

Revenue from member contributions is recognized in the fiscal year in which it is received. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Agency follows those Financial Accounting Standards Board Statements issued before November 13, 1989 that do not conflict with Governmental Accounting Standards Board Statements.

D. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

The Agency places certain funds with the State of California's Local Agency Investment Fund (LAIF). The Agency is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements based upon the Agency'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 monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours notice. Financial statements for LAIF can be obtained from the California State Treasurer's Office: State Treasurer's Office, 915 Capitol Mall, Suite 110, Sacramento, CA 95814.

Cash and investments are used in preparing the statement of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

F. Capital Assets

Capital assets are recorded at cost. Assets with an initial cost of more than $10,000 are capitalized. Infrastructure assets with an initial cost of more than $25,000 are capitalized. Interest incurred on the revenue bonds issued to finance the project prior to the time that the pipeline was substantially complete and ready for its intended use has been included in the cost of the project. Interest earned on funds held for construction was treated as a reduction of the project cost. Depreciation of property and equipment is provided on the straight-line method over the following useful lives:

Pipeline	50 years
Pump Station	25 years
Equipment	5-10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Bond Issuance Costs/Bond Issuance Premium

Bond issuance costs and bond issuance premium are amortized on a straight-line basis over the term of the bonds.

NOTE 3 - CASH AND INVESTMENTS

Cash and investment balances from all funds are combined and invested to the extent possible pursuant to the Agency Board approved Investment Policy and Guidelines and State Government Code.

Cash and Investments	2010
Local Agency Investment Fund	$ 23,694,879
AIM Government & Agency	10,019,492
AIG Matched Funding Corp	10,151,657
Total cash	$ 43,866,028

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Agency's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the Agency's name and places the Agency ahead of general creditors of the institution. The Agency has waived collateral requirements for the portion of deposits covered by federal depository insurance.

Under the terms of the 1978 and 2001 Series A Revenue Bonds indenture, the trustee for the bonds receives and disburses all the Agency's funds. Of the $43,866,028 held by the trustee at June 30, 2010, $250,000 was insured by federal depository insurance; the amount in excess of $250,000 was collateralized by United States government securities. The trustee invests excess Agency funds.

Cash and investments are recorded at market value.

Investments Authorized by Debt Agreements
Investment of bond proceeds, held by bond trustees, are governed by the provisions of the debt agreements, rather than the general provisions for the California Government Code or the Agency's investment policy. 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 that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Local Agency Investment Fund	N/A	None	None
AIM Government & Agency	N/A	None	None
AIG Matched Funding Corp	N/A	None	None

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 sensibility of its fair value to changes in market interest rates.

NOTE 3 - CASH AND INVESTMENTS (concluded)

One of the ways that the Agency 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 sensibility of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Held by Fiscal Agent:					
Local Agency Investment Fund	$ 23,694,879	$ 23,694,879	$ -	$ -	$ -
AIM Government & Agency	10,019,492	10,019,492	-	-	-
AIG Matched Funding Corp	10,151,657	-	-	-	10,151,657
Total	$ 43,866,028	$ 33,714,371	$ -	$ -	$10,151,657

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. That is measured by the assignment of rating by a nationally recognized rating organization. Presented below is the minimum rating required by the California Government Code, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	Aa	Not Rated
Held by Fiscal Agent:						
Local Agency Investment Fund	$23,694,879	N/A	$ -	$ -	$ -	$ 23,694,879
AIM Government & Agency	10,019,492	N/A	-	-	-	10,019,492
AIG Matched Funding Corp	10,151,657	N/A	-	-	-	10,151,657
Total	$43,866,028	N/A	$ -	$ -	$ -	$ 43,866,028

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in property, plant and equipment during the years ended June 30:

	Life (years)	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Pipeline	50	$107,670,425	$ 9,810,961	$ -	$117,481,386
Pump Station	25	17,886,669	339,628	-	18,226,297
Export facility	50	7,043,600	-	-	7,043,600
Construction in progress (not depreciated)	50	2,345,224	566,713	-	2,911,937
Subtotal		134,945,918	$ 10,717,302	$ -	145,663,220
Less: accum. depreciation		19,591,435			22,768,320
Property, plant and equipment, net		$115,354,483			$122,894,900

NOTE 4 - CAPITAL ASSETS (concluded)

Depreciation expense was $3,176,885 for the fiscal year ended June 30, 2010. Depreciation is not reported as an operating expense in compliance with sewer service contracts with members.

Construction in Progress - The project costs that were capitalized during the fiscal year ended June 30, 2010, within the 2001 Project Account, consisted of the following:

	2001 Project
Wet weather planning	$ 790
Sole use expansion	565,923
Total costs capitalized	$ 566,713

NOTE 5 - SERVICE CHARGES TO MEMBERS

Under the terms of the Agency's Sewer Service Contract with its members, the members pay the Agency a service charge equal to their share of the actual costs of operating the pipeline. The members are required to make advance payments to the Agency based on estimated actual costs of operating the pipeline. When advance payments are more or less than actual costs, differences are billed or refunded to the members in accordance with their participation percentage as specified in the contract.

Service charges to members comprise:

	2010
Advance payments received from members	
City of Livermore	$ 2,025,459
City of Pleasanton	2,244,187
Dublin-San Ramon Services District	2,197,936
Total service charges	$ 6,467,582

NOTE 5 - SERVICE CHARGES TO MEMBERS (concluded)

The following schedule compares the advance payments received from members with the actual costs of operating the pipeline.

	2010
Operating advances from members	$ 6,467,582
Less service charges to members for:	
Debt service	3,964,495
Joint use replacement	-
Dual use replacement	-
Sole use replacement	-
Total service charges excluded	3,964,495
Net advances for maintenance and operations	2,503,087
Maintenance and operation expenses	
Energy	1,219,720
East Bay Dischargers Authority costs	472,371
Administrative costs	138,328
Personnel services/operations	606,673
Professional services	69,249
Repair and maintenance	128,290
Operating expense	64,648
Miscellaneous	7,516
Total contract maintenance and operation expenses	2,706,795
Advances received in excess of (or below) actual costs - due to (from) members	$ (203,708)

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in general long-term liabilities during the years ended June 30:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Sewer revenue bonds	$ 131,160,000	$ -	$ 3,145,000	$ 128,015,000
	131,160,000	$ -	$ 3,145,000	128,015,000
Less: current maturities	3,145,000			3,145,000
Total long-term liabilities	$ 128,015,000			$ 124,870,000

A. Series A Sewer Revenue Bonds

The Agency issued $142,385,000 original principal amount of Sewer Revenue Bonds on March 1, 2002 (the Sewer Revenue Bonds) to finance the costs of improvements to the wastewater disposal system, including the Export Pipeline Expansion/Rehabilitation Project. These bonds mature February 1, 2005 through August 1, 2031, and bear interest at rates ranging from 4.00% to 5.25% payable with principal February 1 and August 1. The Sewer Revenue Bonds are secured by the pledge of the net revenues earned by the Agency.

NOTE 6 - LONG-TERM DEBT (concluded)

Under the terms of the Sewer Revenue Bond indenture agreement and related Agency Resolution 00-24, the net revenues of the Agency (defined as all revenues received less all maintenance and operation costs) must be deposited with the trustee, which applies these revenues in the following order of priority:

1) Maintenance and operation account
2) Interest and principal account
3) Bond reserve account
4) Revenue account

At June 30, 2010, future annual repayment requirements for long-term debt were as follows:

Year Ended June 30	Principal	Interest	Total
2011	3,410,000	6,288,500	9,698,500
2012	3,570,000	6,147,838	9,717,838
2013	3,750,000	5,969,338	9,719,338
2014	3,950,000	5,781,838	9,731,838
2015	4,160,000	5,574,463	9,734,463
2016-2020	24,425,000	24,350,089	48,775,089
2021-2025	31,560,000	17,370,750	48,930,750
2026-2030	40,525,000	8,628,750	49,153,750
2031	9,390,000	469,500	9,859,500
Totals	$ 128,015,000	$ 80,581,066	$ 205,321,066

NOTE 7 - INSURANCE COVERAGE

The Agency's insurance coverage is as follows:

Type	Coverage	Limits	Expiration
Personal injury and property damage	Comprehensive liability	$ 5,000,000	7/01/10
Errors and omissions liability	Comprehensive liability	5,000,000	7/01/10
Property coverage	Comprehensive liability	1,000,000,000	7/01/10
Dishonesty bond	Blanket bond	400,000	7/01/10
Board of directors coverage	Comprehensive liability	1,000,000	7/01/10
General liability	Comprehensive liability	2,500,000	7/01/10
Employment practices liability	Comprehensive liability	5,000,000	7/01/10
Employee benefits liability	Comprehensive liability	5,000,000	7/01/10
Boiler and machinery coverage	Comprehensive liability	100,000,000	07/01/10

NOTE 8 - NET ASSETS

Governmental Accounting Standards Board (GASB) Statement 34 added the concept of Net Assets, which is measured on the full accrual basis.

Net Assets is the excess of all the Agency's assets over all its liabilities. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to net assets, which are described as follows: *Invested in Capital Assets, net of related debt* describes the portion of net assets that is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

NOTE 8 - NET ASSETS (concluded)

Restricted describes the portion of net assets that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. The Agency had no restricted net assets. *Unrestricted* describes the portion of net assets that is not restricted to use.

NOTE 9 - CONTINGENT LIABILITIES

The Agency is involved in various claims and litigation arising in the ordinary course of business. Agency management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the Agency's financial position or results of operations.

NOTE 10 - MEMBER EQUITY

The Agency charges its members for project costs in proportion to their rights to the Agency's capacity. The member's respective shares of the Agency's retained earnings from inception of the Agency through June 30, 2010 comprise:

	Retained Earnings
City of Livermore	$ 11,689,682
City of Pleasanton	11,364,969
Dublin-San Ramon Services District	9,416,688
	$ 32,471,339

Schedule 1

Livermore Amador Valley Water Management Agency
SCHEDULE OF TRUST ACCOUNT BALANCE SHEETS
June 30, 2010
(Unaudited)

	Maintenance & Operation	Expansion	2001 Bond Reserve	2001 Debt Service	2001 Project	Repair and Replacement Reserve: Joint-use Replacement	Repair and Replacement Reserve: Dual-use Replacement	Repair and Replacement Reserve: Sole-use Replacement	Total
ASSETS									
Cash and investments held by trustee	$ 1,581,781	$ -	$ 10,151,657	$ 6,484,750	$ 8,574,180	15,120,699	$ 421,324	$ 1,531,637	$ 43,866,028
Due from members	203,708	-	-	-	-	-	-	-	203,708
Bond issuance cost	-	-	-	983,601	-	-	-	-	983,601
Advances to Members	-	-	-	-	-	317,829	-	-	317,829
Capital assets, net of accumulated depreciation	-	-	-	-	-	122,894,900	-	-	122,894,900
Total assets	1,785,489	-	10,151,657	7,468,351	8,574,180	138,333,428	421,324	1,531,637	168,266,066
LIABILITIES									
Accounts payable	465,931	-	-	-	309,867	50,028	-	-	825,826
Interest payable	-	-	-	2,620,208	-	-	-	-	2,620,208
Due to members	-	-	-	3,927,899	-	-	-	-	3,927,899
Long-term debt	-	-	-	-	-	-	-	-	-
Bond issuance premium, net of amortization	-	-	-	405,794	-	-	-	-	405,794
Due within one year	-	-	-	-	3,275,000	-	-	-	3,275,000
Due in more than one year	-	-	-	-	124,740,000	-	-	-	124,740,000
Total liabilities	465,931	-	-	6,953,901	128,324,867	50,028	-	-	135,794,727
NET ASSETS									
Invested in capital assets, net of related debt	1,319,558	-	-	-	(128,015,000)	122,894,900	-	-	(5,120,100)
Unrestricted net assets		-	10,151,657	514,450	8,264,313	15,388,500	421,324	1,531,637	37,591,439
Total net assets	$ 1,319,558	$ -	$ 10,151,657	$ 514,450	$ (119,750,687)	$ 138,283,400	$ 421,324	$ 1,531,637	$ 32,471,339

Livermore Amador Valley Water Management Agency

Schedule 2

SCHEDULE OF TRUST ACCOUNT ACTIVITY

For the Year Ended June 30, 2010

(Unaudited)

	Maintenance & Operation	Expansion	2001 Bond Reserve	2001 Debt Service	2001 Project	Repair and Replacement Reserve: Joint-use Replacement	Repair and Replacement Reserve: Dual-use Replacement	Repair and Replacement Reserve: Sole-use Replacement	Total
Operating revenues:									
Service charges - City of Livermore	$ 806,529	$ -	$ -	$ 1,104,418	$ -	$ -	$ -	$ -	$ 1,910,947
Service charges - City of Pleasanton	891,124	-	-	1,328,166	-	-	-	-	2,219,290
Service charges - Dublin-San Ramon Services District	887,347	-	-	1,531,911	-	-	-	-	2,419,258
Prior year service charges - Livermore	114,512	-	-	-	-	-	-	-	114,512
Prior year service charges - Pleasanton	24,897	-	-	-	-	-	-	-	24,897
Prior year service charges - DSRSD	(221,322)	-	-	-	-	-	-	-	(221,322)
Service charges other	203,708	-	-	-	-	-	-	-	203,708
Total operating revenues	2,706,795	-	-	3,964,495	-	-	-	-	6,671,290
Operating expenses:									
Energy	1,219,720	-	-	-	-	-	-	-	1,219,720
East Bay Dischargers Authority	472,371	-	-	-	-	8,395	-	-	480,766
Administrative costs	138,328	-	-	-	106,084	2,162	-	-	246,574
Personnel services	606,673	-	-	-	-	173,669	-		780,342
Professional services	69,249	-	-	-	4,030	-	-	-	73,279
Repair and maintenance	128,290	-	-	-	-	223,880	-	-	352,170
Operating expense	64,648	-	-	-	-	-	-		64,648
Capital outlay	-	16,976	-	-	10,700,325		-	-	10,717,301
Miscellaneous	7,516	-	-	-	8,254	-	-	-	15,770
Total operating expenses and capital outlay	2,706,795	16,976	-	-	10,818,693	408,106	-	-	13,950,570
Capital outlay	-	(16,976)	-	-	(10,700,325)	-	-	-	(10,717,301)
Total operating expenses	2,706,795	-	-	-	118,368	408,106	-	-	3,233,269
Operating income (loss)	-	-	-	3,964,495	(118,368)	(408,106)	-	-	3,438,021
Non-operating revenues (expenses)									
Depreciation	-	-	-	-	-	(3,176,885)			(3,176,885)
Amortization	-	-	-	(51,320)	-	-	-	-	(51,320)
Interest income	(2,966)	-	573,301		163,347	124,107	1	4	857,794
Other income	-	-	-	-	-	-	-	-	-
Bond interest expense	-	-	-	(6,427,816)	-	-	-	-	(6,427,816)
Total non-operating revenues (expenses)	(2,966)	-	573,301	(6,479,136)	163,347	(3,052,778)	1	4	(8,798,227)
Changes in net assets	(2,966)	-	573,301	(2,514,641)	44,979	(3,460,884)	1	4	(5,360,206)
Net assets, beginning of period	97,864,875		10,502,714	2,692,882	(106,550,490)	25,662,542	557,403	7,101,619	37,831,545
Net assets transfers	(96,542,351)	-	(924,358)	336,209	(13,245,176)	116,081,742	(136,080)	(5,569,986)	-
Net assets, end of period	$ 1,319,558	$ -	$ 10,151,657	$ 514,450	$ (119,750,687)	$ 138,283,400	$ 421,324	$ 1,531,637	$ 32,471,339

DUBLIN SAN RAMON SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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DUBLIN SAN RAMON SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Dublin San Ramon Services District
Dublin, California

We have audited the basic financial statements of the Dublin San Ramon Services District for the year ended June 30, 2010. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. Comparative data for the year ended June 30, 2009 has been summarized from the prior year financial statements audited by us where we expressed an unqualified opinion dated October 30, 2009.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the Dublin San Ramon Services District at June 30, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

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

Maze & Associates

October 2, 2010

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Financial Highlights for Fiscal Year 2010

- ✓ Total assets increased by $3.7 million or 1.1%.
- ✓ Total liabilities decreased by $6.8 million or -12.0%
- ✓ The District's net assets increased $10.5 million or 3.6%.
- ✓ Total revenues increased $11.2 million or 22.7%
- ✓ Total expenses decreased $5.9 million or -10.5%

Overview of the Financial Statements

The following overview of the financial activities of Dublin San Ramon Services District summarizes changes in the District's basic financial statements. Basic financial statements consist of the Statement of Net Assets, Statement of Revenues and Expenses and Changes in Net Assets, Statement of Cash Flows and Notes to Financial Statements. The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated. Increases or decreases in net assets over time are an indicator of the District's overall financial health and should be considered together with management's short and long-term plans for prospectively financing operations and programs.

The Statement of Net Assets includes all District assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). These Statements provide data for calculating analytical review measures such as rate of return, capital structure, and liquidity. Revenues and expenses are accounted for in the Statement of Revenues and Expenses and Changes in Net Assets. These statements measure the success of District operations for the year and determine cost recovery through user fees and other charges, profitability, and credit worthiness. Lastly, the Statement of Cash Flows provide information about District cash receipts and disbursements and net changes in cash that result from operating activities, non-capital financing activities, capital financing activities and investing activities. Thus, the Statement of Cash Flows shows sources and uses of cash.

The format of the District's financial statements is in accordance with business-type activities known as enterprise funds. Enterprise funds are self-supporting funds that charge fees to users to cover the costs of operation, maintenance and recurring capital replacement (OM&R) similar to the accounting used by private sector companies. Enterprise funds report on the accrual basis of accounting recognizing all assets, liabilities, revenues and expenses applicable as of the financial statement date. The District is governed by a Board of Directors, which sets policy, adopts budgets and appoints a General Manager to run operations. There are five Directors elected at-large to overlapping four-year terms.

Changes in Net Assets

The following condensed Statement of Net Assets – Table 1 and Statement of Revenues and Expenses and Changes in Fund Net Assets – Table 2 are presented in a comparative format together with dollar and percentage of change from the previous year to help facilitate analysis of financial activity.

TABLE 1
Condensed Statement of Net Assets

	Fiscal Year Ended 2010	Fiscal Year Ended 2009	Increase (Decrease)	% Change	Fiscal Year Ended 2008	% Change
Current and restricted assets	$ 75,967,336	$ 74,499,140	$ 1,468,196	2.0%	$ 99,771,932	-25.3%
Capital assets	264,818,134	262,094,523	2,723,611	1.0%	245,371,443	6.8%
Other assets	11,493,951	11,972,578	(478,627)	-4.0%	12,760,929	-6.2%
Total assets	352,279,421	348,566,241	3,713,180	1.1%	357,904,304	-2.6%
Current and restricted liabilities	9,341,446	14,916,958	(5,575,512)	-37.4%	31,105,951	-52.0%
Long-tem liabilities	40,305,515	41,506,939	(1,201,424)	-2.9%	28,095,315	47.7%
Total liabilities	49,646,961	56,423,897	(6,776,936)	-12.0%	59,201,266	-4.7%
Net assets						
Invested in capital assets, net of debt	234,707,677	227,411,394	7,296,283	3.2%	207,889,308	9.4%
Restricted for expansion	20,157,163	21,073,064	(915,901)	-4.3%	38,036,226	-44.6%
Restricted for debt service	1,308,572	3,538,390	(2,229,818)	-63.0%	3,123,483	13.3%
Restricted for assessment district	727,323	512,667	214,656	41.9%	854,612	-40.0%
Unrestricted	45,731,725	39,606,829	6,124,896	15.5%	48,799,409	-18.8%
Total net assets	$ 302,632,460	$ 292,142,344	$ 10,490,116	3.6%	$ 298,703,038	-2.2%

As the above table indicates, total assets increased $3.7 million or 1.1% during the fiscal year ended June 30, 2010 (FYE 2010). This is comprised primarily of an increase in cash and investments of $1.0 million, plus an increase of $2.7 million in capital assets. Water funds had an increase in cash and investments of $3.0 million, due to a change in the water rate structure plus the adoption of a temporary infrastructure charge to assist in covering debt payments. Sewer funds had a decrease in cash and investments of $2.0 due to the debt restructure. The increase in capital assets is discussed in more detail further on in this document.

Total liabilities decreased $6.8 million or 12.0% during the fiscal year. This is primarily due to a decrease in debt of $5.3 million along with a net decrease in payables of $1.1 million. Due to complications caused by the insurance and financial market collapse in 2008, it became necessary to restructure the sewer debt; the debt restructure is discussed in more detail further on in this document. The decline in payables is due to the District completing several construction projects and suspending many others; this reduced the balance in payables.

Overall the District's total net assets increased $10.5 million or 3.6% during FYE 2010 compared to FYE 2009 over FYE 2008 where total net assets decreased $6.5 million. Several capital projects were completed in FYE 2010 which resulted in an increase over the past two years in Investment in Capital Assets and a decrease in Net Assets Restricted for Expansion. Due to the restructure of sewer debt, Net Assets Restricted for debt service decreased in the sewer funds and increased the Unrestricted Net Assets. Water funds had an increase in Unrestricted Net Assets due to the water rate adjustment.

TABLE 2

Condensed Statement of Revenues and Expenses and Changes in Fund Net Assets

	Fiscal Year Ended 2010	Fiscal Year Ended 2009	Increase (Decrease)	% Change	Fiscal Year Ended 2008	% Change
Operating revenues - sewer	$16,408,731	$16,041,196	$ 367,535	2.3%	$16,093,655	-0.3%
Operating revenues - water	19,611,829	14,175,310	5,436,519	38.4%	14,082,681	0.7%
Other revenues	6,678,113	8,202,197	(1,524,084)	-18.6%	4,650,426	76.4%
Investment income	408,371	1,767,344	(1,358,973)	-76.9%	5,492,130	-67.8%
Connection fees	10,373,084	2,381,361	7,991,723	335.6%	10,292,687	-76.9%
Contributions	6,982,084	6,695,327	286,757	4.3%	3,471,772	92.9%
Total revenues	60,462,212	49,262,735	11,199,477	22.7%	54,083,351	-8.9%
Operating expenses - sewer	24,022,926	29,787,076	(5,764,150)	-19.4%	28,691,777	3.8%
Operating expenses - water	23,830,736	24,183,138	(352,402)	-1.5%	23,377,198	3.4%
Non-operating expenses	2,118,434	1,853,215	265,219	14.3%	2,013,786	-8.0%
Total expenses	49,972,096	55,823,429	(5,851,333)	-10.5%	54,082,761	3.2%
Increase in fund net assets	$ 10,490,116	$ (6,560,694)	$ 17,050,810	-259.9%	$ 590	
Fund net assets - beg of year	292,142,344	298,703,038	(6,560,694)	-2.2%	298,702,448	0.0%
Fund net assets - end of year	$ 302,632,460	$ 292,142,344	$ 10,490,116	3.6%	$ 298,703,038	-2.2%

Over the past two years the District has faced many of the same challenges as other businesses and municipalities. The credit market collapse and the slowdown in development have required the District to adjust rates and reduce spending.

Total revenues were up $11.2 million in FYE 2010 compared to FYE 2009 when revenues had dropped $4.8 million from FYE 2008. The rebound in revenues was due to a water rate increase in FYE 2010, the addition of a water "temporary infrastructure charge" (solely used to pay water debt principal and interest) plus the receipt of $6.9 million in connection fees for three large developments in San Ramon and Dublin. Sewer revenues remained fairly stable as rates were only adjusted for the change in CPI. Investment income decreased even more from FY 2010 as interest rates continued to fall.

Total expenses decreased $5.9 million or 10.5% during FYE 2010. Operating expenses in Sewer and Water decreased $5.8 million and $0.4 million, respectively. $4.3 million of the reduction in Sewer operating expenses was due to a reduction in the payments made to Livermore Amador Valley Water Management Agency (LAVWMA), a joint powers authority of which the District is a participant. LAVWMA used funds it had in reserve for debt payments thus reducing the amount required from each participant. The balance of the reduced operating expenses in Sewer and in Water is primarily in Personnel costs as the District reduced and furloughed staff in FYE 2010 in order to cut operating expenses.

Capital Assets and Debt

Changes in District-wide capital assets and accumulated depreciation are as follows:

	Balance at 06/30/09	Additions	Transfers	Balance at 06/30/10
Capital assets being depreciated:				
Land Improvements	$ 6,474,462	$ -	$ 1,701,723	$ 8,176,185
Buildings	118,135,316	44,577	11,655,995	129,835,888
Equipment	60,094,618	252,400	6,849,438	67,196,456
Sub-surface lines	108,305,142	6,982,084	5,923,255	121,210,481
Total capital assets being depreciated:	293,009,538	7,279,061	26,130,411	326,419,010
Less:				
Improvements	(2,424,444)	(362,869)		(2,787,313)
Buildings	(20,123,195)	(2,573,886)		(22,697,081)
Equipment	(22,914,932)	(2,379,353)		(25,294,285)
Sub-surface lines	(25,110,805)	(2,446,508)		(27,557,313)
Total accumulated depreciation	(70,573,376)	(7,762,616)	-	(78,335,992)
Net capital assets being depreciated	$222,436,162	$ (483,555)	$26,130,411	$248,083,018
Capital assets not being depreciated:				
Land	7,037,864	-	675,081	7,712,945
Construction in progress	32,620,497	3,207,166	(26,805,492)	9,022,171
Total capital assets, net	$262,094,523	$2,723,611	$ -	$264,818,134

In addition to Operations, Maintenance & Replacement (OM&R), the District also maintains an ongoing capital improvement program (CIP). The CIP 10-Year Plan (Plan) is a document that reflects the District's capital infrastructure needs for the next ten years. The Plan is updated every two years in advance of the preparation of the Two-Year CIP Budget.

The District spends a great deal on capital asset acquisition and capital projects to support growth in its service area. For FYE 2010 the District purchased, had contributed, or constructed the following assets:

Wastewater treatment plant maintenance building	$10,841,056
Contributed sub-surface lines	6,982,084
Water main and water system improvements	4,538,929
Pump Station 300B	3,386,732
Pump Station and Reservoir 4A	3,271,635
Wastewater treatment plant improvements	2,719,599
Alamo Creek truck sewer line improvements	1,058,032
Improvement to facilities security	977,972
Operations equipment, vehicles and office equipment	308,514
	$34,084,553

For FYE 2010 the District had the following activity in construction in progress:

Additions to Construction in Progress	
Water Main Improvements	$ 831,313
Wastewater treatment plant - Anaerobic Digester improvements	796,159
Wastewater treatment plant maintenance building	617,399
Wastewater treatment plant - Emergency Power system	422,443
Improvements to District facilities	170,986
Water and Recycled water system improvements	139,392
Cogeneration Engines Conversion	135,051
Wastewater treatment plant improvements	94,423
	$ 3,207,166

The changes in long-term debt are as follows:

Debt Payable	Balance at 6/30/2009	Additions	Principal Payments	Balance at 6/30/2010
1997 Revenue Bonds	$ 1,280,000		$ 1,280,000	$ -
2000 Series COPs/ Bank Certificates	21,253,500		21,253,500	-
Bank Note	-	$ 18,486,000	765,543	17,720,457
WateReuse Program	12,895,000		505,000	12,390,000
	$ 35,428,500	$ 18,486,000	$ 23,804,043	$ 30,110,457

In 2000 the District issued $55 million in Certificates of Participation (COPs) for the expansion of the District's Regional Sewer Treatment facility. The debt's initial termination date was 2035. Early repayments of the outstanding debt reduced the outstanding balance at FYE 2009 to $21.3 million. Due to complications caused by the insurance and financial market collapse it became necessary to convert the debt to five-year Bank Bonds with JP Morgan Chase Bank. On September 1, 2009, the District refinanced the 1997 Refunding Revenue bonds and the 2000 COPs/Bank Certificates into one refunding note for $18.5 million at a fixed rate of 4.38%. In FYE 2010 the total principal repaid was $23.8 million, resulting in a net decrease of $5.3 million in outstanding debt.

Financial Statement Note 7 - Long Term Debt provides additional information on debt activity.

Rates and Other Economic Factors

The District is not subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions such as sales taxes. Accordingly, the District sets its rates to cover the costs of OM&R and debt-financed capital improvements.

Contacting the District

This financial report is designed to provide our customers, investors and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the Financial Services Department at 7051 Dublin Blvd., Dublin, California 94568.

DUBLIN SAN RAMON SERVICES DISTRICT
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2009

	2010			
	Sewer	Water	Totals	2009
ASSETS				
Current assets:				
Pooled cash	$7,495,958	$2,081,743	$9,577,701	$6,304,670
Pooled investments	43,351,329	13,309,686	56,661,015	56,411,432
Restricted investments	531	1,370,282	1,370,813	3,782,475
Accounts receivable	3,227,417	4,305,592	7,533,009	7,195,560
Receivable from Water Fund	217,513		217,513	
Interest receivable	56,531	17,284	73,815	149,133
Employee notes receivable	14,056		14,056	40,068
Deferred connection fees receivable	519,414		519,414	615,386
Prepaid expenses				416
Total current assets	54,882,749	21,084,587	75,967,336	74,499,140
Non-current assets:				
Capital assets:				
Property, plant and equipment	186,798,154	139,620,856	326,419,010	300,047,402
Less accumulated depreciation	51,938,774	26,397,218	78,335,992	70,573,376
Net property, plant and equipment	134,859,380	113,223,638	248,083,018	229,474,026
Land and construction in progress	7,377,795	9,357,321	16,735,116	32,620,497
	142,237,175	122,580,959	264,818,134	262,094,523
Other assets:				
Receivable from Water Fund	1,000,867		1,000,867	
Net OPEB asset	6,604,315	968,573	7,572,888	7,747,798
Deferred charges	130,005	178,656	308,661	934,536
Deferred connections receivable - long term	2,611,535		2,611,535	3,290,244
Total other assets	10,346,722	1,147,229	11,493,951	11,972,578
Total non-current assets	152,583,897	123,728,188	276,312,085	274,067,101
Total assets	$207,466,646	$144,812,775	$352,279,421	$348,566,241

DUBLIN SAN RAMON SERVICES DISTRICT
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2009

	2010			
	Sewer	Water	Totals	2009
LIABILITIES				
Current liabilities:				
Accounts payable	1,165,798	$2,616,389	$3,782,187	$6,494,972
Contractor bonds and deposits	385,358	376,644	762,002	902,031
Accrued expenses	171,765		171,765	2,996
Accrued compensated absences	704,440	368,568	1,073,008	888,920
Interest payable	258,719	24,427	283,146	97,003
Due to Sewer Fund		217,513	217,513	
Current portion of long-term debt	1,540,822	520,000	2,060,822	5,433,000
Deferred revenue and other liabilities	991,003		991,003	1,098,036
Total current liabilities	5,217,905	4,123,541	9,341,446	14,916,958
Long term liabilities:				
Long-term debt				
less current portion	16,179,635	11,870,000	28,049,635	29,995,500
Payable to Sewer Fund		1,000,867	1,000,867	
Arbitrage payable		61,710	61,710	61,710
DLD remediation payable	620,000		620,000	620,000
Deferred revenue	2,611,535	7,961,768	10,573,303	10,829,729
Total long term liabilities	19,411,170	20,894,345	40,305,515	41,506,939
Total liabilities	24,629,075	25,017,886	49,646,961	56,423,897
NET ASSETS				
Invested in capital assets, net of related debt	124,516,718	110,190,959	234,707,677	227,411,394
Restricted for:				
Expansion	20,157,163		20,157,163	21,073,064
Debt service		1,308,572	1,308,572	3,538,390
Assessment district		727,323	727,323	512,667
Unrestricted	38,163,690	7,568,035	45,731,725	39,606,829
Total net assets	$182,837,571	$119,794,889	$302,632,460	$292,142,344

See accompanying notes to basic financial statements

DUBLIN SAN RAMON SERVICES DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	2010			
	Sewer	Water	Total	2009
OPERATING REVENUES				
Wastewater service charges	$16,408,731		$16,408,731	$16,041,196
Water sales		$19,611,829	19,611,829	14,175,310
Other revenues	2,969,803	3,708,310	6,678,113	8,202,197
Total operating revenues	19,378,534	23,320,139	42,698,673	38,418,703
OPERATING EXPENSES				
Personnel	9,521,255	5,848,506	15,369,761	17,081,847
Materials	1,930,961	8,620,320	10,551,281	10,581,411
Contractual services	7,902,267	6,082,862	13,985,129	18,900,769
Other	108,227	76,648	184,875	181,155
Depreciation	4,560,216	3,202,400	7,762,616	7,225,032
Total operating expenses	24,022,926	23,830,736	47,853,662	53,970,214
OPERATING (LOSS)	(4,644,392)	(510,597)	(5,154,989)	(15,551,511)
NONOPERATING REVENUES (EXPENSE)				
Investment income	301,078	107,293	408,371	1,767,344
Interest expense	(1,684,269)	(426,216)	(2,110,485)	(1,853,332)
Gain (Loss) on disposal of capital assets	(5,225)	(2,724)	(7,949)	117
Total non-operating revenues (expense), net	(1,388,416)	(321,647)	(1,710,063)	(85,871)
LOSS BEFORE CONTRIBUTIONS	(6,032,808)	(832,244)	(6,865,052)	(15,637,382)
Non-cash contributions	1,010,920	5,971,164	6,982,084	6,695,327
Capital contributions - connection fees	7,302,104	3,070,980	10,373,084	2,381,361
Changes in net assets	2,280,216	8,209,900	10,490,116	(6,560,694)
TOTAL NET ASSETS, BEGINNING OF YEAR	180,557,355	111,584,989	292,142,344	298,703,038
TOTAL NET ASSETS, END OF YEAR	$182,837,571	$119,794,889	$302,632,460	$292,142,344

See accompanying notes to basic financial statements

DUBLIN SAN RAMON SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE
FOR THE YEAR ENDED JUNE 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	2010			
	Sewer	Water	Total	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers, users and joint powers authorities	$19,689,657	$22,671,983	$42,361,640	$38,949,910
Payments for services and supplies	(10,835,266)	(16,570,064)	(27,405,330)	(29,681,886)
Payments to or on behalf of employees	(9,217,767)	(5,766,984)	(14,984,751)	(16,726,944)
Net Cash Provided (Used) by Operating Activities	(363,376)	334,935	(28,441)	(7,458,920)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to other funds		1,218,380	1,218,380	
Due from other funds	(1,218,380)		(1,218,380)	
Net Cash Used in Noncapital Financing Activities	(1,218,380)	1,218,380		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from long-term debt	18,486,000		18,486,000	
Issuance costs paid on long-term debt	(130,505)		(130,505)	
Principal paid on long-term debt	(23,299,043)	(505,000)	(23,804,043)	(3,046,500)
Interest paid on long-term debt	(776,682)	(391,280)	(1,167,962)	(1,911,028)
Acquisition and construction of capital assets	(2,295,345)	(1,216,747)	(3,512,092)	(17,252,785)
Connection fees collected	7,291,043	3,493,263	10,784,306	3,103,392
Net Cash (Used) for Financing Activities	(724,532)	1,380,236	655,704	(19,106,921)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	319,533	108,627	428,160	2,113,005
Purchase of U.S. government securities	(3,830,000)	(1,170,000)	(5,000,000)	
Redemptions of U.S. government securities	3,403,713	(2,403,713)	1,000,000	28,325,331
Proceeds (Purchase) of other investments	1,873,673	537,989	2,411,662	(549,706)
Proceeds (Purchase) of LAIF investments	2,915,354	890,592	3,805,946	(992,678)
Net Cash Provided by Investing Activities	4,682,273	(2,036,505)	2,645,768	28,895,952
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,375,985	897,046	3,273,031	2,330,111
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,119,973	1,184,697	6,304,670	3,974,559
CASH AND CASH EQUIVALENTS, END OF YEAR	$7,495,958	$2,081,743	$9,577,701	$6,304,670
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating (loss)	($4,644,392)	($510,597)	($5,154,989)	($15,551,511)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	4,560,216	3,202,400	7,762,616	7,225,032
(Increase) decrease in accounts receivable	310,860	(648,309)	(337,449)	499,103
(Increase) decrease in employees notes receivable	26,012		26,012	(4,882)
(Increase) decrease in prepaid expenses	263	153	416	32,104
(Increase) decrease in net OPEB asset	152,540	22,370	174,910	188,777
Increase (decrease) in accounts payable	(1,007,855)	(1,704,930)	(2,712,785)	652,357
Increase (decrease) in arbitrage payable				5,339
Increase (decrease) in contractor bonds and deposits payable	(54,725)	(85,304)	(140,029)	(605,700)
Increase (decrease) in accrued expenses	168,769		168,769	(70,547)
Increase (decrease) in compensated absences	124,936	59,152	184,088	171,008
Total adjustments	4,281,016	845,532	5,126,548	8,092,591
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	($363,376)	$334,935	($28,441)	($7,458,920)
NON CASH TRANSACTIONS:				
Fair market value adjustment (decrease) increase	$42,535	$12,994	$55,529	($218,553)
Contributed assets	1,010,920	5,971,164	6,982,084	6,695,327

See accompanying notes to basic financial statements

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NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

Dublin San Ramon Services District (the District) is organized under the Community Services District Act provisions of the general laws of the State of California and is governed by a five-member Board of Directors. The District, which was established in 1953 and became active in 1960, provides water, recycled water and wastewater collection and treatment services. The District's jurisdiction is approximately 26 square miles in the counties of Alameda and Contra Costa, California.

B. Basis of Accounting

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs and expenses, including depreciation, and providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net assets, and under the full accrual basis of accounting all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

A Major Fund is a fund whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all funds.

The District reports the following major Proprietary Funds:

Water Enterprise – This enterprise accounts for the operation, maintenance and capital improvement projects of the water system, which is funded by user charges and other fees.

Sewer Enterprise – This enterprise accounts for the operation, maintenance and capital improvement projects of the sewer system which are funded by user charges and other fees.

The District applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB) as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. Measurement Focus

Enterprise funds are accounted for on a cost of services or *economic resources* measurement focus, which means that all assets and all liabilities associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria prescribed by Generally Accepted Accounting Principals (GAAP). As required by GAAP, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is interpreted to mean appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that there is a financial benefit or burden on the primary government.

In evaluating the financial reporting entity for purpose of preparing the basic financial statements, the District has determined it is financially accountable for the DSRSD Financing Corporation. The Corporation is included as a blended component unit in these basic financial statements.

E. Capital Assets

Capital assets, which include property, plant, and equipment are recorded at historical costs or estimated historical cost, if actual cost is not available. Contributed assets are recorded at estimated fair value on the date of contribution.

The District defines capital assets as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of one year.

Depreciation is computed by the straight-line method based on the estimated useful lives of related asset classifications. The District has assigned the useful lives listed below to capital assets:

Land Improvements	15-25 years
Buildings	10-50 years
Equipment	5-25 years
Sub-surface lines	25-50 years

F. Cash Flows Defined

For purpose of the statements of cash flows the District defines cash and cash equivalents to include all cash in deposit accounts and cash on hand but does not include cash held in escrow for restricted purposes.

G. Accounts Receivable

The District bills its water consumption and sewer usage on a cycle billing method. Cycle billing results in an amount of services rendered but not yet billed at year-end. The District has recorded this revenue by estimating the unbilled amount. The estimate was calculated by using the billing subsequent to the balance sheet date (June 30) and calculating the amount of service provided prior to June 30. This calculated amount is included in accounts receivable.

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accrued Compensated Absences

The liability for vested vacation pay is calculated and accrued on an annual basis. The amount is computed using current employee accumulated leave hours (excluding sick leave which does not vest) at current pay rates.

	Business Type Activities		
	Sewer	Water	Total
Summary of Activity:			
Beginning Balance	$579,504	$309,416	$888,920
Additions	766,855	363,074	1,129,929
Payments	(641,919)	(303,922)	(945,841)
Ending Balance - Due within one year	$704,440	$368,568	$1,073,008

NOTE #2 - CASH AND INVESTMENTS

A. Policies

California Law generally 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. As of June 30, 2010, the District's cash in bank was insured or collateralized as discussed above.

The District invests 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 employs the Trust Department of a bank as the custodian of certain District managed investments, regardless of their form.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

NOTE #2 – CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or Agency agreements.

Cash and cash equivalents	$9,577,701
Investments	56,661,015
Restricted investments	1,370,813
Total Cash and investments	$67,609,529

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Repurchase Agreements	1 Year	None
California Local Agency Investment Fund	Upon Demand	None
U.S. Treasury Obligations	5 Years	None
U.S. Agency Securities	5 Years	None
Insured or Collateralized Deposits with Banks, Savings and	Upon Demand	None
California Asset Management Program	Upon Demand	None
Local Agency Bonds	5 Years	1 of the 2 Highest Rating Categories
Medium Term Notes	5 Years	A
Commercial Paper	180 Days	A

With the exception of U.S. Treasury securities, U.S. Government Agency sponsored obligations, the California Asset Management Program (CAMP) and the Local Agency Investment Fund (LAIF), no more than 50% of the District's total investment portfolio will be invested in a single security type or with a single institution.

The District does not enter into reverse repurchase agreements.

NOTE #2 – CASH AND INVESTMENTS (Continued)

D. 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	Maximum Maturity	Minimum Credit Quality
U.S Agency Securities	5 years	Aaa
Bankers' Acceptances	360 days	P-1
Commercial Paper	270 days	P-1
Money Market Mutual Funds	N/A	AAAm
California Local Agency Investment Fund	N/A	None
Pre-Funded Municipal Obligations	N/A	AAA
Repurchase Agreements	30 days	A

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

E. Interest Rate Risk

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

NOTE #2 – CASH AND INVESTMENTS (Continued)

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

Investment Type	12 Months or less	More than 12 Months	Total
U.S. Agency Securities			
Callable	$1,009,380		$1,009,380
Non-Callable		$3,015,730	3,015,730
California Local Agency Investment Fund	50,082,189		50,082,189
California Asset Management Program	2,553,716		2,553,716
Total Unrestricted Investments	53,645,285	3,015,730	56,661,015
WestLB Guarantee Investment Contract		1,170,573	1,170,573
Money Market Funds	200,240		200,240
Total Restricted Investments	200,240	1,170,573	1,370,813
Total Investments	$53,845,525	$4,186,303	$58,031,828

The District is a voluntary participant 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. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2010, the fair value approximated is the District's cost. At June 30, 2010, these investments have an average maturity of 37 days.

NOTE #2 - CASH AND INVESTMENTS (Continued)

Money market funds are available for withdrawal on demand and at June 30, 2010, matured in an average of 32 days.

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 rating organization. Presented below is the actual rating as of June 30, 2010 for each investment type as provided by Standard and Poor's.

Investment Type	AAA	AA-	Total
U.S. Agency Securities			
Callable	$1,009,380		$1,009,380
Non-Callable	3,015,730		3,015,730
California Asset Management Program	2,553,716		2,553,716
Not rated:			
California Local Agency Investment Fund			50,082,189
Total Unrestricted Investments			56,661,015
WestLB Guarantee Investment Contract		$1,170,573	1,170,573
Money Market Funds	200,240		200,240
Total Restricted Investments			1,370,813
Total Investments			$58,031,828

NOTE #3 – RESTRICTED ASSETS AND RESTRICTED NET ASSETS

A. Restricted Assets

The Board is restricted by resolution in allocating connection fee revenues to the expansion of the District facilities and to certain related costs and may exercise discretion only in selecting among competing capital projects and activities.

Balances of restricted assets described above as of June 30, 2010 and 2009 are as follows:

Legally restricted funds	2010	2009
1997 Refunding Revenue Bonds		$272,306
2000 Sewer COPs / Bank Certificates	$531	1,601,898
WateReuse Installment Purchase Contracts	1,370,282	1,389,680
Contractor Retentions		518,591
Total legally restricted funds	$1,370,813	$3,782,475

NOTE #3 – RESTRICTED ASSETS AND RESTRICTED NET ASSETS (continued)

B. Restricted Net Assets

The District has restricted its net assets for capital expansion, asset replacement and other purposes in the amounts set forth below:

Capital expansion	2010	2009
Local sewer expansion	$1,745,468	$1,405,396
Regional sewer expansion	18,411,695	19,667,668
	20,157,163	21,073,064
Debt Service		
2000 Sewer COPs / Bank Certificates		1,510,188
1997 Bonds		267,013
WateReuse Bonds	1,308,572	1,761,189
	1,308,572	3,538,390
Assessment District		
Dougherty Valley Assessment District	727,323	512,667
	727,323	512,667
Total restrictions on net assets	$22,193,058	$25,124,121

NOTE #4 – CAPITAL ASSETS

Changes in capital assets accounts are summarized below:

	Balance at June 30, 2009	Additions	Transfers	Balance at June 30, 2010
Capital assets being depreciated:				
Improvements	$6,474,462		$1,701,723	$8,176,185
Buildings	118,135,316	$44,577	11,655,995	129,835,888
Equipment	60,094,618	252,400	6,849,438	67,196,456
Sub-surface lines	108,305,142	6,982,084	5,923,255	121,210,481
Total capital assets being depreciated:	293,009,538	7,279,061	26,130,411	326,419,010
Less accumulated depreciation for:				
Improvements	(2,424,444)	(362,869)		(2,787,313)
Buildings	(20,123,195)	(2,573,886)		(22,697,081)
Equipment	(22,914,932)	(2,379,353)		(25,294,285)
Sub-surface lines	(25,110,805)	(2,446,508)		(27,557,313)
Total accumulated depreciation	(70,573,376)	(7,762,616)		(78,335,992)
Net capital assets being depreciated	222,436,162	(483,555)	26,130,411	248,083,018
Capital assets not being depreciated:				
Land	7,037,864		675,081	7,712,945
Construction in progress	32,620,497	3,207,166	(26,805,492)	9,022,171
Total capital assets not being depreciated	39,658,361	3,207,166	(26,130,411)	16,735,116
Total capital assets, net	$262,094,523	$2,723,611		$264,818,134

The District had outstanding construction commitments on capital projects totaling $652,493 at June 30, 2010.

NOTE #5 – DEFERRED CONNECTION FEES RECEIVABLE

In fiscal year ended June 30, 1997, the District implemented a deferred payment program for regional sewer connection fees as a means to attract new business to the area. The program was modified in subsequent years and is now designed for commercial and affordable housing regional sewer connection fees between $25,000 and $100,000 and new loans bear an interest rate of 5%.

Customers make a twenty percent down payment and enter into an agreement with the District to pay the balance over a maximum of ten years. The connection fee revenue is recognized as it is received. The portions outstanding are recorded as deferred connection fees receivable, which amounted to $3,130,949 at June 30, 2010.

NOTE #6 – JOINT POWERS AUTHORITIES

A. LAVWMA

The District is one of three participants in the Livermore Amador Valley Water Management Agency (LAVWMA), a joint powers authority formed in 1974, which constructed and operates an export pumping facility through which all wastewater in the area is discharged. The other two participants are the Cities of Livermore and Pleasanton, each also having a one-third representation in LAVWMA's Board of Directors, composed of two representatives from each participating agency. The LAVWMA's Board of Directors approves LAVWMA's annual budget, which is prepared by LAVWMA's general manager. The Agency charges its members for project costs in proportion to their rights to the Agency's capacity.

The District contracts with the City of Pleasanton ("City") to provide wastewater treatment and disposal. The District establishes user charges for these wastewater services. The City then establishes those same charges in its service area and remits the charges they collect to the District on a monthly basis. A portion of the user charge is for the services provided by LAVWMA. LAVWMA bills the District for both the District's and Pleasanton's share of these costs (which includes both operations and debt service). Financial statements for the Authority may be obtained from LAVWMA, 623 West Myrick Court, Clayton, California 94517.

LAVWMA has $128,015,000 in outstanding debt at June 30, 2010. The District is obligated to pay debt service totaling $92,350,021 or $6.9 million per year.

The total debt service represents both the District's share and the City of Pleasanton's share based upon a contractual agreement whereby the City collects rates and fees and remits them to the District.

B. DERWA

The District is also a participant (along with East Bay Municipal Utility District) in the DSRSD/EBMUD Recycled Water Authority (DERWA), a joint powers authority formed in 1995 to plan, design, construct, own and operate various facilities which together will maximize the volume of recycled water deliveries while recovering its costs. Each member provides two representatives to DERWA's Board of Directors which approves the annual budget prepared by DERWA's treasurer. The Authority began its operations on June 28, 1995.

DERWA constructed a water recycling system, including treatment, conveyance, pumping and storage facilities which became operational on February 1, 2006. Operation and maintenance expenses are allocated based on each member's actual usage. Capital costs, including debt service, will be allocated based on each member's proportional share of capital assets.

Financial statements may be obtained from DERWA, P.O. Box 24055 Oakland, California 94623.

DERWA has outstanding state loans totaling $20,810,648 as well as commercial paper issuances of $46 million. The District's share of the total debt is 52.4% or $35 million. The letter of credit supporting the commercial paper will be expiring in May 2011 and each of the parties will assume individual responsibility for their share of the debt.

NOTE #7 – LONG-TERM DEBT

	Original Issue Amount	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Amount due within one year
1997 Revenue Refunding Bonds						
4.40%-5.01%, paid 11/01/2009	$5,025,000	$1,280,000		$1,280,000		
2000 Series COPs / Bank Certificates						
variable rate, paid 11/01/2009	55,000,000	21,253,500		21,253,500		
WateReuse Program						
variable rate, due 05/01/2028	16,415,000	12,895,000		505,000	$12,390,000	$520,000
2009 Refunding Loan						
4.38%, due 09/01/2019	18,486,000		$18,486,000	765,543	17,720,457	1,540,822
Total Long-Term Debt		$35,428,500	$18,486,000	$23,804,043	$30,110,457	$2,060,822

A. Refunding Revenue Bonds

On December 11, 1997, the District issued $5,025,000 of 1997 Refunding Revenue Bonds. These bonds were payable from available Net Revenues of the water and waste water enterprises. Proceeds of the issuance were used to refund and retire the 1990 Certificates of Participation issued by the DSRSD Financing Corporation, to provide a reserve fund and to pay costs of issuance. Interest rates ranged from 4% to 5%. These bonds were retired on November 1, 2009.

B. Certificates of Participation 2000 Series

On August 2, 2000, $55,000,000 principal amount of 2000 Variable Rate Demand Certificates of Participation (2000 COPs) were issued through the DSRSD Financing Corporation to finance the expansion of and improvements to the DSRSD Wastewater Treatment Plant. The 2000 COPs were payable from Available Net Revenues of the District's Sewer enterprise, exclusive of regional connection fees. These 2000 COPs were refunded by the issuance of the 2009 Refunding Note on September 1, 2009 and were retired on November 1, 2009.

C. WateReuse Variable Rate Financing Program

The District entered into an Installment Purchase Contract as of November 1, 2000 in the amount of $9,050,000 to finance the acquisition, installment and construction of two reservoir projects, a pump station, a water line and related improvements. A second Installment Purchase Contract was entered into on May 1, 2001 in the amount of $7,365,000 to finance the acquisition, installation and construction of a water tank, a pump station, a water line, a recycled water main and related improvements. Proceeds from both contracts were also utilized to establish a Reserve Fund and to pay costs of issuance. The Purchase Contracts bears interest rate at the Bank of New York Western Trust Company's Weekly Rate, and is payable monthly. The interest rate as of June 30, 2010 was 2.78%. Both issuances mature through 2028 with principal amounts due May 1.

NOTE #7 – LONG-TERM DEBT (continued)

Both issuances are payable from a pledge of fees, charges and other amounts received from the available Net Revenue of the water enterprise. The pledge of future Water Fund Revenues ends upon repayment of the $16.0 million in remaining debt service on the bonds that is scheduled to occur in 2028. Pursuant to its installment contracts, the District is required to set rates to achieve coverage of 1.1 times debt service. The computation of the Net Revenue and coverage amount is presented below.

Operating Revenue	$23,320,139
Non-operating Investment Income	107,293
Connection Revenue	3,070,980
Deduct: Dougherty Valley Assessment District	(906,495)
Total Available Revenue	25,591,917
Operating Expenses	(23,830,736)
Add back:	
Depreciation	3,202,400
Dougherty Valley Assessment District	691,839
Total Expense	(19,936,497)
Net Available Revenue	$5,655,420
Rate Covenant Debt Service	$931,216
Coverage on Rate Covenant Debt Service	6.07

The District is required to maintain a Reserve Fund for both of these contracts in an amount equal to the maximum annual debt service. The Reserve Fund was initially funded from the proceeds of the Installment Purchase Contracts in an amount equal to the Reservation Fund to pay principal and interest then due, the Trustee is required to transfer so much of the Reserve Fund as is necessary to make such payment. Any monies on deposit in excess of the Reserve Requirement will be transferred to the Reservation Fund.

D. Variable Rate Debt

The District has one debt issue with a variable interest rate. The debt is subject to purchase on the demand of the holder at a price equal to principal plus accrued interest and delivery to the District's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. Under a Stand-By Purchase Agreement expiring June 24, 2015 issued by a bank for the variable rate debt issue, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of debt delivered to it. The District was required to pay to the Bank an initial take out agreement fee and is also required to pay an annual commitment fee. The District paid an annual fee of $34,050 to the bank during fiscal 2009-10.

NOTE #7 – LONG-TERM DEBT (continued)

E. 2009 Refunding Note

The District entered into a Refunding Note with Bank of America, N.A., on September 1, 2009, for the purpose of refinancing the District's 2000 Series COPs/Bank Certificates. The Note amount totals $18,486,000 with a stated interest rate of 4.38% per annum. Principal payments are due semi-annually beginning in March 1, 2010 through September 1, 2019.

Debt service on the Note plus the District's contribution toward debt service due on debt issued by LAVWMA (see Note 6) are payable from draws from a Rate Stabilization Fund (Regional Expansion fund). At the end of each fiscal year, if the balance in the District's Regional Expansion fund is in excess of two times maximum annual debt service on the 2009 Refunding Note and the District's contribution toward LAVWMA's debt, then the total amount paid from that fund towards debt service is considered a draw from reserves. Debt service not covered from the draw is included in Rate Covenant Debt Service subject to a coverage requirement. During fiscal 2009-10, debt service on the Note 2009 Refunding Note and the District's contribution toward LAVWMA debt amounted to $3,933,017 and $2,860,076, respectively. Of the total $6,793,093, $6,097,684 was payable from the draw with the remaining $695,409 subject to the coverage calculation.

The following calculation demonstrates that the District's coverage on rate covenant debt service is 8.75, well in excess of the 1.10 coverage requirement.

Gross Revenues	$26,981,716
Deduct: Regional Expansion Connection Revenues	(5,717,414)
Total Available Revenue	21,264,302
Sewer Operating Expenses	24,022,926
Deduct: Regional Expansion Costs	
Debt Payments to LAVWMA	(2,860,076)
Other Operating Costs	(1,422,733)
Deduct: Depreciation	(4,560,216)
Operations & Maintenance (O&M) Costs	15,179,901
Net Available Revenue	$6,084,401
Rate Covenant Debt Service	$695,409
Coverage on Rate Covenant Debt Service	8.75

NOTE #7 – LONG-TERM DEBT (continued)

F. Segment Reporting

The Regional Expansion fund represents a segment reported within the Sewer Enterprise Fund that has debt outstanding, with the revenue stream pledge discussed above. In addition, the Regional Expansion fund's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. Condensed financial information for this segment is presented below:

	Regional Sewer Expansion
Condensed Statement of Net Assets	
Assets:	
Current	$18,728,368
Capital	2,915,728
Other non current	3,353,670
Total assets	24,997,766
Liabilities:	
Current liabilities	2,341,442
Long term liabilities	18,791,170
Total liabilities	21,132,612
Net assets:	
Invested in capital assets, net of related debt	(14,804,729)
Restricted	18,669,883
Total net assets	$3,865,154
Condensed Statement of Revenues, Expenses and Changes in Net Assets	
Operating revenue	$788,223
Operating expenses	3,197,254
Operating loss	(2,409,031)
Nonoperating revenues (expenses):	
Interest income	103,217
Interest expense	(1,684,269)
Capital contributions - connection fees	5,717,414
Transfers out	(4,860,997)
Change in net assets	(3,133,666)
Beginning net assets	6,998,820
Ending net assets	$3,865,154
Condensed Statement of Cash Flows	
Net cash provided (used) by:	
Operating activities	($2,708,033)
Noncapital financing activities	(434,645)
Capital financing activities	(747,976)
Investing activities	4,662,875
Net cash flows	772,221
Beginning cash and cash equivalents	1,976,206
Ending cash and cash equivalents	$2,748,427

NOTE #7 – LONG-TERM DEBT (continued)

G. Repayment Schedule

Shown below are maturities for the District's debt issues,

For The Year Ending June 30	Principal	Interest	Total
2011	$2,060,822	$1,103,909	$3,164,731
2012	2,144,049	1,021,226	3,165,275
2013	2,235,296	935,105	3,170,401
2014	2,324,700	845,272	3,169,972
2015	2,422,397	751,729	3,174,126
2016-2020	12,543,193	2,210,841	14,754,034
2021-2025	3,795,000	682,073	4,477,073
2026-2028	2,585,000	145,255	2,730,255
Total payments due	$30,110,457	$7,695,410	$37,805,867

H. Subsequent Events

The District anticipates completing a full refunding of both the DERWA Commercial Paper and the WateReuse Bonds into a fixed rate bond to be issued in early 2011.

NOTE #8 – INTERFUND TRANSACTIONS

Prior to June 2005, the District allocated a fixed portion of connection fees collected toward general administrative costs. In June 2005, the District adopted the practice of transferring a certain percentage of budgeted connection fees toward general administrative costs as part of its plan to phase out this practice over six years while minimizing the impacts to its rates and fees. Transferring the budgeted rather than actual amounts resulted in some funds paying too much and others paying too little toward administrative costs. Therefore, the District has recorded an interfund payable/receivable between the various funds to repay the amounts over the next six years.

NOTE #9 – DEFERRED REVENUE AND OTHER LIABILITIES

Deferred revenue and other liabilities for the year ended June 30, 2010 totaled $11,564,306.

As of June 30, 2010, the Water Fund recorded $7,961,768 from developers for future connection fee credits. Currently, use of these credits is suspended. When utilized in the future, 50% of the cost of the current connection fee will be paid for with the credit and the revenue will be recorded at that time.

As of June 30, 2010, the Sewer Fund recorded $3,602,538 from developers for future connection fee credits. Currently, use of these credits is suspended. When utilized in the future, 100% of the cost of the current connection fee will be paid for with the credit and the revenue will be recorded at that time.

Sewer Fund Deferred revenue for the Deferred Connection Fee Program was also recorded in the amount of $3,130,949 (see Note 5). The current portion of this balance at June 30, 2010 is $519,414.

NOTE #10 – PENSION PLAN

A. Plan Description

The District's defined benefit pension plan, (Miscellaneous Plan), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

Active plan members in the Miscellaneous Plan are required to contribute 8% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

On November 16, 2004, the Board of Directors approved a resolution authorizing an amendment to the contract between PERS and the Dublin San Ramon Services District. Prior to the amendment, the Retirement Plan formula was 2.0% at 55. The new formula of 2.7% at 55 formula provides local miscellaneous members 2.7% of pay at age 55 for each year of service credited with the employer. If retirement is earlier than 55, the percentage of final compensation decreases for each quarter of age to 2% at age 50. Former DSRSD employees' service credit will not be affected by this change and the change became effective in November 2004.

The District has agreed to a cost sharing with employees to implement the new retirement formula. The increased cost on an annual basis to implement the program is approximately 7% and is spread over the next 20 years, which is the period over which PERS allows an agency to satisfy the increased liability. The cost sharing was negotiated with all employee bargaining groups and continues the employer-employee partnership of jointly funding retirement benefits.

C. Annual Pension Cost

For fiscal year 2009-2010, the District's annual pension cost was $1,507,344 and was equal to the District's required and actual contributions. The required contribution for fiscal year 2009-2010 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of Miscellaneous Plan's assets was determined using a technique that smoothes the affect 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. Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

NOTE #10 – PENSION PLAN (continued)

D. Funded Status of Plan

As required by State law, effective July 1, 2005, the District's Miscellaneous Plan was terminated, and the employees in this plan were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the District true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The District satisfied its Miscellaneous Plan's unfunded liability of $5,177,640 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 11 years.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	$1,507,344	100%	-
6/30/2009	1,469,162	100%	-
6/30/2008	1,261,197	100%	-

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

E. Three Year Trend Information for Miscellaneous Plan Cost Sharing Pool

CALPERS' latest available actuarial value (which differs from market value) and funding progress for all members of the cost sharing pool are set forth below at their actuarial valuation date of June 30, 2008.

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2006	$1,280,157,040	$1,069,546,974	$210,610,066	83.5%	$304,898,179	69.076%
2007	1,627,025,950	1,362,059,317	264,966,633	83.7%	376,292,121	70.415%
2008	1,823,366,479	1,529,548,799	293,817,680	83.9%	414,859,514	70.823%

According to the June 30, 2008 CALPERS actuarial, the Districts annual covered payroll amounted to $12,711,490 which represented 3.1% of the total pooled annual covered payroll amount of $414,859,514.

NOTE #11 – POST EMPLOYMENT HEALTH CARE BENEFITS

The District provides medical and dental benefits for retired employees and their families under third-party insurance plans. While the District participates in the Cal-PERS medical plan, they are required to pay the same amounts for retiree medical insurance as they do for active employees. The Board sets the benefit amounts by resolution each year for each bargaining group and in accordance with current employee contracts.

Prior to 2004, the District paid these benefits regardless of the employee's length of service. Currently, all new employees are automatically enrolled in a medical vesting program where they are eligible for benefits based upon amounts set by Cal-PERS and length of service. Employees under the vesting program are not eligible to receive any medical benefits without accumulating at least ten years of PERS service with at least five of those years as a DSRSD employee.

As of June 30, 2010, 59 retirees are receiving medical benefits and 58 are receiving dental benefits.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 4% - 7.5% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period.

In accordance with the District's budget, the annual required contribution (ARC) is to be funded through out the year as a percentage of payroll. The District Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of the District Board. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE #11 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. As a result, the District has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented below:

Net OPEB Asset at June 30, 2009	$7,747,798
Annual required contribution (ARC)	852,171
Interest on net OPEB asset	(600,454)
Adjustment to annual required contribution	778,266
Annual OPEB cost	1,029,983
Contributions made:	
Retiree premiums paid by the District	502,973
Contributions to CERBT	352,100
Total contributions	855,073
Change in net OPEB Asset	(174,910)
Net OPEB Asset at June 30, 2010	$7,572,888

The Plan's annual OPEB cost and actual contributions for the prior three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2008	$1,673,504	$9,610,079	574%	$7,936,575
6/30/2009	1,108,453	919,676	83%	7,747,798
6/30/2010	1,029,983	855,073	83%	7,572,888

NOTE #11 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study completed in July 2009 is presented below:

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2007		$11,170,000	$11,170,000	0.00%	$9,376,000	119%
7/1/2009	$7,247,589	12,177,427	4,929,838	59.52%	10,995,921	45%

The District's contributions to the CERBT Trust along with accumulated interest earnings had grown to $8.7 million as of June 30, 2010.

NOTE #12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management District (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 54 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its general, liability, property damage and workers compensation insurance.

CSRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

In addition to the primary insurance types provided for through CSRMA listed above, the District also maintains commercial fidelity bonds, a public employee dishonesty and public official bonds, to protect against employee theft or defalcation. Settled claims for CSRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

NOTE #12 - RISK MANAGEMENT (Continued)

The following is a summary of the insurance policies carried by the District as of June 30, 2010:

Company Name	Type of Coverage	Limits	Deductibles
Ironshore Specialty Insurance Co.	Excess Liability	$10,000,000	none
Public Entity Property Insurance Program	Special form property	145,792,981	$25,000
Beazley Insurance Co.	Public entity physical damage policy	160,225	1,000
Travelers Property and Casualty	Public official bond	100,000	none
Travelers Property and Casualty	Employee dishonesty	100,000	2,500
National Union Fire Insurance Co. Of Pittsburg, PA	Excess workers' compensation	Statutory	none
Pooled Insurance Program			
CSRMA Pooled	Bodily injury and property damage-auto, errors and omissions	15,750,000	100,000
CSRMA Pooled Workers' Compensation	Workers' compensation	750,000	none

Prior to July 1, 1994, the District was self-insured for workers' compensation and will continue to be responsible for any claims existing as of that date.

Claims and judgments, including provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it had retained the risk for the deductible or uninsured portion of these claims.

NOTE #12 - RISK MANAGEMENT (Continued)

The District's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by a third party claims administrator based on prior years claims experience as follows:

	2010	2009
Balance at July 1	$2,996	$73,543
Net change in liability for claims and claims incurred but not reported	413,631	150,421
Claims paid	(244,863)	(220,968)
Balance at June 30	$171,764	$2,996

The District has not exceeded its insurance coverage limits in any of the last three years. The District liability is included in accrued expenses on the financial statements.

NOTE #13 – COMMITMENTS AND CONTINGENT LIABILITIES

The District purchases water from the Alameda County Flood Control and Water Conservation District (Zone 7) under a thirty-year contract, which expires August 23, 2024. Under the terms of the contract, subject to various exceptions, the District is required to purchase all of its water from Zone 7. During fiscal year ended June 30, 2010, the District's water purchases from Zone 7 amounted to $7,745,961.

The District is a defendant in a number of lawsuits, which have arisen in the normal course of business. 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.

The District operates a Dedicated Land Disposal site upon which the District processes biosolids produced by the District's wastewater treatment plant. On August 8, 2007, the San Francisco Bay Regional Water Quality Control Board issued Waste Discharge Requirements, which require the District to perform corrective actions for known and reasonably foreseeable releases from the Dedicated Land Disposal site. At this time, the Regional Board and the District expect that the most likely corrective action, if any is needed, would be related to the potential impact to groundwater quality and resulting closure and post-closure activities. The District prepared an analysis in December 2007 to determine the estimated costs of these corrective actions which comprise drilling two extraction wells and constructing a conveyance pipeline for discharge of potentially impacted ground water into the District's collection system. The Study also included estimated costs of operation, maintenance and monitoring of the above facilities for a ten year period after closure of the site which is expected to occur within thirty to fifty years. Actual closure and post-closure care costs may be higher, lower, or even not required due to inflation variances, changes in technology, or changes in State or Federal regulations.

The present value of these closure and post closure costs, discounted at 5 percent amounted to $620,000 as of June 30, 2010. The District is required by State and federal laws and regulations to make annual funding contributions to finance closure and post-closure care. The District is in compliance with these requirements for the year ended June 30, 2010 with the establishment of the fully-funded liability for this purpose.

SUPPLEMENTARY INFORMATION

DUBLIN SAN RAMON SERVICES DISTRICT
SEWER OPERATIONS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Regional Sewer Total	Local Sewer Total	Allocation	Allocation OPEB Fund	Sewer Total
ASSETS					
Current assets:					
Pooled cash	$5,922,813	$1,658,645	($377,387)	$291,887	$7,495,958
Pooled investments	32,835,718	9,217,336		1,298,275	43,351,329
Restricted investments	531				531
Accounts receivable	2,765,847	198,847	262,723		3,227,417
Receivable from Water Fund	133,030	8,474	76,009		217,513
Interest receivable	43,409	10,550		2,572	56,531
Employee notes receivable	14,056				14,056
Deferred connection fees receivable	519,414				519,414
Total current assets	42,234,818	11,093,852	(38,655)	1,592,734	54,882,749
Non-current assets:					
Capital assets:					
Property, plant and equipment	138,363,599	48,434,555			186,798,154
Less accumulated depreciation	34,663,476	17,275,298			51,938,774
Net property, plant and equipment	103,700,123	31,159,257			134,859,380
Construction in progress	6,304,427	1,073,368			7,377,795
Total capital assets	110,004,550	32,232,625			142,237,175
Other assets:					
Receivable from Water Fund	612,130	38,992	349,745		1,000,867
Deferred charges	130,005				130,005
Net OPEB asset				6,604,315	6,604,315
Deferred connections receivable - long term	2,611,535				2,611,535
Total other assets	3,353,670	38,992	349,745	6,604,315	10,346,722
Total non-current assets	113,358,220	32,271,617	349,745	6,604,315	152,583,897
Total assets	155,593,038	43,365,469	311,090	8,197,049	207,466,646
LIABILITIES					
Current liabilities:					
Accounts payable	1,062,918	26,979	75,901		1,165,798
Contractor bonds and deposits	363,170	22,188			385,358
Accrued expenses	171,765				171,765
Accrued compensated absences	419,907	49,344	235,189		704,440
Interest payable	258,719				258,719
Current portion of long-term debt	1,540,822				1,540,822
Deferred revenue	519,414	471,589			991,003
Total current liabilities	4,336,715	570,100	311,090		4,226,902
Long term liabilities:					
Long-term debt less current portion	16,179,635				16,179,635
DLD remediation payable	620,000				620,000
Unearned revenue	2,611,535				2,611,535
Total long term liabilities	19,411,170				19,411,170
Total liabilities	23,747,885	570,100	311,090		23,638,072
NET ASSETS					
Invested in capital assets, net of related debt	92,284,093	32,232,625			124,516,718
Expansion	18,411,695	1,745,468			20,157,163
Debt service	258,188				258,188
Unrestricted	20,891,177	8,817,276		8,197,049	37,905,502
Total net assets	$131,845,153	$42,795,369		$8,197,049	$182,837,571

DUBLIN SAN RAMON SERVICES DISTRICT
SEWER OPERATIONS
COMBINING STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Sewer Total	Local Sewer Total	Allocation	Allocation OPEB Fund	Eliminations	Sewer Total
OPERATING REVENUES						
Wastewater service charges	$14,602,797	$1,805,934				$16,408,731
Other revenues	1,167,343	460,756	$1,341,704			2,969,803
Total operating revenues	15,770,140	2,266,690	1,341,704			19,378,534
OPERATING EXPENSES						
Personnel	5,591,158	960,290	2,814,737	$155,070		9,521,255
Materials	1,799,904	51,905	79,152			1,930,961
Contractual services	6,870,293	415,148	616,826			7,902,267
Other	66,075	2,538	39,614			108,227
Overhead Charges	1,794,075	414,550	(2,208,625)			
Depreciation	3,512,734	1,047,482				4,560,216
Total operating expenses	19,634,239	2,891,913	1,341,704	155,070		24,022,926
OPERATING INCOME (LOSS)	(3,864,099)	(625,223)		(155,070)		(4,644,392)
NONOPERATING REVENUES (EXPENSE)						
Investment income	224,336	64,123		12,619		301,078
Interest (expense)	(1,684,269)					(1,684,269)
Gain on disposal of capital assets	(4,357)	(868)				(5,225)
Total non-operating revenues (expense), net	(1,464,290)	63,255		12,619		(1,388,416)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,328,389)	(561,968)		(142,451)		(6,032,808)
Non-cash contributions		1,010,920				1,010,920
Capital contributions - connection fees	6,695,099	607,005				7,302,104
Transfers in	1,900,000	2,958,537			(4,858,537)	
Transfers (out)	(1,900,000)	(2,958,537)			4,858,537	
Changes in net assets	1,366,710	1,055,957		(142,451)		2,280,216
TOTAL NET ASSETS, BEGINNING OF YEAR	130,478,443	41,739,412		8,339,500		180,557,355
TOTAL NET ASSETS, END OF YEAR	$131,845,153	$42,795,369		$8,197,049		$182,837,571

DUBLIN SAN RAMON SERVICES DISTRICT
REGIONAL SEWER OPERATIONS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2010

	Regional Sewer Enterprise	Regional Sewer RSF	Regional Sewer Replacement	Regional Sewer Expansion	Total
ASSETS					
Current assets:					
Pooled cash	$939,312	$729,716	$1,505,358	$2,748,427	$5,922,813
Pooled investments	5,170,647	4,050,220	8,355,350	15,259,501	32,835,718
Restricted investments				531	531
Accounts receivable	2,711,318		6,401	48,128	2,765,847
Receivable from Water Fund				133,030	133,030
Interest receivable	6,336	5,972	11,764	19,337	43,409
Employee notes receivable	14,056				14,056
Deferred connection fees receivable				519,414	519,414
Total current assets	8,841,669	4,785,908	9,878,873	18,728,368	42,234,818
Non-current assets:					
Capital assets:					
Property, plant and equipment	138,363,599				138,363,599
Less accumulated depreciation	34,663,476				34,663,476
Net property, plant and equipment	103,700,123				103,700,123
Land and construction in progress	56,014		3,332,685	2,915,728	6,304,427
Total capital assets	103,756,137		3,332,685	2,915,728	110,004,550
Other assets:					
Receivable from Water Fund				612,130	612,130
Deferred charges				130,005	130,005
Deferred connections receivable - long term				2,611,535	2,611,535
Total other assets				3,353,670	3,353,670
Total non-current assets	103,756,137		3,332,685	6,269,398	113,358,220
Total assets	112,597,806	4,785,908	13,211,558	24,997,766	155,593,038
LIABILITIES					
Current liabilities:					
Accounts payable	958,698		84,804	19,416	1,062,918
Contractor bonds and deposits	362,839			331	363,170
Accrued expenses	171,765				171,765
Accrued compensated absences	415,256		1,911	2,740	419,907
Interest Payable				258,719	258,719
Current portion of long-term debt				1,540,822	1,540,822
Deferred revenue				519,414	519,414
Total current liabilities	1,908,558		86,715	2,341,442	4,336,715
Long term liabilities:					
Long-term debt less current portion				16,179,635	16,179,635
DLD remediation payable	620,000				620,000
Deferred revenue				2,611,535	2,611,535
Total long term liabilities	620,000			18,791,170	19,411,170
Total liabilities	2,528,558		86,715	21,132,612	23,747,885
NET ASSETS					
Invested in capital assets, net of related debt	103,756,137		3,332,685	(14,804,729)	92,284,093
Restricted for:					
Expansion				18,411,695	18,411,695
Debt service				258,188	258,188
Unrestricted	6,313,111	4,785,908	9,792,158		20,891,177
Total net assets	$110,069,248	$4,785,908	$13,124,843	$3,865,154	$131,845,153

DUBLIN SAN RAMON SERVICES DISTRICT
REGIONAL SEWER OPERATIONS
COMBINING STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Regional Sewer Enterprise	Regional Sewer RSF	Regional Sewer Replacement	Regional Sewer Expansion	Total
OPERATING REVENUES					
Wastewater service charges	$14,602,797				$14,602,797
Other revenues	379,120			$788,223	1,167,343
Total operating revenues	14,981,917			788,223	15,770,140
OPERATING EXPENSES					
Personnel	5,421,436		$114,850	54,872	5,591,158
Materials	1,774,592		25,179	133	1,799,904
Contractual services	2,849,014		913,234	3,108,045	6,870,293
Other	86,236		(3,360)	(16,801)	66,075
Overhead Charges	1,713,503		29,567	51,005	1,794,075
Depreciation	3,512,734				3,512,734
Total operating expenses	15,357,515		1,079,470	3,197,254	19,634,239
OPERATING INCOME (LOSS)	(375,598)		(1,079,470)	(2,409,031)	(3,864,099)
NONOPERATING REVENUES (EXPENSE)					
Investment income	28,792	$30,389	61,938	103,217	224,336
Interest expense				(1,684,269)	(1,684,269)
Loss on disposal of capital assets	(4,357)				(4,357)
Total non-operating revenues	24,435	30,389	61,938	(1,581,052)	(1,464,290)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(351,163)	30,389	(1,017,532)	(3,990,083)	(5,328,389)
Capital contributions - connection fees			977,685	5,717,414	6,695,099
Residual equity transfer	11,547,483		(6,686,486)	(4,860,997)	
Transfers in			1,900,000		1,900,000
Transfers out	(1,900,000)				(1,900,000)
Changes in net assets	9,296,320	30,389	(4,826,333)	(3,133,666)	1,366,710
TOTAL NET ASSETS, BEGINNING OF YEAR	100,772,928	4,755,519	17,951,176	6,998,820	130,478,443
TOTAL NET ASSETS, END OF YEAR	$110,069,248	$4,785,908	$13,124,843	$3,865,154	$131,845,153

DUBLIN SAN RAMON SERVICES DISTRICT
LOCAL SEWER OPERATIONS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2010

	Local Sewer Enterprise	Local Sewer RSF	Local Sewer Replacement	Local Sewer Expansion	Total
ASSETS					
Current assets:					
Pooled cash	$111,443	$60,214	$1,154,278	$332,710	$1,658,645
Pooled investments	620,449	332,347	6,420,348	1,844,192	9,217,336
Accounts receivable	196,497			2,350	198,847
Due from other funds				8,474	8,474
Interest receivable	849	490	9,211		10,550
Total current assets	929,238	393,051	7,583,837	2,187,726	11,083,302
Non-current assets:					
Capital assets:					
Property, plant and equipment	48,434,555				48,434,555
Less accumulated depreciation	17,275,298				17,275,298
Net property, plant and equipment	31,159,257				31,159,257
Land and construction in progress	850,893		202,767	19,708	1,073,368
Total capital assets	32,010,150		202,767	19,708	32,232,625
Receivable from Water Fund				38,992	38,992
Total non-current assets	32,010,150		202,767	58,700	32,271,617
Total assets	32,939,388	393,051	7,786,604	2,246,426	43,354,919
LIABILITIES					
Current liabilities:					
Accounts payable	16,643		9,850	486	26,979
Contractor bonds and deposits	6,202		15,986		22,188
Accrued compensated absences	39,369		800	9,175	49,344
Unearned revenue				471,589	471,589
Total current liabilities	62,214		26,636	481,250	570,100
Total liabilities	62,214		26,636	481,250	570,100
NET ASSETS					
Invested in capital assets, net of related debt	32,010,150		202,767	19,708	32,232,625
Restricted for:					
Expansion				1,745,468	1,745,468
Unrestricted	867,024	393,051	7,557,201		8,817,276
Total net assets	$32,877,174	$393,051	$7,759,968	$1,765,176	$42,795,369

DUBLIN SAN RAMON SERVICES DISTRICT
LOCAL SEWER OPERATIONS
COMBINING STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Local Sewer Enterprise	Local Sewer RSF	Local Sewer Replacement	Local Sewer Expansion	Total
OPERATING REVENUES					
Wastewater service charges	$1,805,934				$1,805,934
Other revenues	15,001			$445,755	460,756
Total operating revenues	1,820,935			445,755	2,266,690
OPERATING EXPENSES					
Personnel	647,687		$122,045	190,558	960,290
Materials	45,693		5,314	898	51,905
Contractual services	56,268		354,941	3,939	415,148
Other	12,618		(3,360)	(6,720)	2,538
Overhead Charges	135,887		77,192	201,471	414,550
Depreciation	1,047,482				1,047,482
Total operating expenses	1,945,635		556,132	390,146	2,891,913
OPERATING INCOME (LOSS)	(124,700)		(556,132)	55,609	(625,223)
NONOPERATING REVENUES					
Investment income	5,960	$3,901	42,202	12,060	64,123
Gain on disposal of capital assets	(868)				(868)
Total non-operating revenues	5,092	3,901	42,202	12,060	63,255
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(119,608)	3,901	(513,930)	67,669	(561,968)
Non-cash contributions	1,010,920				1,010,920
Capital contributions - connection fees			317,464	289,541	607,005
Residual equity transfer	1,355,078		(1,231,066)	(124,012)	
Transfers in		1,025,602	1,932,935		2,958,537
Transfers (out)	(1,475,602)	(1,482,935)			(2,958,537)
Changes in net assets	770,788	(453,432)	505,403	233,198	1,055,957
TOTAL NET ASSETS, BEGINNING OF YEAR	32,106,386	846,483	7,254,565	1,531,978	41,739,412
TOTAL NET ASSETS, END OF YEAR	$32,877,174	$393,051	$7,759,968	$1,765,176	$42,795,369

DUBLIN SAN RAMON SERVICES DISTRICT
WATER OPERATIONS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2010

	Water Total	Dougherty Valley Asmnt Dist	Allocation	Allocation OPEB Fund	Eliminations	Total
ASSETS						
Current assets:						
Pooled cash	$2,185,367	$111,243	($257,730)	$42,863		$2,081,743
Pooled investments	12,132,596	615,261		561,829		13,309,686
Restricted investments	1,370,282					1,370,282
Accounts receivable	4,126,170		179,422			4,305,592
Due from other funds			51,908		(51,908)	
Interest receivable	16,088	819		377		17,284
Total current assets	19,830,503	727,323	(26,400)	605,069	(51,908)	21,084,587
Non-current assets:						
Capital assets:						
Property, plant and equipment	139,620,856					139,620,856
Less accumulated depreciation	26,397,218					26,397,218
Net property, plant and equipment	113,223,638					113,223,638
Land and construction in progress	9,357,321					9,357,321
Total capital assets	122,580,959					122,580,959
Other assets:						
Receivable from Water Fund			238,853		(238,853)	
Deferred charges	178,656					178,656
Net OPEB asset				968,573		968,573
Total other assets	178,656		238,853	968,573	(238,853)	1,147,229
Total non-current assets	122,759,615		238,853	968,573	(238,853)	123,728,188
Total assets	142,590,118	727,323	212,453	1,573,642	(290,761)	144,812,775
LIABILITIES						
Current liabilities:						
Accounts payable	2,564,554		51,835			2,616,389
Contractor bonds and deposits	376,644					376,644
Accrued compensated absences	207,950		160,618			368,568
Interest payable	24,427					24,427
Due to other funds	269,421				(51,908)	217,513
Current portion of long-term debt	520,000					520,000
Total current liabilities	3,962,996		212,453		(51,908)	4,123,541
Long term liabilities:						
Bonds payable - less current portion	11,870,000					11,870,000
Payable to Sewer Fund	1,239,720				(238,853)	1,000,867
Arbitrage payable	61,710					61,710
Unearned revenue	7,961,768					7,961,768
Total long term liabilities	21,133,198				(238,853)	20,894,345
Total liabilities	25,096,194		212,453		(290,761)	25,017,886
NET ASSETS						
Invested in capital assets, net of related debt	110,190,959					110,190,959
Expansion	(6,316,808)					(6,316,808)
Debt service	1,308,572					1,308,572
Assessment district		727,323				727,323
Unrestricted	12,311,201			1,573,642		13,884,843
Total net assets	$117,493,924	$727,323		$1,573,642		$119,794,889

DUBLIN SAN RAMON SERVICES DISTRICT
WATER OPERATIONS
COMBINING STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Water Total	Dougherty Valley Asmnt Dist	Allocation	Allocation OPEB Fund	Eliminations	Total
OPERATING REVENUES						
Wastewater service charges						
Water sales	$19,611,829					$19,611,829
Other revenues	1,888,655	$903,299	$916,356			3,708,310
Total operating revenues	21,500,484	903,299	916,356			23,320,139
OPERATING EXPENSES						
Personnel	3,903,481		1,922,283	$22,742		5,848,506
Materials	8,566,265		54,055			8,620,320
Contractual services	4,969,771	691,839	421,252			6,082,862
Other	49,594		27,054			76,648
Overhead charges	1,508,288		(1,508,288)			
Depreciation	3,202,400					3,202,400
Total operating expenses	22,199,799	691,839	916,356	22,742		23,830,736
OPERATING INCOME (LOSS)	(699,315)	211,460		(22,742)		(510,597)
NONOPERATING REVENUES (EXPENSE)						
Investment income	102,246	3,196		1,851		107,293
Interest (expense)	(426,216)					(426,216)
Gain on disposal of capital assets	(2,724)					(2,724)
Total non-operating revenues (expenses), net	(326,694)	3,196		1,851		(321,647)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,026,009)	214,656		(20,891)		(832,244)
Non-cash contributions	5,971,164					5,971,164
Capital contributions - connection fees	3,070,980					3,070,980
Transfers in	2,125,000			217,375	($2,342,375)	
Transfers (out)	(2,342,375)				2,342,375	
Changes in net assets	7,798,760	214,656		196,484		8,209,900
TOTAL NET ASSETS, BEGINNING OF YEAR	109,695,164	512,667		1,377,158		111,584,989
TOTAL NET ASSETS, END OF YEAR	$117,493,924	$727,323		$1,573,642		$119,794,889

DUBLIN SAN RAMON SERVICES DISTRICT
WATER FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2010

	Water Enterprise	Water RSF	Water Replacement	Water Expansion	Total
ASSETS					
Current assets:					
Pooled cash	$867,795	$218,405	$627,658	$471,509	$2,185,367
Pooled investments	4,814,170	1,212,808	3,487,395	2,618,223	12,132,596
Restricted investments				1,370,282	1,370,282
Accounts receivable	3,972,463	37,716		115,991	4,126,170
Interest receivable	8,019	1,741	4,130	2,198	16,088
Total current assets	9,662,447	1,470,670	4,119,183	4,578,203	19,830,503
Non-current assets:					
Capital assets:					
Property, plant and equipment	139,620,856				139,620,856
Less accumulated depreciation	26,397,218				26,397,218
Net property, plant and equipment	113,223,638				113,223,638
Land and construction in progress	6,806,038		613,227	1,938,056	9,357,321
Total capital assets	120,029,676		613,227	1,938,056	122,580,959
Other assets:					
Deferred charges				178,656	178,656
Total other assets				178,656	178,656
Total non-current assets	120,029,676		613,227	2,116,712	122,759,615
Total assets	129,692,123	1,470,670	4,732,410	6,694,915	142,590,118
LIABILITIES					
Current liabilities:					
Accounts payable	2,309,319		57,080	198,155	2,564,554
Contractor bonds and deposits	376,644				376,644
Accrued compensated absences	186,435		11,621	9,894	207,950
Interest Payable				24,427	24,427
Due to other funds				269,421	269,421
Current portion of long-term debt				520,000	520,000
Total current liabilities	2,872,398		68,701	1,021,897	3,962,996
Long term liabilities:					
Bonds payable - less current portion				11,870,000	11,870,000
Advance payable to Sewer Fund				1,239,720	1,239,720
Arbitrage payable				61,710	61,710
Unearned revenue				7,961,768	7,961,768
Total long term liabilities				21,133,198	13,171,430
Total liabilities	2,872,398		68,701	22,155,095	17,134,426
NET ASSETS					
Invested in capital assets, net of related debt	120,029,676		613,227	(10,451,944)	110,190,959
Restricted for:					
Expansion				(6,316,808)	(6,316,808)
Debt service				1,308,572	1,308,572
Unrestricted	6,790,049	1,470,670	4,050,482		12,311,201
Total net assets	$126,819,725	$1,470,670	$4,663,709	($15,460,180)	$117,493,924

DUBLIN SAN RAMON SERVICES DISTRICT
WATER FUNDS
COMBINING STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Water Enterprise	Water RSF	Water Replacement	Water Expansion	Total
OPERATING REVENUES					
Water sales	$17,295,761			$2,316,068	$19,611,829
Other revenues	384,958	$464,775		1,038,922	1,888,655
Total operating revenues	17,680,719	464,775		3,354,990	21,500,484
OPERATING EXPENSES					
Personnel	3,375,309		$247,102	281,070	3,903,481
Materials	8,400,126		13,384	152,755	8,566,265
Contractual services	1,395,269		394,272	3,180,230	4,969,771
Other	76,046		(3,360)	(23,092)	49,594
Overhead Charges	970,992		221,434	315,862	1,508,288
Depreciation	3,202,400				3,202,400
Total operating expenses	17,420,142		872,832	3,906,825	22,199,799
OPERATING INCOME (LOSS)	260,577	464,775	(872,832)	(551,835)	(699,315)
NONOPERATING REVENUES (EXPENSE)					
Investment income	37,495	7,969	19,798	36,984	102,246
Interest expense				(426,216)	(426,216)
Loss on disposal of capital assets	(2,724)				(2,724)
Total non-operating revenues (expenses)	34,771	7,969	19,798	(389,232)	(326,694)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND	295,348	472,744	(853,034)	(941,067)	(1,026,009)
Non-cash contributions	5,971,164				5,971,164
Capital contributions - connection fees			717,320	2,353,660	3,070,980
Residual equity transfer	14,199,909		(3,866,262)	(10,333,647)	
Transfers in			2,125,000		2,125,000
Transfers out	(2,125,000)	(217,375)			(2,342,375)
Changes in net assets	18,341,421	255,369	(1,876,976)	(8,921,054)	7,798,760
TOTAL NET ASSETS, BEGINNING OF YEAR	108,478,304	1,215,301	6,540,685	(6,539,126)	109,695,164
TOTAL NET ASSETS (DEFICIT), END OF YEAR	$126,819,725	$1,470,670	$4,663,709	($15,460,180)	$117,493,924

DUBLIN SAN RAMON SERVICES DISTRICT
ALLOCATIONS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2010

	Administrative Cost Center	OPEB Fund	Total
ASSETS			
Current assets:			
Pooled cash	($635,117)	$334,750	($300,367)
Pooled investments		1,860,104	1,860,104
Accounts receivable	442,145		442,145
Receivable from Water Fund	127,917		127,917
Interest receivable		2,949	2,949
Total current assets	(65,055)	2,197,803	2,132,748
Other assets:			
Receivable from Water Fund	588,598		588,598
Net OPEB asset		7,572,888	7,572,888
Total other assets	588,598	7,572,888	8,161,486
Total non-current assets	588,598	7,572,888	8,161,486
Total assets	523,543	9,770,691	10,294,234
LIABILITIES			
Current liabilities:			
Accounts payable	127,736		127,736
Accrued compensated absences	395,807		395,807
Total current liabilities	523,543		523,543
Total liabilities	523,543		523,543
NET ASSETS			
Unrestricted		9,770,691	9,770,691
Total net assets		$9,770,691	$9,770,691

DUBLIN SAN RAMON SERVICES DISTRICT
ALLOCATIONS
COMBINING STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Administrative Cost Center	OPEB Fund	Total
OPERATING REVENUES			
Other revenues	$2,258,060		$2,258,060
Total operating revenues	2,258,060		2,258,060
OPERATING EXPENSES			
Personnel	4,737,020	$177,812	4,914,832
Materials	133,207		133,207
Contractual services	1,038,078		1,038,078
Other	66,668		66,668
Overhead charges	(3,716,913)		(3,716,913)
Total operating expenses	2,258,060	177,812	2,435,872
OPERATING INCOME (LOSS)		(177,812)	(177,812)
NONOPERATING REVENUES			
Investment income		14,470	14,470
Total non-operating revenues		14,470	14,470
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		(163,342)	(163,342)
Transfers in		217,375	217,375
Changes in net assets		54,033	54,033
TOTAL NET ASSETS, BEGINNING OF YEAR		9,716,658	9,716,658
TOTAL NET ASSETS, END OF YEAR		$9,770,691	$9,770,691

EXCERPTS OF PLEASANTON FINANCIAL STATEMENTS

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C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
Of the City of Pleasanton
Pleasanton, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pleasanton, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Golf Operations Enterprise Fund, which represent 0.2 percent and 12.9 percent, respectively, of the assets and revenues of the City's business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based on the report of the other auditors.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 January 13, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 22 and 89 through 94 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors 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 auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 13, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pleasanton's (City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2010 (FY10). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

  - The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $881.1 million (net assets). Of this amount, $171.5 million (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens, businesses, and creditors, $52.5 million is restricted for specific purposes (restricted net assets), and $657.1 million is invested in capital assets, net of related debt.

  - The City's total net assets decreased by $20.6 million during the fiscal year, a 2.3% decrease. Of this amount, $10.6 million was attributable to governmental activities, a 1.7% decrease, and $10.0 million was due to business-type activities, a 3.8% decrease.

- **FUND FINANCIAL STATEMENTS**

  - The City's governmental funds reported ending fund balances of $101.7 million, a decrease of $4.9 million or 4.6% in comparison with the prior year.

  - The General Fund unreserved fund balance is $25.3 million, of which $8.4 million is designated for economic uncertainties, $12.2 million is designated for temporary recession, $2.7 million is designated for carryover appropriations and $2.0 million is designated for golf debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts – the Independent Auditor's Report, management's discussion and analysis (this portion), the basic financial statements including the required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The **Government-wide** financial statements provide both long-term and short-term information about the City's overall financial status.

- The **Fund** financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

  - **Governmental fund** statements tell how general government services such as police, fire and operations services were financed in the short-term, as well as what remains for future spending.

  - **Proprietary fund** statements offer short and long-term financial information about the activities the City operates like businesses, such as water and sewer services.

  - **Fiduciary fund** statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by required supplementary information that consists of major governmental fund budgetary comparison schedules and the Pension Plan Schedule of Funding Progress. After these required elements, we have included supplementary information consisting of combining statements that provide details about our non-major governmental funds, non-major enterprise funds, internal service funds and agency funds.

The government-wide financial statements and the fund financial statements present different views of the City, as described below.

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business. The government-wide financial statements include the City (primary government) and the Housing Authority of the City of Pleasanton (Housing Authority) as a component unit. The City Council serves as the Board for the Housing Authority. Financial information for the Housing Authority is blended with the City's financial information. Although it is a legally separate entity, in substance, it is an integral part of the City's operations.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to interest on long-term debt.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities).* The governmental activities of the City include general government, public safety, community development, operations services, and community activities (parks, recreation, and library). The business-type activities of the City include water, sewer, golf, transit, storm drain, and cemetery, as well as the Housing Authority as a component unit.

Fund Financial Statements use fund accounting to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance. All of the funds of the City can be divided into three categories: *governmental funds, proprietary funds* and *fiduciary funds,* as described below.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year.

The governmental funds focus is narrower than that of the government-wide financial statements. It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This comparison facilitates a better understanding of the long-term impact associated with the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains several individual governmental funds organized according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the *major funds (see Notes to Basic Financial Statements).*

Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements.*

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units of departments in the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds, e*nterprise funds* and *internal service funds* as described below.

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for water, sewer, golf, transit, storm drain, cemetery, and the Housing Authority.

- *Internal service funds* are used by the City to establish reserves and account for employee benefits, public art acquisition and maintenance, replacement/renovation, liability insurance, and retiree medical benefits. These funds serve both governmental and business-type functions and so they are allocated accordingly in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements.*

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information includes information describing the City's progress towards funding its pension plan. The City participates in California's Public Employees Retirement System (CalPERS). Budgetary comparison schedules have been provided for the major governmental funds to demonstrate compliance with the budget. The City adopts a two-year budget in June of every odd numbered year. An update of the second year is presented to the City Council and amendments adopted in the June preceding the start of the second year.

Supplementary Information includes information for non-major governmental, non-major enterprise, internal service, and agency funds, and is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

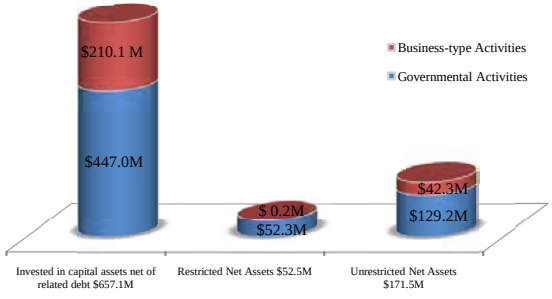
The following section provides a comparative analysis of government-wide data for the fiscal years 2009 and 2010. The Statement of Net Assets for the two years will be discussed first, followed by a discussion of the Changes in Net Assets for the two years.

The following table is a summary of the Statement of Net Assets as of June 30, 2009 (2009) and June 30, 2010 (2010):

City of Pleasanton
Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009 to 2010
Current and other assets	$210.3	$203.1	$53.3	$47.8	$263.6	$250.9	-4.8%
Capital assets	476.8	475.0	217.1	211.9	693.9	686.9	-1.0%
Total assets	**687.1**	**678.1**	**270.4**	**259.7**	**957.5**	**937.8**	**-2.1%**
Long-term liabilities	39.2	39.9	2.8	1.8	42.0	41.7	-0.7%
Other liabilities	8.8	9.7	5.0	5.3	13.8	15.0	8.7%
Total liabilities	**48.0**	**49.6**	**7.8**	**7.1**	**55.8**	**56.7**	**1.6%**
Net Assets:							
Invested in capital assets net of related debt	444.9	447.0	214.4	210.1	659.3	657.1	-0.3%
Restricted	49.2	52.3	0.6	0.2	49.8	52.5	5.4%
Unrestricted	145.0	129.2	47.6	42.3	192.6	171.5	-11.0%
Total net assets, as restated	**$639.1**	**$628.5**	**$262.6**	**$252.6**	**$901.7**	**$881.1**	**-2.3%**

Statement of Net Assets as of June 30, 2010



Analysis of Net Assets – With the consolidation of government-wide net assets into one statement and other changes such as the exclusion of fiduciary funds, net assets may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $881.1 million at the close of the current fiscal year. The City reported positive balances in all three categories of net assets, as well as for its separate governmental and business-type activities. Following are the primary components of the City's net assets:

- The *unrestricted net assets* of $171.5 million (19.4 percent of the total) represent amounts that may be used to meet the City's ongoing obligations to its residential and business community, taxpayers, customers, and creditors. Governmental activities account for $129.2 million of the unrestricted net assets of the City and business-type activities account for $42.3 million.

- The net assets invested in capital assets (e.g. infrastructure, land, buildings, improvements other than buildings, construction in progress, and equipment), less any related debt used to acquire assets still outstanding are $657.1 million (74.6 percent of the total). The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since generally capital assets are not used to liquidate these liabilities. The City's net investment in capital assets was decreased by $2.3 million (.3 percent) in 2010. Additions totaled $25.1 million, of which $1.0 million were donated infrastructure assets. Additions included depreciable assets additions such as infrastructure, building, vehicle and equipment ($15.1 million) and increases in construction in progress ($9.9 million). These additions were offset by depreciation ($21.4 million), completed construction in progress projects ($10.7 million) and retirements of existing capital assets ($.5 million). At the same time, debt principal was reduced due to normal amortizations.

- The remaining net assets of $52.5 million (6.0 percent of the total) represent resources that are subject to external restrictions on how they may be used. Among these amounts are $34.1 million restricted for the construction of major capital projects and for capital maintenance, $.7 million to pay for upcoming debt payments, and $17.7 million for special projects and community development.

The following table reflects the change in net assets for governmental and business-type activities.

City of Pleasanton
Changes in Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total %
Revenues:	2009	2010	2009	2010	2009	2010	Change
Program revenues:							
Charges for Services	$21.8	$21.4	$30.3	$29.5	$52.1	$50.9	-2.4%
Operating grants & contributions	4.2	2.4	-	-	4.2	2.4	-44.5%
Capital grants & contributions	15.9	7.7	10.9	0.7	26.8	8.4	-68.9%
Interfund charges	1.6	0.9	-	-	1.6	0.9	-42.2%
General revenues:							
Property taxes	50.4	49.7	-	-	50.4	49.7	-1.4%
Sales taxes	17.5	15.4	-	-	17.5	15.4	-12.1%
All other taxes	8.1	8.1	-	-	8.1	8.1	0.3%
All other general revenues	7.5	2.4	2.3	1.4	9.8	3.8	-60.8%
Total revenues	$127.1	$108.0	$43.5	$31.6	$170.6	$139.6	-18.2%
Expenses:							
General government	12.4	15.4	-	-	12.3904	15.4	24.1%
Public safety	53.6	53.9	-	-	53.6	53.9	0.6%
Operations services	17.6	17.0	-	-	17.6	17.0	-3.5%
Community activities	24.2	20.6	-	-	24.2	20.6	-14.9%
Water	-	-	20.7	18.1	20.7	18.1	-12.5%
Sewer	-	-	12.8	13.7	12.8	13.7	7.1%
Golf	-	-	5.2	5.5	5.2	5.5	5.3%
Other	13.6	12.1	2.9	3.0	16.6	15.1	-8.7%
Interfund charges	-	-	1.6	0.9	1.6	0.9	-42.2%
Total expenses	$121.5	$119.0	$43.2	$41.2	$164.7	$160.2	-2.8%
Revenues over (under) expenses	$5.6	($11.0)	$0.2	($9.5)	$5.8	($20.6)	-452.9%
Transfer In/(Out)	0.1	0.4	(0.1)	(0.4)	-	-	0.0%
Change in net assets	$5.7	($10.6)	$0.1	($10.0)	$5.8	($20.6)	-452.9%
Net assets, beginning of year	597.1	639.1	263.9	262.6	861.0	901.7	4.7%
Net assets, end of year, as restated	$639.1	$628.5	$262.6	$252.6	$901.7	$881.1	-2.3%

Changes in Net Assets

Governmental Activities decreased the City's net assets by $10.6 million. This change is primarily the result of the following:

- The cost of governmental activities was $119.0 million including expenses for general government, public safety, operation services, and community activities. The expenses do not reflect capital outlays but rather include $12.4 million in depreciation expenses.

- Program revenues only provided $32.3 million of the resources to offset the cost of governmental activities.

- Charges for services such as building permits, dog licenses, planning and engineering fees, recreation, and library fees totaled $21.4 million.
- Capital grants and contributions provided $7.7 million, including development related fees of $1.5 million, grants and subventions of $4.3 million, and developer contributions of $1.6 million.
- Operating grants and contributions totaled $2.4 million.
- Interfund charges totaled $.9 million.

- General revenues and transfers totaled $76.1 million and included:
  - Tax revenues of $73.3 million.
  - Investment income (not restricted to specific programs) of $1.8 million.
  - Miscellaneous revenues and transfers between governmental activities and business-type activities of $1.0 million.

Business-type activities decreased the City's net assets by $10.0 million.

- The cost of business activities was $41.2 million including expenses for Water, Sewer, Golf, Transit, Storm Water, Cemetery and Pleasanton Housing Authority. These expenses do not reflect capital outlays but rather include $9.0 million in depreciation expenses.
- Program revenues only provided $30.2 million of the resources to offset the cost of business activities.
- General revenues and transfers were netted to $1.0 million.

Year to Year Variations in Revenues and Transfers

The City's total revenues were $139.6 million for the year ended June 30, 2010, a decrease of $31.0 million from the prior year. Revenues from governmental activities totaled $108.0 million, a decrease of $19.1 million. This is mostly due to decrease in capital grants and contributions of $8.2 million, in sales taxes of $2.1 million and in all other general revenues of $5.1 million. Revenues from business-type activities totaled $31.6 million, a decrease of $11.9 million in comparison to the prior year. This is mostly due to a decrease of $10.2 million in capital grant and contributions.

Program revenues include charges for services, grants, contributions and interfund charges. Program revenues provided $62.6 million (44.7 percent of the total revenues). Program revenues made up 29.9 percent of governmental activities revenue. In the prior year, program revenues accounted for 34.2 percent of governmental activities revenue. Program revenues accounted for 95.5 percent of business-type activities revenue, compared to 94.8 percent in 2009. Interfund charges reflect transactions between funds. The year to year change was minimal.

General revenues include, among other things: taxes, intergovernmental revenues such as vehicle license fees (VLF), franchise taxes, and investment income not restricted to specific programs. General revenues provided $77.1 million (55.3 percent of the total revenues), and decreased by 10.2 percent from fiscal year 2009. The majority of general revenues came from

property, sales, and other taxes (95.0 percent of general revenues). Only 1.8 percent of the general revenue relates to business-type activities revenue.
Transfers between governmental and business-type activities were $0.4 million this year, compared to $.1 million in 2009.

Year to Year Variations in Expenses

City expenses for the year totaled $160.2 million. Governmental activities incurred $119.0 million in expenses (74.3 percent of the total), and business-type activities incurred $41.2 million in expenses during the year (25.7 percent of the total).

Expenses were down $4.5 million (2.8 percent overall) in 2010 compared to 2009. Governmental activities decreased $2.5 million (2.1 percent), due mostly to a decrease in community activities expenses related to capital asset of $3.6 million. Business-type activities decreased $2.0 million (4.6 percent) due mostly to a decrease in water and sewer fund expenses.

An analysis of key changes at the governmental funds level and proprietary funds level is provided in the following **Fund Financial Analysis** section.

FUND FINANCIAL ANALYSIS

The City uses ***fund accounting*** to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available to provide services and capital project construction. In particular, unreserved fund balance may serve as a useful measure of a government's net spendable resources.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of $101.7 million, a decrease of $4.9 million in comparison with the prior year. Approximately $101.3 million of the amount constitutes *unreserved fund balance*.

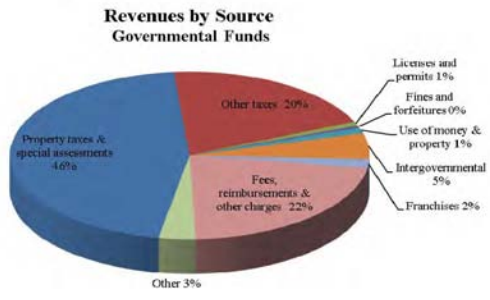
The net decrease in fund balance is mostly due to decreases in the Capital Project Funds of $5.6 million. Miscellaneous Capital Improvement Program fund balance was decreased by $6.9 million (net of transfer revenues of $0.2 million) largely due to Firehouse Arts Center project of $5.7 million and Firehouse Arts Center Parking Improvement project of $1.3 million.

Temporary Recession reserves in the General Fund were increased to provide a cushion against any potential further downturn in the economy. Temporary Recession reserves were increased $1.3 million while Economic Uncertainties reserves were reduced by $.5 million. The remainder of the governmental funds combined fund balance ($0.4 million) is *reserved* to indicate that it is *not* available for new spending because it has been committed to pay debt service.

The following table presents the amount of revenues from various sources, as well as increases or decreases from the prior year.

City of Pleasanton
Revenues Classified by Source
Governmental Funds
(in millions of dollars)

	FY 2009		FY 2010		Increase/(Decrease)	
Revenues by Source	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**Percent**
Property taxes & special assessments	$50.6	43.0%	$49.9	46.0%	-0.7	-1.3%
Other taxes	23.9	20.3%	21.7	20.0%	-2.2	-9.3%
Licenses and permits	1.0	0.8%	0.9	0.8%	-0.1	-12.3%
Fines and forfeitures	0.5	0.4%	0.5	0.4%	0.0	-3.9%
Use of money & property	3.9	3.3%	1.2	1.1%	-2.7	-68.5%
Intergovernmental	5.6	4.8%	5.4	5.0%	-0.2	-3.6%
Franchises	1.8	1.6%	2.0	1.8%	0.1	6.9%
Fees, reimbursements & other charges	26.6	22.6%	24.1	22.2%	-2.5	-9.5%
Other	3.7	3.2%	3.1	2.8%	-0.7	-17.6%
Total	$117.6	100.0%	$108.6	100.0%	-9.0	-7.6%



The following provides an explanation of revenues by source that changed significantly from the prior year.

- ***Other taxes*** decreased by $2.2 million (9.3 percent). The City will continue to face lower sales tax revenues until economic conditions improve. Sales tax revenues declined $2.1 million, a 12.1 percent decrease compared to the prior year.

- ***Use of money and property*** (interest income and rents) decreased by $2.7 million (68.5 percent). The City has elected to account for an investment premium or discount at its maturity. Interest earnings along with investment premiums that were realized as a loss accounted for $1.9 million of the decrease as the City earned an average interest rate of 1.8% during 2010, as compared to an average interest rate of 2.3% during 2009, on relatively equal average cash balances. GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that the City's investments be carried at fair market value instead of cost. As a result, changes in value at the end of 2010 compared to 2009 accounted for $.7 million of this decrease.

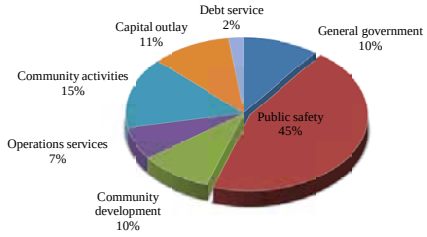
- ***Fees, reimbursements & other charges*** decreased by $2.5 million (9.5 percent). The City of Pleasanton received $0.8 million from the Tri-Valley Transportation Council for the I-580 HOV Lane project. The funding was decreased by $2.2 million in comparison with the prior year. The City acted only as a conduit for the funding as the funds were then wired to the Alameda County Congestion Management Agency, the lead construction and oversight agency on the project.

The following table presents expenditures by function compared to prior year amounts.

City of Pleasanton
Expenditures Classified by Function
Governmental Funds
(in millions of dollars)

	FY 2009		FY 2010		Increase/(Decrease)	
Expenditures by Function	Amount	% of Total	Amount	% of Total	Amount	Percent
Current:						
General government	$12.1	9.1%	$11.9	10.3%	-$0.2	-1.7%
Public safety	50.4	37.7%	51.8	44.7%	1.4	2.8%
Community development	12.5	9.4%	11.5	9.9%	-1.0	-8.0%
Operations services	8.0	6.0%	8.1	7.0%	0.1	1.3%
Community activities	17.6	13.2%	17.4	15.0%	-0.2	-1.1%
Capital outlay	30.5	22.8%	12.7	11.0%	-17.8	-58.4%
Debt service:						
Principal	1.4	1.0%	1.3	1.1%	-0.1	-7.1%
Interest and fiscal charges	1.1	0.8%	1.1	0.9%	0.0	0.0%
Total	$133.6	100.0%	$115.8	100.0%	-$17.8	-13.3%

Expenditures by Function
Governmental Funds



The following provides an explanation of the expenditures by function that changed significantly over the prior year.

- ***Capital outlay*** - totaling $12.7 million this year, decreased by $17.8 million (58.4 percent) from FY2009. During the fiscal year 2010, the City expended $7.0 million for the Firehouse Arts Center that renovated and rehabilitated the historic Fire Station No.1. Opened in September, 2010, the Firehouse Arts Center provides four to five performances every week during the performing arts season that includes theater, music performances, films, lectures and readings, youth and family programs, and programs specifically for teens. In addition, eight to ten fine art shows and exhibits will be offered on an annual basis in the Art Gallery and Grand Lobby. These will include national touring shows, regional artists, themed shows and shows for children, and numerous workshops conducted by nationally known artists.

Major Governmental Funds

The **General Fund** is always one of the major *Governmental funds*, and is the primary operating fund of the City where most City services are accounted for, including: public safety, operations services, parks and community services, library, community development, and general government.

By policy, the City maintains a reserve for economic uncertainties equal to 10.0 percent of annual General Fund revenues. Also by policy, any one-time revenue sources are used for one-time purposes, such as capital projects.

General Fund budget to actual variances for the year ending June 30, 2010, will be discussed in more detail starting on page 18. The following is a summary:

- Revenues were more than projections by $1.8 million (2.2 percent). Although there were numerous budget to actual variances, the most significant items included property tax revenues exceeding projections by $.9 million. The other tax revenues such as sales, documentary transfer and hotel tax revenues exceeded projections by $1.0 million.

- Expenditures net of transfers were less than expected by $.6 million.

- Temporary Recession Reserves were increased by $1.3 million from $10.9 million to $12.2 million to address unforeseen impacts related to the economy.

The following table summarizes all General Fund reserves and designations, showing the beginning balances, plus changes resulting from FY10 operations and the resulting ending balances.

City of Pleasanton
General Fund Reserves and Designations as of 6/30/10

	Balance 6/30/2009	Budgeted Additions & Deletions	Year-end Actual Additions & Deletions	Budget to Actual Variance	Balance 6/30/2010
Reserved:					
Encumbrances	$ 1,756,537	$ -	$ (1,756,537)	$ (1,756,537)	$ -
Unreserved, designated:					
Economic Uncertainty	8,990,000	(544,385)	(544,385)	-	8,445,615
Carryovers	1,804,199	851,263	851,263	-	2,655,462
Golf Debt Service	2,000,000	-		-	2,000,000
Temporary Recession	10,900,000	1,281,308	1,281,308	-	12,181,308
TOTAL	**$ 25,450,736**	**$ 1,588,186**	**$ (168,351)**	**$ (1,756,537)**	**$ 25,282,385**

The City maintains the above designations consistent with its formal financial policies. $25.3 million is reported as "unreserved" but designated. These City Council approved designations represent plans for financial resource utilization in a future period, but are subject to change.

The City's *Special Revenue* funds are used to account for revenues that carry restrictions on their use, such as gas tax revenues, grants and contributions.

- Some special revenues are restricted for capital use and some are restricted for specific kinds of operating expenditures. Others can be used for a combination of uses.

- Examples of the types of uses for these revenues include street and park construction and improvement projects and certain operating expenditures such as grant funded public safety equipment, recycling programs and housing assistance programs.

- Highlights of the *major Special Revenue* funds include:

  - The *Lower Income Housing fund* is funded with developer fees, and other financing sources such as State loans. The money is used to provide both rental and ownership affordable housing in the City through programs that subsidize rents and provide secondary financing to first-time homebuyers. The City funded $40,000 in new housing loans to individuals and $225,000 as an affordable housing development loan to Eden Housing Inc. (Ridge View Commons) in FY2010. Like other loan agreements for Ridge View Commons, the City does not anticipate repayment of the loan unless the property is sold, as part of a mortgage refinancing or resyndication with a new tax credit investor. During the Fiscal Year 2009-10, the City recorded two loans amounting to $6.25 million that were previously made out to Eden Housing Inc. for a rental housing development for low and very low income seniors in 1988 and 1999. The detail of the loans is disclosed in *Note 3* in the **Notes to the Basic Financial Statements.** Reimbursement revenue as well as the fees collected from developers of new residential, commercial and office buildings remained about the same as last fiscal year.

- The Livermore-Pleasanton Fire Department (Livermore Share Only) fund accounts for Livermore's share of the costs for the joint fire department between the neighboring cities. Revenues and expenses were reduced by 2.7 and 2.0 percent, respectively, this year compared to 2009, due primarily to decreased capital outlay grants and expenditures.

The City's *Capital Project* funds are used to account for large construction and improvement projects.

- Funding sources include routine annual and one-time transfers from the *General Fund* and developer impact fees and contributions.

- Because projects vary from year to year, a financial comparison between years has little meaning.

- The City's policy is to not start projects that have significant developer funding expected until the fees have been received. This practice helps avoid committing to a project one year and then finding that a weakening economy in the following year results in developer fee funding shortfalls in the midst of project construction.

- None of the *Capital Project* funds was classified as a major fund in 2010.

The City had two *Debt Service* funds remaining as of June 30, 2010. The debt financed construction of City facilities such as the Senior Center, Callippe Preserve Golf Course and the Operations Service Center. None of the *Debt Service* funds was classified as a major fund in 2010.

Proprietary funds. The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets consisted primarily of $16.2 million for the Water Fund, $21.7 million for the Sewer Fund, $1.4 million for the Golf Fund, $1.0 million for the Storm Drain Fund and $.4 million for the remaining *non-major enterprise funds*. Included within the unrestricted net assets, among other things, are amounts already committed for capital projects.

Net assets of the proprietary funds decreased $10.0 million. Decreases included $3.0 million in the Water Fund, $3.8 million in the Sewer Fund, $2.3 million in the Golf Fund and $.9 million in the Storm Drain Fund.

- The decrease in the Water Fund net assets was due primarily to higher material, supplies and services expenditures. With reduced water revenues, the operating loss was $3.5 million compared to the prior year loss of $5.9 million. This continuation of loss was due largely to the City not recouping its costs of providing water to its residents. The City purchases 80% of its water from Zone 7 Water Agency. The Zone 7 Water Agency has raised its rates every year while the City has not raised its rates to residents since 2001. The City implemented a water rate increase to offset the increase in Zone 7 water rates effective August 1, 2010. The City will also increase both service and consumption charges on January 1, 2011. The City will monitor its rates before adopting subsequent rate increases to encourage greater water conservation.

- The decrease in the Sewer Fund was due primarily to an operating loss of $2.2 million after depreciation expenses of $2.8 million and the prior period adjustment of $1.4 million from the City's equity in the Livermore Amador Valley Water Management Agency. Similar to the Water operation, the City implemented rate increases effective August 1, 2010. In order to remain fiscally solvent in the Sewer Fund, the City is annually increasing the current sewer rates based on the increase in the consumer price index (CPI) starting July 1, 2011. The detail of the prior period adjustment is disclosed in *Note 14* in the **Notes to the Basic Financial Statements**.

- Golf Fund net assets decreased $2.3 million this year due largely to a transfer out of $1.6 million for golf debt service. Operations from the City's golf course provided $.6 million this year towards the debt service payment. With increased environmental monitoring expenses coupled with a very wet spring season, the operation loss grew to a $1.1 million as opposed to a $.5 million operating loss in 2009.

- The net decrease in the Storm Drain Fund was due primarily to the depreciation expense of $1.1 million and resulted in an operating loss of $1.4 million.

Fiduciary funds. The detail of the Fiduciary fund financial statements can be found on pages 42-43 of this report.

The City has two Internal Revenue Code Section 115 Irrevocable Trust accounts to pre-fund the other post employment benefits (OPEB) liability as the best means for meeting GASB #43 and #45 standards and City financial obligations. Both Miscellaneous and Fire Retiree Medical Trust funds are restricted solely for the benefit of paying retiree medical benefits and are no longer considered assets owned by the City. An annual required contribution (ARC) of $6.9 million (less current year benefit payments) to the trusts was made and invested in low risk fixed income investments. Detail information about the City's OPEB obligations can be found in *Note 12* in the **Notes to the Basic Financial Statements**.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following table displays the General Fund's original budget, final budget and actual results for 2010 revenue, expenditures and transfers. Revenues were more than projections by 2.2 percent ($1.8 million) and expenditures net of carryovers were under budget by about 1.5 percent ($1.3 million).

Differences between the original and final revenue budget reflect a decrease of $4.7 million (5.4 percent), and reflect (among other things) adjustments in projections for sales and other tax revenues ($2.6 million decrease), permits ($.6 million decrease), interest revenues ($.3 million decrease), and other revenues ($.9 million decrease). Differences between the original and final expenditure budget represent a $.6 million increase (.7 percent) and reflect adjustments of retiree medical accrual expenses ($1.0 million increase) and operating carryovers and other miscellaneous adjustments (net of $.4 million decrease).

General Fund 2009-10 Budgetary Comparison

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues	$87,332,823	$82,606,783	$84,456,145	$1,849,362
Expenditures	86,366,404	85,796,637	84,511,972	(1,284,665)
Other Financing Sources (Uses):				
Transfers in	36,850	1,714,156	1,714,156	-
Transfers out	(1,003,269)	(1,103,269)	(1,826,680)	(723,411)
Net change in fund balance	$0	($2,578,967)	($168,351)	$2,410,616

*GASB 31 adjustment for General Fund revenue is ($211,989).

General Fund actual revenues were more than final budget estimates by $1.8 million in 2010. Property tax revenues are the largest single revenue source for the General Fund and accounted for 58.4% of total revenues. Actual property tax collections in 2009-10 were $.9 million above the final budget estimates and decreased 1.4% from the prior fiscal year. Property tax revenues include secured, unsecured, delinquent and supplemental property taxes. Sales tax revenues declined sharply due to adverse economic conditions in retail sectors by 12.0% from the prior year, and were above the final budget estimates by $.4 million. While other tax revenues were heavily fluctuated to the economic downturn, Hotel and Motel tax revenues held relatively flat, exceeding the final budget estimates by $.5 million.

Expenditures were less than expected by $1.3 million. Of the $1.3 million, $.9 million in appropriations were carried over to 2011, leaving a net variance of $.4 million in expenditures (after carryovers). During the year, the City experienced a very wet spring season resulting in minimal usage of utilities to maintain City parks ($.6 million under budget).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 was $686.9 million (net of accumulated depreciation). This investment in capital assets includes: infrastructure, land, right-of-ways, buildings, improvements other than buildings, vehicles and equipment, and construction in progress. The total decrease in the City's investment in capital assets for the current period was $7.1 million or 1.0% (net of accumulative depreciation). The City implemented GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets during the Fiscal Year 2009-10. Retroactive reporting of the City's owned right-of-way from 1980 through current year was amounted to $36.3 million and as a result the beginning net Governmental Activities capital assets was restated for financial reporting purposes.

Major capital asset events during the current fiscal year included:

- Governmental activities totaling $1.8 million decrease included:
  - Net decrease in construction in progress of $1.5 million is largely attributed to the completion of the first phase of Bernal Community Park ($8.5 million). Other various completed projects that were added to depreciable asset categories amounted to $0.8 million. The major current year additions to construction in progress were the Firehouse Arts Center related projects ($7.0 million).
  - Other than the additions from construction in progress of $9.3 million to the depreciable assets, various street pavement and traffic signal replacement projects of $2.5 million were added to City's infrastructure.
  - These additions were offset by decreases due to depreciation of $12.4 million.
- Business-type activities totaling $5.3 million decrease included:
  - Various City water/sewer/storm drain projects of $3.8 million, of which $3.3 million were attributed to City's water machinery and equipment ($1.8 million), various water and sewer improvement projects from construction in progress ($1.5 million).
  - These additions were offset by decreases due to depreciation of $9.0 million.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date over their useful lives. Governmental Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities are presented in the following table to illustrate changes from the prior year.

City of Pleasanton
Capital Assets
(net of depreciation, in millions of dollars)

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2009	2010	2009	2010	2009	2010	% Change
Infrastructure	$128.5	$123.5	$144.0	$138.9	$272.5	$262.4	-3.7%
Land	215.0	215.1	14.3	14.3	229.3	229.4	0.0%
Right-of-ways	36.3	36.3	-	-	36.3	36.3	0.0%
Buildings	44.7	44.2	22.5	21.9	67.3	66.1	-1.7%
Improvements other than buildings	18.9	25.0	25.4	23.9	44.3	48.9	10.3%
Vehicles & equipment	8.0	7.0	8.9	10.2	16.9	17.2	2.0%
Construction in progress	25.4	23.9	2.1	2.7	27.4	26.6	-3.0%
Total	$476.8	$475.0	$217.2	$211.9	$694.0	$686.9	-1.0%

Among the significant design/construction commitments outstanding at the end of the year were Firehouse Arts Center related projects and Annual Resurfacing of Various Streets.

Debt Administration

Debt, considered a liability of governmental activities, decreased by $1.8 million in FY10.

- The 2003 Certificates of Participation (COPs) outstanding were reduced by $965,000 as the result of the normal amortization of the debt.
- The 2004 Certificates of Participation (COPs) outstanding were reduced by $330,000 as the result of the normal amortization of the debt.
- County of Alameda note payable was reduced by $530,000 as the result of the normal amortization of the note payable.

Debt of the business-type activities decreased in 2010 by $.9 million as the result of the normal amortization of various debt issues.

The City's bonded indebtedness maintains a Moody's issuer rating of Aa2. Its Certificates of Participation and Sewer and Water Revenue bonds have underlying ratings of A1. However, all bonds are insured and, therefore, carry Aaa ratings.

The following table compares the outstanding balances on long-term debt of the City as of June 30, 2009 and 2010:

City of Pleasanton
Long Term Debt Outstanding

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
State CALHFA Help Program note payable	$ 342,487	$ 342,487	$ -	$ -	$ 342,487	$ 342,487
State CALHFA Help Loan	1,500,000	1,500,000			1,500,000	1,500,000
Golf Course Capital Lease			149,158	-	149,158	-
2003 Certificates of Participation	24,290,000	23,325,000			24,290,000	23,325,000
2004 Refunding Lease Certificates of Participation	2,115,000	1,785,000			2,115,000	1,785,000
Alameda County Transportation Corridor Purchase Agreement	3,400,000	2,870,000			3,400,000	2,870,000
Notes Payable - Federal Financing Bank			226,105	174,875	226,105	174,875
2002 Sewer Revenue Bonds			420,000	-	420,000	-
2004 Water Revenue Bonds			975,000	825,000	975,000	825,000
2004 Sewer Revenue Bonds			995,000	840,000	995,000	840,000
TOTAL	**$ 31,647,487**	**$ 29,822,487**	**$ 2,765,263**	**$ 1,839,875**	**$ 34,412,750**	**$ 31,662,362**

Additional information about the City's long-term obligations can be found in *Note 6* in the **Notes to the Basic Financial Statements**.

Economic Factors and Next Year's Budget and Rates

The assessed value for taxable property in the City decreased .5% between fiscal year 2009 and fiscal year 2010. Property tax revenues decreased between fiscal year 2009 and 2010 by 1.4% primarily as a result of the County Assessor's adjustment due to the economic downturn. The unemployment rate in Alameda County is 11.5% as of June 2010 as compared with 11.2% for June 2009. The required contribution rates as a percentage of payroll for the City's retirement funding, including the employee portion which is currently paid by the City, will be changing effective July 1, 2011 as follows:

- Miscellaneous Plan – 29.09%
- Safety Fire Plan – 42.63%
- Safety Police Plan (pooled) – 42.35%

Effective September 1, 2010, the Safety Fire employees will be paying a portion of the above Safety Fire Plan PERS rates equal to 2% of their salaries subject to PERS. As of the adoption of the midterm budget for the FY2010/11 by the Council, the economic outlook for the City was considered to be stable. The General Fund Budget for FY2010/11 of approximately $85.2 million was adopted. At that time, the City is anticipating that expenditures and net transfers will exceed revenues by $2.0 million. The City designated as part of their general fund reserves a Reserve for Carryover that includes funding for the anticipated deficit and outstanding purchase orders and contracts as of June 30, 2010.

Request for Information

This financial report is designed to provide our residential and business community, taxpayers, customers, investors and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance of the City of Pleasanton, P.O. Box 520, Pleasanton, CA 94566.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Pleasanton
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 187,092,807	$ 29,933,356	$ 217,026,163
Receivables (net):			
Accounts	5,460,155	4,239,701	9,699,856
Taxes	547,594	-	547,594
Grants	1,423,789	-	1,423,789
Interest	1,158,322	167,180	1,325,502
Deposits	1,002,361	-	1,002,361
Internal balances	(1,526,793)	1,526,793	-
Inventory and prepaid items	-	115,331	115,331
Restricted cash and investments	394,945	264,948	659,893
Long-term receivable	-	130,408	130,408
Notes receivable	6,852,159	-	6,852,159
Bond issuance cost, net	690,947	63,194	754,141
Net investment in joint ventures	-	11,364,969	11,364,969
Capital assets:			
Nondepreciable	275,296,001	16,999,195	292,295,196
Depreciable, net	199,685,812	194,910,580	394,596,392
Total assets	678,078,099	259,715,655	937,793,754
LIABILITIES			
Accounts payable	6,471,502	4,759,445	11,230,947
Payroll payable	2,595,347	155,474	2,750,821
Interest payable	273,017	7,695	280,712
Refundable deposits	258,932	89,153	348,085
Unearned revenue	112,075	269,149	381,224
Long-term liabilities:			
Due within one fiscal year	5,653,006	364,612	6,017,618
Due in more than one fiscal year	34,216,730	1,475,263	35,691,993
Total liabilities	49,580,609	7,120,791	56,701,400
NET ASSETS			
Invested in capital assets, net of related debt	447,001,813	210,069,900	657,071,713
Restricted for:			
Debt service	394,945	264,948	659,893
Capital projects	34,116,726	-	34,116,726
Special projects	1,572,152	-	1,572,152
Community development	16,193,285	-	16,193,285
Total restricted net assets	52,277,108	264,948	52,542,056
Unrestricted net assets	129,218,569	42,260,016	171,478,585
Total net assets	$ 628,497,490	$ 252,594,864	$ 881,092,354

See accompanying Notes to Basic Financial Statements.

City of Pleasanton
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions / Programs	Expenses	Indirect Charges	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary government:								
Governmental activities:								
General government	$ 15,371,145	$ (908,351)	$ 552,655	$ -	$ -	$ (13,910,139)	$ -	$ (13,910,139)
Public safety	53,923,103	-	15,438,986	974,669	-	(37,509,448)	-	(37,509,448)
Community development	10,930,162	1,526	1,881,698	1,025,745	-	(8,024,245)	-	(8,024,245)
Operations services	17,012,445	(892,031)	180,938	69,624	7,109,454	(8,760,398)	-	(8,760,398)
Community activities	20,622,309	936,884	3,316,593	282,026	575,259	(17,385,315)	-	(17,385,315)
Interest on long-term debt	1,122,135	-	-	-	-	(1,122,135)	-	(1,122,135)
Total governmental activities	118,981,298	(861,972)	21,370,870	2,352,064	7,684,713	(86,711,679)	-	(86,711,679)
Business-type activities:								
Water	18,124,253	(414,208)	14,045,288	-	396,143	-	(3,268,614)	(3,268,614)
Sewer	13,672,129	1,121,893	10,693,533	-	120,699	-	(3,979,790)	(3,979,790)
Golf	5,530,246	-	4,182,190	-	-	-	(1,348,056)	(1,348,056)
Transit	687,793	-	40,306	-	-	-	(647,487)	(647,487)
Storm Drain	1,714,459	152,526	365,816	-	148,383	-	(1,352,786)	(1,352,786)
Cemetery	205,425	1,761	-	-	-	-	(207,186)	(207,186)
Pleasanton Housing Authority	425,771	-	160,093	-	-	-	(265,678)	(265,678)
Total business-type activities	40,360,076	861,972	29,487,226	-	665,225	-	(11,069,597)	(11,069,597)
Total primary government	$ 159,341,374	$ -	$ 50,858,096	$ 2,352,064	$ 8,349,938	(86,711,679)	(11,069,597)	(97,781,276)
General Revenues:								
Taxes:								
Property						49,724,115	-	49,724,115
Other						5,957,264	-	5,957,264
Sales tax						15,420,066	-	15,420,066
Motor vehicle in lieu taxes						206,180	-	206,180
Franchise taxes						1,955,493	-	1,955,493
Total taxes - unrestricted						73,263,118	-	73,263,118
Investment income not restricted to specific programs						1,766,743	267,730	2,034,473
Miscellaneous						647,235	1,151,141	1,798,376
Transfers						393,080	(393,080)	-
Total general revenues and transfers						76,070,176	1,025,791	77,095,967
Change in net assets						(10,641,503)	(10,043,806)	(20,685,309)
Net assets - beginning of year, as restated (Note 14)						639,138,993	262,638,670	901,777,663
Net assets - end of year						$ 628,497,490	$ 252,594,864	$ 881,092,354

See accompanying Notes to Basic Financial Statements.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Pleasanton
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Lower Income Housing	Livermore/ Pleasanton Fire Department (Livermore Share Only)	Non-major Governmental Funds	Total
ASSETS					
Cash and investments	$ 22,849,014	$ 15,590,203	$ 1,884,166	$ 60,288,142	$ 100,611,525
Receivables (net):					
Accounts	4,644,736	-	17,853	785,991	5,448,580
Taxes	547,594	-	-	-	547,594
Grants	-	-	-	1,423,789	1,423,789
Interest	219,135	126,619	11,587	323,832	681,173
Deposits	-	-	-	1,002,361	1,002,361
Due from other funds	935,235	-	-	-	935,235
Restricted cash and investments	-	-	-	394,945	394,945
Notes receivable, net	75,095	6,277,064	-	500,000	6,852,159
Total assets	$ 29,270,809	$ 21,993,886	$ 1,913,606	$ 64,719,060	$ 117,897,361
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,266,008	$ 31,670	$ 945,044	$ 2,339,286	$ 5,582,008
Payroll payable	1,689,340	-	878,571	-	2,567,911
Due to other funds	-	-	-	915,314	915,314
Refundable deposits	-	2,189	-	256,743	258,932
Deferred revenue	33,076	6,277,064	48,502	530,498	6,889,140
Total liabilities	3,988,424	6,310,923	1,872,117	4,041,841	16,213,305
Fund Balances:					
Reserved for:					
Debt service	-	-	-	394,945	394,945
Unreserved, designated (see Note 10):					
General fund	25,282,385	-	-	-	25,282,385
Special revenue funds	-	15,682,963	41,489	7,956,804	23,681,256
Capital project funds	-	-	-	52,325,470	52,325,470
Total fund balances	25,282,385	15,682,963	41,489	60,677,219	101,684,056
Total liabilities and fund balances	$ 29,270,809	$ 21,993,886	$ 1,913,606	$ 64,719,060	$ 117,897,361

See accompanying Notes to Basic Financial Statements.

City of Pleasanton
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2010

Fund Balances - Total Governmental Funds	$ 101,684,056
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities are not current financial resources. Therefore they were not reported in the Governmental Funds Balance Sheet. This amount is net of capital assets of the internal service funds in the amount of $9,090,320.	465,891,495
Notes receivables are not available to pay for current-period expenditures and therefore are reported as deferred revenue in the fund financial statements.	6,777,065
Bond issuance costs are an expenditure in the governmental funds but are capitalized and amortized over the life of the bonds in the government-wide financial statements.	690,947
Internal service funds are used by management to charge the costs of employee benefits, public art acquisition and maintenance, assessment district administration, equipment replacement/ renovation and self-insurance programs to individual departments or to other governments. The assets and liabilities are included in governmental activities in the statement of net assets.	83,549,431
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:	
2003 Certificates of Participation	(23,325,000)
2004 Certificates of Participation	(1,785,000)
Note payable to State	(1,842,487)
Note payable to Alameda County	(2,870,000)
Accrued interest payable	(273,017)
Total long-term liabilities	(30,095,504)
Net Assets of Governmental Activities	$ 628,497,490

See accompanying Notes to Basic Financial Statements.

City of Pleasanton

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	General Fund	Lower Income Housing	Livermore Pleasanton Fire Department (Livermore Share Only)	Non-major Governmental Funds	Total
REVENUES:					
Taxes	$ 71,408,195	$ -	-	$ -	$ 71,408,195
Special assessments	-	-	-	203,798	203,798
Licenses	11,424	-	-	-	11,424
Permits	852,900	-	-	-	852,900
Fines and forfeitures	453,118	-	-	-	453,118
Use of money and property	179,618	454,364	4,844	573,001	1,211,827
Intergovernmental	1,092,223	-	229,807	4,060,149	5,382,179
Franchises	1,955,493	-	-	-	1,955,493
Charges for services	1,233,424	-	13,478,826	28,771	14,741,021
Development fees	54,956	72,386	-	1,519,244	1,646,586
Plan check fees	428,476	-	-	-	428,476
Reimbursements	892,688	221,874	42,262	1,211,849	2,368,673
Contributions and donations	9,414	-	550	1,649,270	1,659,234
Other revenues	2,673,736	-	2,441	377,087	3,053,264
Recreation charges	3,210,480	-	-	-	3,210,480
Total revenues	84,456,145	748,624	13,758,730	9,623,169	108,586,668
EXPENDITURES:					
Current:					
General government	11,896,618	-	-	-	11,896,618
Public safety	37,624,470	-	14,040,297	96,640	51,761,407
Community development	10,146,544	660,820	-	683,152	11,490,516
Operations services	7,749,315	-	-	381,511	8,130,826
Community activities	16,564,127	-	-	321,185	16,885,312
Capital outlay	530,898	-	3,699	12,186,233	12,720,830
Debt service:					
Principal	-	-	-	1,825,000	1,825,000
Interest, fiscal charges	-	-	-	1,091,998	1,091,998
Total expenditures	84,511,972	660,820	14,043,996	16,585,719	115,802,507
REVENUES OVER (UNDER) EXPENDITURES	(55,827)	87,804	(285,266)	(6,962,550)	(7,215,839)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,714,156	-	205,138	4,782,878	6,702,172
Transfers out	(1,826,680)	-	-	(2,550,500)	(4,377,180)
Total other financing sources (uses)	(112,524)	-	205,138	2,232,378	2,324,992
Net change in fund balances	(168,351)	87,804	(80,128)	(4,730,172)	(4,890,847)
FUND BALANCES:					
Beginning of year	25,450,736	15,595,159	121,617	65,407,391	106,574,903
End of year	$ 25,282,385	$ 15,682,963	41,489	$ 60,677,219	$ 101,684,056

See accompanying Notes to Basic Financial Statements.

City of Pleasanton

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities
For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	$ (4,890,847)
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
Governmental funds report acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets were allocated over their estimated useful lives as depreciation expense.	
Capital outlay (net of internal service funds of $646,441).	9,762,776
Depreciation (net of internal service funds of $1,333,813).	(11,075,076)
In the Statement of Activities, capital assets donated to the City are reported as program revenue, whereas in the governmental funds, capital assets donated do not increase financial resources. Thus, the change in net assets differs from the change in fund balances by the value of the asset donated.	209,280
In the Statement of Activities, only the gain (loss) on the sale or disposal of capital assets is reported and allocated to the various program revenues and expenses, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the asset sold.	(74,622)
Loans receivable are not considered available revenue and are deferred in the governmental funds. However, those loans are considered earned and recognized as revenue in the government-wide statement of activities. This amount represents current year's activities.	154,916
Bonds issuance cost are expensed on the fund statements. However, in the government-wide statement of activities, the bonds issuance cost are allocated over the life of the bonds. This amount represent the current year amortization of the bond issuance cost.	(40,015)
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. Accrued interest payable decreased by this amount.	9,878
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Principal repayments:	
Alameda County Corridor Purchase	530,000
2003 Certificates of Participation	965,000
2004 Certificates of Participation	330,000
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.	(6,522,793)
Change in Net Assets of Governmental Activities	$ (10,641,503)

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

City of Pleasanton
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities - Enterprise Funds							Governmental Activities
			Golf Fund			Other Non-major Enterprise		Internal Service
	Water	Sewer	Facilities	Operations	Storm Drain	Funds	Total	Funds
ASSETS								
Current assets:								
Cash and investments	$ 15,608,298	$ 10,587,935	$ 2,159,315	$ 111,106	$ 975,899	$ 490,803	$ 29,933,356	$ 86,481,282
Receivables (net):								
Accounts	3,049,793	1,144,755	1,001	174	3,161	40,817	4,239,701	11,575
Interest	87,617	64,297	9,487	-	5,239	540	167,180	477,149
Inventory and prepaid items	-	-	-	115,331	-	-	115,331	-
Restricted cash and investments	180,948	84,000	-	-	-	-	264,948	-
Total current assets	18,926,656	11,880,987	2,169,803	226,611	984,299	532,160	34,720,516	86,970,006
Noncurrent assets:								
Long-term receivable	130,408	-	-	-	-	-	130,408	-
Bond issuance costs, net of accumulated amortization	33,652	29,542	-	-	-	-	63,194	-
Net investment in joint ventures	-	11,364,969	-	-	-	-	11,364,969	-
Advances to other funds	473,000	-	-	-	-	-	473,000	-
Capital assets:								
Nondepreciable	2,624,698	1,802,056	12,434,327	-	76,364	61,750	16,999,195	955,559
Depreciable, net	79,570,759	61,197,351	25,453,728	268,872	27,659,046	760,824	194,910,580	8,134,759
Total noncurrent assets	82,832,517	74,393,918	37,888,055	268,872	27,735,410	822,574	223,941,346	9,090,318
Total assets	101,759,173	86,274,905	40,057,858	495,483	28,719,709	1,354,734	258,661,862	96,060,324
LIABILITIES								
Current liabilities:								
Accounts payable	3,019,125	1,424,748	18,129	264,063	13,946	19,434	4,759,445	889,494
Due to other funds	-	-	-	-	-	19,921	19,921	-
Payroll payable	87,781	34,856	-	-	12,631	20,206	155,474	27,436
Interest payable	-	-	-	-	-	7,695	7,695	-
Refundable deposits	-	-	-	77,025	-	12,128	89,153	-
Unearned revenue	43,944	-	-	160,235	-	64,970	269,149	-
Accrued compensated absences	-	-	-	-	-	-	-	985,032
Claims payable	-	-	-	-	-	-	-	2,807,974
Notes payable - due within one year	-	-	-	-	-	54,612	54,612	-
Bonds payable - due within one year	155,000	155,000	-	-	-	-	310,000	-
Total current liabilities	3,305,850	1,614,604	18,129	501,323	26,577	198,966	5,665,449	4,709,936
Noncurrent liabilities:								
Accrued compensated absences - due in more than one year	-	-	-	-	-	-	-	4,290,759
Claims payable - due in more than one year	-	-	-	-	-	-	-	1,963,484
Notes payable - due in more than one year	-	-	-	-	-	120,263	120,263	-
Bonds payable - due in more than one year	670,000	685,000	-	-	-	-	1,355,000	-
Advances from other funds	-	-	473,000	-	-	-	473,000	-
Total noncurrent liabilities	670,000	685,000	473,000	-	-	120,263	1,948,263	6,254,243
Total liabilities	3,975,850	2,299,604	491,129	501,323	26,577	319,229	7,613,712	10,964,179
NET ASSETS								
Invested in capital assets, net of related debt	81,370,457	62,159,407	37,888,055	268,872	27,735,410	647,699	210,069,900	9,090,318
Restricted for:								
Debt service	180,948	84,000	-	-	-	-	264,948	-
Unrestricted (deficit)	16,231,918	21,731,894	1,678,674	(274,712)	957,722	387,806	40,713,302	76,005,827
Total net assets	$ 97,783,323	$ 83,975,301	$ 39,566,729	$ (5,840)	$ 28,693,132	$ 1,035,505	251,048,150	$ 85,096,145
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.							1,546,714	
						Net assets of business-type activities	$ 252,594,864	

See accompanying Notes to Basic Financial Statements.

City of Pleasanton
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2010

	Business-type Activities - Enterprise Funds							Governmental Activities
			Golf Fund			Other Non-major Enterprise		Internal Service
	Water	Sewer	Facilities	Operations	Storm Drain	Funds	Total	Funds
OPERATING REVENUES:								
Charges for services	$ 15,346,237	$ 10,698,320	$ -	$ 4,182,190	$ 508,748	$ 200,399	$ 30,935,894	$ 29,578,406
Connection fees	64,060	27,924	-	-	-	-	91,984	-
Miscellaneous	83,319	25,623	273,594	-	145,232	337,595	865,363	63,624
Total operating revenues	15,493,616	10,751,867	273,594	4,182,190	653,980	537,994	31,893,241	29,642,030
OPERATING EXPENSES:								
Personnel services	2,935,611	1,199,030	-	1,664,527	455,441	701,950	6,956,559	26,281,041
Transportation	29,686	28,223	-	-	2,899	36,576	97,384	-
Repairs and maintenance	111,392	23,142	-	570,025	1,740	101,217	807,516	-
Materials, supplies, and services	12,651,220	8,866,990	442,642	1,183,469	461,008	303,414	23,908,743	5,527,340
Provision for claim losses	-	-	-	-	-	-	-	1,990,000
Amortization	8,065	11,670	-	-	-	-	19,735	-
Depreciation	3,295,931	2,781,766	1,556,105	110,297	1,088,184	164,401	8,996,684	1,333,813
Total operating expenses	19,031,905	12,910,821	1,998,747	3,528,318	2,009,272	1,307,558	40,786,621	35,132,194
OPERATING INCOME (LOSS)	(3,538,289)	(2,158,954)	(1,725,153)	653,872	(1,355,292)	(769,564)	(8,893,380)	(5,490,164)
NONOPERATING REVENUES (EXPENSES):								
Grants	-	-	-	-	-	285,778	285,778	-
Interest income	143,992	94,572	19,030	-	5,202	4,934	267,730	886,321
Interest expense	(28,719)	(37,163)	-	(3,181)	-	(12,669)	(81,732)	-
Equity interest in loss from joint ventures	-	(1,876,072)	-	-	-	-	(1,876,072)	-
Gain (loss) from sale of capital assets	-	-	-	-	-	-	-	(5,313)
Total nonoperating revenues (expenses)	115,273	(1,818,663)	19,030	(3,181)	5,202	278,043	(1,404,296)	881,008
Net income (loss) before contributions and transfers	(3,423,016)	(3,977,617)	(1,706,123)	650,691	(1,350,090)	(491,521)	(10,297,676)	(4,609,156)
Capital contributions	396,143	120,699	-	-	148,383	-	665,225	-
Transfers in	76,352	35,903	1,119,427	75,000	344,118	422,165	2,072,965	84,100
Transfers out	-	-	(1,671,045)	(795,000)	-	-	(2,466,045)	(2,016,012)
Change in net assets	(2,950,521)	(3,821,015)	(2,257,741)	(69,309)	(857,589)	(69,356)	(10,025,531)	(6,541,068)
NET ASSETS:								
Beginning of year, as restated (Note 14)	100,733,844	87,796,316	41,824,470	63,469	29,550,721	1,104,861		91,637,213
End of year (deficit)	$ 97,783,323	$ 83,975,301	$ 39,566,729	$ (5,840)	$ 28,693,132	$ 1,035,505		$ 85,096,145
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.							(18,275)	
						Change in net assets of business-type activities	$ (10,043,806)	

See accompanying Notes to Basic Financial Statements.

City of Pleasanton
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Business-type Activities - Enterprise Funds							Governmental Activities
			Golf Fund			Other Non-major Enterprise		Internal Service
	Water	Sewer	Facilities	Operations	Storm	Funds	Total	Funds
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash receipt from customers	$ 15,069,740	$ 10,659,925	$ (1,001)	$ 4,210,272	$ 510,007	$ 234,073	$ 30,683,016	$ 29,577,628
Cash payment to suppliers for goods and services	(12,377,386)	(9,156,456)	(453,379)	(1,684,101)	(481,961)	(453,103)	(24,606,386)	(4,924,855)
Cash payment to employees for services	(2,933,821)	(1,199,568)	-	(1,664,527)	(455,064)	(698,401)	(6,951,381)	(26,350,980)
Miscellaneous revenue	76,119	25,623	273,594	-	145,232	337,595	858,163	63,624
Net cash provided (used) by operating activities	(165,348)	329,524	(180,786)	861,644	(281,786)	(579,836)	(16,588)	(1,634,583)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Grants received	-	-	-	-	-	285,778	285,778	-
Transfer in	76,352	35,903	1,119,427	75,000	344,118	422,165	2,072,965	84,100
Transfer out	-	-	(1,671,045)	(795,000)	-	-	(2,466,045)	(2,016,012)
Net cash provided (used) by noncapital financing activities	76,352	35,903	(551,618)	(720,000)	344,118	707,943	(107,302)	(1,931,912)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Principal payments on long-term debt	(150,000)	(575,000)	-	(149,158)	-	(51,230)	(925,388)	-
Interest payments	(28,719)	(37,163)	-	(3,181)	-	(14,923)	(83,986)	-
Capital asset acquisition	(2,326,822)	(544,075)	(18,128)	-	-	(197,153)	(3,086,178)	(646,441)
Net cash provided (used) by capital and related financing activities	(2,505,541)	(1,156,238)	(18,128)	(152,339)	-	(263,306)	(4,095,552)	(646,441)
CASH FLOWS FROM NONCAPITAL INVESTING ACTIVITIES:								
Interest received	213,418	133,206	31,397	-	7,993	5,592	391,606	1,177,045
Net cash provided by (used in) noncapital investing activities	213,418	133,206	31,397	-	7,993	5,592	391,606	1,177,045
Net increase (decrease) in cash and cash equivalents	(2,381,119)	(657,605)	(719,135)	(10,695)	70,325	(129,607)	(3,827,836)	(3,035,891)
CASH AND CASH EQUIVALENTS:								
Beginning of year	18,170,365	11,329,540	2,878,450	121,801	905,574	620,410	34,026,140	89,517,173
End of year	$ 15,789,246	$ 10,671,935	$ 2,159,315	$ 111,106	$ 975,899	$ 490,803	$ 30,198,304	$ 86,481,282
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	$ (3,538,289)	$ (2,158,954)	$ (1,725,153)	$ 653,872	$ (1,355,292)	$ (769,564)	$ (8,893,380)	$ (5,490,164)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	3,303,996	2,793,436	1,556,105	110,297	1,088,184	164,401	9,016,419	1,333,813
Decrease (increase) in:							-	
Accounts receivable	(340,557)	(66,319)	(1,001)	6,272	1,259	6,854	(393,492)	(778)
Inventory and prepaid items	-	-	-	16,715	-	-	16,715	-
Increase (decrease) in:							-	
Accounts payable	414,912	(238,101)	(10,737)	36,648	(16,314)	(2,595)	183,813	40,401
Accrued payroll	1,790	(538)	-	-	377	3,549	5,178	27,322
Due to other funds	-	-	-	-	-	(9,301)	(9,301)	-
Deferred revenue	(7,200)	-	-	16,030	-	27,247	36,077	-
Refundable deposits	-	-	-	21,810	-	(427)	21,383	-
Accrued benefits payable	-	-	-	-	-	-	-	(97,261)
Claims payable	-	-	-	-	-	-	-	2,552,084
Net cash provided (used) by operating activities	$ (165,348)	$ 329,524	$ (180,786)	$ 861,644	$ (281,786)	$ (579,836)	$ (16,588)	$ (1,634,583)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:								
Capital assets contributed by developers	$ 396,143	$ 120,699	$ -	$ -	$ 148,383	$ -	$ 665,225	$ -
Total noncash capital and related financing activities	$ 396,143	$ 120,699	$ -	$ -	$ 148,383	$ -	$ 665,225	$ -

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Pleasanton
Statement of Fund Net Assets
Fiduciary Funds
June 30, 2010

	Other Post-Employment Benefit Trusts	Private-Purpose Trust	Agency
ASSETS			
Cash and investments	$ -	$ 155,080	$ 14,662,356
Receivables (net):			
Accounts	-	3,143	264,358
Interest	-	889	7,389
Restricted cash and investments	9,825,190	-	-
Total assets	9,825,190	159,112	$ 14,934,103
LIABILITIES			
Accounts payable	-	18,979	$ 406,472
Due to bondholders	-	-	13,519,382
Deposits	-	-	1,008,249
Total liabilities	-	18,979	$ 14,934,103
NET ASSETS			
Net assets	$ 9,825,190	$ 140,133	

See accompanying Notes to Basic Financial Statements.

City of Pleasanton
Statement of Changes in Fiduciary Net Assets
Trust Funds
For the Year Ended June 30, 2010

	Other Post-Employment Benefit Trusts	Private-Purpose Trust
ADDITIONS:		
Investment income	$ 25,190	$ 1,908
Contributions: Employer	4,300,000	-
Miscellaneous	-	1,425
Total additions	4,325,190	3,333
DEDUCTIONS:		
Operations services	-	16,390
Capital outlay	-	378,563
Total deductions	-	394,953
Changes in net assets	4,325,190	(391,620)
NET ASSETS:		
Beginning of year	5,500,000	531,753
End of year	$ 9,825,190	$ 140,133

See accompanying Notes to Basic Financial Statements.

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City of Pleasanton
Index to Notes to Basic Financial Statements
For the year ended June 30, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Pleasanton (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Pleasanton (City) was incorporated on June 18, 1894, and operates under a Council-Manager form of government. The City Council consists of five elected members. The following services are provided by the City to its citizens: police, fire, streets, water, sewer, economic development, parks and recreation, planning and community development, general administration, library, golf and cemetery.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units and separate financial statements for the units may be obtained from the City's Finance Department located in City Hall at 123 Main Street, Pleasanton, CA 94566:

Pleasanton Joint Powers Financing Authority (Authority) - The Authority was established on June 29, 1993 for the purpose of providing assistance to the City and the Housing Authority of the City in financing public capital improvements, including but not limited to refunding the 1915 Act improvement bonds previously issued by the City. The City exercises significant financial and management control over the Authority and members of the board of directors are appointed by the City Council.

Housing Authority of the City of Pleasanton, California (Housing Authority) - The Housing Authority was established in 1943. The purpose of the Housing Authority is to provide and maintain the maximum number of housing units and services for low and moderate income families at rents they can afford, making the most effective and economical possible use of its resources. In accordance with Section 2.36 of the Municipal Code, the Pleasanton City Council serves as the Board of Directors for the Housing Authority of the City of Pleasanton.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out
- Interfund charges

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989 to the business-type activities, 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) of the committee on Accounting Procedure. The City has elected not to apply applicable FASB Statement and Interpretations issued after November 30, 1989.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for that revenues subject to accrual (generally 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the Combined Balance Sheet and recognized as revenue.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major governmental funds:

The *General Fund* - is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as general government, public safety, community development, operations services and community activities.

The *Lower Income Housing Fund* - is used to provide financial assistance toward meeting the affordable housing guidelines detailed in the housing element of the City's General Plan.

The *Livermore/Pleasanton Fire Department (Livermore Share Only)* - is used to account for the City of Livermore's share of the consolidated fire department's revenue and expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Fund Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental and business-type activities in the government-wide financial statements as appropriate.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major enterprise funds:

The *Water Fund* - accounts for the operation and maintenance of the City's water utility, a self-supporting activity, which provides services on a user-charge basis to residences and businesses.

The *Sewer Fund* - accounts for the operation and maintenance of the City's sewer collection system and related facilities. It is a self-supporting activity, which provides services on a user-charge basis to residences and businesses.

The *Golf Fund* – accounts for the facilities and operations of the City's golf course. The facilities and operations are reported in separate columns on the Proprietary Fund Financial Statements. The facilities section accounts for the golf course infrastructure and accumulation of funds for payment of golf debt service. The operations section accounts for the daily operation and maintenance of the golf course. The City currently contracts with Pleasanton Golf, LLC (CourseCo, Inc.) to manage and maintain the golf course and facilities.

The *Storm Drain Fund* – accounts for the operation and maintenance of the City's storm system. The revenue source for this fund is the urban runoff annual assessment fee levied on property owners since Fiscal Year 1992-93 and the expenses relate to a federally mandated program to reduce pollutants to the bay.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City reports the following internal service funds:

The *Internal Service Funds* - account for the City's employee benefits, public art acquisition and maintenance, equipment replacement/renovations provided to other departments, or to other governments and self-insurance programs – worker's compensation and general liability, on a cost-reimbursement basis.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fund Net Assets and a Statement of Changes in Net Assets. The City's fiduciary funds represent agency funds, a private purpose trust fund and two other post-employment benefit trust funds (OPEB). Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The private purpose trust fund and the OPEB trust funds are accounted for using the economic resources measurement focus. The fiduciary funds are accounted for using the accrual basis of accounting.

The City reports the following fiduciary funds:

The *Agency Funds* - account for assets held by the City as an agent for various local government agencies, insurance companies, developers and bond trustees.

The *Private-Purpose Trust Funds* - accounts for the P.T.C.W.D. #3 Trust Fund. The Trust received money in 1973 from the Pleasanton Township County Water District #3 and the funds may be used in the future to maintain the private road that serves the City's water tanks.

The *Other Post-Employment Benefit Trust Funds* – account for the Miscellaneous Retiree Medical Trust and the Fire Retiree Medical Trust Funds. In compliance with GASB Statement No. 43, the City established these trusts for payment of retiree medical benefits.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

For purposes of the statement of cash flows of the proprietary funds types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects and for payment of retiree medical benefits. Cash and investments are also restricted for deposits held for others within the enterprise funds.

E. Receivables

During the course of normal operations, the City carries various receivable balances for taxes, interest, services, utilities and special assessments. Accounts receivables are shown net of an allowance for doubtful accounts of $6,950 in the Water Fund and $3,746 in the Sewer Fund.

F. Notes Receivable

For the purposes of the governmental fund financial statements, expenditures related to long-term notes arising from subsidy programs are charges to operations upon funding and the notes are recorded with an offset to a deferred revenue account. For the purposes of the government-wide financial statements, long-term loans are not offset by deferred revenue accounts.

G. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are 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 between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at $5,000 and for reporting infrastructure (streets, water, sewer and storm drains) at $100,000. All streetlights and traffic signals are included. Donated capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Infrastructure	20-40 years
Buildings and Improvements	20-50 years
Machinery and Equipment	5 - 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure in the current Basic Financial Statements.

Capital assets that meet the definition of the major infrastructure network or extend the life of existing infrastructure networks are capitalized as infrastructure. Infrastructure networks include: roads, bridges, water, sewer, drainage systems and lighting systems.

I. Compensated Absences

Accumulated unpaid vacation and compensatory time is accrued in the Employee Benefit Internal Service Fund using the accrual basis of accounting. Sick leave with pay is granted to all eligible employees. Sick leave is not considered a right which employees may use at their discretion, but is allowed only for specific purposes as explained in the City's personnel policies. The City has determined that it has no accrued liability to report at June 30, 2010 as a result of its sick leave policy. The City accrues accumulated unpaid compensated absences when earned by the employee.

J. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. *Interest Payable*

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental activities and business-type activities.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

L. *Property Taxes*

Property taxes are levied based on a fiscal year (July 1 – June 30). The property tax assessments are formally due on November 1 and February 1, and become delinquent as of December 10 and April 10, respectively. Taxes become a lien on the property effective January 1 of the preceding year.

M. *Net Assets / Fund Equity*

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

N. *Use of Restricted and Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

O. *Fund Balances – Reserves and Designations*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

P. *Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. *Implementation of New GASB Pronouncements*

In 2010, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* – This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Governments possess many different types of assets that may be considered intangible assets, including right-of-ways, easements, water rights, patents, trademarks and computer software. The City's intangible assets only include right-of-ways.

2. CASH AND INVESTMENTS

The City maintains a cash and investments pool, which includes cash balances and authorized investments of all funds, that is available for use by all funds, except certain construction and bond reserve funds held by the City.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2010:

	Government-Wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	
	Governmental Activities	Business-Type Activities		Total
Cash and investments	$ 187,092,807	$ 29,933,356	$ 14,817,436	$ 231,843,599
Restricted cash and investments	394,945	264,948	9,825,190	10,485,083
Total	$ 187,487,752	$ 30,198,304	$ 24,642,626	$ 242,328,682

At June 30, 2010 the City's pooled cash and investments, including restricted funds consisted of the following:

	Fair Value June 30, 2010
City Treasury:	
Deposits:	
Cash on hand	$ 4,300
Deposits with banks	2,065,035
Certificates of deposits	262,815
Total Deposits	2,332,150
Investments:	
U.S. government treasuries	65,811,661
U.S. government agencies	103,492,869
Money market	8,162,717
Certificates of deposits	735,000
California Local Agency Investment Fund	51,309,202
Total Investments	229,511,449
Total City Treasury	231,843,599
Cash with Fiscal Agent	10,485,083
Total City and fiscal agent cash and investments	$ 242,328,682

2. CASH AND INVESTMENTS, Continued

A. *Deposits*

At June 30, 2010, the carrying amount of the City's cash deposits had a positive balance of $2,065,035 and the bank balance was $3,951,427. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $1,120,951 was covered by federal depository insurance and $2,830,476 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

B. *Investments*

Under the provisions of the City's investment policy, and in accordance with Section 53601 of California Government Code, the City may invest or deposit in the following:

- Bankers' acceptances
- Commercial paper
- Local Agency Investment Fund
- Mutual funds
- Medium-term corporate notes
- Money market funds
- Negotiable certificates of deposit
- Repurchase agreements
- Securities of the Federal government or its agencies

Included in restricted cash and investments at June 30, 2010, was $10,485,083 held by the trustees or fiscal agents. These funds may only be used for the payment of certain bonds, certificates of participation and retiree medical benefits and have been invested only as permitted by specific state statutes or applicable City ordinances, resolutions, or bond indentures.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value at the fiscal year ended June 30, 2010 from the fiscal year ended June 30, 2009 amounted to an unrealized loss of $393,013.

During the year, the City held structured notes. Structured notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Bank (FHLB). These securities could be called prior to maturity, depending on changes in interest rates. As of June 30, 2010, the City held $10,003,629 in callable securities, representing 4.36% of investments.

2. CASH AND INVESTMENTS, Continued

C. *Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2010, the City had the following investment maturities, all of which had a maturity date of 3 years or less:

		Investment Maturities (In Years)	
Investment Type	Fair Value	Less than 1	1 to 3
U.S. Government treasuries	$ 65,811,661	$ 37,059,710	$ 28,751,951
U.S. Government agencies	103,492,869	47,428,771	56,064,098
California Local Agency Investment Fund	51,309,202	51,309,202	-
Certificates of deposit	735,000	735,000	-
Money market	8,162,717	8,162,717	-
Total	$ 229,511,449	$ 144,695,400	$ 84,816,049

D. *Credit Risk*

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investor's Service. At June 30, 2010, the City's credit risks, expressed on a percentage basis, were as follows:

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

	Moody's	Standard & Poor's	Percentage
U.S. Agencies			
Federal Farm Credit Bank	Aaa	AAA	14.86%
Federal Home Loan Bank	Aaa	AAA	27.17%
Federal Home Loan Mortgage Corporation	Aaa	AAA	1.32%
Federal National Mortgage Association	Aaa	AAA	1.75%
U.S. Treasury Money Market Funds			
Fidelity - Government Portfolio	Aaa	AAA	3.56%
External Pool			
State of California - Local Agency Investment Fund	Not Rated	Not Rated	22.33%

Concentration of Credit Risk - The City's Policy has the same maturity limits as the California Government Code. The City is allowed to purchase mutual funds up to 20% of the value of the portfolio. There are no specified maximum percentages for U.S. Treasury Obligations, U.S. Agencies, and the external investment pool (State of California - Local Agency Investment Fund). The City is in compliance with these provisions of the Policy.

The following is a chart of investments not guaranteed by U.S. Government that represents five (5) percent or more of the total investments:

U.S. Agencies	Amount Invested	Percentage of Investments
Federal Farm Credit Bank	$ 34,106,015	14.86%
Federal Home Loan Bank	62,363,707	27.17%
	$ 96,469,722	42.03%

2. CASH AND INVESTMENTS, Continued

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 custodial credit risk for investments is the risk that, in the event of failure of the counter party (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 City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 City). The market 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

E. External Investment Pool

As of June 30, 2010, the City had $51,309,202 invested in the California Local Agency Investment Fund (LAIF), a State of California external investment pool. The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and the State Controller. The LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. At June 30, 2010, 47.21% of LAIF's portfolio was invested in government guaranteed U.S. Treasuries.

The City's investments with LAIF at June 30, 2010 included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMS) or credit card receivables.

As of June 30 2010, 5.42% of LAIF's portfolio was invested in Structured Notes and Asset-Backed Securities. Fair value of LAIF was calculated by applying a factor of 1.001643776 to total investments held by LAIF. The fair value of the City's position in the pool is substantially equivalent to the value of the pool share. Separate financial statements for the PMIB may be obtained from California State Treasurer's Office, 915 Capital Mall, Sacramento, CA 95814.

3. NOTES RECEIVABLE

The following table summarizes the notes receivable outstanding as of June 30, 2010:

	Government-Wide Statement of Net Assets Governmental Activities
Housing Loans	
Multifamily Housing Projects - Developers	$ 5,137,062
Revolving Home Loans - Individuals	1,140,002
HOME Grant Program Loans	395,000
In Lieu Parking Fee Loans	105,000
Sewer Loans	75,095
Total	$ 6,852,159

Housing Loans

- *Developers* - The City has given loans to private developers for the development of affordable housing for seniors and low income residents and are as follow:

  - *Busch Garden Investors* - In 2003, the City loaned Busch Garden Investors $205,000 for the construction of the Gardens at Ironwood senior apartment project. The loan is a zero interest rate loan with annual principal payments in the amount of $14,000. The amount outstanding at June 30, 2010 was $149,000.

  - *Case Avenue Associates* - In 1996, the City loaned $766,063 to Case Avenue Associates to finance the construction of the Promenade Apartments, a mixed income rental housing development of very low income, low income and market rate units. This loan was to finance the construction of the low income and very low income units in the project and was comprised of two components, $636,063 funded by the City and $130,000 funded through the City's allocation of federal HOME Investment Partnership Program (HOME) funds. The $636,063 portion did not bear interest through 2007. Beginning in 2008, interest accrues at 2% and is payable from available cash flow from the project. Any interest not paid due to insufficient cash flow is deferred until the first year cash flow is available. All deferred interest and principal are due in full on the date of maturity, April 1, 2051. The $130,000 HOME portion bears no interest and principal is to be paid in full on the date of maturity, April 1, 2051. The principal amounts outstanding at June 30, 2010 for the City funded and the HOME funded portions were $636,063 and $130,000, respectively, and does not reflect accrued interest.

3. NOTES RECEIVABLE, Continued

- *Promenade Housing Associates* - In 1996, the City loaned $231,999 to Promenade Housing Associates to finance the construction of the Promenade Apartments, a mixed income rental housing development of very low income, low income and market rate units. This loan was to finance the construction of the market rate units in the project and was comprised of two components, $101,999 funded by the City and $130,000 funded through the City's allocation of federal HOME Investment Partnership Program (HOME) funds. The $101,999 portion did not bear interest through 2007. Beginning in 2008, interest accrues at 2% and is payable from available cash flow from the project. Any interest not paid due to insufficient cash flow is deferred until the first year cash flow is available. All deferred interest and principal are due in full on the date of maturity, April 1, 2051. The $130,000 HOME portion bears no interest and principal is to be paid in full on the date of maturity, April 1, 2051. The amounts outstanding at June 30, 2010 for the City funded and the HOME funded portions were $101,999 and $130,000, respectively, and does not reflect accrued interest.

- *BLP Partnership, Inc.* – In 2005, the City loaned $2,490,000 to BLP Partnership, Inc., for the predevelopment and construction of the Parkview assisted living facility. The loan requires an annual interest-only payment of 10% ($249,000) for 55 years or until the loan is paid in full. Annual payments toward the principal are based on the availability of surplus cash from the operation of the facility according to a "waterfall of payments" provision in the Loan Agreement in which surplus cash is applied to seven debt categories in the following order: base property management fee, HELP loan payment, developer fee contribution, operating/management reserve, City loan ($2.49 million) payment, asset management fee, and management/incentive bonus. The amount outstanding at June 30, 2010 was $2,490,000.

- *BLP Partnership, Inc.* – In 2005, the City loaned $1,500,000 to BLP Partnership, Inc. for the predevelopment and construction of the Parkview assisted living facility. This loan was funded by a City loan agreement with the California Housing Finance Agency (CalHFA) through the Housing Enabled by Local Partnerships (HELP) program. The outstanding principal balance of the loan accrues simple interest at the rate of 3% per annum. BLP is required to use project surplus cash to make annual loan payments to the City commencing one year after issuance of certificate of occupancy. The loan payment is equal to 75% of surplus cash. BLP is obligated to repay the full amount of the loan within 35 years from September 26, 2005. The amount outstanding at June 30, 2010 was $1,500,000 and does not reflect accrued interest.

3. NOTES RECEIVABLE, Continued

- *Eden Housing/Ridge View Commons Associates* – In 1988, the City loaned $4,000,000 to Eden Housing, Inc. for the development of Ridge View Commons, a rental housing development for low and very low income seniors. Funding for this loan came from a Department of Housing and Urban Development (HUD) grant through the Housing Development Grant (HODAG) program. In 1999, the City loaned $2,250,000 from the Lower Income Housing Fund to Ridgeview Commons Associates, a California Limited Partnership affiliated with Eden Housing, Inc., for this same housing project. In Fiscal Year 2009-10, the City loaned an additional $225,000 to Ridge View Commons Associates to buy out the financial interests of the limited partner (Chevron USA, Inc.) in this project. Due to the nature of these loans, the likelihood of repayment is extremely remote. As a result, the City has recorded an allowance for doubtful accounts in its Lower Income Housing Fund, resulting in a zero balance for these loans in the basic financial statements.

- *Individuals* - As part of the Pleasanton Homeownership Assistance Program (PHAP) developed by the City to provide affordable housing opportunities for households of low and moderate income, loans are provided to eligible low and moderate income homebuyers for second mortgages and down payment assistance. For the second mortgage loan program, which was started in 1992, monthly payments of principal and interest were waived for the first five years for most of the loans. For more recent loans provided since 2004 under the City's Down Payment Assistance (DPA) program, amortized payments are made on half of the loan for the first ten years while payments are partially deferred for ten years on the other half. During Fiscal Year 2009-10, an additional $40,000 was loaned to individuals and the City received loan repayments totaling $176,084. The outstanding amount due to the City as of June 30, 2010 was $1,140,002.

HOME Grant Program Loans

- *Tri-Valley REACH, Inc. Loans* – In February 2009, the City entered into an agreement with REACH, Inc. (formerly HOUSE, Inc.), a local nonprofit agency, to provide funding through the City's federal HOME grant program to purchase a below-market priced home in Pleasanton for developmentally disabled adults who can live independently with supportive services. The loan, in the amount of $195,000, does not include interest payments and no repayment of principal is due as long as REACH, Inc. owns the property and continues to use it for the intended purpose. During Fiscal Year 2009-10, the City entered into its second agreement with REACH, Inc., in the amount of $200,000, to provide funding for the purchase of a second home for the same intended purpose and terms as the first agreement. The outstanding amount as of June 30, 2010 was $395,000.

In Lieu Parking Fee Loans – Loans are provided to property owners within the Downtown Revitalization District to finance the cost of off-street parking required for a development project pursuant to the Pleasanton Municipal Code Chapter 18.88 Off Street Parking Facilities. This loan program was adopted by Ordinance No. 1898 in 2003, and is set forth in Pleasanton Municipal Code section 18.88.120. Since the program's inception, several property owners have utilized this loan program, and repaid their loans. The outstanding amount as of June 30, 2010 was $105,000.

Sewer Loans - Loans are granted to restaurant owners to finance sewer connection fees. The loan program was adopted in 1989 to encourage restaurants to locate in the downtown area. Since the program's inception, there have been no defaults in these loan payments. Therefore, in 1997 the City expanded the loan program for restaurants outside downtown Pleasanton. The outstanding amount as of June 30, 2010 was $75,095.

4. INTERFUND TRANSACTIONS

A. *Interfund Receivables / Payables*

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds

The General Fund provides cash flow assistance to various grant funds and Enterprise Funds that have grant programs subsidized by the General Fund. As of June 30, 2010, balances of due to/from other funds were as follows:

Due to other funds	Due from other funds: General Fund
Non-major Governmental Funds	$ 915,314
Non-major Enterprise Funds	19,921
Total	$ 935,235

Transfers In/Out

The majority of transfers occurred in Fiscal Year 2009-10 to cover debt service payments, to provide operating subsidies to the enterprise funds and to redistribute excess funding in an internal service fund.

- The General Fund transferred $781,709 to the Capital Improvement Program (CIP) to cover the CIP's share of annual debt service for the 2003 Certificates of Participation and the 2004 Refunding Lease Certificates of Participation.
- The General Fund also transferred $1,044,970 to enterprise funds to support storm drain, transportation, golf facilities, and cemetery operations.
- Golf Operations transferred $795,000 to Golf Facilities to cover a portion of the golf enterprise's $1,596,045 share of debt service.
- Excess funding of $2,016,012 in the Employee Benefit Internal Service Fund from the prior fiscal year was refunded back to the contributing operating funds in proportion to their original contribution.

Transfers in/out for the year ended June 30, 2010, were as follows:

Transfers In	Transfers Out: Major Fund: General Fund	Major Fund: Golf Facilities Fund	Major Fund: Golf Operations Fund	Internal Service Funds	Non-Major Governmental Funds	Total
Major Fund:						
General Fund	$ -	$ -	$ -	$ 1,677,306	$ 36,850	$ 1,714,156
LPFD Fund (Livermore Only)	-	-	-	205,138	-	205,138
Sewer Enterprise Funds	-	-	-	35,903	-	35,903
Water Enterprise Funds	-	-	-	76,352	-	76,352
Storm Enterprise Funds	330,000	-	-	14,118	-	344,118
Golf Enterprise Funds						
Facilities	300,000	-	795,000	-	24,427	1,119,427
Operations	-	75,000	-	-	-	75,000
Internal Service Funds	-	-	-	-	84,100	84,100
Non-Major Governmental Funds	781,709	1,596,045	-	-	2,405,122	4,782,876
Non-Major Enterprise Funds	414,970	-	-	7,195	-	422,165
Total	$ 1,826,679	$ 1,671,045	$ 795,000	$ 2,016,012	$ 2,350,499	$ 8,859,235

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Retirements	Transfers	Balance 6/30/10
Governmental activities:					
Nondepreciable assets:					
Land	$ 215,069,178	$ 30,655	$ -	$ -	$ 215,099,833
Right-of-ways	36,271,236	38,420	-	-	36,309,656
Construction in progress	25,390,226	8,381,694	-	(9,885,408)	23,886,512
Total nondepreciable assets	276,730,640	8,450,769	-	(9,885,408)	275,296,001
Depreciable assets:					
Infrastructure	260,620,876	1,766,373	(470,617)	995,972	262,912,604
Accumulated depreciation	(132,108,744)	(7,714,488)	390,682	-	(139,432,550)
Buildings	60,228,112	-	-	695,000	60,923,112
Accumulated depreciation	(15,489,240)	(1,214,607)	-	-	(16,703,847)
Improvements other than buildings	44,670,413	-	-	8,059,409	52,729,822
Accumulated depreciation	(25,759,144)	(1,935,250)	-	-	(27,694,394)
Machinery and equipment	18,554,137	314,218	-	135,027	19,003,382
Accumulated depreciation	(12,883,047)	(981,632)	-	-	(13,864,679)
Vehicles	9,599,064	87,136	-	-	9,686,200
Accumulated depreciation	(7,310,926)	(562,912)	-	-	(7,873,838)
Net depreciable assets	200,121,501	(10,241,162)	(79,935)	9,885,408	199,685,812
Governmental activities capital assets, net	$ 476,852,141	$ (1,790,393)	$ (79,935)	$ -	$ 474,981,813
Business-type activities:					
Nondepreciable assets:					
Land	$ 14,274,798	$ -	$ -	$ -	$ 14,274,798
Construction in progress	2,051,340	1,501,231	-	(828,174)	2,724,397
Total nondepreciable assets	16,326,138	1,501,231	-	(828,174)	16,999,195
Depreciable assets:					
Infrastructure	256,208,835	356,607	(13,547)	685,428	257,237,323
Accumulated depreciation	(112,206,560)	(6,113,130)	13,547	-	(118,306,143)
Buildings	33,733,799	80,276	-	-	33,814,075
Accumulated depreciation	(11,201,642)	(725,022)	-	-	(11,926,664)
Improvements other than buildings	31,463,140	18,128	-	-	31,481,268
Accumulated depreciation	(6,061,566)	(1,562,552)	-	-	(7,624,118)
Machinery and equipment	12,483,898	1,696,578	-	142,746	14,323,222
Accumulated depreciation	(3,807,823)	(535,705)	-	-	(4,343,528)
Vehicles	610,877	98,582	-	-	709,459
Accumulated depreciation	(394,039)	(60,275)	-	-	(454,314)
Net depreciable assets	200,828,919	(6,746,513)	-	828,174	194,910,580
Business-type activities capital assets, net	$ 217,155,057	$ (5,245,282)	$ -	$ -	$ 211,909,775

5. CAPITAL ASSETS, Continued

During Fiscal Year 2009-10, the City implemented GASB No. 51 and the beginning net Governmental Activities capital assets were restated to $476,852,141 for the cumulative cost of $36,271,236 to record land acquired for right-of-ways in prior fiscal years.

A. Depreciation

Depreciation expense was charged to various governmental functions as follows:

General government	$ 117,396
Public safety	946,202
Community development	3,985
Operations services	8,517,615
Community activities	2,823,691
Total depreciation expense - governmental functions	$ 12,408,889

Depreciation expense was charged to the business-type functions as follows:

Water	$ 3,295,931
Sewer	2,781,766
Golf	1,666,402
Transit	66,919
Storm Drain	1,088,184
Housing Authority	97,482
Total depreciation expense - business-type functions	$ 8,996,684

6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
2003 Certificates of Participation	$ 24,290,000	$ -	$ (965,000)	$ 23,325,000	$ 995,000	$ 22,330,000
2004 Refunding Lease Certificates of Participation	2,115,000	-	(330,000)	1,785,000	335,000	1,450,000
CALHFA Help Loan	1,500,000	-	-	1,500,000	-	1,500,000
State CALHFA Help Program note payable	342,487	-	-	342,487	-	342,487
Note payable, County of Alameda	3,400,000	-	(530,000)	2,870,000	530,000	2,340,000
Claims payable (Note 7)	2,219,374	3,370,058	(817,974)	4,771,458	2,807,974	1,963,484
Compensated absences (Note 8)	5,373,052	3,652,628	(3,749,889)	5,275,791	985,032	4,290,759
Total governmental activities	$ 39,239,913	$ 7,022,686	$ (6,392,863)	$ 39,869,736	$ 5,653,006	$ 34,216,730
Business-type Activities:						
Note payable, Federal Financing Bank	$ 226,105	$ -	$ (51,230)	$ 174,875	$ 54,612	$ 120,263
Golf Course Capital Lease	149,158	-	(149,158)	-	-	-
2002 Sewer Revenue Refunding Bonds	420,000	-	(420,000)	-	-	-
2004 Water Revenue Refunding Bonds	975,000	-	(150,000)	825,000	155,000	670,000
2004 Sewer Revenue Refunding Bonds	995,000	-	(155,000)	840,000	155,000	685,000
Total business-type activities	$ 2,765,263	$ -	$ (925,388)	$ 1,839,875	$ 364,612	$ 1,475,263

6. LONG-TERM LIABILITIES, Continued

Long-term debt at June 30, 2010, consisted of the following:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments (000's)	Amount Issued	Outstanding June 30, 2010
Governmental Activities:					
2003 Certificates of Participation	2032	3 - 4.75%	$265 - $1,530	$ 28,425,000	$ 23,325,000
2004 Refunding Lease Certificates of Participation	2014	2.1 - 3.4%	$330 - $490	4,040,000	1,785,000
CALHFA Help Loan	2015	3.0%	-	1,500,000	1,500,000
State CALHFA Help Program note payable	2015	3.0%	$6 - $8	342,487	342,487
Note payable, County of Alameda	2016	0.6%	$481 - $730	6,500,000	2,870,000
Total governmental activities					$ 29,822,487
Business-type Activities:					
Note payable, Federal Financing Bank	2012	6.6%	$66 - $66	882,636	$ 174,875
2004 Water Revenue Refunding Bonds	2014	2 - 3.5%	$150 - $670	3,595,000	825,000
2004 Sewer Revenue Refunding Bonds	2014	2 - 3.5%	$155 - $195	1,760,000	840,000
Total business-type activities					$ 1,839,875

2003 - Certificates of Participation

On April 1, 2003, the City issued Certificates of Participation in the amount of $28,425,000. The proceeds were used to provide funds for the acquisition and construction of a golf course and to refinance the City's obligations relating to certain 1991 Certificates of Participation of the City. The certificates bear an interest rate range from 3.0% to 4.75% and are payable semiannually on April 1 and October 1. Principal payments are payable annually on each October 1 through 2032. These certificates are obligated to be repaid from the City's general fund or any other source of funds legally available.

2004 – Refunding Lease Certificates of Participation

On December 1, 2004, the City issued Refunding Lease Certificates of Participation in the amount of $4,040,000. The proceeds were used to refinance in part the City's obligations relating to certain Refunding Lease Revenue Bonds, 1994 Series B of the Pleasanton Authority, to fund a Reserve Fund for the Certificates, and to pay certain costs of issuing the Certificates. The original certificate proceeds were used in 1988 to finance the construction and acquisition of fire station improvements, the Fire Training Center and the Pleasanton City Hall at 123 Main Street. The certificates bear an interest rate range from 2.1% to 3.4% and are payable semiannually on March 1 and September 1. Principal payments are payable annually on each September 1 through 2014. These certificates are obligated to be repaid from the City's general fund or any source of funds legally available.

6. LONG-TERM LIABILITIES, Continued

CALHFA Help Loan

On September 8, 2005, the City entered into a loan agreement with CalHFA for a maximum of $1,500,000 for the purpose of operating a local housing program. The loan bears an interest of 3% simple per annum and is due in full by September 7, 2015. Annual payments to CalHFA are not required. The City has loaned the full $1,500,000 to BLP Partnership, Inc. BLP is required to use project surplus cash to make annual loan payments to the City commencing one year after issuance of certificate of occupancy. The loan payment is equal to 75% of surplus cash. In the event BLP payments are insufficient to repay the full loan amount by September 7, 2015, the City's Lower Income Housing Fund will be used to make any outstanding loan payments to CalHFA. However, BLP is obligated to repay the full amount of the loan within 35 years from September 26, 2005.

State CALHFA Help Program Note Payable

On June 26, 2003, the State of California approved the City's application for a maximum of $450,000 assistance for the City's down payment assistance program for low and moderate-income homebuyers. This program will assist first-time homebuyers with second mortgages offered at below-market interest rates. The loans to homebuyers are 10 year loans with an interest rate of 3%. After the homebuyers repay the City in full, the City will then repay the State. As of June 30, 2010, $342,487 in second mortgages was outstanding.

Note Payable, County of Alameda

On July 8, 2008, the City signed a Purchase Agreement with the County of Alameda for the acquisition of approximately ten gross acres of vacant property, known as the Alameda County Transportation Corridor, located between Bernal Avenue and Stanley Boulevard and parallel to First Street in the Downtown area. For purposes of the Purchase Agreement, the property is divided into two sections, the Southern Property and the Northern Property. The purchase prices of the Southern and Northern Properties are $5,500,000 and $2,000,000, respectively. The City paid the County $2,100,000 for the Southern Property at the close of escrow in July 2008 with the balance of $3,400,000 to be paid to the County in seven, roughly equal, installments, of which the first two installments are interest free. The first two installments were paid in August 2009 and August 2010, respectively. The third installment, due August 2011, as well as the remaining four installments shall bear interest at the Local Agency Investment Fund (LAIF) rate prevailing on the payment date. The purchase of the entire Northern Property is contingent upon the remedial cleanup action of a recognized environmental condition on the property, as discussed in Note 13. Regardless of the cleanup of a portion of the Northern Property, the City is obligated to purchase the remainder of the Northern Property or it will forfeit $1,000,000 that it has placed in escrow.

Note Payable, Federal Financing Bank

The Housing Authority issued a note payable to the Federal Financing Bank to finance Kottinger Place, a housing project. Payments of $66,153 including interest at 6.6% are due annually on November 1, through 2012. The mortgage is to be repaid from grants from the U.S. Department of Housing and Urban Development.

6. LONG-TERM LIABILITIES, Continued

2004 Water Revenue Refunding Bonds

On December 8, 2004, the City issued $3,595,000 of the Series 2004 Water Revenue Refunding Bonds. The 2004 Water Revenue Refunding Bonds were issued to refund a portion of the City's obligations with respect to the Pleasanton Joint Powers Financing Authority 1994 Series A Refunding Water and Sewer Revenue Bonds and 1994 Series B Refunding Lease Revenue Bonds, to fund a reserve fund for the Bonds, and to pay certain costs of issuance of the Bonds. The bonds bear an interest rate range from 2.0% to 3.5% and are payable semiannually on each September 1 and March 1. Principal payments are payable annually on each September 1 through 2014. These bonds are to be repaid from net revenues received by the City from the operation of the water system.

The Indenture for the 2004 Water Revenue Refunding Bonds requires the City to pledge its annual Net Water Revenues (defined as operating income plus depreciation, interest income and non-operating income) in an amount equal to 125% of the annual debt service requirement each fiscal year, through final maturity of the bonds on September 1, 2014 or early retirement of the bonds, whichever first occurs. At June 30, 2010, the ratio of Net Water Revenues to the debt service payments due during Fiscal Year 2009-10 was 1.25:1.

2004 Sewer Revenue Refunding Bonds

On December 8, 2004, the City issued $1,760,000 of the Series 2004 Sewer Revenue Refunding Bonds. The 2004 Sewer Revenue Refunding Bonds were issued to refund a portion of the City's obligations with respect to the Pleasanton Joint Powers Financing Authority 1994 Series A Refunding Water and Sewer Revenue Bonds and 1994 Series B Refunding Lease Revenue Bonds, to fund a reserve fund for the Bonds, and to pay certain costs of issuance of the Bonds. The bonds bear an interest rate range from 2.0% to 3.5% and are payable semiannually on each September 1 and March 1. Principal payments are payable annually on each September 1 through 2014. These bonds are to be repaid from net revenues received by the City from the operation of the sewer enterprise.

The Indentures for the 2004 Sewer Revenue Refunding Bonds require the City to pledge its annual Net Sewer Revenues (defined as operating income plus depreciation, interest income and non-operating income) in an amount equal to 125% of the combined annual debt service requirement each fiscal year, through final maturity of the bonds on September 1, 2014, or early retirement of the bonds, whichever first occurs. At June 30, 2010, the ratio of Net Sewer Revenues to the debt service payments due during Fiscal Year 2009-10 was 2.37:1.

6. LONG-TERM LIABILITIES, Continued

The following schedule illustrates the debt service requirements to maturity for governmental activities as of June 30, 2010:

Year Ending	2003 Certificates of Participation		2004 Refunding Lease Certificates of Participation	
June 30,	Principal	Interest	Principal	Interest
2011	$ 995,000	$ 1,002,120	$ 335,000	$ 51,000
2012	1,030,000	968,690	345,000	41,303
2013	650,000	939,399	355,000	30,536
2014	675,000	914,961	370,000	18,933
2015	700,000	889,005	380,000	6,460
2016 - 2020	3,940,000	3,990,884	-	-
2021 - 2025	4,865,000	3,035,606	-	-
2026 - 2030	6,085,000	1,783,491	-	-
2031 - 2033	4,385,000	318,844	-	-
Total	$ 23,325,000	$ 13,843,000	$ 1,785,000	$ 148,231

The following schedule illustrates the payment requirements for purchase agreements for governmental activities as of June 30, 2010:

	Alameda County Transportation Corridor Purchase Agreement				
Year Ending June 30,	Principal	Coupon	*Estimated Interest	Total Payment	Balance
2011	$ 530,000	-	$ -	$ 530,000	$ 2,340,000
2012	468,000	0.56%	13,104	481,104	1,872,000
2013	468,000	0.56%	10,483	478,483	1,404,000
2014	468,000	0.56%	7,862	475,862	936,000
2015	468,000	0.56%	5,242	473,242	468,000
2016	468,000	0.56%	2,621	470,621	-
Total	$ 2,870,000		$ 39,312	$ 2,909,312	

* Interest shall accrue commencing two years following the closing date (July 30, 2008) at the LAIF rate prevailing on the payment due date. The June 30, 2010 LAIF rate was used for purposes of this schedule.

6. LONG-TERM LIABILITIES, Continued

The following schedule illustrates the debt service requirements to maturity for business-type activities as of June 30, 2010:

Year Ending	Note Payable Federal Financing Bank		2004 Water Revenue Bonds		2004 Sewer Revenue Bonds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 54,612	$ 11,541	$ 155,000	$ 24,144	$ 155,000	$ 24,638
2012	58,216	7,937	160,000	19,419	165,000	19,838
2013	62,047	4,106	165,000	14,441	165,000	14,784
2014	-	-	170,000	8,994	175,000	9,253
2015	-	-	175,000	3,063	180,000	3,150
Total	$ 174,875	$ 23,584	$ 825,000	$ 70,059	$ 840,000	$ 71,663

Non-commitment Special Assessment Debt

The following issues of Special Assessment District Bonds issued pursuant to the Municipal Improvement Act of 1915 were not reflected in the governmental activities because these are special obligations payable solely from and secured by specific revenue sources described in the bond resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof, is pledged for the payment of these bonds:

	Outstanding June 30, 2010
Pleasanton Joint Powers Financing Authority Local Obligation Bonds:	
2004 Series A Reassessment Revenue Bonds	$ 70,000
2004 Series B Reassessment Revenue Bonds	16,745,000
Total	$ 16,815,000

On May 25, 2004, the Pleasanton Joint Powers Financing Authority (PJPFA) sold $76,485,000 of Reassessment Revenue Bonds. The net bond proceeds from the 2004 Series A&B Reassessment Revenue Bonds were deposited into an irrevocable escrow fund to defease to the first call date the PJPFA 1993 Series A&B Reassessment Revenue Bonds. The net proceeds from the 1993 Series A&B Reassessment Revenue Bonds were used to purchase the Local Obligations. As of June 30, 2010, the outstanding principal amount of the Local Obligations was $39,967,061. The annual reassessments paid on the Local Obligations are the source of net revenues for the payment of the annual debt service on the 2004 Series A&B Reassessment Revenue Bonds.

6. LONG-TERM LIABILITIES, Continued

Conduit Debt

The City has issued two separate Multifamily Housing Revenue Bonds, the proceeds of which were used to fund mortgage loans to finance the acquisition and construction of multifamily rental housing facilities located in the City. The projects include the Greenbriar Apartment Homes (original bond issue date 2001) and the Busch Senior Housing Apartments (original bond issue date 2003 in the amount of $13,360,000). Each facility is required to be occupied in part by low or moderate income families. In addition, the Busch Senior Housing Project is restricted to apartment units exclusively for seniors.

The bonds are secured by a first lien priority deed of trust, assignment of rents and security agreement encumbering the project. In addition, the required payments under the mortgage notes are secured by a pledge and security interest granted by the Federal National Mortgage Association (FNMA) to the trustee of interests in certain collateral owned by FNMA pursuant to the terms of each agreement.

The bonds are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liability in the accompanying basic financial statements.

In September 2005, the City issued Variable Rate Demand Certificates of Participation (COP) for the Pleasanton Assisted Living Project Financing in the amount of $19,700,000. The Assisted Living facility is owned by a separate corporation and payments on the COP debt will be made by the corporation from revenues derived from the operation of the facility.

Legal Debt Limit

As of June 30, 2010, the City's debt limit based on the legal debt margin (15% of 25% of the City's assessed valuation subject to taxation) was $652,451,380.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations pertain to the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Treasury at least every five years. The City has evaluated each bond issued subject to the arbitrage rebate requirements and has determined that no arbitrage liability exists at June 30, 2010.

As of June 30, 2010, the City was in compliance with all bond covenants as they pertain to reserve and sinking fund requirements.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to third party personal injuries and/or damage to property, employment practices liability, workers compensation claims and damage to or destruction of City property and vehicles. The City has a self retained limit for these various risks. Over the City's self retained limits, the City has coverage through a number of risk sharing public entity pools. For example, general liability claims over $250,000 are covered through the Bay Cities Joint Powers Insurance Authority (Bay Cities) and the California Affiliated Risk Management Authority (CARMA). Similarly, employment practices liability claims between $75,000 and $1,000,000 are covered through the Employment Risk Management Authority (ERMA) and claims between $1,000,000 and $3,000,000 through Lloyds of London-Beazley. In the opinion of City management, premiums paid to Bay Cities (which in turn pays premiums to others including CARMA and ERMA, depending on the risk involved) represent the best available estimate of the ultimate cost of its participation in these various risk sharing pools.

The City's self retained limits and maximum coverage is as follows:

Coverage	Self Retained Limit	Maximum Coverage	Maximum Coverage Through
General Liability	$ 250,000	$ 29,000,000	Bay Cities/CARMA
Employment Practices Liability	75,000	3,000,000	ERMA/Lloyds of London-Beazley
Workers Compensation	1,000,000	Up to Statutory Limit	LAWCX
All Risk Property	10,000	Up to Replacement Cost	PEPIP/Lexington Insurance Co.
Auto Physical Damage	1,000	Up to Replacement Cost	PEPIP

All claims have been settled within the maximum coverage in the past three fiscal years.

The City accounts for and finances its uninsured risks of loss and liability insurance premiums in a Self Insurance Retention Fund and its Workers Compensation Program in an Employee Benefit Fund. Both funds are classified as Internal Service Funds. The Employee Benefit Fund receives payments from certain funds of the City which participate in the Workers Compensation Program and makes payments of the amounts needed to pay prior and current-year claims and to establish a reserve for future losses. The reserves are $4,518,296 and $5,509,226 at June 30, 2010 for the Employee Benefits Fund and Self Insurance Retention Fund, respectively, and are reported in net assets. The claims liabilities of $2,451,145 and $2,320,313 for the Employee Benefits Fund and Self Insurance Retention Fund, respectively, and are reported in the funds as claims payable at June 30, 2010. The general and employment practices claims liabilities in the Self Insurance Retention Fund are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The aggregate change in the balance of claims liabilities for the internal service self-insurance funds were as follows:

	June 30, 2010	June 30, 2009
Unpaid claims, beginning of year	$ 2,219,374	$ 2,122,896
Incurred claims and changes in estimates	3,370,058	1,403,999
Claim payments	(817,974)	(1,307,521)
Unpaid claims, end of year	$ 4,771,458	$ 2,219,374

8. COMPENSATED ABSENCES

The City records a liability in its Employee Benefits Internal Service Fund to recognize the financial effect of unused vacation and other compensated leaves. As of June 30, 2010, the total of vacation and other compensated leaves is $5,275,791. Compensated absences are expected to be liquidated using resources primarily from the general fund.

9. INVESTMENT IN JOINT VENTURES AND MEMBERSHIP IN INSURANCE POOL

The City participates in seven joint venture activities through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements 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.

Bay Cities Joint Powers Insurance Authority

The Bay Cities Joint Powers Insurance Authority (Bay Cities) was created in 1986 to provide an independently managed, self insurance program for its members. Members of Bay Cities currently are the cities of Albany, Berkeley, Emeryville, Monte Sereno, Piedmont, Redwood City, Union City, Menlo Park, Brisbane, Pleasanton, Sausalito, Mill Valley, Fairfax, San Anselmo, Larkspur, and Novato, and the San Francisco Redevelopment Agency. The City's proportionate share of Bay Cities net assets depends on a number of factors as there are inflows into the City's account with Bay Cities based on premium deposits and interest earned and there are outflows for expenditures for matters such as administration, claims handling, incurred losses and a reserve for IBNR. Accordingly, it is difficult to ascertain what the City's proportionate share is at any given time. Nevertheless, if there is excess equity in the City's account for a program year that is five years old and for which there are no longer any outstanding claims for that program year, the Bay Cities Board of Directors may declare a dividend and distribute such dividend to the member entities based on what is in each member's equity account. Financial statements for Bay Cities may be obtained from Bay Cities at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

Total Assets:	$	23,330,841
Total Liabilities:		13,267,964
Total Equity:		10,062,877
Total Revenue:		10,546,488
Total Expenses:		8,673,546
Revenue over expenses:	$	1,872,942

9. INVESTMENT IN JOINT VENTURES AND MEMBERSHIP IN INSURANCE POOL, Continued

Livermore-Amador Valley Waste Management Agency

Livermore-Amador Valley Waste Management Agency (LAVWMA) was formed in 1974. LAVWMA operates an expansion of the export pipeline connecting with the East Bay Discharges Authority's systems and discharges treated wastewater into San Francisco Bay. The current members of the Agency are Dublin San Ramon Services District, City of Livermore and City of Pleasanton. Sewer bonds are being repaid with user charges assessed to member agencies. The City's equity interest in the Agency was $11,364,969 as of June 30, 2010. Financial statements for LAVWMA may be obtained from LAVWMA, 7051 Dublin Boulevard, Dublin, CA 94568.

Total Assets:	$	168,266,066
Total Liabilities:		135,794,727
Total Equity:		32,471,339
Total Revenue:		7,529,084
Total Expenses:		12,889,290
Revenue over expenses:	$	(5,360,206)

Livermore- Amador Valley Transit Authority

Livermore-Amador Valley Transit Authority (LAVTA) was formed in 1985 by a joint exercise of powers agreement between the County of Alameda, and the cities of Dublin, Livermore and Pleasanton to provide transportation services within the Cities' limits and portions of the unincorporated County. The Authority operates under the name "Wheels". Financial statements for LAVTA may be obtained from LAVTA, 1362 Rutan Court, Suite 100, Livermore, CA 94550.

Tri-Valley Transportation Council

The Tri-Valley Transportation Council (TVTC) was formed in 1991 by a joint exercise of powers agreement between the cities of Dublin, Livermore, Pleasanton and San Ramon, the Town of Danville and the Counties of Alameda and Contra Costa for the purposes of preparing a transportation plan and providing transportation facilities within the Tri-Valley area. Financial statements for TVTC may be obtained from the City of San Ramon, 2228 Camino Ramon, San Ramon, CA 94583.

Livermore-Pleasanton Fire Department

In 1996, the cities of Pleasanton and Livermore signed a Joint Powers Agreement (JPA) to form a joint fire department, Livermore-Pleasanton Fire Department (LPFD), covering both cities. LPFD may not own or enter into a contract without the approval of the governing board. The department prepares its budget including the contributions required from each City to fund operating and capital needs for the year. For the fiscal year ending 6/30/10, the City of Pleasanton's contribution was $13,655,014 and the City of Livermore's was $13,478,805. The City of Pleasanton is the Treasurer for the JPA and no separate financial statements are prepared. Financial data for the LPFD JPA are included in the City of Pleasanton's financial statements.

9. INVESTMENT IN JOINT VENTURES AND MEMBERSHIP IN INSURANCE POOL, Continued

East Bay Regional Communications System Authority (EBRCSA)

In 2007, the City joined the East Bay Regional Communications System Authority (EBRCSA). The Authority was formed to govern the regional communications system servicing Alameda and Contra Costa Counties, as well as many cities and special districts within the East Bay. There are currently 35 member agencies, which consists of 2 counties, 29 cities, and 4 special districts. The Authority is governed by 23 board of directors selected from participating counties and cities. Financial statements for the EBRCSA may be obtained from EBRCSA, 4985 Broder Boulevard, Dublin, CA 94568.

Alameda County Transportation Commission

The Alameda County Transportation Commission (ACTC) was formed in 2010 as a result of the merger between the Alameda County Congestion Management Agency (ACCMA) and the Alameda County Transportation Improvement Agency (ACTIA) to more cost effectively plan and deliver transportation programs in Alameda County. Members include the fourteen cities in Alameda County, the County of Alameda, AC Transit and BART. ACCMA and ACTIA are also members until such time their respective functions are fully assumed by ACTC. Financial statements for ACTC are not yet available. Financial statements for ACCMA (in which the City was a member) can be obtained from ACCMA, 1333 Broadway, Suite 220, Oakland, CA 94612.

10. NET ASSETS / FUND BALANCES

The government-wide and business-type activities 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 or laws or regulations of governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents net assets of the City, not restricted for any project or other purpose.

In the fund financial statements, fund balances consist of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved fund balance.

10. NET ASSETS / FUND BALANCES, Continued

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. In Governmental Funds, fund reservations and designations are presented as a component of fund balance as follows:

	General Fund	Lower Income Housing	Livermore/ Pleasanton Fire Department (Livermore Share Only)	Non-Major Funds
Reserved:				
Debt Service	$ -	$ -	$ -	$ 394,945
Total reserved	-	-	-	394,945
Unreserved, designated:				
Economic uncertainty	8,445,615	-	-	-
Carryovers	2,655,462	-	-	-
Golf Debt Service	2,000,000	-	-	-
Capital projects	-	-	-	52,325,470
Special purposes	-	15,682,963	41,489	7,956,804
Temporary recession	12,181,308	-	-	-
Total unreserved, designated	25,282,385	15,682,963	41,489	60,282,274
Total Fund Equity	$ 25,282,385	$ 15,682,963	$ 41,489	$ 60,677,219

Deficit Fund Balance/Net Assets

At June 30, 2010, the Golf Fund - Operations had a deficit fund balance of $5,840. The deficit will be reduced from future revenues to be collected by Callippe Preserve Golf Course.

11. DEFINED BENEFIT PENSION PLAN

A. *California Public Employees' Retirement Plan (PERS)*

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS). The miscellaneous and fire employees of the City are part of an agent multiple-employer defined benefit pension plan. The police employees are part of a cost-sharing multiple–employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - Active members are required by State statute to contribute 8% of their annual salary if a miscellaneous member and 9% if a safety member. The City makes the contributions on behalf of City employees for their account which amounted to $4,403,698 for the year ended June 30, 2010. The City's employer required contribution's rate for Safety Fire employees was 25.595%, for Safety Police employees was 28.010%, and for Miscellaneous employees was 16.971% for the fiscal year. Effective September 1, 2010, safety fire employees will be paying a portion of the employer required contributions equal to 2% of their salaries that is subject to PERS.

Funding Status – As of June 30, 2009, the most recent actuarial date, the City's miscellaneous and fire safety plans had $117,974,146 and $109,438,771 in plan net assets and $164,715,543 and $142,893,893 in accrued liability, which resulted in unfunded liability of $46,741,397 and $33,455,122, respectively. The total covered payroll for the City's miscellaneous and fire safety plans were $27,229,117 and $13,863,781 that resulted in an UAAL percentage of 171.7% and 241.3% of total covered payroll, respectively.

Annual Pension Cost – For Fiscal Year 2009-10, the City's annual pension cost of $11,012,572 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.25% to 14.45% for miscellaneous and safety police employees and 3.25% to 13.15% for safety fire employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of volatility in the market value of investments over a fifteen year period. PERS unfunded actuarial liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period as of June 30, 2007 was 16 years for safety police, 32 years for safety fire and 30 years for miscellaneous employees for prior and current service unfunded liability.

The table on the following page shows the City's required contributions and the percentage contributed for the current year and each of the preceding two years for each of the City's pension plans.

11. DEFINED BENEFIT PENSION PLAN, Continued

A. *California Public Employees' Retirement Plan (PERS), Continued*

THREE-YEAR TREND INFORMATION FOR PERS

	Miscellaneous Plan		
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	$ 4,220,587	100%	$ -
6/30/2009	4,474,726	100%	-
6/30/2010	4,594,911	100%	-

	Fire Plan*		
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	$ 3,251,237	100%	$ -
6/30/2009	3,476,142	100%	-
6/30/2010	3,618,523	100%	-

*Includes City of Livermore's portion of costs which are approximately 50%.

B. *Funded Status*

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
Miscellaneous	6/30/2009	$ 117,974,146	$ 164,715,543	$ 46,741,397	71.6%	$ 27,229,117	171.7%
Fire	6/30/2009	109,438,771	142,893,893	33,455,122	76.6%	13,863,781	241.3%

12. POST EMPLOYMENT HEALTH CARE BENEFITS

A. *Plan Description*

The City provides post retirement health care benefits, in accordance with certain employee agreements, to all employees who retire directly from the City with a minimum of 5 years of service. The effective date and benefit varies based upon the employee's classification and related memorandum of understanding (MOU).

- If retiring for service, the City shall pay for each year of service, four percent (4%) of the Kaiser Early Retiree Health Plan coverage 2-party rate for PCEA (Pleasanton City Employees' Association), POA (Police Officers' Association) who retire prior to 7/1/09, IAFF (International Association of Firefighters) who retire prior to 1/1/08, and Management and Confidential who retire prior to 7/1/09. Management and Confidential employees have an option to use a second alternative, based on years of CalPERS service, as agreed to in its Management/Confidential Employee Performance Compensation Plan.

- For IAFF who retire after 1/1/08, the City shall pay for each year of service, four percent (4%) of the lowest cost HMO, 2-party rate.

- For POA who were hired prior to 7/1/09 and retire after 7/1/09, the City shall pay for each year of service, four percent (4%) of the lowest cost HMO, 2-party rate. If hired after 7/1/09, the City shall pay for each year of service, four percent (4%) of the lowest cost HMO, single rate if employment is less than 20 years. If employed for 20 years+, the City shall pay for each year of service, four percent (4%) of the lowest cost HMO, 2-party rate.

- For employees classified as Management and Confidential who were hired prior to 1/1/09 and retire after 7/1/09, the City shall pay for each year of service, four percent (4%) of the lowest cost HMO, 2-party rate. If hired after 1/1/09, the City shall pay for each year of service, four percent (4%) of the lowest cost HMO, single rate, until age 65. Upon reaching 65, all retiree medical benefits will cease.

Surviving spouses are eligible for one-half of the retiree benefit for those retirees eligible for the 2-party benefit. If a spouse remarries the benefit terminates.

For all employees mentioned above who retire for disability, the City shall pay a percentage of the monthly premium in accordance with the applicable MOU.

The City allows retirees to participate in the same medical plan as active employees at the same premium rates. Because the rate is a "blended rate", payments for the active employees include an implied subsidy of what would normally be a higher rate for retirees if the retirees were in a stand alone health plan. GASB 45 requires that this implied subsidy be reclassified when reporting the contributions to retiree medical costs.

As of June 30, 2009 (valuation date), plan membership consisted of 509 active participants (384 Non-Fire, 108 Fire Safety, 13 Fire Management, and 4 Fire Miscellaneous) active participants and 248 retirees (181 Non-Fire, 51 Fire Safety, 14 Fire Management, and 2 Fire Miscellaneous).

12. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

B. *Funding Policy*

The City pre-funds the Plan through the City of Pleasanton OPEB Trust (OPEB Trust). In Fiscal Year 2009-10, the City contributed $6,854,046 ($4,655,495 for Non-Fire and $2,198,551 for Fire), including $1,965,046 ($1,430,495 for Non-Fire and $534,551 for Fire) for pay-as-you-go current cash benefit payments to retirees; $589,000 ($425,000 for Non-Fire and $164,000 for Fire) in implied subsidy benefit payments and $4,300,000 ($2,800,000 for Non-Fire and $1,500,000 for Fire) deposited to the OPEB Trust. The following table summarizes the City's Fiscal Year 2009-10 contribution:

	Non-Fire	Fire	Total
Cash Subsidy	$ 1,430,495	$ 534,551	$ 1,965,046
Implied Subsidy	425,000	164,000	589,000
Deposit to the OPEB Trust	2,800,000	1,500,000	4,300,000
Total	$ 4,655,495	$ 2,198,551	$ 6,854,046

The City's ARC was $6,855,858 ($4,654,614 for Non-Fire and $2,201,244 for Fire) for the Fiscal Year 2009-10 (See Note 12 C).

The OPEB Trust is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 45. Due to the current instability of financial markets, the City adopted the interim funding strategy for the OPEB Trust where the funds are invested in low risk fixed income investments managed by in-house staff for an interim period not to exceed 2 years.

C. *Annual OPEB Cost and Net OPEB Obligation*

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table, based on the City's actuarial valuation as of June 30, 2008, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

	Non-Fire	Fire	Total
Annual required contribution	$ 4,654,614	$ 2,201,244	$ 6,855,858
Interest on net OPEB obligation	(720)	2,200	1,480
Adjustment to annual required contribution	1,601	(4,893)	(3,292)
Annual OPEB cost (expense)	4,655,495	2,198,551	6,854,046
Contributions to irrevocable trust	(2,800,000)	(1,500,000)	(4,300,000)
Benefit payments	(1,855,495)	(698,551)	(2,554,046)
Increase in net OPEB obligation	-	-	-
Net OPEB obligation - beginning of year	-	-	-
Net OPEB obligation - end of year	$ -	$ -	$ -

12. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

C. *Annual OPEB Cost and Net OPEB Obligation, Continued*

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2007-08 though 2009-10 are as follows:

Non-Fire

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	n/a	n/a	n/a
June 30, 2009	$ 5,196,000	100.0%	$ -
June 30, 2010	$ 4,654,614	100.0%	$ -

Fire

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	n/a	n/a	n/a
June 30, 2009	$ 2,548,000	100.0%	$ -
June 30, 2010	$ 2,201,244	100.0%	$ -

Funded Status and Funding Progress. The June 30, 2008 actuarial valuation was used for the Fiscal Year 2009-10 ARC. The funded status of the plan as of June 30, 2008 was:

	Non-Fire	Fire	Total
Actuarial accrued liability (AAL)	$ 54,965,000	$ 23,887,000	$ 78,852,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$ 54,965,000	$ 23,887,000	$ 78,852,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Projected covered payroll (active Plan members)	$ 34,751,000	$ 14,506,000	$ 49,257,000
UAAL as a percentage of covered payroll	158.2%	164.7%	160.1%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

12. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

C. *Annual OPEB Cost and Net OPEB Obligation, Continued*

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

For the June 30, 2006 and June 30, 2008 actuarial valuations, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) the discount rate is a select and ultimate assumption: 4% for 2 years and 7.75% thereafter; (b) 3.25% annual aggregate payroll increase rate and (c) projected healthcare cost increases of 10.4% (HMO) and 11.3% (PPO) for 2008[1] decreasing to 4.5% (HMO) and 5.0% (PPO) after 9 years. Both (a) and (b) include an inflation component of 3.0%.

The unfunded actuarial accrued liability (or excess assets) is being amortized over a closed fixed 30-year period as a level percentage of projected payroll beginning with the year ended June 30, 2008.

D. *Retiree Medical Reserves*

The City has accumulated reserves in two Internal Service Funds, the Retirees' Insurance Reserve and the Livermore-Pleasanton Fire Retirees' Insurance Reserve, for payment of retiree medical benefits. The following schedule identifies the beginning fund balance; plus contributions from Operating Funds and annual interest income; less payment of benefits for current retirees (pay-as-you-go) and the City's Annual Required Contribution (ARC) to the OPEB trust. The ending fund balance for the reserves reflect the amounts that are being accumulated for the purpose of paying retiree medical benefits.

Retiree Medical Reserves

	Retirees Insurance Reserve	LPFD Reserve	Total
June 30, 2009 Fund Balance	$ 31,528,930	$ 11,360,263	$ 42,889,193
2009-10 Contributions from Operating Funds	4,132,501	700,000	4,832,501
2009-10 Interest Income	298,069	101,590	399,659
2009-10 Contribution to OPEB Trust	(2,800,000)	(1,500,000)	(4,300,000)
*Pay-as-you-go benefits	(1,430,495)	(534,551)	(1,965,046)
June 30, 2010 Fund Balance	$ 31,729,005	$ 10,127,302	$ 41,856,307

*includes $2,620 in professional services for legal and actuarial services but does not include an implicit rate subsidy of $589,000.

[1] Actual 2008 premium rates were used in the June 30, 2008 valuation.

13. COMMITMENTS AND CONTINGENCIES

A. Animal Shelter

The County of Alameda owns and operates the East County Animal Shelter. The facility was placed in service during fiscal year 1996. The cities of Pleasanton, Dublin and Livermore and the County of Alameda (County) entered into an agreement under which the County constructed the animal shelter on County property. The cities pay their prorata share of the debt service and operating costs based on their usage of the animal shelter. The City's share of the Fiscal Year 2009-10 debt service and operating costs for the facility was $248,661.

B. BART Station at West Dublin/Pleasanton

On June 30, 2006, the Bay Area Rapid Transit Authority (BART) sold $65 million in Sales Tax Revenue Bonds to finance the construction of the West Dublin/Pleasanton station to be located near the Stoneridge Mall. This will be the second of two BART stations in the City of Pleasanton. Pursuant to an agreement, the City contributed $500,000 to a reserve fund for the project debt service and a reserve for operations and maintenance for the new station, with an additional $500,000 due when the station begins operation. The station is anticipated to open February 2011 and includes development with 1,200 parking spaces, and eventually 210 housing units, office space and a hotel.

C. Lawsuits in the Normal Course of Business

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, with one exception, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's risk sharing programs are sufficient to cover any potential losses should an unfavorable outcome materialize, with one exception, as discussed in Note 15.

D. Pleasanton Unified School District Line of Credit

On May 18, 2009, the City signed a Revolving Line of Credit Agreement (Agreement) approving a line of credit to the Pleasanton Unified School District (PUSD). The draws on the revolving line of credit (advances) are to be used to pay the annual lease payments on the District's outstanding $20,000,000 in Certificates of Participation. The line of credit is not to exceed $1,200,000 at any one time and would be repaid over a four year period; however, the Agreement extends the credit over a period of ten years in order to fully recover the advances. Interest on the advances will commence on the date of the advance and the interest will be equal to the Bank of America prime rate (currently at 3.25%) and will be calculated based on simple interest. The revolving line of credit is secured by a Promissory Note between the City of Pleasanton and PUSD. As of June 30, 2010, PUSD had not yet drawn down on the line of credit.

13. COMMITMENTS AND CONTINGENCIES, Continued

E. Purchase of the Alameda County Transportation Corridor

On July 8, 2008, the City signed a Purchase Agreement with the County of Alameda for the acquisition of approximately ten gross acres of vacant property, known as the Alameda County Transportation Corridor, between Bernal Avenue and Stanley Boulevard, and roughly parallel to First Street in the Downtown area. For purposes of the Agreement, the property is divided into two sections, the Southern Property and the Northern Property. The purchase price includes $5,500,000 for the Southern Property and $2,000,000 for the Northern Property. The purchase of the entire Northern Property is contingent upon the receipt of Remedial Action Completion Certification Letters from Alameda County Health Care Services concerning the cleanup of the contamination on the property. If the Certification Letters are not issued, the City is not obligated to purchase all of the Northern Property but would be obligated to purchase uncontaminated portions of the Northern Property or else it would forfeit a portion of the $1,000,000 that the City has placed into escrow. If however, the Certification Letters are issued and the City decides not to purchase all of the Northern Property, the City will forfeit all of the $1,000,000 deposit paid into an escrow account to guarantee the purchase of the Northern Property.

F. LAVWMA Bonds

The City has recorded an investment in joint venture for its participation in the Livermore-Amador Valley Water Management Agency (LAVWMA). LAVWMA issued 2001 Series A Sewer Revenue Bonds on March 1, 2001 to finance the costs of improvements to the wastewater disposal system, including the Export Pipeline Expansion/Rehabilitation Project. The Sewer Revenue Bonds are secured by the pledge of the net revenues earned by the Agency.

G. Proposition lA Borrowing by the State of California

Under the provisions of Proposition lA and as part of the Fiscal Year 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Pleasanton was $4,416,360.

13. COMMITMENTS AND CONTINGENCIES, Continued

G. Proposition lA Borrowing by the State of California, Continued

Authorized with the Fiscal Year 2009-10 State budget package, the Proposition lA Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition lA receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition lA receivables and issued bonds ("Prop lA Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition lA. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

H. Construction Commitments

The City had several outstanding or planned construction projects as of June 30, 2010. These projects are evidenced by contractual commitments with contractors, and include the following major projects:

Project Description	Amounts
Overlay of Various City Streets	$ 749,699
Bernal Community Park Phase II	639,823
Firehouse Arts Center	558,922
Santa Rita Road Pavement Rehabilitation	373,995
Division Street/Railroad Avenue Street Improvements	230,428
Old Stanley Boulevard Street Improvements	207,086
Bernal Avenue Bridge Construction and Street Widening	160,699
Bernal Avenue Pavement Rehabilitation	136,685
Total	$ 3,057,337

14. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

During the fiscal year 2009-10 the City implemented GASB 51 to record intangible assets acquired in previous years. As a result of implementing GASB 51 the City recorded Right-of-Ways of $36,271,236 included on the Government-wide Statement of Net Assets under Capital Assets (see note 5). In addition, the City recorded a prior period adjustment to reduce its equity investment in the Livermore Amador Valley Water Management Agency (JPA) in the amount of $1,397,598 in the City's business-type activities on the Statement of Net Assets (see note 9).

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets as Restated
Government-Wide Activities:			
Governmental Activities	$ 602,867,757	$ 36,271,236	$ 639,138,993
Business-type Activities	264,036,268	(1,397,598)	262,638,670
Total	$ 866,904,025	$ 34,873,638	$ 901,777,663

B. Fund Financial Statements

The City recorded a prior period adjustment in its Sewer Enterprise Fund to correctly reflect the City's equity in the Livermore Amador Valley Water Management Agency at June 30, 2009.

	Fund Balance as Previously Reported	Prior Period Adjustment	Fund Balance as Restated
Sewer Enterprise Fund	$ 89,193,914	$ (1,397,598)	$ 87,796,316

15. SUBSEQUENT EVENTS

Urban Habitat et al. v. City of Pleasanton Litigation

Urban Habitat et al. v. City of Pleasanton was litigation brought in 2007 by low income housing advocates challenging the City's 1996 voter approved housing cap, growth management program and aspects of the housing element of the general plan (concerning rezoning of acreage to accommodate high density housing). In addition, the State Attorney General filed a related lawsuit alleging violations of the California Environmental Quality Act, which action was held in abeyance pending the outcome of the Urban Habitat litigation. The City initially prevailed on procedural grounds at the trial court level, the petitioners prevailed on appeal, review of the appellate court decision was denied by the California State Supreme Court, and the matter returned to the trial court where an amended complaint was filed in late 2008. On March 12, 2010, the trial court issued an order relating to most, but not all, causes of action, whereby the court struck down the City's housing cap, required substantial and substantive revision to the City's General Plan to remove the Cap, ordered the City to rezone certain properties in compliance with a program of the 2003 Housing Element, and broadly suspended the City's non-residential permit authority pending compliance with the ruling. The fact that the order did not address all causes of action barred the City from appealing the decision. A City Council appointed subcommittee worked with the City's lawyers to craft a means of resolving the litigation, including the State Attorney General's lawsuit, and complying with the judge's order. The City settled the lawsuit, along with the Attorney General's action, in August 2010. The terms of the settlement agreement dictate that the City pay $995,000 to plaintiffs by September 17, 2010, and another $995,000 by July 31, 2011. The City's self insurance fund was used to make the first payment and will be used to make the second payment.

REQUIRED SUPPLEMENTARY INFORMATION

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1. BUDGETARY BASIS OF ACCOUNTING

The following procedures are performed by the City in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the City Manager submits to the City Council a proposed operating budget for the coming fiscal year. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayers' comments.

3. The budget is legally adopted through passage of a Council resolution.

4. The transfer of budgeted amounts between funds must be approved by the City Council.

5. A budget review is presented to the City Council by the City Manager mid-year and approved additions or changes are legally adopted through Council resolution.

6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, Debt Service funds and certain Capital Projects Funds, Enterprise Funds and Internal Service Funds.

7. The budgeted funds are adopted on a basis consistent with generally accepted accounting principles in the United States.

8. Expenditures may not legally exceed budgeted appropriations at the fund level. Management does not have the authority to amend the budget without the approval of the City Council. However, the City Manager may authorize transfers from one account to another within the same fund.

1. BUDGETARY BASIS OF ACCOUNTING, Continued

Budgetary Comparison Schedule – General Fund

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 72,400,459	$ 69,819,131	$ 71,408,195	$ 1,589,064
Licenses	11,250	11,250	11,424	174
Permits	1,308,410	752,410	852,900	100,490
Fines and forfeitures	520,500	520,500	453,118	(67,382)
Use of money and property	739,152	439,152	179,618	(259,534)
Intergovernmental	785,000	885,200	1,092,223	207,023
Franchises	1,826,000	1,826,000	1,955,493	129,493
Charges for services	1,095,377	1,172,284	1,233,424	61,140
Development fees	101,848	87,299	54,956	(32,343)
Plan check fees	741,858	383,000	428,476	45,476
Reimbursements	814,467	833,867	892,688	58,821
Contribution and donations	8,000	12,750	9,414	(3,336)
Other revenues	3,672,743	2,777,062	2,673,736	(103,326)
Recreation charges	3,307,759	3,086,878	3,210,480	123,602
Total revenues	87,332,823	82,606,783	84,456,145	1,849,362
EXPENDITURES:				
Current:				
General government	12,382,152	12,619,583	11,896,618	722,965
Public safety	37,900,652	37,098,132	37,624,470	(526,338)
Community development	10,754,546	10,775,398	10,146,544	628,854
Operations services	7,502,645	7,384,613	7,749,315	(364,702)
Community activities	17,373,409	17,355,601	16,564,127	791,474
Capital outlay	453,000	563,310	530,898	32,412
Total expenditures	86,366,404	85,796,637	84,511,972	1,284,665
REVENUES OVER (UNDER) EXPENDITURES	966,419	(3,189,854)	(55,827)	3,134,027
OTHER FINANCING SOURCES (USES):				
Transfers in	36,850	1,714,156	1,714,156	-
Transfers out	(1,003,269)	(1,103,269)	(1,826,680)	(723,411)
Total other financing sources	(966,419)	610,887	(112,524)	(723,411)
Net change in fund balances	$ -	$ (2,578,967)	(168,351)	$ 2,410,616
FUND BALANCES:				
Beginning of year			25,450,736	
End of year			$ 25,282,385	

1. BUDGETARY BASIS OF ACCOUNTING, Continued

Budgetary Comparison Schedule – Lower Income Housing Fund

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 529,600	$ 529,600	$ 454,364	$ (75,236)
Development fees	224,446	224,446	72,386	(152,060)
Reimbursements	160,000	160,000	221,874	61,874
Total revenues	914,046	914,046	748,624	(165,422)
EXPENDITURES:				
Current:				
Planning and community development	607,578	1,313,272	660,820	652,452
Total expenditures	607,578	1,313,272	660,820	652,452
REVENUES OVER (UNDER) EXPENDITURES	306,468	(399,226)	87,804	487,030
OTHER FINANCING SOURCES (USES):				
Proceeds from notes payable	-	2,514	-	(2,514)
Transfers in	-	-	-	-
Total other financing sources (uses)	-	2,514	-	(2,514)
Net change in fund balances	$ 306,468	$ (396,712)	87,804	$ 484,516
FUND BALANCES:				
Beginning of year			15,595,159	
End of year			$ 15,682,963	

1. BUDGETARY BASIS OF ACCOUNTING, Continued

Budgetary Comparison Schedule – Livermore Pleasanton Fire Department (Livermore Share Only) Fund

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 5,001	$ 5,017	$ 4,844	$ (173)
Intergovernmental	149,130	211,630	229,807	18,177
Charges for services	14,221,764	13,856,233	13,478,826	(377,407)
Reimbursements	2,500	2,500	42,262	39,762
Contribution and donations	1,000	1,000	550	(450)
Other revenues	13,200	2,441	2,441	-
Total revenues	14,392,595	14,078,821	13,758,730	(320,091)
EXPENDITURES:				
Current:				
Public safety	14,382,595	14,363,037	14,040,297	322,740
Capital outlay	10,000	31,632	3,699	27,933
Total expenditures	14,392,595	14,394,669	14,043,996	350,673
REVENUES OVER (UNDER) EXPENDITURES	-	(315,848)	(285,266)	30,582
OTHER FINANCING SOURCES (USES):				
Transfers in	-	205,138	205,138	-
Total other financing sources (uses)	-	205,138	205,138	-
Net change in fund balances	$ -	$ (110,710)	(80,128)	$ 30,582
FUND BALANCES:				
Beginning of year			121,617	
End of year			$ 41,489	

2. PENSION PLAN SCHEDULE OF FUNDING PROGRESS

Fire Safety

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2007	$ 98,338,352	$ 119,964,910	$ 21,626,558	82.0%	$ 12,316,218	175.6%
6/30/2008	104,870,711	131,945,472	27,074,761	79.5%	13,143,252	206.0%
6/30/2009	109,438,771	142,893,893	33,455,122	76.6%	13,863,781	241.3%

Police Safety

As of the actuarial valuation date of June 30, 2003, the City's police plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

Miscellaneous

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2007	$ 99,884,770	$ 129,278,577	$ 29,393,807	77.3%	$ 25,014,077	117.5%
6/30/2008	109,842,486	142,269,005	32,426,519	77.2%	25,916,037	125.1%
6/30/2009	117,974,146	164,715,543	46,741,397	71.6%	27,229,117	171.7%

2. PENSION PLAN SCHEDULE OF FUNDING PROGRESS, Continued

Schedule of Funding Progress
Other Postemployment Benefits

Non-Fire

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/06	$0	$ 49,757,000	$ 49,757,000	0%	$ 30,429,000	163.4%
6/30/07[2]	0	53,990,000	53,990,000	0%	34,034,000	158.6%
6/30/08	0	54,965,000	54,965,000	0%	34,751,000	158.2%

Fire

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/06	$ 0	$ 25,784,000	$ 25,784,000	0%	$ 11,611,000	222.1%
6/30/07[3]	0	27,873,000	27,873,000	0%	12,978,000	214.8%
6/30/08	0	23,887,000	23,887,000	0%	14,506,000	164.7%

[2] The 6/30/07 results were based on an actuarial roll-forward of the 6/30/06 valuation results.
[3] The 6/30/07 results were based on an actuarial roll-forward of the 6/30/06 valuation results.

SUPPLEMENTAL INFORMATION

City of Pleasanton
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Cash and investments	$ 7,470,307	$ -	$ 52,817,835	$ 60,288,142
Receivables:				
Accounts	612,187	-	173,804	785,991
Grants	1,423,789	-	-	1,423,789
Interest	39,915	-	283,917	323,832
Deposits	-	-	1,002,361	1,002,361
Restricted cash and investments	-	394,945	-	394,945
Notes receivable	500,000	-	-	500,000
Total assets	$ 10,046,198	$ 394,945	$ 54,277,917	$ 64,719,060
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 643,582	$ -	$ 1,695,704	$ 2,339,286
Due to other funds	915,314	-	-	915,314
Deposits	-	-	256,743	256,743
Deferred revenue	530,498	-	-	530,498
Total liabilities	2,089,394	-	1,952,447	4,041,841
Fund Balances:				
Reserved	-	394,945	-	394,945
Unreserved designated for:				
Capital projects	-	-	52,325,470	52,325,470
Specific purposes	7,956,804	-	-	7,956,804
Total fund balances	7,956,804	394,945	52,325,470	60,677,219
Total liabilities and fund balances	$ 10,046,198	$ 394,945	$ 54,277,917	$ 64,719,060

City of Pleasanton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES:				
Special assessments	$ 203,798	$ -	$ -	$ 203,798
Use of money and property	60,259	-	512,742	573,001
Intergovernmental	4,060,149	-	-	4,060,149
Charges for service	28,771	-	-	28,771
Development fees	-	-	1,519,244	1,519,244
Reimbursements	123,628	-	1,088,221	1,211,849
Contributions and donations	34,270	-	1,615,000	1,649,270
Other revenues	369,595	-	7,492	377,087
Total revenues	4,880,470	-	4,742,699	9,623,169
EXPENDITURES:				
Current:				
Public safety	96,640	-	-	96,640
Community development	683,152	-	-	683,152
Operations services	329,798	-	51,713	381,511
Community activities	189,640	-	131,545	321,185
Capital outlay	2,625,380	-	9,560,853	12,186,233
Debt service:				
Principal	-	1,295,000	530,000	1,825,000
Interest and fiscal charges	-	1,091,998	-	1,091,998
Total expenditures	3,924,610	2,386,998	10,274,111	16,585,719
REVENUES OVER (UNDER) EXPENDITURES	955,860	(2,386,998)	(5,531,412)	(6,962,550)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,377,755	2,405,123	4,782,878
Transfers out	(36,850)	-	(2,513,650)	(2,550,500)
Total other financing sources (uses)	(36,850)	2,377,755	(108,527)	2,232,378
Net change in fund balances	919,010	(9,243)	(5,639,939)	(4,730,172)
FUND BALANCES:				
Beginning of year	7,037,794	404,188	57,965,409	65,407,391
End of year	$ 7,956,804	$ 394,945	$ 52,325,470	$ 60,677,219

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NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of special revenue sources, other than special assessments and major capital projects, which are legally restricted to expenditures for specified purposes.

D.A.R.E Trust
The Drug Abuse Resistance Education (D.A.R.E) fund accounts for private donations made to specifically enhance the City's D.A.R.E program.

Asset Forfeiture
This fund accounts for the proceeds from assets forfeited as a result of investigations of criminal offenses, generally narcotics related. In accordance with the Health and Safety Code section 11489, the funds must be used for law enforcement and prosecution efforts.

Central Business District Parking (CBD) In-Lieu
This fund accounts for fees collected from developers in the downtown area in lieu of providing required parking. The City will use this money to build downtown parking structures in the future.

Resource Management
This fund accounts for Measure D revenues from Alameda County as well as other mitigation revenues. The City has developed a variety of recycling programs in accordance with state and county requirements.

Miscellaneous Donations
This fund is used to account for donations made to the City for equipment or to enhance services in accordance with the donor's requests.

Landscape and Lighting Districts
Residents of five different subdivisions (Ponderosa 84-1, Windsor 93-1, Bonde 93-2, Moller 95-1 and Oak Tree Farms 94-1) participate in landscape maintenance districts that pay to maintain and repair designated landscaped and open space areas. It is administered by the City but paid for by the homeowners through annual assessments placed on their property tax bills.

Geologic Hazard Assessment Districts (GHADs)
Residents of four different subdivisions (Lemoine, Laurel Creek, Moller and Oak Tree Farm) participate in assessment districts that will pay for any landslide repairs and related geologic work. It is administered by the City but paid for by the homeowners through annual assessments placed on their property tax bills.

Measure B Street Repair
This fund accounts for moneys received from voter-approved Measure B which is to be used for street construction, repair and maintenance and bicycle pathways.

Prop 1B Street Repair Bond
This fund accounts for moneys received from the State to fund the maintenance and improvement of local transportation facilities.

Gas Tax
The City receives its share of gas tax from the State and uses the funds to construct, reconstruct and maintain streets throughout the City as designated in the annual capital improvement program.

H.O.M.E Program
The Housing Opportunities Made Easy program is funded through a federal grant from the U.S. Department of Housing and Urban Development. The City receives its annual formula allocation and the funds must be used for housing projects that benefit lower income persons.

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

M.T.C. Funds

The City annually applies to the Metropolitan Transportation Commission (M.T.C.) for monies to be used on various bicycle path projects.

Abandoned Vehicle

The City receives funds from a vehicle registration surcharge for abatement of abandoned vehicles. The funds are used to cover the costs associated with the handling of abandoned vehicles.

Urban Forestry Program

This fund was created to promote conservation and public education in regard to Pleasanton's street trees, park trees and trees on private property. Revenue sources include donations and fines assessed for damaging heritage trees.

Library Trust Fund

This fund was established in 2000-01 to account for donations made to the library. Funds will be expended for equipment and enhanced services in accordance with donor's requests.

Miscellaneous Grants

This fund includes various grant revenues received for projects in the Miscellaneous Capital Improvement Program, the Used Oil program, AB3229 revenues for front line law enforcement expenditures, and Federal Block Grants for law enforcement programs.

HBPOA Maintenance District

This fund receives revenue from the Hacienda Business Park Owners Association to maintain the traffic signals within their business park. The City administers the maintenance contracts.

Community Development Block Grant

The Community Development Block Grant (CDBG) program is funded through a federal grant from the U.S. Department of Housing and Urban Development. CDBG funds must be used for projects and activities that benefit at least 70 percent lower income persons. Eligible projects include capital improvements, housing rehabilitation, public services, and economic development activities.

Traffic Grants

This fund receives grants from State and Federal agencies for various traffic related projects.

State Park Bonds

This fund receives revenue from State Park Bonds for various Park Capital Improvement projects.

Federal Stimulus American Recovery and Reinvestment Act (ARRA) Grants

This fund was established in 2009-10 to account for grants received from the Federal Government in response to the American Recovery and Reinvestment Act of 2009. Eligible grant projects include energy efficiency and transportation related projects.

Downtown Economic Loan

This fund was established in 1995-96 to provide design and other assistance to downtown merchants to improve their facades. Proposed expenditures in the future will be loans to merchants.

Federal ISTEA Program

This fund accounts for grant revenues from the Federal Intermodal Surface Transportation Efficiency Act (ISTEA).

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City of Pleasanton
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2010

	D.A.R.E. Trust	Asset Forfeiture	CBD Parking In-Lieu	Resource Management	Miscellaneous Donations	Landscape and Lighting Districts
ASSETS						
Cash and investments	$ 24,525	$ 122,950	$ 49,874	$ 447,415	$ 594,202	$ 353,127
Receivables:						
Accounts	-	1,099	-	63,490	-	2,518
Grants	-	-	-	-	-	-
Interest	137	57	281	2,330	3,339	1,969
Notes receivable	-	-	105,000	-	-	-
Total assets	$ 24,662	$ 124,106	$ 155,155	$ 513,235	$ 597,541	$ 357,614
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	$ -	$ -	$ 2,913	$ -	$ 24,402
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	105,000	-	-	-
Total liabilities	-	-	105,000	2,913	-	24,402
Fund Balances:						
Unreserved designated for:						
Special purposes	24,662	124,106	50,155	510,322	597,541	333,212
Total fund balances	24,662	124,106	50,155	510,322	597,541	333,212
Total liabilities and fund balances	$ 24,662	$ 124,106	$ 155,155	$ 513,235	$ 597,541	$ 357,614

	Geologic Hazard Assessment Districts	Measure B Street Repair	Prop 1B Street Repair Bond	Gas Tax	H.O.M.E. Program	M.T.C. Funds	Abandoned Vehicle	Urban Forestry Program
ASSETS								
Cash and investments	$ 704,578	$ 1,717,825	$ 458,449	$ 2,191,104	$ -	$ -	$ 278,261	$ 190,773
Receivables:								
Accounts	2,829	179,476	-	285,093	-	-	-	20,750
Grants	-	2,069	-	-	21,073	5,457	-	-
Interest	3,989	9,533	2,575	10,679	-	-	1,706	1,254
Notes receivable	-	-	-	-	395,000	-	-	-
Total assets	$ 711,396	$ 1,908,903	$ 461,024	$ 2,486,876	$ 416,073	$ 5,457	$ 279,967	$ 212,777
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 8,050	$ 46,450	$ -	$ 51,453	$ 9,258	$ -	$ -	$ 787
Due to other funds	-	-	-	-	11,815	5,457	-	-
Deferred revenue	-	-	-	-	395,000	-	-	-
Total liabilities	8,050	46,450	-	51,453	416,073	5,457	-	787
Fund Balances:								
Unreserved designated for:								
Special purposes	703,346	1,862,453	461,024	2,435,423	-	-	279,967	211,990
Total fund balances	703,346	1,862,453	461,024	2,435,423	-	-	279,967	211,990
Total liabilities and fund balances	$ 711,396	$ 1,908,903	$ 461,024	$ 2,486,876	$ 416,073	$ 5,457	$ 279,967	$ 212,777

(Continued)

City of Pleasanton
Combining Balance Sheet
Non-Major Special Revenue Funds, Continued
June 30, 2010

	Library Trust Fund	Miscellaneous Grants	HBPOA Maintenance District	Community Development Block Grant	Traffic Grants	State Park Bonds	Federal Stimulus ARRA Grants	Downtown Economic Loan	Federal ISTEA Program	Total
ASSETS										
Cash and investments	$ 17,979	$ 288,969	$ -	$ -	$ -	$ -	$ 4,489	$ 25,787	$ -	$ 7,470,307
Receivables:										
Accounts	-	-	56,932	-	-	-	-	-	-	612,187
Grants	-	52,990	-	50,342	275,000	179,260	470,598	-	367,000	1,423,789
Interest	101	1,632	-	-	-	-	188	145	-	39,915
Notes receivable	-	-	-	-	-	-	-	-	-	500,000
Total assets	$ 18,080	$ 343,591	$ 56,932	$ 50,342	$ 275,000	$ 179,260	$ 475,275	$ 25,932	$ 367,000	$ 10,046,198
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	$ -	$ 13,616	$ 43,220	$ 22,450	$ -	$ -	$ 420,983	$ -	$ -	$ 643,582
Due to other funds	-	12,678	13,712	27,892	275,000	179,260	22,500	-	367,000	915,314
Deferred revenue	-	-	-	-	-	-	30,498	-	-	530,498
Total liabilities	-	26,294	56,932	50,342	275,000	179,260	473,981	-	367,000	2,089,394
Fund Balances:										
Unreserved designated for:										
Special purposes	18,080	317,297	-	-	-	-	1,294	25,932	-	7,956,804
Total fund balances	18,080	317,297	-	-	-	-	1,294	25,932	-	7,956,804
Total liabilities and fund balances	$ 18,080	$ 343,591	$ 56,932	$ 50,342	$ 275,000	$ 179,260	$ 475,275	$ 25,932	$ 367,000	$ 10,046,198

(Concluded)

City of Pleasanton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the year ended June 30, 2010

	D.A.R.E. Trust	Asset Forfeiture	CBD Parking In-Lieu	Resource Management	Miscellaneous Donations	Landscape and Lighting Districts
REVENUES:						
Special assessments	$ -	$ -	$ -	$ -	$ -	$ 134,174
Use of money and property	228	97	234	3,115	6,302	3,199
Intergovernmental	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-
Contributions and donations	3,000	-	-	-	30,381	-
Other	-	54,196	-	302,717	-	11,579
Total revenues	3,228	54,293	234	305,832	36,683	148,952
EXPENDITURES:						
Current:						
Public safety	3,650	-	-	-	-	-
Community development	-	-	-	32,510	-	-
Operations services	-	-	-	-	-	-
Community activities	-	-	-	-	9,175	149,931
Capital outlay	-		-	-	-	-
Total expenditures	3,650	-	-	32,510	9,175	149,931
REVENUES OVER (UNDER) EXPENDITURES	(422)	54,293	234	273,322	27,508	(979)
OTHER FINANCING SOURCES (USES):						
Transfers out	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Net change in fund balances	(422)	54,293	234	273,322	27,508	(979)
FUND BALANCES:						
Beginning of year	25,084	69,813	49,921	237,000	570,033	334,191
End of year	$ 24,662	$ 124,106	$ 50,155	$ 510,322	$ 597,541	$ 333,212

	Geologic Hazard Assessment Districts	Measure B	Prop 1B Street Repair Bond	Gas Tax	H.O.M.E. Program	M.T.C. Funds	Abandoned Vehicle	Urban Forestry Program
REVENUES:								
Special assessments	$ 69,624	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Use of money and property	7,317	13,019	2,658	15,558	-	-	3,157	2,402
Intergovernmental	-	704,906	-	1,786,278	301,575	51,910	-	-
Charges for service	-	-	-	-	-	-	28,771	-
Reimbursements	500	-	-	-	-	-	-	314
Contributions and donations	-	-	-	-	-	-	-	-
Other	1,103	-	-	-	-	-	-	-
Total revenues	78,544	717,925	2,658	1,801,836	301,575	51,910	31,928	2,716
EXPENDITURES:								
Current:								
Public safety	-	-	-	-	-	-	30,000	-
Community development	-	-	-	-	301,575	-	-	-
Operations services	23,853	28,599	-	7,500	-	-	-	-
Community activities	-	-	-	-	-	-	-	30,534
Capital outlay	-	751,206	400,000	768,277	-	51,910	-	-
Total expenditures	23,853	779,805	400,000	775,777	301,575	51,910	30,000	30,534
REVENUES OVER (UNDER) EXPENDITURES	54,691	(61,880)	(397,342)	1,026,059	-	-	1,928	(27,818)
OTHER FINANCING SOURCES (USES):								
Transfers out	-	-	-	-	-	-	-	(36,850)
Total other financing sources	-	-	-	-	-	-	-	(36,850)
Net change in fund balances	54,691	(61,880)	(397,342)	1,026,059	-	-	1,928	(64,668)
FUND BALANCES:								
Beginning of year	648,655	1,924,333	858,366	1,409,364	-	-	278,039	276,658
End of year	$ 703,346	$ 1,862,453	$ 461,024	$ 2,435,423	$ -	$ -	$ 279,967	$ 211,990

(Continued)

City of Pleasanton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds, Continued
For the year ended June 30, 2010

	Library Trust Fund	Miscellaneous Grants	HBPOA Maintenance District	Community Development Block Grant	Traffic Grants	State Park Bonds	Federal Stimulus ARRA Grants	Downtown Economic Loan	Federal ISTEA Program	Total
REVENUES:										
Special assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 203,798
Use of money and property	191	1,219	-	-	-	-	1,294	269		60,259
Intergovernmental	-	147,581	-	349,067	-	-	718,832	-	-	4,060,149
Charges for service	-	-	-	-	-	-	-	-	-	28,771
Reimbursements	-	-	122,814	-	-	-	-	-	-	123,628
Contributions and donations	889	-	-	-	-	-	-	-	-	34,270
Other	-	-	-	-	-	-	-	-	-	369,595
Total revenues	1,080	148,800	122,814	349,067	-	-	720,126	269	-	4,880,470
EXPENDITURES:										
Current:										
Public safety	-	49,280	-	-	-	-	13,710	-	-	96,640
Community development	-	-	-	349,067	-	-	-	-	-	683,152
Operations services	-	-	122,814	-	-	-	147,032	-	-	329,798
Community activities	-	-	-	-	-	-	-	-	-	189,640
Capital outlay	-	95,897	-	-	-	-	558,090	-	-	2,625,380
Total expenditures	-	145,177	122,814	349,067	-	-	718,832	-	-	3,924,610
REVENUES OVER (UNDER) EXPENDITURES	1,080	3,623	-	-	-	-	1,294	269	-	955,860
OTHER FINANCING SOURCES (USES):										
Transfers out	-	-	-	-	-	-	-	-	-	(36,850)
Total other financing sources	-	-	-	-	-	-	-	-	-	(36,850)
Net change in fund balances	1,080	3,623	-	-	-	-	1,294	269	-	919,010
FUND BALANCES:										
Beginning of year	17,000	313,674	-	-	-	-	-	25,663	-	7,037,794
End of year	$ 18,080	$ 317,297	$ -	$ -	$ -	$ -	$ 1,294	$ 25,932	$ -	$ 7,956,804

(Concluded)

City of Pleasanton
Budgetary Comparison Schedule
D.A.R.E Trust Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 450	$ 450	$ 228	$ (222)
Contributions and donations	-	3,000	3,000	-
Total revenues	450	3,450	3,228	(222)
EXPENDITURES:				
Current:				
Public safety	5,000	7,029	3,650	3,379
Total expenditures	5,000	7,029	3,650	3,379
Net change in fund balances	$ (4,550)	$ (3,579)	(422)	$ 3,157
FUND BALANCES:				
Beginning of year			25,084	
End of year			$ 24,662	

City of Pleasanton
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Other	$ 4,000	$ 4,000	$ 54,196	$ 50,196
Use of money and property	500	500	97	(403)
Total revenues	4,500	4,500	54,293	49,793
EXPENDITURES:				
Current:				
Public safety	-	5,030	-	5,030
Total expenditures	-	5,030	-	(5,030)
OTHER FINANCING SOURCES (USES):				
Transfers out	(33,600)	(33,600)	-	33,600
Total other financing sources (uses)	(33,600)	(33,600)	-	33,600
Net change in fund balances	$ (29,100)	$ (34,130)	54,293	$ 88,423
FUND BALANCES:				
Beginning of year			69,813	
End of year			$ 124,106	

City of Pleasanton
Budgetary Comparison Schedule
CBD Parking In-Lieu Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 500	$ 500	$ 234	$ (266)
Total revenues	500	500	234	(266)
Net change in fund balances	$ 500	$ 500	234	$ (266)
FUND BALANCES:				
Beginning of year			49,921	
End of year			$ 50,155	

City of Pleasanton
Budgetary Comparison Schedule
Resource Management Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 12,500	$ 12,500	$ 3,115	$ (9,385)
Other	349,500	349,500	302,717	(46,783)
Total revenues	362,000	362,000	305,832	(56,168)
EXPENDITURES:				
Current:				
Community development	205,001	448,657	32,510	416,147
Total expenditures	205,001	448,657	32,510	416,147
Net change in fund balances	$ 156,999	$ (86,657)	273,322	$ 359,979
FUND BALANCES:				
Beginning of year			237,000	
End of year			$ 510,322	

City of Pleasanton
Budgetary Comparison Schedule
Miscellaneous Donations Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 7,050	$ 7,050	$ 6,302	$ (748)
Contributions and donations	-	27,781	30,381	2,600
Total revenues	7,050	34,831	36,683	1,852
EXPENDITURES:				
Current:				
Community activities	6,116	12,028	9,175	(2,853)
Total expenditures	6,116	12,028	9,175	(2,853)
Net change in fund balances	$ 934	$ 22,803	27,508	$ 4,705
FUND BALANCES:				
Beginning of year			570,033	
End of year			$ 597,541	

City of Pleasanton
Budgetary Comparison Schedule
Landscape and Lighting Districts
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Special assessments	$ 129,947	$ 129,947	$ 134,174	$ 4,227
Use of money and property	6,350	6,350	3,199	(3,151)
Other	11,590	11,579	11,579	-
Total revenues	147,887	147,876	148,952	1,076
EXPENDITURES:				
Current:				
Community activities	112,500	181,216	149,931	31,285
Total expenditures	112,500	181,216	149,931	31,285
Net change in fund balances	$ 35,387	$ (33,340)	(979)	$ 32,361
FUND BALANCES:				
Beginning of year			334,191	
End of year			$ 333,212	

City of Pleasanton
Budgetary Comparison Schedule
Geologic Hazard Assessment Districts
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Special assessments	$ 68,568	$ 68,568	$ 69,624	$ 1,056
Use of money and property	11,200	11,200	7,317	(3,883)
Reimbursements	-	-	500	500
Other	1,036	1,103	1,103	-
Total revenues	80,804	80,871	78,544	(2,327)
EXPENDITURES:				
Current:				
Operations services	62,112	64,150	23,853	40,297
Total expenditures	62,112	64,150	23,853	40,297
Net change in fund balances	$ 18,692	$ 16,721	54,691	$ 37,970
FUND BALANCES:				
Beginning of year			648,655	
End of year			$ 703,346	

City of Pleasanton
Budgetary Comparison Schedule
Measure B Street Repair Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 15,000	$ 26,000	$ 13,019	$ (12,981)
Intergovernmental	741,597	667,497	704,906	37,409
Total revenues	756,597	693,497	717,925	24,428
EXPENDITURES:				
Current:				
Operations services	26,659	42,028	28,599	13,429
Capital outlay	2,283,845	2,278,140	751,206	1,526,934
Total expenditures	2,310,504	2,320,168	779,805	1,540,363
Net change in fund balances	$ (1,553,907)	$ (1,626,671)	(61,880)	$ 1,564,791
FUND BALANCES:				
Beginning of year			1,924,333	
End of year			$ 1,862,453	

City of Pleasanton
Budgetary Comparison Schedule
Prop 1B Street Repair Bond
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 20,000	$ 11,000	$ 2,658	$ (8,342)
Intergovernmental	431,300	431,300	-	(431,300)
Total revenues	451,300	442,300	2,658	(439,642)
EXPENDITURES:				
Capital outlay	400,000	400,000	400,000	-
Total expenditures	400,000	400,000	400,000	-
Net change in fund balances	$ 51,300	$ 42,300	(397,342)	$ (439,642)
FUND BALANCES:				
Beginning of year			858,366	
End of year			$ 461,024	

City of Pleasanton
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 40,000	$ 26,000	$ 15,558	$ (10,442)
Intergovernmental	1,794,455	1,735,684	1,786,278	50,594
Total revenues	1,834,455	1,761,684	1,801,836	40,152
EXPENDITURES:				
Current:				
Operations services	7,500	7,500	7,500	-
Capital outlay	2,150,663	2,156,368	768,277	1,388,091
Total expenditures	2,158,163	2,163,868	775,777	1,388,091
Net change in fund balances	$ (323,708)	$ (402,184)	1,026,059	$ 1,428,243
FUND BALANCES:				
Beginning of year			1,409,364	
End of year			$ 2,435,423	

City of Pleasanton
Budgetary Comparison Schedule
H.O.M.E. Program Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 183,500	$ 586,731	$ 301,575	$ (285,156)
Total revenues	183,500	586,731	301,575	(285,156)
EXPENDITURES:				
Current:				
Community development	183,500	786,731	301,575	485,156
Total expenditures	183,500	786,731	301,575	485,156
Net change in fund balances	$ -	$ (200,000)	-	$ 200,000
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
M.T.C. Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 132,111	$ 156,902	$ 51,910	$ (104,992)
Total revenues	132,111	156,902	51,910	(104,992)
EXPENDITURES:				
Capital outlay	132,112	156,902	51,910	104,992
Total expenditures	132,112	156,902	51,910	104,992
Net change in fund balances	$ (1)	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
Abandoned Vehicle Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 5,600	$ 5,600	$ 3,157	$ (2,443)
Charge for services	30,000	30,000	28,771	(1,229)
Total revenues	35,600	35,600	31,928	(3,672)
EXPENDITURES:				
Current:				
Public safety	30,000	30,000	30,000	-
Total expenditures	30,000	30,000	30,000	-
Net change in fund balances	$ 5,600	$ 5,600	1,928	$ (3,672)
FUND BALANCES:				
Beginning of year			278,039	
End of year			$ 279,967	

City of Pleasanton
Budgetary Comparison Schedule
Urban Forestry Program Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 5,300	$ 5,300	$ 2,402	$ (2,898)
Reimbursement	-	-	314	314
Total revenues	5,300	5,300	2,716	(2,584)
EXPENDITURES:				
Current:				
Community activities	20,050	38,050	30,534	7,516
Total expenditures	20,050	38,050	30,534	7,516
OTHER FINANCING SOURCES:				
Transfer out	-	-	(36,850)	(36,850)
Total other financing sources	-	-	(36,850)	(36,850)
Net change in fund balances	$ (14,750)	$ (32,750)	(64,668)	$ 4,932
FUND BALANCES:				
Beginning of year			276,658	
End of year			$ 211,990	

City of Pleasanton
Budgetary Comparison Schedule
Library Trust Fund Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 260	$ 260	$ 191	$ (69)
Contributions and donations	-	889	889	-
Total revenues	260	1,149	1,080	(69)
EXPENDITURES:				
Current:				
Community activities	665	665	-	665
Total expenditures	665	665	-	665
Net change in fund balances	$ (405)	$ 484	1,080	$ 596
FUND BALANCES:				
Beginning of year			17,000	
End of year			$ 18,080	

City of Pleasanton
Budgetary Comparison Schedule
Miscellaneous Grants Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 3,000	$ 3,600	$ 1,219	$ (2,381)
Intergovernmental	28,800	114,400	147,581	33,181
Reimbursement	24,000	12,000	-	(12,000)
Total revenues	55,800	130,000	148,800	18,800
EXPENDITURES:				
Current:				
Public safety	52,800	205,276	49,280	155,996
Capital outlay	134,979	231,557	95,897	135,660
Total expenditures	187,779	436,833	145,177	291,656
Net change in fund balances	$ (131,979)	$ (306,833)	3,623	$ 310,456
FUND BALANCES:				
Beginning of year			313,674	
End of year			$ 317,297	

City of Pleasanton
Budgetary Comparison Schedule
HBPOA Maintenance District Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Reimbursements	$ 97,980	$ 191,914	$ 122,814	$ (69,100)
Total revenues	97,980	191,914	122,814	(69,100)
EXPENDITURES:				
Operations services	97,980	191,914	122,814	69,100
Total expenditures	97,980	191,914	122,814	69,100
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 285,395	$ 605,936	$ 349,067	$ (256,869)
Total revenues	285,395	605,936	349,067	(256,869)
EXPENDITURES:				
Current:				
Community development	250,000	533,846	349,067	184,779
Total expenditures	250,000	533,846	349,067	184,779
Net change in fund balances	$ 35,395	$ 72,090	-	$ (72,090)
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
Traffic Grants Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
State Park Bonds Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
Federal Stimulus ARRA Grants Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ 1,800	$ 1,294	$ (506)
Intergovernmental	-	2,596,676	718,832	(1,877,844)
Total revenues	-	2,598,476	720,126	(1,878,350)
EXPENDITURES:				
Current:				
Public safety	-	19,044	13,710	5,334
Operations services'		709,632	147,032	562,600
Capital outlay	-	1,868,000	558,090	1,309,910
Total expenditures	-	2,596,676	718,832	1,877,844
Net change in fund balances	$ -	$ 1,800	1,294	$ (506)
FUND BALANCES:				
Beginning of year			-	
End of year			$ 1,294	

City of Pleasanton
Budgetary Comparison Schedule
Downtown Economic Loan Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 500	$ 500	$ 269	$ (231)
Total revenues	500	500	269	(231)
Net change in fund balances	$ 500	$ 500	269	$ (231)
FUND BALANCES:				
Beginning of year			25,663	
End of year			$ 25,932	

City of Pleasanton
Budgetary Comparison Schedule
Federal ISTEA Program Special Revenue Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

2003 COPs
This fund accounts for the accumulation of resources and payment of principal and interest on debt issued on April 1, 2003 to construct a golf course and refund the 1991 Certificates of Participation.

2004 COPs
This fund accounts for the accumulation of resources and payment of principal and interest on debt issued on December 1, 2004 to refund the Pleasanton Joint Powers Financing Authority 1994 Series B Refunding Lease Revenue Bonds.

City of Pleasanton
Combining Balance Sheet
Non-Major Debt Service Funds
June 30, 2010

	2003 COPs	2004 COPs	Total
ASSETS			
Restricted cash and investments	$ -	$ 394,945	$ 394,945
Total assets	$ -	$ 394,945	$ 394,945
FUND BALANCES			
Reserved for debt service	$ -	$ 394,945	$ 394,945
Total fund balances	$ -	$ 394,945	$ 394,945

City of Pleasanton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Debt Service Funds
For the year ended June 30, 2010

	2003 COPs	2004 COPs	Total
REVENUES:			
Use of money and property	$ -	$ -	$ -
Total operating revenues	-	-	-
EXPENDITURES:			
Debt service:			
Principal	965,000	330,000	1,295,000
Interest	1,032,515	59,483	1,091,998
Total expenditures	1,997,515	389,483	2,386,998
REVENUES OVER (UNDER) EXPENDITURES	(1,997,515)	(389,483)	(2,386,998)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,997,515	380,240	2,377,755
Total other financing sources (uses)	1,997,515	380,240	2,377,755
Net change in fund balances	-	(9,243)	(9,243)
FUND BALANCES:			
Beginning of year	-	404,188	404,188
End of year	$ -	$ 394,945	$ 394,945

City of Pleasanton
Budgetary Comparison Schedule
2003 COPs Debt Service Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Debt service:				
Principal	965,000	965,000	965,000	-
Interest, fiscal charges	1,032,515	1,032,515	1,032,515	-
Total expenditures	1,997,515	1,997,515	1,997,515	-
REVENUES OVER (UNDER) EXPENDITURES	(1,997,515)	(1,997,515)	(1,997,515)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	1,997,515	1,997,515	1,997,515	-
Total other financing sources (uses)	1,997,515	1,997,515	1,997,515	-
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
2004 COPs Debt Service Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 2,600	$ 2,600	$ -	$ (2,600)
Total revenues	2,600	2,600	-	(2,600)
EXPENDITURES:				
Debt service:				
Principal	330,000	330,000	330,000	-
Interest, fiscal charges	59,483	59,483	59,483	-
Total expenditures	389,483	389,483	389,483	-
REVENUES OVER (UNDER) EXPENDITURES	(386,883)	(386,883)	(389,483)	(2,600)
OTHER FINANCING SOURCES (USES):				
Transfers in	389,483	389,483	380,240	(9,243)
Total other financing sources (uses)	389,483	389,483	380,240	(9,243)
Net change in fund balances	$ 2,600	$ 2,600	(9,243)	$ (11,843)
FUND BALANCES:				
Beginning of year			404,188	
End of year			$ 394,945	

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NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary and Special Revenue Funds.

Miscellaneous Capital Improvement Program
This fund receives contributions from the General Fund to be used for the purchase of equipment or the construction of facilities as adopted in the annual miscellaneous capital improvement program.

CIP for Downtown and North Pleasanton
This fund was set up in fiscal year 07-08 to account for the purchase of land and to construct parking facilities and other improvements in the Downtown Area and in North Pleasanton.

Capital Improvements
This fund receives revenues from developers of properties. The moneys are used for the purchase of equipment or construction of facilities related to the new property development as adopted in the annual miscellaneous capital improvement program.

Neighborhood Park Development
This fund receives revenues from developers of properties and the funds may only be used for the design, development, and construction of new parks within the City.

Street Capital Improvement Program
This fund receives contributions from the General Fund to be used for the construction, reconstruction and maintenance of City streets as adopted in the annual streets capital improvement program.

Traffic Impact
This fund receives revenues from developers of commercial and residential properties. The funds may only be used for traffic/street improvements.

Landscape Maintenance North Pleasanton Improvement District
This fund accounts for the portion of the N.P.I.D. #3 funds that have been designated for the temporary maintenance of freeway onramps landscape.

Traffic Impact Fund - Bernal Property
This fund was set up in 2000-01. A percentage of the traffic impact fees collected from developers are deposited in this fund and used for the construction of the Bernal interchange.

Budgeted Developer Projects
This fund receives revenue from developers for specific capital improvement projects.

Assessment District Construction
This fund includes the construction funds of Assessment District NPID 1 and Assessment District Stoneridge Business Center. The projects include street and intersection improvements.

NON-MAJOR CAPITAL PROJECTS FUNDS, Continued

Tri-Valley Transportation
The City, as a member of the Tri-Valley Transportation Council, collects a fee from developers to finance projects to reduce traffic-related impacts caused by future developments.

Mutual Benefits District
This fund receives revenue from groups of developers for specific capital improvement projects.

Park Capital Improvement Program
This fund accounts for the construction, reconstruction and maintenance of City parks as adopted in the annual parks capital improvement programs.

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City of Pleasanton
Combining Balance Sheet
Non-Major Capital Project Funds
June 30, 2010

	Miscellaneous Capital Improvement Program	CIP for Downtown & North Pleasanton	Capital Improvements	Neighborhood Park Development	Street Capital Improvement Program	Traffic Impact	Landscape Maintenance N.P.I.D.	Traffic Impact Fund Bernal	Budgeted Developer Projects	Assessment District Construction	Tri-Valley Transportation	Mutual Benefits District	Park Capital Improvement Program	Total
ASSETS														
Cash and investments	$ 10,120,986	$ 989,720	$ 3,317,554	$ 5,444,660	$ 8,486,811	$ 1,918,713	$ 1,202,631	$ 815,561	$ 11,291,102	$ 2,064,180	$ 1,473,058	$ 256,743	$ 5,436,116	$ 52,817,835
Receivables:														
Accounts	2,203	-	-	-	170,341	-	-	-	-	-	-	-	1,260	173,804
Interest	55,948	5,597	18,061	30,228	48,072	10,738	6,730	4,581	63,422	1,699	8,252	-	30,589	283,917
Deposits	-	1,002,361	-	-	-	-	-	-	-	-	-	-	-	1,002,361
Total assets	$ 10,179,137	$ 1,997,678	$ 3,335,615	$ 5,474,888	$ 8,705,224	$ 1,929,451	$ 1,209,361	$ 820,142	$ 11,354,524	$ 2,065,879	$ 1,481,310	$ 256,743	$ 5,467,965	$ 54,277,917
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	$ 1,202,533	$ -	$ 122,249	$ -	$ 180,893	$ 48,832	$ -	$ 21,744	$ 117,354	$ 843	$ -	$ -	$ 1,256	$ 1,695,704
Deposits	-	-	-	-	-	-	-	-	-	-	-	256,743	-	256,743
Total liabilities	1,202,533	-	122,249	-	180,893	48,832	-	21,744	117,354	843	-	256,743	1,256	1,952,447
Fund Balances:														
Unreserved, designated for capital projects	8,976,604	1,997,678	3,213,366	5,474,888	8,524,331	1,880,619	1,209,361	798,398	11,237,170	2,065,036	1,481,310	-	5,466,709	52,325,470
Total fund balances	8,976,604	1,997,678	3,213,366	5,474,888	8,524,331	1,880,619	1,209,361	798,398	11,237,170	2,065,036	1,481,310	-	5,466,709	52,325,470
Total liabilities and fund balances	$ 10,179,137	$ 1,997,678	$ 3,335,615	$ 5,474,888	$ 8,705,224	$ 1,929,451	$ 1,209,361	$ 820,142	$ 11,354,524	$ 2,065,879	$ 1,481,310	$ 256,743	$ 5,467,965	$ 54,277,917

City of Pleasanton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Funds
For the year ended June 30, 2010

	Miscellaneous Capital Improvement Program	CIP for Downtown & North Pleasanton	Capital Improvements	Neighborhood Park Development	Street Capital Improvement Program	Traffic Impact	Landscape Maintenance N.P.I.D.	Traffic Impact Fund Bernal	Budgeted Developer Projects	Assessment District Construction	Tri-Valley Transportation	Mutual Benefits District	Park Capital Improvement Program	Total
REVENUES:														
Use of money and property	$ 87,046	$ 11,062	$ 29,795	$ 56,880	$ 85,430	$ 19,819	$ 7,212	$ 8,142	$ 120,639	$ 10,075	$ 12,112	$ -	$ 64,530	$ 512,742
Development fees	-	-	99,617	475,643	78,000	106,176	-	-	-	-	759,808	-	-	1,519,244
Reimbursements	-	-	-	-	88,221	-	-	-	1,000,000	-	-	-	-	1,088,221
Contributions and donations	-	-	-	-	-	-	-	-	1,615,000	-	-	-	-	1,615,000
Other revenues	7,419	-	-	-	-	-	-	-	-	73	-	-	-	7,492
Total revenues	94,465	11,062	129,412	532,523	251,651	125,995	7,212	8,142	2,735,639	10,148	771,920	-	64,530	4,742,699
EXPENDITURES:														
Current:														
Operations services	-	-	-	-	-	-	28,666	-	-	23,047	-	-	-	51,713
Community activities	1,157	1,000	-	-	-	34,388	-	-	-	-	-	-	95,000	131,545
Capital outlay	7,210,228	-	353,905	-	642,895	211,480	-	5,759	461,914	159,353	25,908	-	489,411	9,560,853
Debt service														
Principal	-	530,000	-	-	-	-	-	-	-	-	-	-	-	530,000
Total expenditures	7,211,385	531,000	353,905	-	642,895	245,868	28,666	5,759	461,914	182,400	25,908	-	584,411	10,274,111
REVENUES OVER (UNDER) EXPENDITURES	(7,116,920)	(519,938)	(224,493)	532,523	(391,244)	(119,873)	(21,454)	2,383	2,273,725	(172,252)	746,012	-	(519,881)	(5,531,412)
OTHER FINANCING SOURCES (USES):														
Transfers in	920,311	-	156,342	75,000	-	-	1,200,000	-	-	-	-	-	53,470	2,405,123
Transfers out	(709,468)	(1,200,000)	(231,342)	-	-	-	-	-	(372,840)	-	-	-	-	(2,513,650)
Total other financing sources (uses)	210,843	(1,200,000)	(75,000)	75,000	-	-	1,200,000	-	(372,840)	-	-	-	53,470	(108,527)
Net change in fund balances	(6,906,077)	(1,719,938)	(299,493)	607,523	(391,244)	(119,873)	1,178,546	2,383	1,900,885	(172,252)	746,012	-	(466,411)	(5,639,939)
FUND BALANCES:														
Beginning of year	15,882,681	3,717,616	3,512,859	4,867,365	8,915,575	2,000,492	30,815	796,015	9,336,285	2,237,288	735,298	-	5,933,120	57,965,409
End of year	$ 8,976,604	$ 1,997,678	$ 3,213,366	$ 5,474,888	$ 8,524,331	$ 1,880,619	$ 1,209,361	$ 798,398	$ 11,237,170	$ 2,065,036	$ 1,481,310	$ -	$ 5,466,709	$ 52,325,470

City of Pleasanton
Budgetary Comparison Schedule
Miscellaneous Capital Improvement Program Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 60,000	$ 239,000	$ 87,046	$ (151,954)
Other revenues	-	7,419	7,419	-
Total revenues	60,000	246,419	94,465	(151,954)
EXPENDITURES:				
Current:				
Community activities	1,515,277	315,277	1,157	314,120
Capital outlay	12,392,792	13,516,111	7,210,228	6,305,883
Total expenditures	13,908,069	13,831,388	7,211,385	6,620,003
REVENUES OVER (UNDER) EXPENDITURES	(13,848,069)	(13,584,969)	(7,116,920)	6,468,049
OTHER FINANCING SOURCES (USES):				
Transfers in	-	294,943	920,311	625,368
Transfers out	632,762	(716,862)	(709,468)	7,394
Total other financing sources (uses)	632,762	(421,919)	210,843	632,762
Net change in fund balances	$ (13,215,307)	$ (14,006,888)	(6,906,077)	$ 7,100,811
FUND BALANCES:				
Beginning of year			15,882,681	
End of year			$ 8,976,604	

City of Pleasanton
Budgetary Comparison Schedule
CIP for Downtown and North Pleasanton
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ 44,000	$ 11,062	$ (32,938)
Total revenues	-	44,000	11,062	(32,938)
EXPENDITURES:				
Current:				
Community activities	-	1,000	1,000	-
Capital outlay	3,121,736	1,921,736	-	1,921,736
Debt service				
Principal	530,000	530,000	530,000	-
Total expenditures	3,651,736	2,452,736	531,000	1,921,736
REVENUES OVER (UNDER) EXPENDITURES	(3,651,736)	(2,408,736)	(519,938)	1,888,798
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,200,000)	(1,200,000)	-
Total other financing sources (uses)	-	(1,200,000)	(1,200,000)	-
Net change in fund balances	$ (3,651,736)	$ (3,608,736)	(1,719,938)	$ 1,888,798
FUND BALANCES:				
Beginning of year			3,717,616	
End of year			$ 1,997,678	

City of Pleasanton
Budgetary Comparison Schedule
Capital Improvement Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 40,000	$ 58,500	$ 29,795	$ (28,705)
Development fees	134,781	46,878	99,617	52,739
Total revenues	174,781	105,378	129,412	24,034
EXPENDITURES:				
Capital outlay	2,634,207	2,634,207	353,905	2,280,302
Total expenditures	2,634,207	2,634,207	353,905	2,280,302
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	156,342	156,342
Transfers out	(233,191)	(233,191)	(231,342)	1,849
Total other financing sources (uses)	(233,191)	(233,191)	(75,000)	158,191
Net change in fund balances	$ (2,692,617)	$ (2,762,020)	(299,493)	$ 2,462,527
FUND BALANCES:				
Beginning of year			3,512,859	
End of year			$ 3,213,366	

City of Pleasanton
Budgetary Comparison Schedule
Neighborhood Park Development Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ 101,500	$ 56,880	$ (44,620)
Development fees	95,332	58,242	475,643	417,401
Total revenues	95,332	159,742	532,523	372,781
EXPENDITURES:				
Capital outlay	4,742,499	4,742,499	-	4,742,499
Total expenditures	4,742,499	4,742,499	-	4,742,499
REVENUES OVER (UNDER) EXPENDITURES	(4,647,167)	(4,582,757)	532,523	5,115,280
OTHER FINANCING SOURCES (USES):				
Transfers in	75,000	75,000	75,000	-
Total other financing sources (uses)	75,000	75,000	75,000	-
Net change in fund balances	$ (4,572,167)	$ (4,507,757)	607,523	$ 5,115,280
FUND BALANCES:				
Beginning of year			4,867,365	
End of year			$ 5,474,888	

City of Pleasanton
Budgetary Comparison Schedule
Street Capital Improvement Program Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 80,000	$ 158,000	$ 85,430	$ (72,570)
Development fees	50,000	23,400	78,000	54,600
Reimbursements	4,300	27,905	88,221	60,316
Total revenues	134,300	209,305	251,651	42,346
EXPENDITURES:				
Capital outlay	8,281,914	8,888,032	642,895	8,245,137
Total expenditures	8,281,914	8,888,032	642,895	8,245,137
REVENUES OVER (UNDER) EXPENDITURES	(8,147,614)	(8,678,727)	(391,244)	8,287,483
OTHER FINANCING SOURCES (USES):				
Transfers in	300,000	300,000	-	(300,000)
Total other financing sources (uses)	300,000	300,000	-	(300,000)
Net change in fund balances	$ (7,847,614)	$ (8,378,727)	(391,244)	$ 7,987,483
FUND BALANCES:				
Beginning of year			8,915,575	
End of year			$ 8,524,331	

City of Pleasanton
Budgetary Comparison Schedule
Traffic Impact Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 10,000	$ 37,000	$ 19,819	$ (17,181)
Development fees	219,790	49,778	106,176	56,398
Total revenues	229,790	86,778	125,995	39,217
EXPENDITURES:				
Current:				
Operations services	111,040	111,040	34,388	76,652
Capital outlay	1,403,858	1,403,858	211,480	1,192,378
Total expenditures	1,514,898	1,514,898	245,868	1,269,030
REVENUES OVER (UNDER) EXPENDITURES	(1,285,108)	(1,428,120)	(119,873)	1,308,247
Net change in fund balances	$ (1,285,108)	$ (1,428,120)	(119,873)	$ 1,308,247
FUND BALANCES:				
Beginning of year			2,000,492	
End of year			$ 1,880,619	

City of Pleasanton
Budgetary Comparison Schedule
Landscape Maintenance N.P.I.D. Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 7,212	$ 7,212
Total revenues	-	-	7,212	7,212
EXPENDITURES:				
Current:				
Operations services	-	7,211	28,666	(21,455)
Capital outlay	20,942	22,924	-	22,924
Total expenditures	20,942	30,135	28,666	1,469
REVENUES OVER (UNDER) EXPENDITURES	(20,942)	(30,135)	(21,454)	1,469
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,200,000	1,200,000	-
Total other financing sources (uses)	-	1,200,000	1,200,000	-
Net change in fund balances	$ (20,942)	$ 1,169,865	1,178,546	$ 1,469
FUND BALANCES:				
Beginning of year			30,815	
End of year			$ 1,209,361	

City of Pleasanton
Budgetary Comparison Schedule
Traffic Impact - Bernal Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ 14,000	$ 8,142	$ (5,858)
Total revenues	-	14,000	8,142	(5,858)
EXPENDITURES:				
Capital Outlay	692,221	692,221	5,759	686,462
Total expenditures	692,221	692,221	5,759	686,462
Net change in fund balances	$ (692,221)	$ (678,221)	2,383	$ 680,604
FUND BALANCES:				
Beginning of year			796,015	
End of year			$ 798,398	

City of Pleasanton
Budgetary Comparison Schedule
Budgeted Developer Projects Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 120,639	$ 120,639
Contributions and donations	-	-	1,615,000	1,615,000
Reimbursements	-	-	1,000,000	1,000,000
Total revenues	-	-	2,735,639	2,735,639
EXPENDITURES:				
Current:				
Community activities	-	-	-	-
Capital outlay	4,407,963	4,407,963	461,914	3,946,049
Total expenditures	4,407,963	4,407,963	461,914	3,946,049
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(372,840)	(372,840)	-
Total other financing sources (uses)	-	(372,840)	(372,840)	-
Net change in fund balances	$ (4,407,963)	$ (4,780,803)	1,900,885	$ 6,681,688
FUND BALANCES:				
Beginning of year			9,336,285	
End of year			$ 11,237,170	

City of Pleasanton
Budgetary Comparison Schedule
Assessment District Construction Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 10,000	$ 10,600	$ 10,075	$ (525)
Other revenues	-	-	73	73
Total revenues	10,000	10,600	10,148	(452)
EXPENDITURES:				
Current:				
Operations services	22,154	22,342	23,047	(705)
Capital outlay	1,426,064	1,415,078	159,353	1,255,725
Total expenditures	1,448,218	1,437,420	182,400	1,255,020
Net change in fund balances	$ (1,438,218)	$ (1,426,820)	(172,252)	$ (1,255,472)
FUND BALANCES:				
Beginning of year			2,237,288	
End of year			$ 2,065,036	

City of Pleasanton
Budgetary Comparison Schedule
Tri-Valley Transportation Capital Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 10,000	$ 14,000	$ 12,112	$ (1,888)
Development fees	1,316,476	1,305,053	759,808	(545,245)
Total revenues	1,326,476	1,319,053	771,920	(547,133)
EXPENDITURES:				
Capital outlay	1,819,078	1,819,078	25,908	1,793,170
Total expenditures	1,819,078	1,819,078	25,908	1,793,170
Net change in fund balances	$ (492,602)	$ (500,025)	746,012	$ 1,246,037
FUND BALANCES:				
Beginning of year			735,298	
End of year			$ 1,481,310	

City of Pleasanton
Budgetary Comparison Schedule
Mutual Benefits District Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Development fees	$ -	$ -	-	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES:				
Beginning of year			-	
End of year			$ -	

City of Pleasanton
Budgetary Comparison Schedule
Park Capital Improvement Projects Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ 60,000	$ 114,000	$ 64,530	$ (49,470)
Intergovernmental	-	-	-	-
Total revenues	60,000	114,000	64,530	(49,470)
EXPENDITURES:				
Current:				
Operations services	-	50,000	95,000	(45,000)
Capital outlay	5,709,865	4,873,434	489,411	4,384,023
Total expenditures	5,709,865	4,923,434	584,411	4,339,023
REVENUES OVER (UNDER) EXPENDITURES	(5,649,865)	(4,809,434)	(519,881)	4,289,553
OTHER FINANCING SOURCES (USES):				
Transfers in	-	53,470	53,470	-
Total other financing sources (uses)	-	53,470	53,470	-
Net change in fund balances	$ (5,649,865)	$ (4,755,964)	(466,411)	$ 4,289,553
FUND BALANCES:				
Beginning of year			5,933,120	
End of year			$ 5,466,709	

NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds 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 and services to the general public on a continuing basis be recovered through user charges.

Transit

This fund receives revenue from Metropolitan Transportation Commission grants, fares from passengers and Measure B sales tax. This fund provides transit service to seniors and the disabled in Pleasanton.

Cemetery

This fund accounts for the operations of the Pleasanton Memorial Gardens Cemetery. The City currently contracts with Catholic Funeral & Cemetery Services for burial and monument services for previously purchased plots. The Cemetery Fund currently generates no revenue and is supported by an operating subsidy contribution from the General Fund.

Pleasanton Housing Authority

This fund represents the activities of the Pleasanton Housing Authority. The purpose is to provide and maintain the maximum number of housing units and services for low and moderate income families at rents they can afford.

City of Pleasanton
Combining Statement of Fund Net Assets
Non-Major Enterprise Funds
June 30, 2010

	Transit	Cemetery	Pleasanton Housing Authority	Total
ASSETS				
Current assets:				
Cash and investments	$ -	$ 114,567	$ 376,236	$ 490,803
Receivables (net):				
Accounts	40,817	-	-	40,817
Interest	-	540	-	540
Total current assets	40,817	115,107	376,236	532,160
Noncurrent assets:				
Capital assets:				
Nondepreciable	-	10,000	51,750	61,750
Depreciable	277,570	-	483,254	760,824
Total noncurrent assets	277,570	10,000	535,004	822,574
Total assets	318,387	125,107	911,240	1,354,734
LIABILITIES				
Current liabilities:				
Accounts payable	119	1,792	17,523	19,434
Payroll payable	20,206	-	-	20,206
Due to other funds	19,921	-	-	19,921
Interest payable	-	-	7,695	7,695
Refundable deposits	-	-	12,128	12,128
Deferred revenue	571	-	64,399	64,970
Notes payable - current portion	-	-	54,612	54,612
Total current liabilities	40,817	1,792	156,357	198,966
Noncurrent liabilities:				
Notes payable	-	-	120,263	120,263
Total noncurrent liabilities	-	-	120,263	120,263
Total liabilities	40,817	1,792	276,620	319,229
NET ASSETS				
Invested in capital assets, net of related debt	277,570	10,000	360,129	647,699
Unrestricted	-	113,315	274,491	387,806
Total net assets	$ 277,570	$ 123,315	$ 634,620	$ 1,035,505

City of Pleasanton
Combining Statement of Revenues, Expenses and Change in Fund Net Assets
Non-Major Enterprise Funds
For the year ended June 30, 2010

	Transit	Cemetery	Pleasanton Housing Authority	Total
OPERATING REVENUES:				
Charges for services	$ 40,306	$ -	$ 160,093	$ 200,399
Miscellaneous	-	1,046	336,549	337,595
Total operating revenues	40,306	1,046	496,642	537,994
OPERATING EXPENSES:				
Personnel services	565,393	-	136,557	701,950
Transportation	36,576	-	-	36,576
Repairs and maintenance	4,692	-	96,525	101,217
Materials, supplies, and services	13,690	207,186	82,538	303,414
Depreciation	66,919	-	97,482	164,401
Total operating expenses	687,270	207,186	413,102	1,307,558
OPERATING INCOME (LOSS)	(646,964)	(206,140)	83,540	(769,564)
NONOPERATING REVENUES (EXPENSES):				
Grants	285,778	-	-	285,778
Interest income	-	1,703	3,231	4,934
Interest expense	-	-	(12,669)	(12,669)
Total non-operating revenues (expenses)	285,778	1,703	(9,438)	278,043
Net income (loss) before contributions and transfers	(361,186)	(204,437)	74,102	(491,521)
Transfers in	392,165	30,000	-	422,165
Change in net assets	30,979	(174,437)	74,102	(69,356)
NET ASSETS:				
Beginning of year	246,591	297,752	560,518	1,104,861
End of year	$ 277,570	$ 123,315	$ 634,620	$ 1,035,505

City of Pleasanton
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the year ended June 30, 2010

	Transit	Cemetery	Pleasanton Housing Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipt from customers	$ 46,859	$ -	$ 187,214	$ 234,073
Cash payment to suppliers for goods and services	(64,376)	(209,595)	(179,132)	(453,103)
Cash payment to employees for services	(561,844)	-	(136,557)	(698,401)
Miscellaneous revenue	-	1,046	336,549	337,595
Net cash provided (used) by operating activities	(579,361)	(208,549)	208,074	(579,836)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants received	285,778	-	-	285,778
Transfer in	392,165	30,000	-	422,165
Net cash provided (used) by noncapital financing activities	677,943	30,000	-	707,943
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments on long-term debt	-	-	(51,230)	(51,230)
Interest payment	-	-	(14,923)	(14,923)
Capital assets acquisition	(98,582)	-	(98,571)	(197,153)
Net cash provided (used) by capital and related financing activities	(98,582)	-	(164,724)	(263,306)
CASH FLOWS FROM NONCAPITAL INVESTING ACTIVITIES				
Interest received	-	2,361	3,231	5,592
Net cash provided (used) by investing activities	-	2,361	3,231	5,592
Net increase (decrease) in cash and cash equivalents	-	(176,188)	46,581	(129,607)
CASH AND CASH EQUIVALENTS:				
Beginning of year	-	290,755	329,655	620,410
End of year	$ -	$ 114,567	$ 376,236	$ 490,803
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	$ (646,964)	$ (206,140)	$ 83,540	$ (769,564)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	66,919	-	97,482	164,401
Decrease (increase) in:				
Accounts receivable	6,854	-	-	6,854
Increase (decrease) in:				
Accounts payable	(117)	(2,409)	(69)	(2,595)
Accrued payroll	3,549	-	-	3,549
Due to other funds	(9,301)	-	-	(9,301)
Deferred revenue	(301)	-	27,548	27,247
Refundable deposits	-	-	(427)	(427)
Net cash provided (used) by operating activities	$ (579,361)	$ (208,549)	$ 208,074	$ (579,836)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital assets contributed by developers	$ -	$ -	$ -	$ -
Total noncash capital and related financing activities	$ -	$ -	$ -	$ -

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by a department for other departments on a cost-reimbursement basis.

Employee Benefits
This fund accounts for all employee benefit costs including accrued unused employee vacation leave, employees' retirement, medical, dental, life insurance and long-term disability costs. Revenues come from benefit accrual charges placed on all City operating programs. This fund also includes the accounting for workers compensation benefits.

Public Art Acquisition and Maintenance
This fund is to provide a source of public funding for the design, selection, acquisition, purchase, renovation, conservation and installation of City-owned public art.

Replacement/Renovation
The replacement fund charges various user departments based on usage of equipment, vehicles, and facilities and uses the money to replace or renovate these items.

Livermore/Pleasanton Fire Retirees Insurance Reserve
This fund is establishing reserves for future medical insurance obligations for retirees from the Livermore/Pleasanton fire department.

Self Insurance Retention
This fund pays insurance premiums and claims that fall under the City's various limits.

Retirees Insurance Reserve
This fund is establishing reserves for future medical insurance obligations for retirees.

City of Pleasanton
Combining Balance Sheet
Internal Services Funds
June 30, 2010

	Employee Benefits	Public Art Acquisition and Maintenance	Replacement / Renovation	Livermore / Pleasanton Fire Retirees Insurance Reserve	Self Insurance Retention	Retiree Insurance Reserve	Total
ASSETS							
Current assets:							
Cash and investments	$ 12,882,362	$ 277,085	$ 23,891,854	$ 10,070,253	$ 7,786,748	$ 31,572,980	$ 86,481,282
Accounts receivable	3,247	-	7,061	-	1,267	-	11,575
Interest receivable	73,685	1,718	128,103	59,829	42,680	171,134	477,149
Total current assets	12,959,294	278,803	24,027,018	10,130,082	7,830,695	31,744,114	86,970,006
Noncurrent assets:							
Capital assets:							
Nondepreciable	-	-	955,559	-	-	-	955,559
Depreciable	-	-	8,134,759	-	-	-	8,134,759
Total noncurrent assets	-	-	9,090,318	-	-	-	9,090,318
Total assets	12,959,294	278,803	33,117,336	10,130,082	7,830,695	31,744,114	96,060,324
LIABILITIES							
Current liabilities:							
Accounts payable	686,626	33,112	150,711	2,780	1,156	15,109	889,494
Payroll payable	27,436	-	-	-	-	-	27,436
Accrued compensated absences	985,032	-	-	-	-	-	985,032
Claims payable	718,693	-	-	-	2,089,281	-	2,807,974
Total current liabilities	2,417,787	33,112	150,711	2,780	2,090,437	15,109	4,709,936
Noncurrent liabilities:							
Accrued compensated absences, due in more than one year	4,290,759	-	-	-	-	-	4,290,759
Claims payable, due in more than one year	1,732,452	-	-	-	231,032	-	1,963,484
Total noncurrent liabilities	6,023,211	-	-	-	231,032	-	6,254,243
Total liabilities	8,440,998	33,112	150,711	2,780	2,321,469	15,109	10,964,179
NET ASSETS							
Investment in capital assets, net of related debt	-	-	9,090,318	-	-	-	9,090,318
Unrestricted	4,518,296	245,691	23,876,307	10,127,302	5,509,226	31,729,005	76,005,827
Total net assets	$ 4,518,296	$ 245,691	$ 32,966,625	$ 10,127,302	$ 5,509,226	$ 31,729,005	$ 85,096,145

City of Pleasanton
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Services Funds
For the year ended June 30, 2010

	Employee Benefits	Public Art Acquisition and Maintenance	Replacement / Renovation	Livermore / Pleasanton Fire Retirees Insurance Reserve	Self Insurance Retention	Retirees Insurance Reserve	Total
OPERATING REVENUES:							
Charges for services	$ 21,806,883	$ -	$ 2,639,022	$ 700,000	$ 300,000	$ 4,132,501	$ 29,578,406
Miscellaneous	9,514	30,221	166	-	23,723	-	63,624
Total operating revenues	21,816,397	30,221	2,639,188	700,000	323,723	4,132,501	29,642,030
OPERATING EXPENSES:							
Personnel services	20,018,615	-	-	2,033,617	-	4,228,809	26,281,041
Materials, supplies, and services	1,716,203	245,176	1,932,193	934	1,631,148	1,686	5,527,340
Provision for claim losses	-	-	-	-	1,990,000	-	1,990,000
Depreciation and amortization	-	-	1,333,813	-	-	-	1,333,813
Total operating expenses	21,734,818	245,176	3,266,006	2,034,551	3,621,148	4,230,495	35,132,194
OPERATING INCOME (LOSS)	81,579	(214,955)	(626,818)	(1,334,551)	(3,297,425)	(97,994)	(5,490,164)
NONOPERATING REVENUES/EXPENSES:							
Interest income	169,918	2,689	231,012	101,590	83,043	298,069	886,321
Gain (loss) from disposal of fixed assets	-	-	(5,313)	-	-	-	(5,313)
Total non-operating revenues (expenses)	169,918	2,689	225,699	101,590	83,043	298,069	881,008
Income before Transfers in (out)	251,497	(212,266)	(401,119)	(1,232,961)	(3,214,382)	200,075	(4,609,156)
Transfers in	-	-	84,100	-	-	-	84,100
Transfers out	(2,016,012)	-	-	-	-	-	(2,016,012)
Change in net assets	(1,764,515)	(212,266)	(317,019)	(1,232,961)	(3,214,382)	200,075	(6,541,068)
NET ASSETS:							
Beginning of year	6,282,811	457,957	33,283,644	11,360,263	8,723,608	31,528,930	91,637,213
End of year	$ 4,518,296	$ 245,691	$ 32,966,625	$ 10,127,302	$ 5,509,226	$ 31,729,005	$ 85,096,145

City of Pleasanton
Combining Statement of Cash Flows
Internal Services Funds
For the year ended June 30, 2010

	Employee Benefits	Public Art Acquisition and Maintenance	Replacement / Renovation	Livermore / Pleasanton Fire Retirees Insurance Reserve	Self Insurance Retention	Retirees Insurance Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash receipt from customer/other funds	$ 21,803,636	$ -	$ 2,642,758	$ 700,000	$ 298,733	$ 4,132,501	$ 29,577,628
Cash payment to suppliers for goods and services	(952,061)	(212,619)	(2,053,124)	(1,351)	(1,700,022)	(5,678)	(4,924,855)
Cash payment to employees for services	(20,088,554)	-	-	(2,033,617)	-	(4,228,809)	(26,350,980)
Miscellaneous revenue	9,514	30,221	166	-	23,723	-	63,624
Net cash provided (used) by operating activities	772,535	(182,398)	589,800	(1,334,968)	(1,377,566)	(101,986)	(1,634,583)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Transfer out	(2,016,012)	-	-	-	-	-	(2,016,012)
Capital assets acquisition	-	-	(646,441)	-	-	-	(646,441)
Net cash provided (used) by capital and related financing activities	(2,016,012)	-	(562,341)	-	-	-	(2,578,353)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	213,411	4,917	301,313	146,155	107,698	403,551	1,177,045
Net cash provided (used) by investing activities	213,411	4,917	301,313	146,155	107,698	403,551	1,177,045
Net increase (decrease) in cash and cash equivalents	(1,030,066)	(177,481)	328,772	(1,188,813)	(1,269,868)	301,565	(3,035,891)
CASH AND CASH EQUIVALENTS:							
Beginning of year	13,912,428	454,566	23,563,082	11,259,066	9,056,616	31,271,415	89,517,173
End of year	$ 12,882,362	$ 277,085	$ 23,891,854	$ 10,070,253	$ 7,786,748	$ 31,572,980	$ 86,481,282
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	$ 81,579	$ (214,955)	$ (626,818)	$ (1,334,551)	$ (3,297,425)	$ (97,994)	$ (5,490,164)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	-	-	1,333,813	-	-	-	1,333,813
Decrease (increase) in:							
Accounts receivable	(3,247)	-	3,736	-	(1,267)	-	(778)
Increase (decrease) in:							
Accounts payable	138,920	32,557	(120,931)	(417)	(5,736)	(3,992)	40,401
Payroll payable	27,322	-	-	-	-	-	27,322
Accrued compensated absences	(97,261)	-	-	-	-	-	(97,261)
Claims payable	625,222	-	-	-	1,926,862	-	2,552,084
Net cash provided (used) by operating activities	$ 772,535	$ (182,398)	$ 589,800	$ (1,334,968)	$ (1,377,566)	$ (101,986)	$ (1,634,583)

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OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

Miscellaneous Retiree Medical Trust

This irrevocable trust, established in June 2009, complies with GASB Statement No. 45 and the assets transferred into this fund are restricted solely for the payment of retiree medical benefits for miscellaneous employees.

Fire Retiree Medical Trust

This irrevocable trust, established in June 2009, complies with GASB Statement No. 45 and the assets transferred into this fund are restricted solely for the payment of retiree medical benefits for LPFD employees.

City of Pleasanton
Statement of Changes in Fiduciary Net Assets
Other Post-employment Benefit Trust Funds
For the Year Ended June 30, 2010

ADDITIONS:	Miscellaneous Retiree Medical	Fire Retiree Medical	Total
Investment income	$ 16,556	$ 8,634	$ 25,190
Contributions: Employer	2,800,000	1,500,000	4,300,000
Total additions	2,816,556	1,508,634	4,325,190
Changes in net assets	2,816,556	1,508,634	4,325,190
NET ASSETS:			
Beginning of year	3,600,000	1,900,000	5,500,000
End of year	$ 6,416,556	$ 3,408,634	$ 9,825,190

See accompanying Notes to Basic Financial Statements.

AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, private organizations, other governmental units, or other funds. Assets equal liabilities and the measurement of operations is not a focus.

Employee Insurance Agency
This fund collects money from employees and former employees and pays their share of insurance bills. Former employees have the legal right to pay their share of insurance bills for a specified period of time.

Downtown Merchant Improvements
This fund collects annual assessments from downtown businesses and passes it on to the Pleasanton Downtown Association.

Asset Forfeiture Agency
This fund collects the assets forfeited as a result of investigations of criminal offenses, generally narcotics related. The money is passed on to various other government agencies.

Miscellaneous Agencies and Trusts
This fund collects various fees and contributions from developers and others and passes the money on to various government agencies, other people or organizations.

Cash Bonds Agency
This fund collects cash bond deposits from developers and returns the money when their project is completed.

1915 Act Bond Interest and Redemption Agency
This fund collects assessments placed on property owners who reside in certain assessment districts. This money is passed on to a trustee that pays holders of the assessment bonds.

Pleasanton Joint Powers Financing Authority
The Authority was established on June 29, 1993 for the purpose of providing assistance to the City and the Housing Authority of the City in refinancing public capital improvements.

City of Pleasanton
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2010

	Employee Insurance Agency	Downtown Merchant Improvements	Asset Forfeiture	Miscellaneous Agencies and Trusts	Cash Bonds	1915 Act Bond Interest and Redemption	Pleasanton Joint Powers Financing Authority	Total
ASSETS								
Cash and investments	$ 24,644	$ 32,420	$ 7,263	$ 200,935	$ 919,926	$ 13,477,168	$ -	$ 14,662,356
Receivables:								
Accounts	19,518	-	-	209,797	-	35,043	-	264,358
Interest	-	218	-	-	-	7,171	-	7,389
Total assets	$ 44,162	$ 32,638	$ 7,263	$ 410,732	$ 919,926	$ 13,519,382	$ -	$ 14,934,103
LIABILITIES								
Accounts payable	$ 44,162	$ -	$ -	$ 355,860	$ 6,450	$ -	$ -	$ 406,472
Due to Bondholders	-	-	-	-	-	13,519,382	-	13,519,382
Deposits	-	32,638	7,263	54,872	913,476	-	-	1,008,249
Total liabilities	$ 44,162	$ 32,638	$ 7,263	$ 410,732	$ 919,926	$ 13,519,382	$ -	$ 14,934,103

City of Pleasanton
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Employee Insurance Agency				
Assets:				
Cash and investments	$ 32,915	$ 829,321	$ (837,592)	$ 24,644
Accounts receivable	18,244	338,255	(336,981)	19,518
Total assets	$ 51,159	$ 1,167,576	$ (1,174,573)	$ 44,162
Liabilities:				
Accounts payable	$ 51,159	$ 518,968	$ (525,965)	$ 44,162
Total liabilities	$ 51,159	$ 518,968	$ (525,965)	$ 44,162
Downtown Merchant Association				
Assets:				
Cash and investments	$ 33,647	$ 60,930	$ (62,157)	$ 32,420
Interest receivable	275	673	(730)	218
Total assets	$ 33,922	$ 61,603	$ (62,887)	$ 32,638
Liabilities:				
Deposits	$ 33,922	$ 60,656	$ (61,940)	$ 32,638
Total liabilities	$ 33,922	$ 60,656	$ (61,940)	$ 32,638
Asset Forfeiture				
Assets:				
Cash and investments	$ 20,123	$ -	$ (12,860)	$ 7,263
Total assets	$ 20,123	$ -	$ (12,860)	$ 7,263
Liabilities:				
Deposits	$ 20,123	$ -	$ (12,860)	$ 7,263
Total liabilities	$ 20,123	$ -	$ (12,860)	$ 7,263
Miscellaneous Agencies and Trust				
Assets:				
Cash and investments	$ 166,741	$ 2,776,139	$ (2,741,945)	$ 200,935
Accounts receivable	169,834	209,804	(169,841)	209,797
Total assets	$ 336,575	$ 2,985,943	$ (2,911,786)	$ 410,732
Liabilities:				
Accounts payable	$ 280,652	$ 2,274,840	$ (2,198,633)	$ 356,859
Deposits	55,923	-	(2,050)	53,873
Total liabilities	$ 336,575	$ 2,274,840	$ (2,200,683)	$ 410,732

(Continued)

City of Pleasanton
Combining Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Cash Bonds				
Assets:				
Cash and investments	$ 1,170,561	$ 14,500	$ (265,135)	$ 919,926
Total assets	$ 1,170,561	$ 14,500	$ (265,135)	$ 919,926
Liabilities:				
Accounts payable	$ -	$ 36,450	(30,000)	6,450
Deposits	1,170,561	14,500	(271,585)	913,476
Total liabilities	$ 1,170,561	$ 50,950	$ (301,585)	$ 919,926
1915 Act Bond Interest and Redemption				
Assets:				
Cash and investments	$ 14,271,574	$ 11,646,944	$ (12,441,350)	$ 13,477,168
Receivables:				
Accounts	5,307	78,588	(48,852)	35,043
Interest	107,479	9,905	(110,213)	7,171
Notes	87,105	-	(87,105)	-
Total assets	$ 14,471,465	$ 11,735,437	$ (12,687,520)	$ 13,519,382
Liabilities:				
Due to Bondholders	$ 14,471,465	$ 11,451,807	$ (12,403,890)	$ 13,519,382
Total liabilities	$ 14,471,465	$ 11,451,807	$ (12,403,890)	$ 13,519,382
Pleasanton Joint Powers Financing Authority				
Assets:				
Restricted cash and investments	$ 63	$ 10,881,482	$ (10,881,545)	$ -
Total assets	$ 63	$ 10,881,482	$ (10,881,545)	$ -
Liabilities:				
Due to bondholders	$ 63	$ 10,881,482	$ (10,881,545)	$ -
Total liabilities	$ 63	$ 10,881,482	$ (10,881,545)	$ -
Total of All Agency Funds				
Assets:				
Cash and investments	$ 15,695,561	$ 15,327,834	$ (16,361,039)	$ 14,662,356
Receivables:				
Accounts	193,385	626,647	(555,674)	264,358
Interest	107,754	10,578	(110,943)	7,389
Restricted cash and investments	63	10,881,482	(10,881,545)	-
Notes receivables	87,105	-	(87,105)	-
Total assets	$ 16,083,868	$ 26,846,541	$ (27,996,306)	$ 14,934,103
Liabilities:				
Accounts payable	$ 331,811	$ 2,830,258	$ (2,754,598)	$ 407,471
Due to bondholders	14,471,528	22,333,289	(23,285,435)	13,519,382
Deposits	1,280,529	75,156	(348,435)	1,007,250
Total liabilities	$ 16,083,868	$ 25,238,703	$ (26,388,468)	$ 14,934,103

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INDEPENDENT AUDITORS' OPINION

Honorable Mayor and City Council
City of Livermore, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Livermore as of and for the year ended June 30, 2010 as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly in all material respects the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Livermore at June 30, 2010 and the results of its operations and the cash flows of its proprietary funds and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010 on our consideration of the City of Livermore's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

The statistical section listed in the Table of Contents was not audited by us and we do not express an opinion on this information.

Mazze & Associates

December 21, 2010

LIVERMORE CALIFORNIA

Comprehensive Annual Financial Report
FY 2009-2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis is to offer to the reader of the City's financial statements a narrative overview and analysis of the financial activities of the City of Livermore for the fiscal year ended June 30, 2010. The reader is encouraged to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal, which can be found on pages 1-7 of this report.

(A) Financial Highlights

Government-wide:

- The City's total assets were $752.8 million at June 30, 2010. Of this total, $504.9 million were Governmental assets and $247.9 million were Business-type assets.
- Total liabilities were $180.8 million of which $160.0 million were governmental liabilities and $20.8 million were business-type liabilities.
- City-wide revenues in fiscal 2010 were $165.7 million, of which $127.2 million was generated by governmental activities and $38.5 million was generated by business-type activities.
- City-wide expenses were $154.1 million, of which $115.3 million was incurred by governmental activities and $38.8 million was incurred by business-type activities.

Fund Level:

- Governmental Fund balances decreased to $86.6 million in fiscal 2010 from $99.3 million in fiscal 2009.
- Governmental Fund revenues increased to $116.6 million in fiscal 2010, up $12.2 million from the prior year's $104.5 million.
- Governmental Fund expenditures increased to $130.7 million in fiscal 2010, up $14.3 million from fiscal 2009's level of $116.4 million.
- Enterprise Fund total assets decreased $1.7 million to $250.5 million in fiscal 2010. This decrease was largely due to a decrease to Cash for Sewer due to an increase in capital expenses.
- Enterprise Fund total liabilities increased $1.1 million to $22.9 million in fiscal 2010. This increase was due to an adjustment to the allocation of the Certificates of Participation debt.
- Enterprise Fund revenues decreased to $35.8 million in fiscal 2010 due to the absence of a one-time $2.3 million contribution adjustment to LAVWMA in 2009 and a $1.0 million reduction due to the economic environment.
- Enterprise Fund expenses decreased $2.1 million to $38.2 million in fiscal 2010 due to an overall focus of reduction to expenses.

(B) Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, e.g., uncollected property or sales taxes and earned but unused vacation leave. This is known as the full accrual basis of accounting.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include city council, city manager, city attorney, city clerk, finance, human resources, fire, police, public services, community development, economic development, library, and redevelopment. The business-type activities of the City include airport, water, water reclamation, and golf courses.

The government-wide financial statements include not only the City itself (known as the primary government) but also the activities of two legally separate component units: the City of Livermore Redevelopment Agency and the Livermore Capital Projects Financing Authority (LCPFA). Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financial requirements. The basis of accounting in governmental funds is known as the modified accrual basis.

The focus of fund financial statements is narrower than that of government-wide financial statements. It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, the reader may better understand the long-term impact of the City's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a *reconciliation* to facilitate the comparison between governmental funds and governmental activities. This is required because the government-wide statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its airport, water, water reclamation, and golf course activities. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions including public liability, workers compensation, fleet and equipment services, information technology and facilities rehabilitation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all six of the City's enterprise funds, each of which is considered a major fund of the City. These funds are Airport, Water, Water Reclamation, LAVWMA, Los Positas Golf Course, and Springtown Golf Course. The City's six internal service funds are combined into a single, aggregated presentation in the propriety fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the *Supplemental Information* section of this report.

Fiduciary Statements

The City is the agent for certain Assessment Districts in the City, holding amounts collected and disbursing these amounts as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial Statements are found on pages 55-101.

Supplemental Information

The *combining statements for non-major governmental funds* are found on pages 105-128. Combining and individual fund statements and schedules for the internal service funds and fiduciary funds can be found on pages 129-137 of this report.

(C) Government-wide Financial Analysis

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities, while Tables 4 and 5 focus on the City's Business-type Statement of Net Assets and Statement of Activities that follow.

Governmental Activities

Table 1
Governmental Net Assets at June 30
(in Millions)

	2010	2009
Cash and investments	$105.3	$117.4
Other assets	52.1	44.4
Capital assets	347.5	325.9
Total assets	**504.9**	**487.7**
Long-term debt outstanding	99.7	104.3
Other liabilities	60.3	47.9
Total liabilities	**160.0**	**152.2**
Net assets:		
Invested in capital assets, net of debt	247.6	221.3
Restricted	36.9	35.3
Unrestricted	60.4	78.9
Total net assets	**$344.9**	**$335.5**

The City's governmental net assets amounted to $344.9 million at June 30, 2010, an increase of $9.4 million over 2009. This is due to grant monies being used for capital assets. This increase in the Change in Net Assets is reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets at June 30, 2010 comprised the following:

- Cash and investments comprised $11.5 million of unspent projects funds from debt issues, $2.3 million of debt service reserves and $91.5 million of pooled cash and investments available for operations. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements. Due to the economic downturn, pooled cash and investments were down $9.5 million from 2009.

- Accounts and interest receivable of $19.1 million, all current, along with notes receivable of $11.7 million that are due over longer periods of time, as explained in Note 5 to the financial statements.

- Land held by the Redevelopment Agency for redevelopment purposes, has been adjusted to an estimated market value of $16.0 million. Some parcels experienced a market value decline.

- Capital assets of $260.4 million, net of depreciation charges, which includes the City's infrastructure as well as its other capital assets used in governmental activities. Land and construction in progress of $87.0 million.

- Current liabilities, including accounts payable, claims and other amounts due currently, totaling $18.8 million. This is an increase of $6.2 million, mainly due to an increase in accounts payable.

- Deposit payable of $16.5 million, primarily represent developer performance deposits, which are refundable if the developer performs City required improvements. This is a decrease of $1.6 million from 2009, due to less development activity.

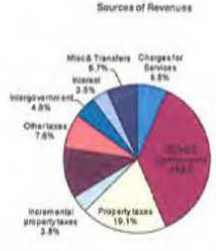
- Long-term debt of $99.7 million, of which $95.3 million is due in future years and $4.4 million is due currently.

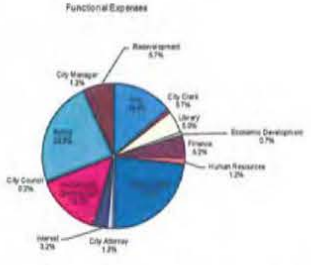
- Net assets invested in capital assets net of related debt of $247.6 million, representing the City's investment in infrastructure and other capital assets used in Governmental activities, net of amounts borrowed to finance that investment.

- Restricted net assets totaling $36.9 million, which may be used only to construct specified capital projects, for debt service, for redevelopment, special revenue programs or special assessment districts. The restrictions on these funds were placed there by outside agencies and are not subject to change by the City.

- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had $60.4 million of unrestricted net assets at June 30, 2010.

Fiscal Year 2010 Government Activities





As the Sources of Revenue Chart above shows, $13.8 million, or 11.1% of the City's fiscal 2010 governmental activities revenue, came from sales taxes, while $23.8 million or 19.1% came from property tax, $9.5 million, or 7.6%, came from other taxes, $8.5 million, or 6.8%, came from charges for services, and $45.7 million, or 36.6%, came from grants and contributions. The remaining 18.8% came from a variety of sources, as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are now added to the City's capital assets. As the Chart shows, community development accounted for $16.8 million, or 14.6%, of total governmental expenses, police accounted for $27.6 million, or 23.9%, fire accounted for $16.0 million, or 13.9%, public works accounted for $26.9 million, or 23.4% and other governmental programs and functions accounted for the remaining 24.2%.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Changes in Governmental Net Assets
(in Millions)

	Governmental Activities	
	2010	2009
Expenses		
General Government	$11.2	$12.0
Fire	16.0	16.7
Police	27.6	28.5
Public Works	26.9	16.7
Community Development	19.2	23.0
Economic Development	0.8	0.5
Library	5.8	6.1
Redevelopment	6.5	5.4
Interest on long term debt	3.7	5.6
Total expenses	117.7	114.5
Revenues		
Program revenues:		
Charges for services	8.4	9.7
Operating contributions and grants	16.7	10.6
Capital grants and contributions	29.0	7.1
Total program revenues	54.1	27.4
General revenues:		
Property taxes	23.8	25.6
Incremental property taxes	4.7	5.3
Sales taxes	13.8	15.7
Other taxes	9.5	9.1
Intergovernmental	6.0	6.4
Interest	4.4	4.7
Miscellaneous	8.2	8.3
Gain on sale of property	0.0	0.0
Total general revenues	70.4	75.1
Surplus before transfers	9.2	-12.0
Transfers, net	2.6	0.7
Changes in net assets	**$9.4**	**-$11.3**

As Table 2 above shows, $54.1 million or 43.5% of the City's fiscal 2010 Governmental revenue, came from program revenues and $70.4 million or 56.5% came from general revenues such as taxes and interest. Program revenues increased $26.7 million largely due to an increase in capital grants, while general revenues decreased $4.7 million.

Program revenues were composed of charges for services of $8.5 million which include permit revenues, fees and charges used to fund expenses incurred in providing services; $16.7 million of operating grants and contributions which include gas tax revenues and housing and police grants

and capital grants and contributions of $29.0 million which consist mainly of street project grants and developer impact fees restricted to capital outlay. Capital Grants and Contributions were up $21.9 million. This is largely due to State and Federal grant funding for capital projects, such as California Proposition 1B, Measure B and Federal Economic Stimulus grants.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Table 3 presents the net (expense) or revenue of each of the City's governmental activities, including interest on long-term debt. Net expense is defined as total program cost less the revenues generated by those specific activities. Revenues generated by certain activities, such as City Council, exceed the cost of that program. Revenues for Community Development activities exceeded expenses for 2010 due to an increase in operating and capital grants.

Table 3
Net Revenue (Expense) of Governmental Activities
(in Millions)

	2010	2009
City Council	$0.2	$0.2
City Manager	(1.4)	(1.4)
City Attorney	(1.4)	(1.4)
City Clerk	(0.8)	(0.8)
Finance	(6.0)	(6.8)
Human Resources	(1.4)	(1.4)
Fire	(14.7)	(14.6)
Police	(24.8)	(25.6)
Public Works	(26.4)	(16.2)
Community Development	28.1	(2.5)
Economic Development	(0.8)	(0.5)
Library	(5.4)	(5.6)
Redevelopment	(5.1)	(4.9)
Interest on long term debt	(3.7)	(5.6)
Totals	**($63.6)**	**($87.1)**

Business-type Activities

The Statements of Net Assets and Statement of Activities present a summary of the City's Business-type activities which are composed of the City's enterprise funds.

Table 4
Business-Type Net Assets at June 30
(in Millions)

	Business-Type Activities	
	2010	2009
Cash and investments	$79.2	$80.9
Other assets	2.3	2.1
Capital assets	166.4	166.8
Total assets	**247.9**	**249.8**
Long-term debt outstanding	17.7	16.7
Other liabilities	3.1	3.2
Total liabilities	**20.8**	**19.9**
Net assets:		
Invested in capital assets, net of debt	151.4	152.5
Unrestricted	75.7	77.4
Total net assets	**$227.1**	**$229.9**

The net assets of business-type activities decreased to $227.1 million in fiscal 2010, a decrease of $2.8 million. An increase in long-term debt outstanding was due to an adjustment to the allocation of debt for the Certificates of Participation.

Table 5
Changes in Business-Type Net Assets
(in Millions)

	Business-type Activities	
	2010	2009
Expenses		
Airport	$4.7	$5.3
Water	10.3	11.1
Sewer	19.4	19.8
LAVWMA	1.7	2.1
Las Positas Golf Course	2.4	2.4
Springtown Golf Course	0.3	0.5
Total expenses	**$38.8**	**$41.2**
Revenues		
Program Revenues:		
Charges for Services	$37.1	$38.4
Operating Grants and Contributions	0.0	2.3
Capital Grants and Contributions	1.4	1.9
Total Program Revenues	38.5	42.6
Transfers, net	(2.6)	(0.7)
Changes in net assets	($2.9)	$0.7

Total program revenues of Business-type Activities were $38.5 million in fiscal 2010, down from $42.6 million in the prior year due primarily to a decrease of Operating Grants and Contributions. Program expenses decreased $2.4 million to a total of $38.8 million.

Net transfers increased expenses by $2.6 million.

The City's Fund Financial Statements

Table 6 below summarizes Governmental Activity and balances at the fund level:

Table 6
Financial Highlights at Fund Level at June 30
(In Millions)

	2010	2009
Governmental Funds		
Total assets	$166.6	$163.9
Total liabilities	80.0	64.7
Total fund balances	86.6	99.3
Total revenues	116.6	104.5
Total expenditures	130.7	116.4
Total other financing sources (uses) and special items	1.4	13.3

At June 30, 2010, the City's governmental funds reported combined fund balances of $86.6 million, which is a decrease of $12.7 million from the prior year.

Governmental fund revenues showed an increase of $12.1 million to $116.6 million, while expenditures also increased $14.3 million to a total of $130.7 million. Expenditures included $7.0 million in debt service and capital outlays of $35.0 million. The increase in expenditures was due primarily to an increase of $17.6 million in capital outlay expenditures.

Analyses of Major Governmental Funds

General Fund

Revenues showed a decrease of $4.4 million to $71.9 million in fiscal 2010 compared to the actual for fiscal 2009. Sales tax revenue decreased $1.9 million in fiscal 2010.

Expenditures showed a decrease of $3.3 million to $76.6 million for fiscal 2010 compared to the actual for fiscal 2009. Within a dept, Finance reduced its expenditures by 11%, while Economic Development increased its expenditures by 63% from fiscal 2009.

The following table shows the budgetary variances between the original two-year budget approved in 2008 versus the final amended budget for fiscal 2010 that was approved on June 14, 2010 and reflects the change in economic expectations between the two time periods.

Table 7
General Fund Budgetary Variance Analysis

	Budget Approved June 23, 2008 Original	Budget Approved June 14, 2010 Final	Variance Final Budget Positive/(Negative)	Variance Final Budget %
Revenues:				
Property taxes	$28,601,000	$23,753,400	($4,847,600)	-16.95%
Sales taxes	$19,805,000	$13,649,800	($6,155,200)	-31.08%
Other taxes	$11,463,000	$8,671,000	($2,792,000)	-24.36%
Licenses and permits	$3,068,000	$1,828,000	($1,240,000)	-40.42%
Intergovernmental	$8,401,000	$7,567,000	($834,000)	-9.93%
Fines and forfeitures	$888,000	$529,000	($359,000)	-40.43%
Other in lieu taxes	$617,000	$507,000	($110,000)	-17.83%
Charges for current services	$9,425,000	$8,406,000	($1,019,000)	-10.81%
Use of money and property	$3,792,000	$3,615,400	($176,600)	-4.66%
Miscellaneous	$807,000	$1,192,000	$385,000	47.71%
Totals	$86,867,000	$69,718,600	($17,148,400)	-19.74%
Expenditures:				
City Council	$208,620	$155,280	($53,340)	-25.57%
City Manager	$1,415,830	$1,280,810	($135,020)	-9.54%
City Attorney	$1,348,980	$1,333,980	($15,000)	-1.11%
City Clerk	$1,198,930	$660,670	($538,260)	-44.90%
Finance	$8,390,310	$5,518,600	($2,871,710)	-34.23%
Human Resources	$1,457,860	$1,288,905	($168,955)	-11.59%
Fire	$15,826,970	$14,995,740	($831,230)	-5.25%
Police	$25,917,230	$25,354,464	($562,766)	-2.17%
Public Works	$7,849,800	$7,042,780	($807,020)	-10.28%
Community Development	$15,408,010	$13,075,195	($2,332,815)	-15.14%
Economic Development	$501,000	$773,300	$272,300	54.35%
Library	$5,129,850	$4,799,050	($330,800)	-6.45%
Capital projects	$546,090	$401,890	($244,200)	-37.80%
Totals	$85,299,480	$76,680,664	($8,618,816)	-10.10%

The following table shows the original budget approved in 2008 and the final amended budget approved on June 14, 2010 and the actual results as of June 30, 2010. The variances computed are between the final budget and actual results. Revenues were higher than budgeted by $2.2 million. The largest contributor to the $1.1 million variance in Use of money and property was Rental of City Owned Property. As to expenditures, the largest negative variance was $0.3 million within Police. Overall revenues had a net positive variance and expenditures had a net negative variance.

Table 8
General Fund Budgetary and Actual Variance Analysis

	Budget Approved June 23, 2008 Original	Budget Approved June 14, 2010 Final	As of June 30, 2010 Actual Budgetary Basis	Variance Final Budget Positive/(Negative)	Variance Final Budget %
Revenues:					
Property taxes	$28,601,000	$23,753,400	$23,619,525	($133,875)	-0.56%
Sales taxes	$19,805,000	$13,649,800	$13,789,658	$139,858	1.02%
Other taxes	$11,463,000	$8,671,000	$9,028,361	$357,361	4.12%
Licenses and permits	$3,068,000	$1,828,000	$1,794,011	($33,989)	-1.86%
Intergovernmental	$8,401,000	$7,567,000	$7,562,037	($4,963)	-0.07%
Fines and forfeitures	$888,000	$529,000	$711,616	$182,616	34.52%
Other in lieu taxes	$617,000	$507,000	$504,072	($2,928)	-0.58%
Charges for current services	$9,425,000	$8,406,000	$8,987,567	$581,567	6.92%
Use of money and property	$3,792,000	$3,615,400	$4,685,113	$1,069,713	29.59%
Miscellaneous	$807,000	$1,192,000	$1,238,361	$46,361	3.89%
Totals	$86,867,000	$69,718,600	$71,920,321	$2,201,721	3.16%
Expenditures:					
City Council	$208,620	$155,280	$168,601	$13,321	8.6%
City Manager	$1,415,830	$1,280,810	$1,297,151	$16,341	1.3%
City Attorney	$1,348,980	$1,333,980	$1,335,415	$1,435	0.1%
City Clerk	$1,198,930	$660,670	$710,277	$49,607	7.5%
Finance	$8,390,310	$5,518,600	$5,852,309	$333,709	6.0%
Human Resources	$1,457,860	$1,288,905	$1,310,061	$21,156	1.6%
Fire	$15,826,970	$14,995,740	$14,841,732	($154,008)	-1.0%
Police	$25,917,230	$25,354,464	$25,071,975	($282,489)	-1.1%
Public Works	$7,849,800	$7,042,780	$7,029,100	($13,680)	-0.2%
Community Development	$15,408,010	$13,075,195	$12,913,560	($161,635)	-1.2%
Economic Development	$501,000	$773,300	$743,217	($30,083)	-3.9%
Library	$5,129,850	$4,799,050	$4,707,427	($91,623)	-1.9%
Capital projects	$546,090	$401,890	$268,224	($133,666)	-33.3%
Totals	$85,299,480	$76,680,664	$76,249,049	($431,615)	-0.6%

Property tax revenues were lower than expected by $133,875 due to lower property tax collections by Alameda County.

Redevelopment Agency Capital Projects Fund

The fund is used to account for redevelopment activities and acts as the General fund for the Agency. Property tax increment revenues are recorded in this fund. Tax increment used for debt service and 20% set-aside requirements are transferred to those other funds.

Cash and Investments held by Trustee amount to $44.2 million and represent unspent 2001 Bond proceeds to be used for redevelopment activities. Land held for redevelopment amounts to $13.7 million, which is a decrease of $1.1 million from the prior year, due primarily to the decrease in property values.

The Agency has six agreements with developers/owners, which impacted fiscal 2009-2010. They are summarized below but additional details may be found in Note 4 to the financial statements.

1. ***Livermore Senior Housing Continuum of Care Project Phase I***
   The City and Agency have an agreement with a Developer and an Owner under which a 250 unit residential rental senior citizen housing Congregate Care/Assisted Living Facility (Phase I) and a Phase II Project since deemed unfeasible and changed to the new project discussed below. The Project was to be constructed on a site composed of formerly Agency owned land subdivided into two parcels, one for each Phase. In a prior year, the Agency sold the Phase I parcel to the owner. In addition, the Agency loaned the Developer $800,000 to partially finance City and County development fees. The loan bears interest at ten percent, is due in fifty-seven years and is secured by a subordinated deed of trust. Provided the project is in compliance with affordability covenants, the interest rate will drop to five percent beginning the seventeenth year of the note until maturity. If the project maintains compliance with affordability covenants through maturity, interest accrued at the five percent rate will be forgiven.

   As required under the agreement, the Agency sponsored the issuance of $29.8 million principal amount of Multifamily Housing Revenue Bonds proceeds, which were used by the Developer to acquire and construct the project. The Bonds are repayable solely from mortgage payments received from the Developer. The Agency is not obligated for repayment of the Bonds.

   As of June 30, 2005, the Agency sold the land for Phase I and construction was complete. In addition Agency funds transferred to the City's Housing and Community Assistance Fund in fiscal 2001-2002 were used to finance the Developer Loan for $800,000, which has been recorded in that City Fund.

2. ***Livermore Independent Living Associates Project (Valley Care Senior Housing Project)***
   The Agency and City have an agreement under which a Developer will construct and operate a 130 senior rental housing project on a site composed of a parcel conveyed by the Agency to the Developer and a parcel the City has agreed to sell to Developer for $1.1 million. Fifty-five units are to be made affordable for lower income seniors. The Developer will also construct Iron Horse Trail Easement Improvements. This agreement replaces the Livermore Senior Housing Continuum of Care Project, Phase II. To assist in financing the project, the Agency has agreed to loan $2 million to the Developer. The loan bears an interest of 3% per annum and due in forty years.

   The loan is due in installments as follows: $989,000 is due in two subordinated payments from available remaining Bond Proceeds, and annual payments ranging from $33,000 to $175,000 per year are payable each March 1 from cash flows available from the operations of the project.

   In addition, the Agency agreed to a Property Tax Loan and an Additional Property Tax Deferment up to maximums specified in the agreement, which bear interest at 3% with annual repayments beginning in year eight from available cash flows of the project commencing after the project is complete. As of June 30, 2010, the Agency had disbursed $700,404 under this loan agreement.

As required under the agreement, the Agency sponsored the issuance of $19 million principal amount of Multifamily Housing Revenue Bonds proceeds, which were used by the Developer to acquire and construct the project. The Bonds are repayable solely from mortgage payments received from the Developer. The Agency is not obligated for repayment of the Bonds. As of June 30, 2010 this project is complete.

Livermore Independent Senior Apartments, a 130-unit independent living senior apartment complex constructed in 2006, was funded using $19,000,000 in Multifamily Housing Revenue Bonds, land dedication from the Redevelopment Agency and a $2,000,000 Agency loan comprised of HELP and Housing set-aside funds in order to provide liquidity to complete the permanent financing for the project.

To assist the Agency in financing the Developer loan, the City signed a $1,500,000 loan agreement with the California Housing Finance Agency. Proceeds from this City debt along with $500,000 in other City funds were used to finance the loan during fiscal year 2006-2007. As of June 30, 2010, the Developer owed $2,000,000 to the Agency which has been recorded as a note receivable, and the Agency owed $2,000,000 to the City which has been recorded as an advance from the City.

In July 2009 the agency provided a loan of Housing set aside money in the amount of $400,000 to be used as gap financing to aid in converting the loan from a construction loan to permanent financing. This note bears interest at 3% per annum on the principal outstanding from the date of the note. Payments shall commence in the 27th month from the date of the loan, October 2011.

3. ***Signature Properties Multi-Family Residential Project (Station Square)***
   The Agency has signed a Disposition and Development Agreement under which the Developer, Signature Properties, Inc., has agreed to construct a project consisting of a 114 attached multi-family housing units along with certain infrastructure improvements. The Project is located on an Agency owned site which was sold to the Developer for $5 million in fiscal 2004-2005. As of June 30, 2010, 104 units have completed construction while the remaining 10 units have been deferred until the housing market recovers sufficiently to resume construction.

4. ***Savannah Terrace***
   The Agency has an agreement with a Developer to construct an 8-unit single family residential housing unit consisting of a combination of affordable housing, live-work housing, and residential uses. Currently the Agency owns two of the units that are restricted to disabled low-income residents and is renting the units to said residents. Discussions have begun regarding the sale of these two units to said residents in FY 2010/2011. The Project is located on an Agency owned site which was sold to the Developer for $650,000. As of June 30, 2010, the project is complete.

5. ***Livermore Valley Performing Arts Center***
   The Agency has an agreement under which the Developer, Livermore Valley Performing Arts Center, has agreed to construct a 2,000 seat regional performing arts theater along with certain infrastructure improvements. In fiscal 2004-2005, the agency has contributed the land the land to the developer for $1. The developer is to obtain financing for construction costs of building the theater and related improvements which is estimated to be $69.2 million. The agency has spent $500,000 on surrounding improvements and design for the Theater. Once the theater has been completed, the Agency will make a series of scheduled payments to the developer to purchase the Operating Covenant. At June 30, 2010, theater construction has not started.

6. ***Livermore Village Site***
   The agency has completed some pedestrian improvements and infrastructure in preparing for the Livermore Village Site. Currently there is no agreement with a developer. A request for quote (RFQ) has been sent out due to revised interest. A developer is expected to be selected in FY 2010/2011.

The Capital Project Fund owes the City $16.2 million in advances part of which funded prior years' redevelopment activities. The Agency plans to use property tax increment and proceeds from the sale of Agency owned land to repay the advance.

Revenues for the Capital Project Fund amount to $5.1 million, which is a decrease of $1.1 million from the prior year.

Expenditures increased $0.6 million over the prior year due to various improvements at the Livermore Village site.

Other Federal and State Grants

This Fund is used to account for both Federal and State grants. The grants are used for operational expenditures as well as capital improvement projects. During fiscal 2010, both operational expenditures and capital outlay amounted to $3.5 million each. Transfers amounted to $7.6 million of which $6.0 million was for the Isabel/I-580 Interchange project.

Isabel Parkway

This fund is the capital project fund for the Isabel/I-580 Interchange project. This project is to construct a new interchange on I-580 at the future Isabel Ave./Route 84 extension. During fiscal 2010, capital expenditures amounted to $17.9 million.

Revenue sources for this fund are Federal, State and local grants, Measure B funds, and Developer Impact Fees.

Developer Deposits

This fund accounts for performance deposits from developers, which are held on their behalf. Funds are returned if developers perform required provisions under agreements with the City. Funds used by the City to complete required provisions are recorded as revenues in other funds to the extent used. As of June 30, 2010 the City held $15.1 million in performance deposits on behalf of developers

Other Governmental Funds

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

Analysis of Major Business-type Activities – Enterprise Funds

Airport Fund

Airport Fund net income amounted to $0.1 million in fiscal year 2010, down from $0.6 million in fiscal year 2009.

Water Fund

Water Fund net income amounted to $0.5 million in fiscal year 2010, up from ($0.6) million in fiscal year 2009. Operating revenues increased by $0.4 million in fiscal 2010. The increase in net income is due to an increase in operating revenue and a decrease to Operating expenses.

Sewer Fund

Sewer Fund net income amounted to ($1.8) million in fiscal 2010, down from ($1.7) million in fiscal 2009.

Operating Revenues decreased $0.5 million to $18.6 million in fiscal 2010. The decrease is largely due to the result of catch up billing and collection in 2009. During fiscal 2010, repairs to capital assets amounted to $1.5 million.

Operating expenses decreased $0.3 million to $19.3 million. The decrease is mainly the result of a decrease to Repair and Maintenance expense.

Transfers out amount to $3.1 million in fiscal 2010 and are composed primarily of a $2.5 million transfer to the LAVWMA Fund, which is discussed below.

LAVWMA Fund

This fund accounts for contributions to the Livermore/Amador Valley Wastewater Authority (LAVWMA), a joint powers authority responsible for implementing a water quality management program involving wastewater treatment and disposal for the City and other municipal members of LAVWMA. The City contributes its share of operating and capital funds to LAVWMA, which uses those funds along with other members' contributions to operate. The City is not entitled to assets nor responsible for liabilities of LAVWMA. Contributions to LAVWMA amounted to $2.5 million for the year and were funded by Sewer Fund transfers.

Las Positas Golf Course Fund

The Fund generated a net loss of $2.6 million which is an increased loss compared to the loss of $0.3 million from fiscal 2009.

Operating revenues were down by $0.2 million at $2.1 million in fiscal 2010. Operating expenses had an increase of $11 thousand in fiscal 2010.

Springtown Golf Course Fund

This Fund generated a net loss for the year amounting to $0.2 million for fiscal 2010. In fiscal 2009, the City hired a contractor to oversee the operations of the Springtown Golf Course. The contractor will pay the City $6,000 per year in exchange of retaining golf and other fee revenues generated by the Golf Course.

(D) Capital Assets

GASB 34 requires the City to record all its capital assets including infrastructure. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. As allowed by GASB 34, the City had until fiscal 2005-2006 to record the cost and accumulated depreciation of infrastructure acquired in prior years. An audit of these assets was done six years ago and City staff has implemented these adjustments.

At the end of fiscal 2010 the cost of capital assets recorded on the City's financial statements was as shown in Table 9 below (further detail may be found in Note 6 to the financial statements):

Table 9
Capital Assets at Year-end
(in Millions)

	2010	2009
Governmental Activities		
Land	$23.2	$17.1
Construction in progress	63.6	41.6
Buildings	97.9	97.9
Equipment and vehicles	17.0	17.1
Infrastructure	268.2	264.4
Internal service fund equipment and vehicles	12.1	12.0
Less accumulated depreciation	(134.8)	(124.5)
Totals	**$347.2**	**$325.6**
Business-type Activities		
Land	$13.9	$13.9
Construction in progress	7.8	15.9
Land Improvements	0.6	0.6
Buildings	22.2	22.2
Equipment and vehicles	2.7	2.9
Golf Course Infrastructure	7.3	7.3
Sewer Infrastructure	211.2	204.9
Water Infrastructure	41.9	32.9
Airport Infrastructure	10.9	10.9
Less accumulated depreciation	(149.4)	(142.2)
Totals	**$169.1**	**$169.3**

The principal additions for governmental activities in fiscal 2010 were to construction in progress. Business-type activity additions were primarily composed of Sewer and Water Infrastructure.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 6.

(E) Debt Administration

Each of the City's debt issues is discussed in detail in Note 7 to the financial statements. At June 30, 2008 and 2009 the City's debt comprised:

Table 10
Outstanding Debt
(In Millions)

	2010	2009
Governmental Activity Debt:		
Certificates of Participation	$56.1	$61.0
Tax Allocation Bonds	32.6	33.4
Notes payable	11.0	9.9
Totals	$99.7	$104.3
Business-type Activity Debt:		
Certificates of Participation	$14.6	$12.8
State Water Reclamation Loans	3.1	3.9
Airport Loans Payable	0.0	0.0
Golf Equipment Lease	0.0	0.0
Totals	$17.7	$16.7

In fiscal 2010, Governmental activities debt was reduced $4.6 million for scheduled retirements. Business-type activity debt was reduced $1.0 million for scheduled retirements. A reallocation of Certificates of Participation increased Business-type activity debt by $1.8 million.

(F) Special Assessment and Mello-Roos District Debt

Special assessment and Mello-Roos districts in different parts of the City have issued tax-exempt debt to finance the construction of public improvements entirely in those districts. At June 30, 2010, a total of $44.1 million in special assessment district debt was outstanding, issued by four special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility. The City does act as these Districts' agent in the collection and remittance of assessments, and in the management of facilities construction. Further detail on these districts may be found in Note 8 to the financial statements.

(G) Requests for Information

The Comprehensive Annual Financial Report is intended to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Administrative Services Director, 1052 South Livermore Avenue, Livermore, CA 94550-4899.

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Government-Wide Financial Statements
Statement of Net Assets and Activities

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the Livermore Redevelopment Agency and the Livermore Capital Projects Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements.*

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in City Treasury (Note 3)	$91,527,955	$79,161,509	$170,689,464
Cash and investments with Trustees (Note 3)	13,813,033		13,813,033
Accounts receivables (net of applicable allowance for uncollectibles)	18,290,445	2,241,334	20,531,779
Interest receivable	856,859		856,859
Internal balances (Note 4D)	2,681,264	(2,681,264)	
Prepaids, deposits and supplies	1,615,736	60,029	1,675,765
Notes receivable (Note 5)	12,729,231		12,729,231
Land held for redevelopment (Note 1I)	15,963,576		15,963,576
Land and construction in progress (Note 6)	87,029,764	22,298,550	109,328,314
Capital assets (net of accumulated depreciation) (Note 6)	260,429,348	146,785,416	407,214,764
Total assets	504,937,211	247,865,574	752,802,785
LIABILITIES			
Accounts payable and other accruals	12,210,062	2,067,366	14,277,428
Accrued payroll	1,056,532	175,285	1,231,817
Deposit payable and unearned revenue	16,471,516	394,657	16,866,173
Note payable (Note 7E)	15,000,000		15,000,000
Claims payable - due in more than one year (Note (13B)	2,778,163		2,778,163
Accrued compensated absences (Note 1F):			
Due within one year	1,134,303	188,754	1,323,057
Due in more than one year	2,191,824	263,240	2,455,064
Net OPEB obligation (Note 10)	9,511,780		9,511,780
Long-term debt (Note 7):			
Due within one year	4,377,745	1,528,500	5,906,245
Due in more than one year	95,297,210	16,172,771	111,469,981
Total liabilities	160,029,135	20,790,573	180,819,708
NET ASSETS (Note 9)			
Invested in Capital Assets, net of related debt	247,613,891	151,382,695	398,996,586
Restricted:			
Capital projects	22,093,035		22,093,035
Debt service	2,269,780		2,269,780
Special assessment administration	3,614,518		3,614,518
Redevelopment	5,672,027		5,672,027
Special revenue grant programs	3,227,087		3,227,087
Unrestricted	60,417,738	75,692,306	136,110,044
Total net assets	$344,908,076	$227,075,001	$571,983,077

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
City Council	$194,011		$435,616		$241,605		$241,605
City Manager	1,388,553				(1,388,553)		(1,388,553)
City Attorney	1,407,435				(1,407,435)		(1,407,435)
City Clerk	782,255				(782,255)		(782,255)
Finance	6,015,776				(6,015,776)		(6,015,776)
Personnel	1,404,798				(1,404,798)		(1,404,798)
Fire	16,021,939	$1,321,707			(14,700,232)		(14,700,232)
Police	27,618,963	1,617,225	1,228,265		(24,773,473)		(24,773,473)
Public Works	26,941,951	71,680	454,886		(26,415,385)		(26,415,385)
Community Development	19,198,536	5,295,134	14,449,165	$27,586,963	28,132,726		28,132,726
Economic Development	774,617				(774,617)		(774,617)
Library	5,769,155	144,754	163,640		(5,460,761)		(5,460,761)
Redevelopment	6,521,339	7,375		1,366,045	(5,147,919)		(5,147,919)
Interest on long term debt	3,695,131				(3,695,131)		(3,695,131)
Total Governmental Activities	117,734,459	8,457,875	16,731,572	28,953,008	(63,592,004)		(63,592,004)
Business-type Activities:							
Airport	4,687,217	4,774,584				$87,367	87,367
Water	10,334,594	10,684,724		295,067		645,197	645,197
Sewer	19,449,615	19,465,218		1,134,749		1,159,352	1,159,352
LAVWMA	1,712,568					(1,712,568)	(1,712,568)
Las Positas	2,357,436	2,087,472				(269,964)	(269,964)
Springtown	249,921	74,186				(175,735)	(175,735)
Total Business-type Activities	38,782,351	37,086,184		1,429,816		(266,351)	(266,351)
Total	$156,516,810	$45,544,059	$16,731,572	$30,382,824	(63,592,004)	(266,351)	(63,858,355)
General revenues:							
Property taxes					23,836,857		23,836,857
Incremental property taxes					4,683,913		4,683,913
Sales taxes					13,789,658		13,789,658
Business license tax					3,530,881		3,530,881
Transient occupancy and franchise taxes					8,001,552		8,001,552
Intergovernmental, unrestricted					6,017,347		6,017,347
Interest					4,380,108		4,380,108
Miscellaneous					8,205,664		8,205,664
Transfers, net (Note 4D)					2,578,127	(2,578,127)	
Total general revenues and transfers					73,024,107	(2,578,127)	70,445,980
Change in Net Assets					9,432,103	(2,844,478)	6,587,625
Net Assets-Beginning					335,475,973	229,919,479	565,395,452
Net Assets-Ending					$344,908,076	$227,075,001	$571,983,077

See accompanying notes to financial statements

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Fund Financial Statements

Only individual major funds are presented in the Fund Financial Statements, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2010. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds, and the related expenditures.

OTHER FEDERAL AND STATE GRANTS SPECIAL REVENUE

Used to account for federal and state awards, including American Revitalization and Reinvestment Act (ARRA) grants.

REDEVELOPMENT AGENCY CAPITAL PROJECTS

Established to account for the acquisition, demolition, relocation, and sales of land in the Livermore redevelopment area. Financing is provided by bond proceeds, loans from the general fund, property tax increments and transfers from the low-income housing fund and the community development fund.

ISABEL PARKWAY CAPITAL PROJECTS

Established to account for the construction of roadway from Concannon Blvd. to E. Airway Blvd. Financing is provided by Federal, State and Local Grants, developer impact fees and Measure B funds.

DEVELOPER DEPOSITS CAPITAL PROJECTS

Established to account for developer fees received pursuant to development agreements, performance deposits, public park improvement fees and transportation development fees collected.

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Other Federal and State Grants	Redevelopment Agency Capital Projects	Isabel Parkway	Developer Deposits	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments in City Treasury (Note 3)	$29,543,526	$1,528,210	$230,637		$14,584,463	$31,436,041	$77,322,877
Cash and investments with Trustees (Note 3)			4,155,231			9,657,802	13,813,033
Accounts receivables	4,148,023	11,321,840			481,628	1,995,590	17,947,081
Interest receivable	856,859						856,859
Due from other funds (Note 4A)	590,509					4,450,158	5,040,667
Advances to other funds (Note 4C)	9,914,550					13,023,786	22,938,336
Prepaids and deposits	24,072						24,072
Notes receivable (Note 5)		3,371,029	2,000,000			7,358,202	12,729,231
Land held for redevelopment (Note 1I)			13,666,122			2,297,454	15,963,576
Total Assets	$45,077,539	$16,221,079	$20,051,990		$15,066,091	$70,219,033	$166,635,732
LIABILITIES							
Accounts payable and other accrued liabilities	$787,146	$515,124	$927,557	$7,171,560	$3,543	$866,405	$10,271,335
Accrued payroll and benefits	951,740	3,415				30,737	985,892
Deposit payable		520,233			15,068,039	595,065	16,183,337
Due to other funds (Note 4A)		1,320,000		892,115		2,770,088	4,982,203
Note payable (Note 7E)	15,000,000						15,000,000
Advance from other funds (Note 4C)			16,236,735			4,571,296	20,808,031
Deferred rents and revenue	843,950	3,395,178				7,566,445	11,805,573
Total Liabilities	17,582,836	5,753,950	17,164,292	8,063,675	15,071,582	16,400,036	80,036,371
FUND BALANCES (Note 9)							
Reserved for:							
Capital outlay						6,000,381	6,000,381
Low income housing						1,199,572	1,199,572
Advance to other funds	9,914,550					13,006,628	22,921,178
Prepaids and deposits	24,072						24,072
Notes receivable			2,000,000				2,000,000
Land held for redevelopment			13,666,122			2,297,454	15,963,576
Debt service						2,269,780	2,269,780
Unreserved:							
Designated for economic uncertainty	3,500,000						3,500,000
Designated for future operations	13,100,000						13,100,000
Undesignated, reported in:							
General fund	956,081						956,081
Special revenue funds		10,467,129				12,952,528	23,419,657
Capital projects funds			(12,778,424)	(8,063,675)	(5,491)	16,092,654	(4,754,936)
TOTAL FUND BALANCES	27,494,703	10,467,129	2,887,698	(8,063,675)	(5,491)	53,818,997	86,599,361
Total Liabilities and Fund Balances	$45,077,539	$16,221,079	$20,051,990		$15,066,091	$70,219,033	$166,635,732

See accompanying notes to financial statements

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GOVERNMENTAL FUNDS
BALANCE SHEET - Continued
JUNE 30, 2010

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

Amount reported in the Governmental Balance Sheet as Fund Balance	$86,599,361
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	347,459,112
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	14,205,078
Accounts receivable	343,364
Internal balances	492,495
Prepaids, deposits and supplies	292,424
Accounts payable and other accruals	(1,258,026)
Accrued payroll	(70,640)
Accrued compensated absences	(11,898)
Net pension obligation	(9,511,780)
Claims payable	(2,778,163)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	11,517,394
LONG-TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Unamortized bond issue costs	1,299,240
Non-current portion of compensated absences	(3,314,229)
Long-term debt	(99,674,955)
Interest payable	(680,701)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$344,908,076

See accompanying notes to financial statements

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GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General	Other Federal and State Grants	Redevelopment Agency Capital Projects	Isabel Parkway	Developer Deposits	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and special assessments	$33,151,958					$1,763,412	$34,915,370
Sales Taxes	13,789,658						13,789,658
Property tax increment			$4,683,913				4,683,913
Licenses and permits	1,794,011						1,794,011
Intergovernmental	7,562,037	$18,825,937				10,602,374	36,990,348
Contributions from outside sources						3,830,471	3,830,471
Fines and forfeitures	711,616						711,616
Charges for current services	8,987,567	95,250	16,120			1,339,050	10,437,987
Use of money and property	4,685,113	38,470	245,278	$855		1,109,361	6,079,077
Miscellaneous	1,238,361	433,308	122,451	3,463		307,561	2,105,144
Total Revenues	71,920,321	19,392,965	5,067,762	4,318		18,952,229	115,337,595
EXPENDITURES							
Current:							
City Council	168,601						168,601
City Manager	1,297,151						1,297,151
City Attorney	1,335,415						1,335,415
City Clerk	710,277						710,277
Finance	5,852,309						5,852,309
Human Resources	1,310,061						1,310,061
Fire	14,841,732						14,841,732
Police	25,071,975	15,554				798,614	25,886,143
Public Works	7,029,100						7,029,100
Community Development	12,913,560	3,427,491				2,868,761	19,209,812
Economic Development	743,217						743,217
Library	4,707,427	97,577					4,805,004
Redevelopment			3,630,937			362,900	3,993,837
Estimated reduction in value of land held for redevelopment			1,453,226				1,453,226
Capital Outlay							
Capital projects	268,224	3,459,443	801,905	17,925,609	$5,491	12,572,166	35,032,838
Debt service							
Principal						3,435,934	3,435,934
Interest and fiscal charges	386,895	8,119	251,154			2,967,461	3,613,629
Total Expenditures	76,635,944	7,008,184	6,137,222	17,925,609	5,491	23,005,836	130,718,286
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,715,623)	12,384,781	(1,069,460)	(17,921,291)	(5,491)	(4,053,607)	(15,380,691)
OTHER FINANCING SOURCES (USES)							
Premium received on TRANS	219,750						219,750
Issuance of debt (Note 7)		1,320,000					1,320,000
Transfers in (Note 4B)	3,510,605	12,804		11,214,670		8,940,546	23,678,625
Transfers (out) (Note 4B)	(3,189,541)	(7,588,690)	(3,075,342)			(8,648,575)	(22,502,148)
Total Other Financing Sources (Uses)	540,814	(6,255,886)	(3,075,342)	11,214,670		291,971	2,716,227
NET CHANGE IN FUND BALANCES	(4,174,809)	6,128,895	(4,144,802)	(6,706,621)	(5,491)	(3,761,636)	(12,664,464)
Fund balances at beginning of period	31,669,512	4,338,234	7,032,500	(1,357,054)		57,580,633	99,263,825
FUND BALANCES AT END OF PERIOD	$27,494,703	$10,467,129	$2,887,698	($8,063,675)	($5,491)	$53,818,997	$86,599,361

See accompanying notes to financial statements

LIVERMORE
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RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS WITH STATEMENT OF ACTIVITIES-FOR THE YEAR ENDED JUNE 30, 2010

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($12,664,464)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay asset addition expenditures are therefore added back to fund balance	23,441,398
Retirements are deducted from fund balance	(178,883)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $904,991 which has already been allocated to serviced funds.)	(9,848,964)
Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.	8,560,216
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	3,435,934
Proceeds from issuance of long term debt are deducted from fund balance	(1,320,000)
Reallocation of 2007 and 2008 COPS to Enterprise funds	2,518,600
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Bond issue costs	(61,869)
Interest payable	(19,633)
Long-term compensated absences	(195,676)
Deferred revenue from loan receivable offset	1,516,826
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	(5,799,907)
Change in Net Assets of Internal Service Funds reported with Business-Type Activities	48,525
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$9,432,103

See accompanying notes to financial statements

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL-FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	$30,993,217	$25,603,237	$31,669,512	$6,066,275
Resources (inflows):				
Property taxes	28,601,000	23,753,400	23,619,525	(133,875)
Sales taxes	19,805,000	13,649,800	13,789,658	139,858
Other taxes	11,463,000	8,671,000	9,028,361	357,361
Licenses and permits	3,068,000	1,828,000	1,794,011	(33,989)
Intergovernmental	8,401,000	7,567,000	7,562,037	(4,963)
Fines and forfeitures	888,000	529,000	711,616	182,616
Other in lieu taxes	617,000	507,000	504,072	(2,928)
Charges for current services	9,425,000	8,406,000	8,987,567	581,567
Use of money and property	3,792,000	3,615,400	4,685,113	1,069,713
Miscellaneous	807,000	1,192,000	1,238,361	46,361
Amounts available for appropriation	86,867,000	69,718,600	71,920,321	2,201,721
Charges to appropriations (outflows)				
Current:				
City Council	208,620	155,280	168,601	(13,321)
City Manager	1,415,830	1,280,810	1,297,151	(16,341)
City Attorney	1,348,980	1,333,980	1,335,415	(1,435)
City Clerk	1,198,930	660,670	710,277	(49,607)
Finance	8,390,310	5,518,600	5,852,309	(333,709)
Human Resources	1,457,860	1,288,905	1,310,061	(21,156)
Fire	15,826,970	14,995,740	14,841,732	154,008
Police	25,917,230	25,354,464	25,071,975	282,489
Public Works	7,849,800	7,042,780	7,029,100	13,680
Community Development	15,408,010	13,075,195	12,913,560	161,635
Economic Development	501,000	773,300	743,217	30,083
Library	5,129,850	4,799,050	4,707,427	91,623
Capital Outlay				
Capital projects	646,090	401,890	268,224	133,666
Debt Service				
Interest and fiscal charges	443,540	443,540	386,895	56,645
Total charges to appropriations	85,743,020	77,124,204	76,635,944	488,260
OTHER FINANCING SOURCES (USES)				
Premium received on TRANS	220,000	220,000	219,750	(250)
Transfers in	3,727,500	3,951,405	3,510,605	(440,800)
Transfers (out)	4,854,000	(3,497,000)	(3,189,541)	307,459
Total Other Financing Sources (Uses)	8,581,500	674,405	540,814	(133,591)
Budgetary fund balance, June 30	$40,698,697	$18,872,038	$27,494,703	$8,622,665

See accompanying notes to financial statements

OTHER FEDERAL AND STATE GRANTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental revenue	$60,552,020	$54,219,000	$18,825,937	($35,393,063)
Charges for current services	415,000	122,000	95,250	(26,750)
Use of money and property			38,470	38,470
Miscellaneous	674,000	513,000	433,308	(79,692)
Total Revenues	61,641,020	54,854,000	19,392,965	(35,461,035)
Expenditures				
Police	162,000	16,000	15,554	446
Community Development	6,610,520	5,088,610	3,427,491	1,661,119
Library	760,000	375,000	97,577	277,423
Capital Outlay				
Capital projects	2,554,140	4,898,650	3,459,443	1,439,207
Debt service				
Interest and fiscal charges			8,119	(8,119)
Total Expenditures	10,086,660	10,378,260	7,008,184	3,370,076
OTHER FINANCING SOURCES (USES)				
Issuance of debt			1,320,000	1,320,000
Transfers in	1,000	1,000	12,804	11,804
Transfers (out)	(43,095,000)	(45,019,130)	(7,588,690)	37,430,440
Total Other Financing Sources (Uses)	(43,094,000)	(45,018,130)	(6,255,886)	38,762,244
Net change in budgetary fund balance	$8,460,360	($542,390)	6,128,895	$6,671,285
Budgetary fund balance, July 1			4,338,234	
Budgetary fund balance, June 30			$10,467,129	

See accompanying notes to financial statements

Proprietary Funds

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the funds below as major proprietary funds in fiscal 2010.

AIRPORT FUND

Established to account for the operations of the Livermore Municipal Airport.

WATER FUND

Established to account for the operations of the self-supporting municipal water service. Services are rendered on a user charge basis and impact fees are collected for future water storage needs.

WATER RECLAMATION FUNDS (SEWER AND LAVWMA)

Established to account for operations of the self-supporting wastewater disposal plant, the export pipeline, impact fees collected for sewer connections, and urban runoff fees.

GOLF COURSES (LAS POSITAS AND SPRINGTOWN)

Established to account for operations of the two golf courses in Livermore.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Business-type Activities-Enterprise Funds							Governmental Activities-Internal Service Funds
	Airport	Water	Sewer	LAVWMA	Las Positas	Springtown	Totals	
ASSETS								
Current Assets:								
Cash and investments in City Treasury (Note 3)	$2,026,213	$18,619,922	$52,049,832	$5,874,767	$590,775		$79,161,509	$14,205,078
Accounts receivables (net of allowable for uncollectibles)	357,041	1,430,046	406,554		40,776	$6,917	2,241,334	343,364
Prepaids, deposits and supplies	60,029						60,029	292,424
Total current assets	2,443,283	20,049,968	52,456,386	5,874,767	631,551	6,917	81,462,872	14,840,866
Noncurrent Assets:								
Capital assets, net of accumulated depreciation (Note 6)	3,877,824	31,794,083	106,266,742		4,615,160	231,607	146,785,416	4,022,110
Land and construction in progress (Note 6)	13,935,678	287,653	7,296,010		725,484	53,725	22,298,550	170,266
Total noncurrent assets	17,813,502	32,081,736	113,562,752		5,340,644	285,332	169,083,966	4,192,376
Total assets	20,256,785	52,131,704	166,019,138	5,874,767	5,972,195	292,249	250,546,838	19,033,242
LIABILITIES								
Current Liabilities:								
Accounts payable and other accruals	334,583	925,512	682,931		124,228	112	2,067,366	1,258,026
Accrued payroll and benefits	24,216	31,794	115,369		3,906		175,285	70,640
Accrued compensated absences (Note 1F):	22,851	30,129	131,263		4,511		188,754	11,898
Deposit payable	177,908	140,298			72,757	3,694	394,657	
Due to other funds (Note 4A)								58,464
Total current liabilities	559,558	1,127,733	929,563		205,402	3,806	2,826,062	1,399,028
Noncurrent Liabilities:								
Accrued compensated absences (Note 1F):	50,461	24,154	175,450		13,175		263,240	
Claims payable (Note 13B)								2,778,163
Advances from other funds (Note 4C)					1,393,934	736,371	2,130,305	
Net pension obligation (Note 10)								9,511,780
Long-term debt (Note 7):								
Due within one year	46,648	602,425	751,245		128,182		1,528,500	
Due in more than one year	1,446,577	8,309,840	2,377,642		4,038,712		16,172,771	
Total non-current liabilities	1,543,686	8,936,419	3,304,337		5,574,003	736,371	20,094,816	12,289,943
Total liabilities	2,103,244	10,064,152	4,233,900		5,779,405	740,177	22,920,878	13,688,971
NET ASSETS (Note 9)								
Invested in Capital Assets, net of related debt	16,320,277	23,169,471	110,433,865		1,173,750	285,332	151,382,695	4,192,376
Unrestricted	1,833,264	18,898,081	51,351,373	5,874,767	(980,960)	(733,260)	76,243,265	1,151,895
Total net assets	$18,153,541	$42,067,552	$161,785,238	$5,874,767	$192,790	($447,928)	227,625,960	$5,344,271
Some amounts reported for *business-type activities* in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.							(550,959)	
Net assets business-type activities							$227,075,001	

See accompanying notes to financial statements

PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Enterprise Funds							Governmental Activities-Internal Service Funds
	Airport	Water	Sewer	LAVWMA	Las Positas	Springtown	Totals	
OPERATING REVENUES								
Charges for services	$2,413,206		$18,035,803		$2,063,998	$70,683	$22,583,690	$9,137,076
Sales	2,252,205	$10,259,656	150,478				12,662,339	
Miscellaneous	31,967	77,162	458,157		7,341	3,503	578,130	22,227
Total Operating Revenues	4,697,378	10,336,818	18,644,438		2,071,339	74,186	35,824,159	9,159,303
OPERATING EXPENSES								
Cost of sales, salaries and benefits	2,771,190	6,807,348	5,506,048		207,057	21,510	15,313,153	7,840,339
Contracted services	774,124	696,340	2,236,837	$1,712,568	1,426,030	173,767	7,019,666	1,304,957
Insurance premiums								496,933
Materials, supplies and other	389,009	1,047,666	3,201,199		124,600	4,411	4,766,885	2,001,232
Utilities	153,038	178,962	654,152		58,239	19,980	1,064,371	
Depreciation	422,119	1,228,519	6,222,359		402,884	16,563	8,292,444	904,991
Repairs and maintenance	144,869	101,276	1,505,913		38,859		1,790,917	145,583
Claims expense								1,203,326
Total Operating Expenses	4,654,349	10,060,111	19,326,508	1,712,568	2,257,669	236,231	38,247,436	13,897,361
Operating Income (Loss)	43,029	276,707	(682,070)	(1,712,568)	(186,330)	(162,045)	(2,423,277)	(4,738,058)
NONOPERATING REVENUES (EXPENSES)								
Interest revenue	77,206	347,906	820,780		16,133		1,262,025	
Interest and fiscal charges (expense)	(27,891)	(267,182)	(87,772)		(91,057)	(12,488)	(486,390)	
Loss on disposal and other								(61,849)
Net Nonoperating Revenues (Expenses)	49,315	80,724	733,008		(74,924)	(12,488)	775,635	(61,849)
Income (Loss) Before Contributed Assets and Transfers	92,344	357,431	50,938	(1,712,568)	(261,254)	(174,533)	(1,647,642)	(4,799,907)
Contributed assets		295,067	1,134,749				1,429,816	
Transfers in (Note 4B)	25,325	41,060	91,669	2,900,000	21,330	1,651	3,081,035	
Transfers (out) (Note 4B)	(4,561)	(166,951)	(3,086,000)		(2,401,650)		(5,659,162)	(1,000,000)
Change in net assets	113,108	526,607	(1,808,644)	1,187,432	(2,641,574)	(172,882)	(2,795,953)	(5,799,907)
Total net assets-beginning	18,040,433	41,540,945	163,593,882	4,687,335	2,834,364	(275,046)		11,144,178
Total net assets-ending	$18,153,541	$42,067,552	$161,785,238	$5,874,767	$192,790	($447,928)		$5,344,271

Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds services. (48,525)

Net business-type activities reported on the Statement of Activities ($2,844,478)

See accompanying notes to financial statements

LIVERMORE CALIFORNIA
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PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Enterprise Funds							Governmental Activities-Internal Service Funds
	Airport	Water	Sewer	LAVWMA	Las Positas	Springtown	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	$4,580,377	$10,246,077	$18,685,277		$2,101,437	$79,362	$35,692,530	$9,164,324
Payments to suppliers	(1,435,145)	(1,785,272)	(7,974,436)	($1,712,568)	(1,673,667)	(243,598)	(14,824,686)	(4,242,138)
Payments to employees	(2,745,511)	(6,812,834)	(5,484,893)		(199,492)	(22,534)	(15,265,264)	(4,546,857)
Claims paid								(1,235,935)
Net cash provided by operating activities	399,721	1,647,971	5,225,948	(1,712,568)	228,278	(186,770)	5,602,580	(860,606)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interfund receipts								58,464
Interfund payments						197,607	197,607	
Transfers in	25,325	41,060	91,669	2,900,000	21,130	1,651	3,081,035	
Transfers (out)	(4,561)	(166,951)	(3,086,000)				(3,257,512)	(1,000,000)
Cash Flows from Noncapital Financing Activities	20,764	(125,891)	(2,994,331)	2,900,000	21,130	199,258	21,130	(941,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital asset additions		(437,991)	(6,290,466)				(6,728,457)	(530,169)
Long term debt:								
Repayments	(44,892)	(463,893)	(731,493)		(123,331)		(1,363,609)	
Interest paid	(27,890)	(267,182)	(87,772)		(91,957)	(12,488)	(486,389)	
Cash Flows from Capital and Related Financing Activities	(72,782)	(1,169,066)	(7,109,731)		(214,388)	(12,488)	(8,578,455)	(530,169)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received	77,206	347,906	820,780		16,133		1,262,025	
Cash Flows from Investing Activities	77,206	347,906	820,780		16,133		1,262,025	
Net increase (decrease) in cash and cash equivalents	424,909	700,920	(4,057,334)	1,187,432	51,353		(1,692,720)	(2,332,311)
Cash and investments at beginning of period	1,601,304	17,919,002	56,107,166	4,687,335	539,422		80,854,229	16,537,389
Cash and investments at end of period	$2,026,213	$18,619,922	$52,049,832	$5,874,767	$590,775		$79,161,509	$14,205,078
Reconciliation of operating income (loss) to net cash provided by operating activities:								
Operating income (loss)	$43,029	$276,707	($682,070)	($1,712,568)	($186,330)	($162,045)	($2,423,277)	($4,738,058)
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	422,119	1,228,519	6,222,359		402,884	16,563	8,292,444	904,991
Change in assets and liabilities:								
Accounts receivable	(120,627)	(88,513)	40,762		26,894	5,614	(136,870)	5,021
Prepaids, deposits and supplies	(16,197)						(16,197)	(19,728)
Net pension obligation								3,546,479
Accounts payable and other accruals	42,092	238,972	(376,335)		(25,939)	(45,440)	(166,650)	(542,336)
Accrued payroll	25,679	(5,486)	21,155		7,565	(1,024)	47,889	20,158
Accrued compensated absences								(39,133)
Deposits payable	3,626	(2,228)	77		4,204	(438)	5,241	
Net cash provided by operating activities	$399,721	$1,647,971	$5,225,948	($1,712,568)	$228,278	($186,770)	$5,602,580	($860,606)
Non-cash transaction:								
Debt reallocation		$116,950					$2,518,600	
Capital Assets contributed		295,067	$1,134,749		$2,401,850		1,429,816	

See accompanying notes to financial statements

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FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	Agency Funds
ASSETS	
Cash and investments in City Treasury (Note 3)	$4,418,591
Cash and investments with Trustees (Note 3)	5,067,718
Total Assets	$9,486,309
LIABILITIES	
Due to special assessment districts	$9,486,309
Total Liabilities	$9,486,309

See accompanying notes to financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The City of Livermore was incorporated April 1, 1876. The City operates under the Council-Manager form of government and provides the following services; public safety (police and fire), highways and streets, sewer, water, public improvements, planning and zoning, general administration services, housing services and redevelopment, through the Livermore Redevelopment Agency.

The accounting policies of the City conform with generally accepted accounting principles in the United States of America as applicable to governments. The following is a summary of these policies:

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. This City's component units which are described below are all blended.

COMPONENT UNITS INCLUDED IN THE REPORTING ENTITY:

The **Livermore Redevelopment Agency** is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Low and Moderate Income Housing Special Revenue Fund, Redevelopment Agency Capital Projects Fund, and Redevelopment Debt Service Fund. Separate financial statements for the Agency may be obtained from the City's Finance Department located in City Hall at 1052 South Livermore Avenue, Livermore, CA 94550.

The **Livermore Capital Projects Financing Authority** provides financing assistance to the City and has been included in these financial statements in the Livermore Capital Projects Financing Authority Debt Service Funds, and as part of the Airport Enterprise Fund, the Sewer Enterprise Fund and the Las Positas Golf Course Enterprise Fund. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary,* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *opereting* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

The City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - The general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Federal and State Grants Special Revenue - Used to account for federal and state awards, including American Revitalization and Reinvestment Act (ARRA) grants.

Redevelopment Agency Capital Projects - Established to account for the acquisition, demolition, relocation, and sales of land in the Livermore redevelopment area. Financing is provided by bond proceeds, loans from the general fund, property tax increments and transfers from the low-income housing fund and the community development fund.

Isabel Parkway Capital Projects - Established to account for the construction of roadway from Concannon Blvd. to E. Airway Blvd. Financing is provided by Federal, State and Local Grants, developer impact fees and Measure B funds.

Developer Deposits Capital Projects - Established to account for developer fees received pursuant to development agreements, performance deposits, public park improvement fees and transportation development fees collected.

The City reported all of its business-type funds as major funds in the accompanying financial statements.

Airport Fund - Established to account for the operations of the Livermore Municipal Airport.

Water Fund - Established to account for the operations of the self-supporting municipal water service. Services are rendered on a user charge basis and impact fees are collected for future water storage needs.

Water Reclamation Funds (Sewer and LAVWMA) - Established to account for operations of the self-supporting wastewater disposal plant, the export pipeline, impact fees collected for sewer connections, and urban runoff fees.

Golf Course Funds (Las Positas and Springtown) - Established to account for operations of the two golf courses in Livermore.

The City also reports the following fund types:

Internal Service Funds - These funds are used to account for the financing of services and supplies provided by one City department to another on a cost-reimbursement basis. The City operates the Liability Insurance Reserve Fund, Workers Compensation Fund, Fleet and Equipment Services Fund, Information Technology Fund, Facilities Rehabilitation Projects Fund, Reprographics Fund, Community Development Fund, and Employee Payroll Internal Service Funds.

Fiduciary Funds - These funds are used to account for assets held by the City in a fiduciary capacity for special assessment districts. The financial activities of these funds are excluded from the City wide financial statements but are presented in separate Fiduciary Fund financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *full accrual basis*. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (sixty days in the City's case) to be used to pay liabilities of the current period.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual are property taxes, sales taxes, interest revenue and charges for services. Fines, license, and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred (generally thirty days). An exception to this general rule is principal and interest on governmental funds' long-term debt which is recognized when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts thus are not current liabilities of the debt service fund as their settlement will not require expenditure of existing fund assets.

The City follows Statements and Interpretations of the Financial Accounting Standards Board statements and its predecessors issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Governmental Accounting Standards Board pronouncements.

The City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Supplies

Supplies are valued at cost on an average cost basis. The cost is recorded as an expenditure in the general fund at the time individual supply items are consumed. Supplies in the enterprise funds consist principally of materials and supplies for utility operations and are expensed as consumed.

F. Compensated Absences

Compensated absences comprise unused vacation leave and certain compensated time off, which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out for permanent liquidations due to terminations and retirements are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

Sick pay does not vest and is not accrued.

The change in compensated absences was as follows at June 30, 2010:

	Governmental Activities	Business Type Activities	Total
Beginning balance	$3,169,584	$417,376	$3,586,960
Additions	2,690,661	465,279	3,155,940
Payments	(2,534,118)	(430,661)	(2,964,779)
Ending balance	$3,326,127	$451,994	$3,778,121
Current portion	$1,134,303	$188,754	$1,323,057

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Tax Levy, Collection and Maximum Rates

The State of California Constitution Article XIII (A) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII(A), generally equivalent to the latest sale price, and may be increased by no more than two percent per year unless the property is sold or transferred. Assess values may be reduced as a result of taxpayer initiated re-assessments or declining sales prices. The State Legislature has determined the method of distribution of receipts from this tax levy among the counties, cities, school districts and other districts.

Alameda County assesses properties, billing and collecting property taxes and special assessments as follows:

	Secured	Unsecured
Valuation Dates	March 1	March 1
Lien/Levy Dates	January 1	January 1
Due Dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10, (for November) April 10, (for February)	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings, such as airplanes, boats, etc. These taxes are secured by liens on the property being taxed.

H. Revenue Recognition for Sewer and Operations

Revenues from residential sewer customers are based on annual billings collected on the tax rolls by Alameda County. Revenues for sewer services provided but not billed at the end of the fiscal year are estimated and accrued.

I. Land Held for Redevelopment

The Redevelopment Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for as investments on the balance sheet at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer. Individual parcels which have experienced a market value decline are written down to estimated current market value. No appreciation is recorded if the current market value of an individual parcel exceeds cost.

During the year ended June 30, 2010, the Agency reviewed the estimated market value for each of the parcels held and, as a result of the general decline in real estate values, has reduced the carrying value of the parcels by $1,453,226.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting Procedures

The City adopts a biennial operating budget on or before June 30 for each of the ensuing two fiscal years for all funds except the Fiduciary Funds and the Developer Deposits Capital Projects Fund. The operating budget takes the form of a two-year financial plan which is adopted in its entirety by the City Council by a resolution. A mid-period review is conducted in the off-year and appropriations are adjusted accordingly. The fiscal year begins on July 1 and ends on June 30 of the following year. Because Livermore is a general law city, it is not subject to a budgetary process prescribed by statute or charter.

The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. A resolution approving a supplemental appropriation is necessary when the original total appropriations for that fund would be exceeded. Budget adjustments within the same fund may be approved by the City Manager. Unencumbered appropriations lapse at the end of each fiscal year.

The operating budget is on a program basis. For governmental funds, the budget is prepared on a modified accrual basis consistent with generally accepted accounting principles (GAAP), except that land held for redevelopment is treated as an expenditure when purchased, proceeds from the disposition of this land is treated as revenue when measurable and available, and transfers (to) or from designations are treated as budgetary resources (uses). Budgetary fund balance includes only unreserved, undesignated fund balance. Organizational priorities which have been developed by City Council and City staff are implemented at the program level.

B. Expenditures in Excess of Appropriations

The funds below incurred expenditures and transfers out in excess of appropriations in the amounts below. These funds had sufficient fund balances or revenues to finance these expenditures.

Fund	Excess of Expenditures Over Appropriations
Redevelopment Agency Capital Projects	$1,167,152
Horizons Special Revenue Fund	4,024
Park Fee Capital Projects Fund	391,956
Airport Construction Capital Projects Fund	31,205

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. *Policies*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City'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 City's name and places the City ahead of general creditors of the institution.

The City invests 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 City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. *Classification*

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Cash and investments in City Treasury	$170,689,464
Cash and investments with Trustees	13,813,033
Total City cash and investments	184,502,497
Cash and investments in Fiduciary Funds (Separate Statement)	
In City Treasury	4,418,591
With Trustees	5,067,718
Total cash and investments	$193,988,806

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
City of Livermore or other California Local Agency Bonds	5 years		None	None
U.S. Treasury Bills and Notes	5 years		None	None
Obligations issued by United States Government Agencies	5 years		None	None
Bankers Acceptances	180 days		40%	30%
Commercial Paper	270 days	A1/P1/F1	25% (A)	10%
Negotiable Certificates of Deposit	5 years	A	30%	None
Repurchase Agreements and Reverse Repurchase Agreements	1 year		20%	None
Medium Term Corporate Notes	5 years	A	30% (A)	None
Money Market Mutual Funds	N/A	Top rating category	15%	None
Collateralized Notes, Bonds, or Other Obligations Secured by First Priority Security Interest	5 years		None	None
Certificates of Deposit	5 years		None	None
California Local Agency Investment Fund	N/A		$50 million per account	$50 million per account
Passbook Savings Account	None	None	None	$100,000

Under the City's Investment Policy, investments not described above are ineligible investments. In addition, the City may not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages in accordance with the California Government Code. With the exception of callable federal agency securities, any security that derives its value from another asset or index is prohibited. In addition, the City may not invest any funds in any security that could result in zero interest accrual if held to maturity.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City 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 City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City 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	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed	Issue
Federal Agency Securities				a, b, c,d,e
Debentures of Federal Housing Admin.				a, b, c
Participation Certificates of Federal Home Loan Mortgage Corp.				a
Participation Certificates of Federal Home Loan Mortgage Corp.	3 years			
Bonds & Notes of Farm Credit Banks				a, b
Federal Home Loans Banks				a, b
Federal Home Loans Banks	3 years			
Letter of Credit-backed issues of Student Loan Marketing Assoc.			Not more than 10% of the proceeds	
Federal funds, unsecured certificates of deposit, time deposits & bankers acceptances	Not more than 365 days	Highest Rating Category by Moody's		a,b
Federal funds, unsecured certificates of deposit, time deposits & bankers acceptances	Not more than 360 days	A-1 or A-1+ by S&P and P-1 by Moody		
Deposits (fully insured by FDIC)				a

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed	Issue
Debt Obligations		Equal to or better than existing Certificates by Moody's		a
Commercial Paper	Not more than 365 days	Equal to or better than existing Certificates by Moody's		
Commercial Paper	Not more than 270 days	A-1 or A-1+ by S&P and P-1 by Moody		
Money Market Funds		Highest Rating Category by Moody's		a, b, g
Repurchase Agreements	6 mo. or less	Equal to or better than existing Certificates by Moody's		
Investment Agreements		Equal to or better than existing Certificates by Moody'		b
State of CA-Local Agency Investment Fund				a,b,c,d, e,g
Commercial Paper		Prime – 1 by Moody's A-1+ or better by S & P		

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed	Issue
Municipal or State bonds/notes		Rated in one of the two highest rating categories by Moody's or S&P		b
Federal funds, unsecured certificates of deposit, time deposits & bankers acceptances	Max term 1 yr	Minimum rating of Prime-1 or A-3 by Moody's or A-1+ by S&P		
Prerefunded municipal bonds		Aaa by Moody's & AAA by S&P; if no Moody's rating, then must have been pre-refunded with cash.		
Direct obligations of the Export-Import Bank; participation certificates issued by the General Services Administration; mortgage backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Housing Administration; project notes issued by the US Dept. of Housing & Urban Development; public housing notes and bonds guaranteed by the USA.		Unsecured short-term obligations of the bank are rated in the highest short-term category by any rating agency; demand or time deposits are fully insured by the FDIC		c,d,e
Interest-bearing demand or time deposits or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks				c,d,e

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed	Issue
Commercial Paper – issued by corporations organized and operating within the USA.	180 days	Highest short-term rating category by any Rating Agency		c,d,e
Bankers Acceptances	270 days	Highest short-term rating category by any Rating Agency or long-term obligations rated A or better		c,d,e
Obligations – interest excludable under Sec103 of the IRC;		Rated "A" or better by any rating agency or fully secured as to the payment of principal & interest by Federal Securities		c,d,e
Obligations – Any corporation organized and operating within the USA having asset in excess of $500M		Rated "A" or better by any rating agency		c,d,e
Money market funds which invest in Federal Securities		Rated Am or better by S & P		c,d,e
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code including but not limited to the California Asset Management Program				c,d,e

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed	Issue
Investment Agreements				c,d,e
Treasury Money Market funds				g

a 2008 Variable Rate Demand COP's
b 2001 RDA Tax Allocation Bonds
c 1998 LCPFA Refunding Revenue Bonds
d CFD 99-1
e CARD 2002
f CAsRD 93-3
g 2007 Refunding and Capital Projects COP

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

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

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies - Non-callable	$40,959,375	$37,845,989	$29,987,182		$108,792,546
California Local Agency Investment Fund	63,284,553				63,284,553
U.S. Government Money Market Funds	12,523,936				12,523,936
U.S. Government Money Market Funds- Sweep Account	3,499,044				3,499,044
Guaranteed Investment Contracts and Agreements				$6,356,815	6,356,815
Total Investments	$120,266,908	$37,845,989	$29,987,182	$6,356,815	194,456,894
Cash deposits (overdrafts) with banks and on hand					(468,088)
Total Cash and Investments					$193,988,806

GASB Statement 31 requires governments to present investments at fair value. The total changes in the fair value of investments in the current fiscal year are not of material significance, therefore the City does not adjust the carrying value of its investment to reflect the fair value at each fiscal year-end.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – 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 rating organization. Presented below is the actual rating as of June 30, 2010 for each investment type as provided by Standard and Poor's investment rating service.

Investment Type	AAA	AAAm	AA-	A+	Total
Rated:					
U.S. Government-Sponsored Enterprise Agencies	$108,792,546				$108,792,546
U.S. Government Money Market Funds		$12,523,936			12,523,936
U.S. Government Money Market Funds- Sweep Account		3,499,044			3,499,044
Guaranteed Investment Contracts and Agreements	2,428,681		$3,431,934	$496,200	6,356,815
Not rated:					
California Local Agency Investment Fund					63,284,553
Total Investments	$111,221,227	$16,022,980	$3,431,934	$496,200	194,456,894
Cash deposits (overdrafts) with banks and on hand					(468,088)
Total Cash and Investments					$193,988,806

G. Local Agency Investment Fund

The City is a participant 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. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

Money Market funds and mutual funds are available for withdrawal on demand and at June 30, 2010, matured in an average of 9 and 52 days.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment funds that represent 5% or more of total investments are as follows at June 30, 2010:

Issuer	Type of Investments	Amount
Entity-wide:		
Federal Farm Credit Bank	Federal Agency Securities	$16,339,825
Federal Home Loan Bank	Federal Agency Securities	75,522,311
Tennessee Valley Authority	Federal Agency Securities	16,776,514
Fiduciary Funds:		
West Deutsche Landsbank Girozentiale	Guaranteed Investment Contract	3,431,934
Societe Generale	Investment Agreement	496,200

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2010 were as follows:

Due from Other Funds	Due To Other Funds	Amount
General Fund	**Special Revenue Fund**	
	Horizons	$228,883
	Capital Projects Fund	
	Livermore Capital Projects Financing Authority 2008 COPs	50,810
	Debt Service Fund	
	Livermore Capital Projects Financing Authority 2008 COPs	252,352
	Internal Service Funds	
	Community Development	2,978
	Employee Payroll	55,486
Special Revenue Funds	**Special Revenue Fund**	
Low Income Housing	Other Federal and State Grants	1,320,000
Capital Projects Fund	**Capital Projects Funds**	
Street Improvements	Other Streets & Trails Construction	2,238,043
Street Projects	Isabel Parkway	892,115
	TOTAL	$5,040,667

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to subsidize operations of programs and funds which are not self sustaining. Less often, a transfer may be made to open or close a fund. Interfund transfers for the year ended June 30, 2010 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Other Federal and State Grants	$259,570
	Non-Major Governmental Funds	2,175,119
	Water	166,951
	Sewer	90,000
	Internal Service Funds	818,965
Isabel Parkway	Other Federal and State Grants	6,006,296
	Non-Major Governmental Funds	5,208,374
Other Federal and State Grants	General Fund	12,804
Non-Major Governmental Funds	General Fund	3,176,737
	RDA Capital Projects Fund	3,075,342
	Other Federal and State Grants	1,322,824
	Non-Major Governmental Funds	1,265,082
	Airport	4,561
	Sewer	96,000
Airport	Internal Service Funds	25,325
Water	Internal Service Funds	41,060
Sewer	Internal Service Funds	91,669
LAVWMA	Sewer	2,900,000
Las Positas	Internal Service Funds	21,330
Springtown	Internal Service Funds	1,651
Total Interfund Transfers		$26,759,660

During fiscal year ended June 30, 2010, the City reallocated $2,401,650 of the 2008 Certificates of Participation to the Las Positas Golf Course to reflect the cost of improvements located at the golf course originally funded by the refinanced 2000 Certificates of Participation and also reallocated $116,950 of the 2007 Certificates of Participation to the Water Enterprise Fund.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long-Term Interfund Advances

The City's General Fund made advances to partially finance Agency operations and to finance the Agency purchases of land costing $843,950. As of June 30, 2010, the Redevelopment Agency Capital Projects Fund owed a remaining balance of $3,562,950. During fiscal year ended June 30, 2010 the Agency repaid $85,000.

The Redevelopment Agency has committed to pay Traffic Impact Fees to the City's Street Improvements Fund on behalf of certain developers. These amounts are payable over seven years commencing January 1, 2005. Interest is accrued on the unpaid balance at 5%. The balance owed by the Redevelopment Agency Capital Projects Fund for these commitments as of June 30, 2010 is $360,321.

During fiscal 2006-2007, the City advanced $582,325 to the Agency which was used to acquire the Train Depot Structure. Beginning with fiscal year 2015-2016 the Agency shall start paying the City 10 annual installments on or before January 31 of each fiscal year.

See also Note 14B for details of the $2,060,000 advance from the City to the Agency to finance the loan to the Valley Care Senior Housing Project developer. Repayment of the advance is not to begin until fiscal year 2016-2017.

During fiscal year 2007-2008, the City advanced $100,997 to the Agency to be used to purchase the Shell Property. The City also advanced the Agency $400,000 to purchase property located at 241 North M Street. Repayment is due to begin in fiscal year 2012-1013 with 10 annual installments from tax increment arising out of the redevelopment of the properties.

During fiscal year 2008-2009, the City advanced the Agency $1,364,759 to assist with the purchase of the Kibler property. The Agency shall repay the loan in ten annual installments from funds generated by tax increment arising out of the redevelopment of the property. The balance as of June 30, 2010 is $1,364,759.

The City's Low Income Housing Special Revenue Fund advanced the Agency $5,472,422 to assist with the acquisition of the Lucky site property. The Agency has agreed to reimburse the City principal and interest equivalent to debt service owed to the City pursuant to funds its borrowed from the State that were used for site acquisition.

The City's Low Income Housing Special Revenue Fund advanced the Agency $771,159 to assist with the acquisition of the property located at 2121 Railroad Avenue. The advance shall be repaid in 10 annual installments commencing FY 2014. The balance as of June 30, 2010 is $771,159.

The City's General Fund made an advance of $4,230,000 to the Street Projects Capital Projects Fund for downtown revitalization and the loan will be repaid to the General Fund as the fees are collected. A payment was made during fiscal year 2009-2010 in the amount of $8,704. The balance as of June 30, 2010 is $4,221,296.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

The City's Low Income Housing Special Revenue Fund advanced the Housing Community Assistance Fund $350,000 to assist with the purchase of 292 N. L Street. Repayment of the advance is due April 2014. Interest will be charged at 3% per annum.

During fiscal year 2008-2009, the City restructured advances of $1,393,934 to the Las Positas Golf Course Enterprise Fund. The term of the loan is 15 years and the interest rate is 3% compounded annually. Interest only payments to the City began on June 30, 2009 and are due for the next two years. Principal and interest payments will begin in 2012. The balance as of June 30, 2010 is $1,393,934.

During fiscal year 2008-2009, the City restructured advances of $538,764 to the Springtown Golf Course Enterprise Fund. The term of the loan is 15 years and the interest rate is 3% compounded annually. Interest only payments to the City began on June 30, 2009 and are due for the next two years. Principal and interest payments will begin in 2012. An additional $123,817 was advanced in fiscal 2008-09. In fiscal year 2009-2010, an additional $321,424 was advanced. The balances outstanding of June 30,2010 is $736,370.

During fiscal year 2009-2010 the Agency's Low and Moderate Income Housing Fund advanced $1,561,803 to the Agency's Capital Projects Funds to make the required payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) repaid by 2016.

D. Internal Balances

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - NOTES RECEIVABLE

Notes Receivables balances as of June 30, 2010:

Deferred Second Mortgage Program	$4,545,959
Rehabilitation Loan Program	1,549,091
Eden Housing Project, net	1,186,297
Livermore Independent Living Associates Project (See Note 14A)	800,000
Livermore Independent Living Associates Project (See Note 14B)	3,100,404
Livermore Housing Authority	510,000
Hallmark Community Services	1,037,480
Total Notes Receivables	$12,729,231

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - NOTES RECEIVABLE (Continued)

The City administers the Deferred Second Mortgage Program using Low Income Housing Fund revenues and a Rehabilitation Loan Program using Community Development Block Grants. Under these Programs, individuals with incomes below a certain level are eligible to receive low interest loans, secured by second deeds of trust, to help purchase their home or rehabilitate it. Upon approval of loans, the City disburses the funds, arranges for and collects repayments.

In fiscal 1992, the Agency loaned a developer $1,520,605 as part of the Eden Housing Project agreement, the proceeds of which were used for land acquisition and development of low and moderate income housing. As of June 30, 2010, the loans had an outstanding balance of $1,186,297. The land loan bears interest at 3% and the predevelopment loan bears interest at 9% which is due in 2049, and is subordinated to permanent bank loans.

In fiscal 2006, the City loaned Livermore Housing Authority $510,000 from the Housing Trust Fund to be used for the acquisition of six units for low-income individuals located at 2276-2280 Chestnut Street. The loan bears interest at 3.00% per annum on the outstanding principal from the date of the closing of the permanent loan. The principal and all the interest will be due and payable on the earlier of the date the property is sold or when the permanent loan is refinanced. In the event of residual receipts, payments of principal and interest will commence on July 1, 2008 until the loan is paid in full or terminated.

On August 20, 2009, the City of Livermore was awarded a Neighborhood Stabilization Program (NSP) grant from the State of California Housing and Community Development Department. The purpose of the NSP is to address the housing crisis occurring within cities by providing funds to purchase, rehabilitate, and resell vacant and foreclosed properties. In November of 2009, the City entered into a master agreement with Hallmark Community Solutions to provide Acquisition and Rehabilitation Services for the NSP. The City enters into a separate loan agreement with Hallmark each time a property is identified for purchase and rehabilitation. Each loan is repaid by Hallmark once the homes are rehabilitated and resold. At June 30, 2010, there were four loans outstanding for a total note receivable of $1,037,480.

In addition to the above, the Agency is due note receivables from various developers. Details may be found in Note 14.

As of June 30, 2010, the City guarantees $1,109,377 in low income housing K&B loans. These loans are issued by a bank for the purchase of low income housing properties for a lower than market price. The City then issues a promissory not stating that they will guarantee the difference between the market and lower affordable price to the bank. If a property owner sells the home for a price above the market value, he/she will owe the difference to the City.

NOTE 6 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize infrastructure with a cost exceeding $100,000 and other capital assets with a cost exceeding $2,500 and with useful lives exceeding two years.

The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems in its government-wide financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS (Continued)

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of the assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets 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 statement of net assets as a reduction in the book value of the capital assets.

Depreciation of capital assets in service is provided using the straight line method 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 City has assigned the useful lives listed below to capital assets.

Buildings	25-50 years
Improvements	10-20 years
Equipment	3-10 years
Infrastructure	50 years

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise the following:

Governmental activities	Balance at June 30, 2009	Additions	Retirements and Transfers	Balance at June 30, 2010
Governmental Fund Capital Assets				
Capital assets not being depreciated:				
Land	$17,131,679	$6,087,800		$23,219,479
Construction in progress	41,642,172	23,772,209	($1,774,362)	63,640,019
Subtotal	58,773,851	29,860,009	(1,774,362)	86,859,498
Capital assets being depreciated, cost:				
Office equipment	7,866,250	7,251	9,500	7,883,001
Other equipment	7,130,685	10,985	(58,579)	7,083,091
Library books	2,062,340			2,062,340
Infrastructure	264,396,870	2,123,369	1,644,558	268,164,797
Buildings	97,929,194			97,929,194
Subtotal	379,385,339	2,141,605	1,595,479	383,122,423
Accumulated Depreciation:				
Office equipment	(6,605,319)	(257,188)		(6,862,507)
Other equipment	(2,344,618)	(447,922)	51,971	(2,740,569)
Library books	(1,784,310)	(98,929)		(1,883,239)
Infrastructure	(89,990,411)	(7,234,644)	120,304	(97,104,751)
Buildings	(16,141,563)	(1,982,556)		(18,124,119)
Subtotal	(116,866,221)	(10,021,239)	172,275	(126,715,185)
Net Governmental activities capital assets being depreciated	262,519,118	(7,879,634)	1,767,754	256,407,238
Total Governmental activities capital assets	$321,292,969	$21,980,375	($6,608)	$343,266,736

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance at June 30, 2009	Additions	Retirements and Transfers	Balance at June 30, 2010
Internal Service Fund Capital Assets				
Capital assets not being depreciated:				
Construction in progress	$279,068	$106,640	($215,442)	$170,266
Subtotal	279,068	106,640	(215,442)	170,266
Capital assets being depreciated, cost:				
Office equipment	9,000			9,000
Other equipment	278,891			278,891
Licensed Vehicles	11,668,417	423,529	(242,968)	11,848,978
Subtotal	11,956,308	423,529	(242,968)	12,136,869
Accumulated Depreciation:				
Office equipment	(7,051)	(900)		(7,951)
Other equipment	(89,241)	(22,588)		(111,829)
Licensed Vehicles	(7,510,037)	(881,503)	396,561	(7,994,979)
Subtotal	(7,606,329)	(904,991)	396,561	(8,114,759)
Net Internal Service Fund capital assets being depreciated	4,349,979	(481,462)	153,593	4,022,110
Governmental activity capital assets, net	$325,922,016	$21,605,553	($68,457)	$347,459,112

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance at June 30, 2009	Additions	Retirements and Transfers	Balance at June 30, 2010
Business-type activities				
Capital assets not being depreciated:				
Land	$13,880,133			$13,880,133
Land improvements	634,433			634,433
Construction in progress	15,911,683	$6,674,371	($14,802,070)	7,783,984
Subtotal	30,426,249	6,674,371	(14,802,070)	22,298,550
Capital assets being depreciated:				
Office equipment	365,415			365,415
Other equipment	1,628,011	22,462		1,650,473
Licensed Vehicles	869,397	31,623	(194,573)	706,447
Airport infrastructure	10,862,777			10,862,777
Water infrastructure	32,851,349	295,067	8,774,034	41,920,450
Sewer infrastructure	204,907,722	1,134,749	5,201,716	211,244,187
Las Positas GC infrastructure	6,867,131			6,867,131
Springtown GC infrastructure	460,401		(61,173)	399,228
Buildings	22,169,723			22,169,723
Subtotal	280,981,926	1,483,901	13,720,004	296,185,831
Accumulated Depreciation:				
Office equipment	(230,143)	(14,129)		(244,272)
Other equipment	(1,176,500)	(47,094)		(1,223,594)
Licensed Vehicles	(585,804)	(72,537)	194,573	(463,768)
Airport infrastructure	(9,716,913)	(287,393)		(10,004,306)
Water infrastructure	(11,079,337)	(1,171,135)	167,369	(12,083,103)
Sewer infrastructure	(105,909,385)	(5,955,223)	658,951	(111,205,657)
Las Positas Golf Course infrastructure	(6,084,030)	(285,114)		(6,369,144)
Springtown GC infrastructure	(218,584)	(16,415)	61,173	(173,826)
Buildings	(7,189,341)	(443,404)		(7,632,745)
Subtotal	(142,190,037)	(8,292,444)	1,082,066	(149,400,415)
Net capital assets being depreciated	138,791,889	(6,808,543)	14,802,070	146,785,416
Business-type activity capital assets, net	$169,218,138	($134,172)		$169,083,966

NOTE 6 – CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. GASB 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities	Depreciation Expense
Governmental Fund Programs	
City Council	$3,260
City Manager	10,575
City Clerk	3,564
Human Resources	1,184
Fire	197,293
Police	117,625
Public Works	8,366,891
Community Development	21,261
Information Technology	10,698
Library	707,949
Redevelopment	580,939
Internal Service Funds	904,991
TOTAL	$10,926,230

Business-Type Activities	Depreciation Expense
Airport	$422,119
Water	1,228,519
Sewer	6,222,359
Las Positas	402,884
Springtown	16,563
TOTAL	$8,292,444

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT

The City's debt comprises bonds, loans, notes and certificates of participation, and refunding certificates of participation. COPs are similar to debt; they allow investors to participate in a share of guaranteed payments, which are made by the City. Because they are similar to debt, the present value of the total of the payments to be made by the City is recorded as long-term debt. Details of the individual debt issues and transactions are set forth below:

A. Long-Term Debt Transactions and Balances:

	Balance at June 30, 2009	Additions	Reallocations	Retirements	Balance at June 30, 2010	Current Portion
Governmental Activities						
Redevelopment Agency:						
2001 Tax Allocation Bonds, 4.00-5.00%, 2032	$33,385,000			$760,000	$32,625,000	$790,000
Certificates of Participation:						
2007, 3.5-3.7%, 2017	8,837,313		($116,950)	961,934	7,758,429	996,913
2008, varies, 2030	52,154,637		(2,401,650)	1,454,000	48,299,187	1,510,632
Notes Payable, varies, 2011-2019	9,932,339			260,000	9,672,339	1,080,000
Housing & Urban Development Loan, 0%, 2030		$1,320,000			1,320,000	
Total governmental activities debt	$104,309,489	$1,320,000	($2,518,600)	$3,435,934	$99,674,955	$4,377,745
Business-type Activities						
Airport						
Certificates of Participation:						
2008, varies, 2030	$1,538,117			$44,892	$1,493,225	$46,648
Water						
Certificates of Participation:						
2007, 3.5-3.7%, 2017	3,627,687		$116,950	413,066	3,331,571	428,087
2008, varies, 2030	5,748,471			167,777	5,580,694	174,338
Sewer						
1994 State Loan, 2.7%, 2014	3,860,380			731,493	3,128,887	751,245
Las Positas Golf Course						
Certificates of Participation:						
2008, varies, 2030	1,888,575		2,401,650	123,331	4,166,894	128,182
Total business-type activities debt	$16,663,230		$2,518,600	$1,480,559	$17,701,271	$1,528,500

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (Continued)

B. Governmental Activities

REDEVELOPMENT AGENCY

On August 1, 2001, the Redevelopment Agency issued $36,775,000 of **2001 Tax Allocation Bonds, Series A.** Proceeds were used to refund the above outstanding Livermore Redevelopment Project 1986 Tax Allocation Bonds Series A, and to provide funds to finance various redevelopment activities within the Project Area. Semiannual interest payments are due August 1 and February 1. Annual principal payments are due August 1, and are repayable from tax increment revenues of the Redevelopment Agency Project Area.

The pledge of future tax increment revenues ends upon repayment of the $54.93 million in remaining debt service on the Agency's long term debt which is scheduled to occur in 2032. As disclosed in the originating offering documents, pledged future tax increment revenues were expected to provide coverage of 1.75 times debt service over the life of the debt. For fiscal year 2010, tax increment revenues amounted to $4.68 million which represented coverage of 1.94 times the $2.41 million in debt service.

CERTIFICATES OF PARTICIPATION

On April 1, 2007, $15,085,000 principal amount of **2007 Certificates of Participation,** (2007 COPs) were issued to fund the construction of an elevated water storage tank, certain storm drain improvements, and to refund the 1997 COPs. Semiannual interest payments are due April 1 and October 1. Annual principal payments are due April 1.

A portion of the proceeds from the 2007 COPs was used to refund all outstanding 1997 COPs by purchasing U.S. government securities, which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the COPs. As a result, the COPs were considered to be defeased and the liability for those obligations was removed along with the trust assets from the City's financial statements.

On November 5, 2008, $63,000,000 principal amount of **2008 Variable Rate Demand Certificates of Participation,** (2008 COPs) were issued to fund the costs of design and development of a new Fire Station No. 9, to study the re-use options of the former library, to fund public safety communication projects, and to reconfigure a potion of the Las Positas Golf Course in order to extend Jack London Boulevard. A portion of the 2008 COPs proceeds was placed in an irrevocable trust which was used to refund and retire the outstanding balance of the 2000 COPs and 2002 COPs of $25,975,000 and $29,480,000, respectively.

Interest rates on the City's 2008 COPs are reset weekly, using the "put" mechanism described below. The 2008 COPs are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the 2008 COPs at par by setting new interest rates and repurchase dates. The City has obtained an irrevocable, direct-pay letter of credit in the amount of $61,399,606 to be used in the event the remarketing agent is unable to resell any 2008 COPs, and to ensure the City will not be required to repurchase the 2008 COPs before they mature. The letter of credit related to the 2008 COPs expires September 22, 2013.

NOTE 7 – LONG-TERM DEBT (Continued)

Interest rates on the City's 2008 COPs are calculated using a Weekly Interest Rate, calculated on the basis of a 365 or 366 day year. Each Weekly Interest Rate will be the rate of interest per annum determined by the Remarking Agent to be the minimum interest rate that would enable the Certificates to be sold on the effective date. The calculation is based on the examination of comparable tax–exempt obligation, and in the judgment of the Remarketing Agent, to the Certificates and known by the remarketing Agent to have been priced or traded under then-prevailing market conditions.

CALIFORNIA HOUSING FINANCE AGENCY NOTES PAYABLE

The City entered into seven loan agreements with California Housing Finance Agency (CHFA): 1) $450,000 is to be utilized for a deferred second loan program for first-time homebuyers; 2) $1,080,000 is to be used to finance site acquisition, and bridge and construction loans to facilitate development of multifamily rental and ownership housing; 3) $450,000 is to be used for down-payment assistance directed to first-time homebuyers; 4) $1,500,000 is to be used as a revolving fund for an existing acquisition, bridge and construction loan program that will allow for the development of homeownership and multifamily rental projects; 5) $1,500,000 is to be used to assist with the development of 55 units in a 130-unit senior rental complex; 6) $750,000, a new loan entered into in fiscal year 2007, is to be used to rehabilitate small multi-family rental housing complexes; and 7) $5,000,000, a new loan entered into fiscal year 2009 is used to loan to the RDA for the purchase of the "Lucky Site." As of June 30, 2010, the City paid off the $260,000 from the first loan, and drew down $1,080,000 from the second loan, $418,875 from the third loan, $1,488,464 from the fourth loan, $1,500,000 from the fifth loan, $185,000 from the sixth loan, and $5,000,000 from the seventh loan. All CHFA funds bear interest at a 3.0% simple rate and all payments of principal and interest are deferred for a ten year period.

HUD SECTION 108 LOAN

In fiscal 2010, the City received a non-interest bearing Section 108 loan in the amount of $1,320,000 from the Department of Housing and Urban Development to purchase the Hagemann Farms. The principal payments are due annually from 2012 through 2030.

C. Business-type Activities

SEWER DEBT

The State of California loaned the City $13,010,062 under the terms of a **1994 State Loan** agreement. The proceeds from the Loan were used to partially repay the 1991 Variable Rate Demand Certificates of Participation. Annual principal and interest payments are due September 3, and are payable from Sewer Enterprise Fund connection fees and operating revenues. The City's water reclamation plant expansion, which was financed with proceeds from the 1991 COPs, is pledged as collateral.

The pledge of future sewer revenues ends upon repayment of the $3.343 million in remaining debt service on the loans which is scheduled to occur in 2014. For fiscal year 2010, sewer revenues including operating revenues and non-operating interest earnings amounted to $19.47 million and operating costs include operating expenses, but not interest, depreciation or amortization and amounted to $13.10 million. Net revenues available for debt service amounted to $6.38 million which represented coverage of 7.6 times the $836 thousand in debt service.

NOTE 7 – LONG TERM DEBT (Continued)

D. Debt Service Requirements

Debt service requirements are shown below for all long-term debt, including interest on variable rate COPs, based on a 3.53% rate.

	Governmental Activities		Business-type Activities	
For the Year Ending June 30	Principal	Interest	Principal	Interest
2011	$4,377,745	$3,872,386	$1,528,500	$585,494
2012	5,401,923	3,997,541	1,576,944	537,439
2013	3,628,607	3,291,986	1,628,753	487,745
2014	10,462,066	5,154,005	1,681,688	436,435
2015	3,934,587	2,998,748	900,413	383,403
2016-2020	18,270,195	12,631,884	3,339,803	1,458,750
2021-2025	19,577,272	8,919,181	2,802,729	943,143
2026-2030	24,168,106	4,495,915	3,411,895	385,672
2031-2033	9,854,454	506,000	830,546	
Total	$99,674,955	$45,867,646	$17,701,271	$5,218,081

E. Tax and Revenue Anticipation Notes

On November 2, 2008, the City issued $10,850,000 principal amount of 2008 **Tax and Revenue Anticipation Notes**. Proceeds from these notes were used to pay 2008/09 current and capital expenditures, and discharge other obligations or indebtedness. The principal of the Notes, together with the interest thereon, are payable from taxes, revenue and other unrestricted moneys which are received by the City allocable to fiscal year 2008-09 which are not otherwise pledged to the repayment of other obligations of the City, or, if the City so elects, from any other legally available cash of the City. The note plus interest was repaid in fiscal 2009-10.

On October 26, 2009, the City authorized the issuance of $15 million principal amount of 2009 **Tax and Revenue Anticipation Notes**. Proceeds from these notes were used to pay 2009-10 current and capital expenditures, and discharge other obligations of indebtedness. The principal of the Notes, together with the interest thereon, are repayable from taxes, revenue and other unrestricted moneys which are to be received by the City which are not otherwise pledged to the repayment of other obligations of the City, or, if the City so elects, from any other legally available cash of the City. The note was repaid after June 30, 2010.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT

Special assessment districts, including Mello Roos Districts, exist in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the special assessment district debt issues below, but it has no direct or contingent liability or moral obligation for the payment of this debt, which is not included in the general debt of the City. The outstanding balance of each of these issues as of June 30, 2010 is as follows:

Consolidated Refunding Assessment Districts	
1993-3T	$30,000
1993-4	11,375,000
Community Facilities District No. 1 (Tri-Valley Technology Park) Special Tax Bonds Series 2000	18,755,000
Consolidated Reassessment and Refunding District 2002	4,010,000
Community Facilities District No. 2006-1 (Shea Properties) Special Tax Bonds Series 2006	9,950,000
Total	$44,120,000

In December 1998, the Livermore Capital Projects Financing Authority (LCPFA) issued $26,675,000 principal amount of Marks-Roos Revenue Bonds to refinance the Consolidated Refunding Assessment District Bonds Series No. 1993-4. Proceeds from the Marks-Roos Bonds were used by a Trustee to purchase the 1993-4 Bonds which are held as an investment ($11,375,000 as of June 30, 2010) and collateral for the repayment of the Marks-Roos Bonds. District property owners pay assessments on their property under the 1993-4 Bond indenture to the Trustee as owner of the 1993-4 Bonds. The Trustee then uses these assessments to pay debt service on the Marks-Roos Bonds. Neither the faith and credit nor the general taxing power of the City of Livermore have been pledged to the payment of the bonds. Therefore, the bonds have not been included in the accompanying financial statements.

On July 18, 2000, the City sponsored the issuance of the Community Facilities District No. 1 (Tri-valley Technology Park) Special Tax Bonds, Series 2000. The Bonds were issued to refund a portion of the Consolidated Refunding Assessment District 1993-2 and all of the bonds outstanding for the Triad Series 90-1B and Triad Series 90-1C. The balance outstanding for these Bonds as of June 30, 2010 is $18,755,000.

On May 29, 2002, the City sponsored the issuance of the Consolidated Reassessment and Refunding District Limited Obligation Refunding Improvement Bonds, Series 2002. The Bonds were issued to refund the remaining principal amount of the Limited Obligation Refunding Bonds for Consolidated Refunding District 1993-1 and 1993-2. The balance outstanding for these 2002 Bonds as of June 30, 2010 is $4,010,000.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8- SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT (Continued)

On September 1, 2006, the City sponsored the issuance of the Community Facilities District (CFD) No. 2006-1 (Shea Properties) Special Tax Bonds, Series 2006. The Bonds were issued to fund certain public infrastructure improvements within and adjacent to the CFD. The balance outstanding for these Bonds as of June 30, 2010 is $9,950,000.

NOTE 9 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These restrictions principally include developer fees received for use on capital projects, debt service requirements and redevelopment funds restricted for low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

B. Fund Balances

Fund balances are reserved as follows:

Reserve for capital outlay is the portion of fund balance legally restricted for major capital projects.

Reserve for low income housing is the portion of fund balance legally restricted for operating the City's Low Income Housing program.

Reserve for advances to other funds, notes receivable, land held for redevelopment, prepaids and deposits is the portion of fund balance set aside to indicate that these items do not represent available, spendable resources even though they are a component of assets.

Reserve for debt service is the portion of fund balance legally restricted to the payment of principal and interest on long term debt.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

Fund balances designated by City Council are as follows:

Designated for economic uncertainty is the portion of fund balance to be used in the event of economic uncertainty.

Designated for future operations is the portion of fund balance to be set aside per Council's Budget policy for unforeseen contingencies, financial emergencies, cash flow requirements and prudent financial planning.

C. Fund Deficits

The following funds had GAAP basis fund deficits at June 30, 2010:

Fund	Amount
Special Revenue Fund:	
Horizons	$119,179
Capital Projects Funds:	
Developer Deposits	5,491
Isabel Parkway	8,063,675
Debt Service Fund:	
2008 Financing Authority COPS	225,122
Internal Service Fund:	
Employee Benefits	9,569,091
Enterprise Fund:	
Springtown	447,928

The fund balance deficits in the Isabel Parkway Capital Projects Fund and the Employee Benefits Internal Service Fund in the amounts of $8,063,675 and $9,569,091 will be eliminated with future grant revenues and future OPEB contributions, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 – RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Plans

All employees meeting PERS membership requirements must participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2010, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	2.0% - 2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	27.592%	14.830%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2010, 2009 and 2008 were as follows:

Fiscal Year Ended	Annual Pension Cost (APC)			% of APC Contributed	Net Pension Obligation
	Safety	Miscellaneous	Total		
2008	$2,579,251	$4,650,577	$7,229,828	100%	Nil
2009	2,833,575	4,872,715	7,706,290	100%	Nil
2010	2,731,858	4,606,382	7,338,240	100%	Nil

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 – RETIREMENT BENEFITS (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

The Miscellaneous Plan's actuarial value (which differs from market value) and funding progress over the past three years is set forth below at their actuarial valuation date of June 30:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2006	$118,438,151	$100,221,821	$18,216,330	84.6%	$28,421,582	64.1%
2007	129,987,818	112,065,123	17,922,695	86.2%	30,567,390	58.6%
2008	143,861,751	123,746,175	20,115,576	86.0%	31,941,148	63.0%

As required by State law, effective July 1, 2005, the City's Safety Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry was that the City true-up any unfunded liabilities or overfunded assets in the former Plan, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS. The Safety Plan was over-funded at June 30, 2006; the amount of this over-funding is accounted for separately and is used by CALPERS to reduce future City contributions to the Plan over the next 7 years.

The Safety Plan actuarial value funding programs over the past three years is set forth below for all members of the cost sharing pool at June 30th:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2006	$7,278,049,834	$6,102,615,567	$1,175,434,267	83.8%	$754,730,438	155.7%
2007	7,986,055,176	6,826,599,459	1,159,455,717	85.5%	831,607,658	139.4%
2008	8,700,467,733	7,464,927,716	1,235,540,017	85.8%	914,840,596	135.1%

Audited annual financial statements and ten year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 – RETIREMENT BENEFITS (Continued)

B. Other Post Employment Benefits

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

	Executive Mgmt	Mid-Mgmt & Confidential	MEAN	LPOA	Police Management
■ Hired Before	• N/A	• 2/1/2006	• 4/1/2007	• 2/1/2007	• N/A
■ Eligibility	• Retire directly from the City with 10 years CalPERS service (15 years for Police safety) and a minimum of 5 years City service, or • Industrial disability for Police safety				
■ Benefit	• City reimburses up to a percentage of the Kaiser Plan A 2-party active premium (early retiree premium for Police Lieutenants hired before 5/29/06 and LPOA), subject to a cap that varies by bargaining group • City will reimburse Medicare A & B if required for Medical coverage • Reimbursement percentage based on bargaining group and CalPERS service:				
	PERS Service / Reimb %		PERS Service / Reimb %		PERS Service / Reimb %
	10 / 75%		10 / 70%		15 / 75%
	15 / 80%		15 / 80%		20 / 85%
	20 / 90%		20 / 90%		25+ / 100%
	25+ / 100%		25+ / 100%		
■ Cap	• Original DOH < 1/10/05: No • Original DOH > 1/10/05 Active medical cap	• DOH < 2/1/06: No cap • DOH > 2/1/06: No benefit, City contributes 4% base pay to • EE promoted other units after after 2/1/06 eligible for the previous benefit	• DOR < $200 benefit • DOH < 4/1/07 & DOR ≥ 1/1/06: Active medical • DOH ≥ 4/1/07: No benefits, City contributes 4% of base pay to RHSA.	• DOH < 2/1/07: Active medical cap • DOH > 2/1/07: No benefits, contributes 5% of base pay to RHSA, EE contributes 1% of base pay to RHSA	• Tier 1 (PL/Cpt) (DOH < 9/1/04) No cap • Tier 2 (DOH: 9/1/04 - 5/29/06) Active medical cap • Tier 3 (DOH > 5/29/06) Active medical cap • Tier 4 Promoted promoted EE's stay with RHSA if RHSA was prior benefit

As of June 30, 2010, approximately 188 participants were eligible to receive benefits.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 – RETIREMENT BENEFITS (Continued)

C. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 5.90% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health inflation increases ranging from 9.1% - 10.1%. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period.

In accordance with the City's budget, the annual required contribution (ARC) is to be funded through out the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the City Council passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of City Council. This Trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

During fiscal year ended June 30, 2010, the City joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS). The City contributed $495,000 to an irrevocable trust administrated by PARS, managed by an appointed board not under the control of City Council. This trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 – RETIREMENT BENEFITS (Continued)

Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2010, the City made contributions toward the ARC amounting to $1,545,812 to the Plan which represented 2.5% of the $41.5 million of covered payroll. As a result, the City has recorded the Net OPEB Obligation, representing the difference between the ARC, the interest and amortization of the Net OPEB Obligation and actual contributions, as presented below:

Annual required contribution (ARC)	$5,160,000
Interest on net OPEB obligation	226,985
Amortization of OPEB obligation	(292,694)
Annual OPEB cost	5,094,291
Contributions made:	
City portions of current year premiums paid	1,045,812
Additonal contributions to CERBT	5,000
Additional contributions to PARS	495,000
Total contributions	1,545,812
Contributions less than the ARC	3,548,479
Net OPEB obligation at June 30, 2009	5,963,301
Net OPEB obligation at June 30, 2010	$9,511,780

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2008, amounted to $42.3 million and was partially funded with contributions made to irrevocable trusts.

The Plan's annual OPEB cost and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
6/30/2008	$4,823,000	$1,894,157	39%	$2,928,843
6/30/2009	5,053,359	2,018,901	40%	5,963,301
6/30/2010	5,094,291	1,545,812	30%	9,511,780

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

NOTE 10 – RETIREMENT BENEFITS (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(B – A)/C]
6/30/2006	$0	$35,220,000	$35,220,000	0.00%	$35,041,000	101%
6/30/2008	1,185,000	42,316,000	41,131,000	2.80%	38,269,000	107%

B. Social Security

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing system as of January 1, 1992 be covered by either Social Security or an alternative plan.

During fiscal year ended June 30, 2010, the City entered into an agreement with the Public Agency Retirement System (PARS) to provide an alternative retirement system for employees not eligible for PERS, and adopted the PARS 457 Trust including the PARS Section 457 FICA Alternative Retirement Plan.

NOTE 11 - DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 12 - JOINT VENTURES

The City participates in the joint venture activities described below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these organizations exercise full powers and authorities within the scope of the related Joint Powers Agreements 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. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. Assets and liabilities of the separate entities are not those of the City. The City's sole financial responsibility is to fund annual contributions to each entity which are used along with other member contributions to finance each joint venture's annual operations.

A. Livermore-Amador Valley Water Management Agency (LAVWMA)

Livermore-Amador Valley Water Management Agency was formed in 1974 by a joint exercise of powers agreement between the cities of Pleasanton and Livermore and the Dublin-San Ramon Services District for the purpose of implementing a water quality management program involving wastewater treatment and disposal. Financial statements for the Authority may be obtained from LAVWMA, 623 West Myrick Court, Clayton, CA 94517.

B. Livermore-Amador Valley Transit Authority (LAVTA)

This Authority was formed in May 1985 by a joint exercise of powers agreement between the County of Alameda and the Cities of Livermore, Pleasanton and Dublin for the purpose of providing general public transportation under the business name "Wheels". Financial statements may be obtained from LAVTA, 1362 Rutan Court, Livermore, CA 94550.

C. Tri-Valley Transportation Council (TVTC)

The Tri-Valley Transportation Council was formed in 1991 by a joint exercise of powers agreement between the cities of Dublin, Livermore, Pleasanton, and San Ramon, the Town of Danville and the Counties of Alameda and Contra Costa for the purposes of preparing a transportation plan and providing transportation facilities within the Tri-Valley area. Financial statements may be obtained from the Town of Danville, 510 La Gonda Way, Danville, CA 94526-1740.

D. Alameda County Congestion Management Program

The Alameda County Congestion Management Program was formed in 1991 by a joint exercise of powers agreement between the County and cities of Alameda for the purpose of preparing, implementing and administering a traffic congestion management plan pursuant to California Government Code section 66531. Financial statements may be obtained from the Alameda County Congestion Management Agency at 1333 Broadway, Suite 220, Oakland, CA, 94612.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 - JOINT VENTURES (Continued)

E. Livermore - Pleasanton Fire Department Joint Powers Agreement (LPFD)

On December 3, 1996, the cities of Livermore and Pleasanton signed a joint powers agreement to form a joint Fire Department covering both cities. The Department may not own physical assets nor enter into contracts with out approval of the governing board. The Department prepares its budget including contributions required from each City to fund operating and capital needs for the year. During the year ended June 30, 2010, the City contributed $14,236,991 to the Department representing its share of Department costs. The City of Pleasanton is Treasurer for the Department. No separate financial statements are prepared.

NOTE 13 - HEALTH, GENERAL LIABILITY AND WORKERS COMPENSATION COVERAGE

A. Risk Management

California Joint Powers Risk Management Authority (CJPRMA) covers general liability claims in an amount up to $40,000,000. The City has a deductible or uninsured liability of up to $500,000 per claim. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2010 the City contributed $404,147 for current year coverage.

The Local Agency Workers Compensation Excess Insurance Joint Powers Authority (LAWCX) covers workers compensation up to statutory limits. The City has a deductible or uninsured liability of up to $350,000 per claim. During the fiscal year ended June 30, 2010, the City contributed $251,754 for current year coverage.

There were no significant reductions in insurance coverage nor were there settlements in excess of issuance coverage in any of the three prior fiscal years.

Each risk pool is governed by a board consisting of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's contribution to each risk pool equals the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

CJPRMA's financial statements may be obtained from CJPRMA at 3252 Constitution Drive, Livermore, CA 94551. LAWCX's financial statements may be obtained from Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13 - HEALTH, GENERAL LIABILITY AND WORKERS COMPENSATION COVERAGE (Continued)

B. Liability for Uninsured Claims

The City's liability for the uninsured portion of claims, including a provision for claims incurred but not reported, was computed as follows based cn claims experience:

	Liability Insurance Reserve Internal Service Fund	Workers' Compensation Internal Service Fund	Total
Balance of claims payable at June 30, 2008	$1,673,075	$846,546	$2,519,621
Increase in estimated claims liability	948,365	246,557	1,194,922
Claims paid	(653,938)	(249,833)	(903,771)
Balance of claims payable at June 30, 2009	1,967,502	843,270	2,810,772
Change in estimated claims liability	217,068	406,224	623,292
Claims paid	(404,147)	(251,754)	(655,901)
Balance of claims payable at June 30, 2010	$1,780,423	$997,740	$2,778,163
Balance due in more than one year	$1,780,423	$997,740	$2,778,163

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The City has the following outstanding construction commitments at June 30, 2010:

Water Reclamation Plant Project	$2,802,651
Isabel Interchange	17,348,399
Total	$20,151,050

The Cities of Dublin, Pleasanton and Livermore and the County of Alameda reached an agreement under which Alameda County constructed an animal shelter facility on County property. Under the agreement the entities share in the debt service costs of the project based on their use of the animal shelter. Livermore's portion of the project fluctuates based on actual usage and represented 45.66% in the fiscal 2009-10. Livermore's share of the fiscal 2009-10 debt service was $533,109.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City and Agency have entered into a variety of development agreements with third parties to provide needed improvements and projects. Activities under agreements for which there are continuing commitments are disclosed below. The City and Agency have other agreements that entitle them to collect certain loans or notes receivables which are disclosed in Note 5.

A. Livermore Senior Housing Continuum of Care Project Phase I

The City and Agency have an agreement with a Developer and an Owner under which a 250 unit residential rental senior citizen housing Congregate Care/Assisted Living Facility (Phase I) was to be constructed on a site composed of formerly Agency-owned land subdivided into two parcels, one for Phase 1 and another for a related Phase II project that has since been deemed unfeasible and has been replaced with the Valley Care Senior Housing Project (see Note 14B). In a prior year, the Agency sold the Phase I parcel to the Owner. In addition, the Agency loaned the Developer $800,000 to partially finance City and County development fees. The loan bears interest at ten percent, is due in fifty-seven years and is secured by a subordinated deed of trust. Provided the project is in compliance with affordability covenants, the interest rate will drop to five percent beginning the seventeenth year of the note until maturity. If the project maintains compliance with affordability covenants through maturity, interest accrued at the five percent rate will be forgiven.

As required under the agreement, the Agency sponsored the issuance of $29.8 million principal amount of Multifamily Housing Revenue Bonds proceeds, which were used by the Developer to acquire and construct the project. The Bonds are repayable solely from mortgage payments received from the Developer. The Agency is not obligated for repayment of the Bonds.

As of June 30, 2005, the Agency sold the land for Phase I and construction was complete. In addition Agency funds transferred to the City's Housing and Community Assistance Fund in fiscal 2001-2002 were used to finance the Developer Loan for $800,000, which has been recorded in that City Fund.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

B. Livermore Independent Living Associates Project (Valley Care Senior Housing Project)

The Agency and City have an agreement under which a Developer will construct and operate a 130 unit senior rental housing project on a site composed of a parcel conveyed by the Agency to the Developer and a parcel the City has agreed to sell to the Developer for $1.1 million. Fifty-five units are to be made affordable for lower income seniors. The Developer will also construct Iron Horse Trail Easement Improvements. This agreement replaces the Livermore Senior Housing Continuum of Care Project, Phase II. To assist in financing the project, the Agency has agreed to loan $2 million to the Developer. The loan bears interest of 3% per annum and is due in forty years.

The loan is due in installments as follows: $989,000 is due in two subordinated payments from available remaining Bond Proceeds, and annual payments ranging from $33,000 to $175,000 per year are payable each March 1 from cash flows available from the operations of the project.

In addition, the Agency agreed to a Property Tax Loan and an Additional Property Tax Deferment up to maximums specified in the agreement, which bear interest at 3% with annual repayments beginning in year eight from available cash flows of the project commencing after the project is complete. As of June 30, 2010, the Agency had disbursed $700,404 under this loan agreement.

As required under the agreement, the Agency sponsored the issuance of $19 million principal amount of Multifamily Housing Revenue Bonds proceeds, which were used by the Developer to acquire and construct the project. The Bonds are repayable solely from mortgage payments received from the Developer. The Agency is not obligated for repayment of the Bonds. As of June 30, 2010, this project is complete.

Livermore Independent Senior Apartments, a 130-unit independent living senior apartment complex constructed in 2006, was funded using $19,000,000 in Multifamily Housing Revenue Bonds, land dedication from the Redevelopment Agency and a $2,000,000 Agency loan comprised of HELP and House Set-aside funds. The Owner of the project has requested $400,000 of additional Agency Housing Set-aside funds in order to provide liquidity to complete the permanent financing for the project.

To assist the Agency in financing the Developer loan, the City signed a $1,500,000 loan agreement with the California Housing Finance Agency. Proceeds from this City debt along with $500,000 in other City funds were used to finance the loan during fiscal year 2006-2007. As of June 30, 2010, the Developer owed $2,000,000 to the Agency which has been recorded as a note receivable, and the Agency owed $2,000,000 to the City which has been recorded as an advance from the City.

C. Signature Properties Multi-Family Residential Project (Station Square)

The Agency has signed a Disposition and Development Agreement under which the Developer, Signature Properties, Inc., has agreed to construct a project consisting of a 110 attached multi-family housing units along with certain infrastructure improvements. The project is to be located on an Agency owned site which was sold to the Developer for $5 million in fiscal 2004-2005. As of June 30, 2010, 70 units have completed construction while the remaining 40 units are still undergoing construction.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

D. Savannah Terrace

The Agency has an agreement with a Developer to construct an 8-unit single family residential housing project consisting of a combination of affordable housing, live-work housing, and residential uses. Two of the units are restricted to disabled low-income residents. The project is located on an Agency-owned site which was sold to the Developer for $650,000. Of the sales price, a deposit of $65,000 was paid into escrow in May 2007, the first installment of $65,000 was paid in June 2007, and the remaining $520,000 was loaned to the Developer and was repayable upon the sale of each individual housing unit. The loan bears 3% simple interest. As of June 30, 2010, the project is complete, all units have been sold, and the outstanding loan balance has been paid.

E. Livermore Valley Performing Arts Center

The Agency has an agreement under which the Developer, Livermore Valley Performing Arts Center, has agreed to construct a 2,000 seat regional performing arts theater along with certain infrastructure improvements. The Developer is to obtain financing for construction costs of building the theater and related improvements which is estimated to be $69.2 million. Once the theater has been completed, the Agency will make a series of scheduled payments to the Developer to purchase the Operating Covenant. At June 30, 2010, the theater construction has not started.

NOTE 15 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA AND SECURITIZATION

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the City. The State is required to repay the $2,859,715 it borrowed from the City, plus interest, by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program (Program), administered by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the participating cities receive cash equal to their share of State borrowings and forgoes interest they otherwise would have received from the State on the unpaid borrowings. The City is a participant in the Program.

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants, and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of State borrowings no gain or loss was incurred.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 16 – PAYMENT TO THE SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of $1,560,296 in fiscal year 2009-10.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be $321,237 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

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Comprehensive Annual Financial Report
FY 2009-2010

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Comprehensive Annual Financial Report
FY 2009-2010

REDEVELOPMENT AGENCY CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues			
Property tax increment	$4,980,000	$4,683,913	($296,087)
Charges for services		16,120	16,120
Interest and rentals	293,000	245,278	(47,722)
Miscellaneous	125,000	122,451	(2,549)
Total Revenues	5,398,000	5,067,762	(330,238)
Expenditures			
Current:			
Redevelopment	3,825,940	3,630,937	195,003
Estimated reduction in value of land held for redevelopment		1,453,226	(1,453,226)
Capital outlay:			
Capital projects	1,144,130	801,905	342,225
Debt service:			
Interest and fiscal charges		251,154	(251,154)
Total Expenditures	4,970,070	6,137,222	(1,167,152)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,602,000		(1,602,000)
Transfers (out)	(3,349,000)	(3,075,342)	273,658
Total Other Financing Sources (Uses)	(1,747,000)	(3,075,342)	(1,328,342)
Net change in budgetary fund balance	($1,319,070)	(4,144,802)	($2,825,732)
Fund balance, July 1		7,032,500	
Fund balance, June 30		$2,887,698	

ISABEL PARKWAY CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues			
Use of money and property		$855	$855
Miscellaneous		3,463	3,463
Total Revenues		4,318	4,318
Expenditures			
Capital outlay			
Capital projects	$53,559,700	17,925,609	35,634,091
Total Expenditures	53,559,700	17,925,609	35,634,091
OTHER FINANCING SOURCES (USES)			
Transfers in	53,559,700	11,214,670	(42,345,030)
Total Other Financing Sources (Uses)	53,559,700	11,214,670	(42,345,030)
Net change in budgetary fund balance		(6,706,621)	($6,706,621)
Budgetary fund balance, July 1		(1,357,054)	
Budgetary fund balance, June 30		($8,063,675)	

Non Major Governmental Funds

This section provides information on individual governmental funds, except for those major governmental funds reported in the basic financial statements. This section includes the following special revenue, debt service and capital projects funds:

SPECIAL REVENUE

REDEVELOPMENT AGENCY
LOW AND MODERATE INCOME HOUSING FUND

Established to account for the twenty (20) percent of low and moderate set aside as required under California law.

LOW INCOME HOUSING

Established to account for the receipt and disbursement of in-lieu low-income housing impact fees collected from developers.

HOUSING AND COMMUNITY ASSISTANCE

Established to account for outside resources and programs that can be used to create and expand affordable housing opportunities.

HORIZONS

Established to account for the receipt of grant funds for the youth diversion program.

OTHER FEDERAL AND STATE GRANTS

Used to account for grants from Federal Home Program, FEMA, library, community development, Transportation Development Act construction, recycling and public safety expenditures.

SOLID WASTE MANAGEMENT

Established to administer and participate in City/County planning programs to ensure compliance with the California Integrated Solid Waste Management Act, AB 939.

Non Major Governmental Funds (Continued)

SPECIAL REVENUE (Continued)

MAINTENANCE DISTRICT

Established to account for the receipt and disbursement of Lighting and Landscape District fees collected from cevelopers and homeowners.

AT&T BROADBAND GRANT

Established to administer funds from the local cable franchisee for community cable programming.

CITY STREET SWEEPING

Established to administer funds received through solid waste collection fees and Alameda County Clean Water Program for city street sweeping services.

PARK FEE

Established to administer the AB1600 funds received from developers to construct new parks in the city.

DEBT SERVICE FUNDS

REDEVELOPMENT AGENCY

Established to accumulate money's for payment of Redevelopment Agency tax allocation bonds. Debt service is financed from incremental property tax revenues.

LIVERMORE CAPITAL PROJECTS FINANCING AUTHORITY (LCPFA)

Established as a joint powers authority between city and the Livermore Redevelopment Agency

- 2000 COPs were issued to provide for community capital projects financing.
- 1997 COPs were issued to refinance prior COPs and provide financing for new community capital projects These COPs were refinanced and defeased by the 2007 COPs.
- 2007 COPs were issued to refinance and defease prior COPs and provide financing for new community capital projects.
- 2002 COPs were issued to refinance prior COPs and provide financing for new community capital projects.

Non Major Governmental Funds (Continued)

CAPITAL PROJECTS FUNDS

STORM DRAIN FUND

Established to account for acquisition and construction of city storm drains. The source of financing is developer fees

AIRPORT CONSTRUCTION

Established to account for expansions of the protection zones, runways, and hangars.

ASSESSMENT DISTRICT CONSTRUCTION FUND

Established to account for construction and acquisition of land and public improvements in the College Avenue Assessment District are provided by assessment bond.

ISABEL PARKWAY

Established to account for the construction of roadway from Concannon Blvd. to E. Airway Blvd.

LIVERMORE CAPITAL PROJECTS FINANCING AUTHORITY – 2002 COP's

Established to refund and defease the related leases of the 1997 COPs; to account for construction of an elevated water storage tank and a storm drain.

PARKING LOTS

Established to account for acquisition and construction of local parking lots for transit facilities.

TVTC 20% FEE

Established to account for receipts of Tri-Valley Transportation Council fees for specific capital improvement projects.

LIVERMORE CAPITAL PROJECTS FINANCING AUTHORITY – 2007 COP's

Established to refund and defease the related leases of the 1997 COPs; to account for construction of an elevated water storage tank and a storm drain.

OTHER STREET AND TRAIL CONSTRUCTION

Established to account for receipts and expenditures for the improvement and construction of various street and trail projects in the city.

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	SPECIAL REVENUE FUNDS			
	Redevelopment Low & Moderate Income Housing	Low Income Housing	Housing & Community Assistance	Horizons
ASSETS				
Cash and investments in City Treasury	$829,072	$3,832,679	$2,945,388	
Cash and investments with Trustees				
Accounts receivables (net of applicable allowable for uncollectibles)	20,000		5,726	$134,252
Notes receivable	2,286,701	1,023,228	4,048,273	
Land held for redevelopment	22,954		2,274,500	
Due from other funds		1,320,000		
Advances to other funds	1,561,803	8,540,665	2,560,997	
Total Assets	$4,720,530	$14,716,572	$11,834,884	$134,252
LIABILITIES				
Accounts payable and other accruals	$45,076		$105,773	$8,566
Accrued payroll	3,374		1,178	15,982
Deposits payable	1,050		7,200	
Due to other funds				228,883
Advances from other funds			350,000	
Deferred rents and revenue	1,886,701	$1,023,228	4,048,273	
Total Liabilities	1,936,201	1,023,228	4,512,424	253,431
FUND EQUITY				
Reserved for:				
Capital outlay				
Low income housing	1,199,572			
Land held for redevelopment	22,954		2,274,500	
Advances to other funds	1,561,803	8,540,665	2,560,997	
Debt service				
Unreserved, undesignated		5,152,679	2,486,963	(119,179)
TOTAL FUND BALANCES (DEFICIT)	2,784,329	13,693,344	7,322,460	(119,179)
Total Liabilities and Fund Balances	$4,720,530	$14,716,572	$11,834,884	$134,252

	SPECIAL REVENUE FUNDS				
	Solid Waste Management	Maintenance District	AT&T Broadband Grant	City Street Sweeping	Park Fee
ASSETS					
Cash and investments in City Treasury	$545,449	$3,660,284	$111,293	$116,793	$958,244
Cash and investments with Trustees					
Accounts receivables (net of applicable allowable for uncollectibles)	78,459	29,264		31,382	
Notes receivable					
Land held for redevelopment					
Due from other funds					
Advances to other funds					
Total Assets	$623,908	$3,689,548	$111,293	$148,175	$958,244
LIABILITIES					
Accounts payable and other accruals	$13,618	$75,030		$252	
Accrued payroll	5,322			4,881	
Deposits payable					
Due to other funds					
Advances from other funds					
Deferred rents and revenue					
Total Liabilities	18,940	75,030		5,133	
FUND EQUITY					
Reserved for:					
Capital outlay					
Low income housing					
Land held for redevelopment					
Advances to other funds					
Debt service					
Unreserved, undesignated	604,968	3,614,518	$111,293	143,042	958,244
TOTAL FUND BALANCES (DEFICIT)	604,968	3,614,518	111,293	143,042	958,244
Total Liabilities and Fund Balances	$623,908	$3,689,548	$111,293	$148,175	$958,244

(Continued)

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS
		Capital Projects Financing Authority Certificates of Participation		
	Redevelopment Agency	2007	2008	Storm Drain
ASSETS				
Cash and investments in City Treasury				$1,089,950
Cash and investments with Trustees	$2,494,890	$12	$252,352	
Accounts receivables (net of applicable allowable for uncollectibles)				
Notes receivable				
Land held for redevelopment				
Due from other funds				
Advances to other funds				
Total Assets	$2,494,890	$12	$252,352	$1,089,950
LIABILITIES				
Accounts payable and other accruals			225,122	
Accrued payroll				
Deposits payable				
Due to other funds			252,352	
Advances from other funds				
Deferred rents and revenue				
Total Liabilities			477,474	
FUND EQUITY				
Reserved for:				
Capital outlay				
Low income housing				
Notes receivable				
Advance to other funds				
Debt service	$2,494,890	$12	(225,122)	
Unreserved, undesignated				1,089,950
TOTAL FUND BALANCES (DEFICIT)	2,494,890	12	(225,122)	1,089,950
Total Liabilities and Fund Balances	$2,494,890	$12	$252,352	$1,089,950

	CAPITAL PROJECTS FUNDS				
	Airport Construction	College Avenue Assessment District	Street Improvements	Parking Lots	Street Projects
ASSETS					
Cash and investments in City Treasury	$32,438	$92,672	$1,760,543		$12,807,110
Cash and investments with Trustees					
Accounts receivables (net of applicable allowable for uncollectibles)	76,924				1,508,621
Notes receivable					
Land held for redevelopment			2,238,043		892,115
Due from other funds					
Advances to other funds			360,321		
Total Assets	$109,362	$92,672	$4,358,907		$15,207,846
LIABILITIES					
Accounts payable and other accruals	$37,525		$79,296		$269,306
Accrued payroll					
Deposits payable			586,815		
Due to other funds					
Advances from other funds					4,221,296
Deferred rents and revenue	65,080		343,163		200,000
Total Liabilities	102,605		1,009,274		4,690,602
FUND EQUITY					
Reserved for:					
Capital outlay					
Low income housing					
Notes receivable					
Advance to other funds			343,163		
Debt service					
Unreserved, undesignated	6,757	$92,672	3,006,470		10,517,244
TOTAL FUND BALANCES (DEFICIT)	6,757	92,672	3,349,633		10,517,244
Total Liabilities and Fund Balances	$109,362	$92,672	$4,358,907		$15,207,846

(Continued)

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	CAPITAL PROJECTS FUNDS			
	TVTC 20% Fee	Livermore Capital Projects Financing Authority 2008 COPs	Other Street and Trail Construction	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments in City Treasury	$672,727		$1,981,399	$31,436,041
Cash and investments with Trustees		$6,053,711	856,837	9,657,802
Accounts receivables (net of applicable allowable for uncollectibles)			110,962	1,995,590
Notes receivable				7,358,202
Land held for redevelopment				2,297,454
Due from other funds				4,450,158
Advances to other funds				13,023,786
Total Assets	$672,727	$6,053,711	$2,949,198	$70,219,033
LIABILITIES				
Accounts payable and other accruals		$2,520	$4,321	$866,405
Accrued payroll				30,737
Deposits payable				595,065
Due to other funds		50,810	2,238,043	2,770,088
Advances from other funds				4,571,296
Deferred rents and revenue				7,566,445
Total Liabilities		53,330	2,242,364	16,400,036
FUND EQUITY				
Reserved for:				
Capital outlay		6,000,381		6,000,381
Low income housing				1,199,572
Notes receivable				2,297,454
Advance to other funds				13,006,628
Debt service				2,269,780
Unreserved, undesignated	$672,727		706,834	29,045,182
TOTAL FUND BALANCES (DEFICIT)	672,727	6,000,381	706,834	53,818,997
Total Liabilities and Fund Balances	$672,727	$6,053,711	$2,949,198	$70,219,033

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NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS			
	Redevelopment Low and Moderate Income Housing	Low Income Housing	Housing & Community Assistance	Horizons
REVENUES				
Interest and rentals	$37,190		$99,949	
Intergovernmental			64,605	$401,843
Contributions from outside sources		$10,625		
Charges for services		562,614		18,152
Use of money and property		259,826	211,241	
Miscellaneous			984	70,640
Total Revenues	37,190	833,065	376,779	490,635
EXPENDITURES				
Current:				
Police				798,614
Community development			1,257,077	
Library				
Redevelopment	362,900			
Capital Outlay				
Capital projects			40,000	
Debt service				
Principal retirement			260,000	
Interest and fiscal charges			66,396	
Total Expenditures	362,900		1,623,473	798,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(325,710)	833,065	(1,246,694)	(307,979)
OTHER FINANCING SOURCES (USES)				
Transfers in	936,783		660,038	200,000
Transfers (out)		(1,347,476)		
Total Other Financing Sources (Uses)	936,783	(1,347,476)	660,038	200,000
Net change in fund balances	611,073	(514,411)	(586,656)	(107,979)
Fund balances (deficits) at the beginning of year	2,173,256	14,207,755	7,909,116	(11,200)
Fund balances (deficits) at end of year	$2,784,329	$13,693,344	$7,322,460	($119,179)

	SPECIAL REVENUE FUNDS				
	Solid Waste Management	Maintenance District	AT&T Broadband Grant	City Street Sweeping	Park Fee
REVENUES					
Interest and rentals					
Intergovernmental	$496,224	$2,836,422	$97,590		$235,499
Contributions from outside sources					
Charges for services				$376,600	
Use of money and property	4,800	59,595			10,039
Miscellaneous	169,865				
Total Revenues	670,889	2,896,017	97,590	376,600	245,538
EXPENDITURES					
Current:					
Police					
Community development		1,262,379		349,063	
Library					
Redevelopment					
Capital Outlay					
Capital projects	478,025	(59,530)	129,975		668,956
Debt service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	478,025	1,202,849	129,975	349,063	668,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	192,864	1,693,168	(32,385)	27,537	(423,418)
OTHER FINANCING SOURCES (USES)					
Transfers in				96,000	
Transfers (out)	(10,408)	(1,187,210)			
Total Other Financing Sources (Uses)	(10,408)	(1,187,210)		96,000	
Net change in fund balances	182,456	505,958	(32,385)	123,537	(423,418)
Fund balances (deficits) at the beginning of year	422,512	3,108,560	143,678	19,505	1,381,662
Fund balances (deficits) at end of year	$604,968	$3,614,518	$111,293	$143,042	$958,244

(Continued)

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS
		Capital Projects Financing Authority Certificates of Participation		
	Redevelopment Agency	2007	2008	Storm Drain
REVENUES				
Interest and rentals				
Intergovernmental				
Contributions from outside sources		$359,581		
Charges for services				
Use of money and property	$133,550	14	$4	$17,919
Miscellaneous				60,058
Total Revenues	133,550	359,595	4	77,977
EXPENDITURES				
Current:				
Police				
Community development				
Library				
Redevelopment				
Capital Outlay				
Capital projects				42,555
Debt service				
Principal retirement	760,000	961,934	1,454,000	
Interest and fiscal charges	1,648,881	314,186	937,998	
Total Expenditures	2,408,881	1,276,120	2,391,998	42,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,275,331)	(916,525)	(2,391,994)	35,422
OTHER FINANCING SOURCES (USES)				
Transfers in	2,138,559	916,479	2,060,258	
Transfers (out)			(4)	
Total Other Financing Sources (Uses)	2,138,559	916,479	2,060,254	
Net change in fund balances	(136,772)	(46)	(331,740)	35,422
Fund balances (deficits) at the beginning of year	2,631,662	58	106,618	1,054,528
Fund blanaces (deficits) at year end	$2,494,890	$12	($225,122)	$1,089,950

	CAPITAL PROJECTS FUNDS				
	Airport Construction	College Avenue Assessment District	Street Improvements	Parking Lots	Street Projects
REVENUES					
Interest and rentals					$1,763,412
Intergovernmental	$76,924				6,393,267
Contributions from outside sources					2,400,000
Charges for services			$289,540		43,043
Use of money and property			103,627		159,200
Miscellaneous		$6,014			
Total Revenues	76,924	6,014	393,167		10,758,922
EXPENDITURES					
Current:					
Police					
Community development					242
Library					
Redevelopment					
Capital Outlay					
Capital projects	91,205		1,285,726	1,757,438	3,697,268
Debt service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	91,205		1,285,726	1,757,438	3,697,510
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,281)	6,014	(892,559)	(1,757,438)	7,061,412
OTHER FINANCING SOURCES (USES)					
Transfers in	4,560		167,603	1,757,438	
Transfers (out)			(1,655,000)	(167,603)	(4,065,874)
Total Other Financing Sources (Uses)	4,560		(1,487,397)	1,589,835	(4,065,874)
Net change in fund balances	(9,721)	6,014	(2,379,956)	(167,603)	2,995,538
Fund balances (deficits) at the beginning of year	16,478	86,658	5,729,589	167,603	7,521,706
Fund blanaces (deficits) at year end	$6,757	$92,672	$3,349,633		$10,517,244

(Continued)

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	CAPITAL PROJECTS FUNDS			
	TVTC 20% Fee	Livermore Capital Projects Financing Authority 2008 COPs	Other Street and Trail Construction	Total Nonmajor Governmental Funds
REVENUES				
Taxes and special assessments				$1,763,412
Interest and rentals				137,139
Intergovernmental				10,602,374
Contributions from outside sources	$31,876		$1,028,389	3,830,471
Charges for services			49,101	1,339,050
Use of money and property	11,200	$933	274	972,222
Miscellaneous				307,561
Total Revenues	43,076	933	1,077,764	18,952,229
EXPENDITURES				
Current:				
Police				798,614
Community development				2,868,761
Library				
Redevelopment				362,900
Capital Outlay				
Capital projects		83,779	4,356,769	12,572,166
Debt service				
Principal retirement				3,435,934
Interest and fiscal charges				2,967,461
Total Expenditures		83,779	4,356,769	23,005,836
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,076	(82,846)	(3,279,005)	(4,053,607)
OTHER FINANCING SOURCES (USES)				
Transfers in		4	2,824	8,940,546
Transfers (out)	(25,000)		(190,000)	(8,648,575)
Total Other Financing Sources (Uses)	(25,000)	4	(187,176)	291,971
Net change in fund balances	18,076	(82,842)	(3,466,181)	(3,761,636)
Fund balances (deficits) at the beginning of year	654,651	6,083,223	4,173,015	57,580,633
Fund balances (deficits) at end of year	$672,727	$6,000,381	$706,834	$53,818,997

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BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	REDEVELOPMENT LOW & MODERATE INCOME HOUSING			LOW INCOME HOUSING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Interest and rentals	$52,000	$37,190	($14,810)			
Intergovernmental						
Contributions from outside sources					$10,625	$10,625
Charges for services				$396,000	562,614	166,614
Use of money and property					259,826	259,826
Miscellaneous						
Total Revenues	52,000	37,190	(14,810)	396,000	833,065	437,065
EXPENDITURES						
Current:						
Police						
Community development						
Library						
Redevelopment	518,950	362,900	156,050			
Capital Outlay						
Capital projects						
Debt service						
Principal						
Interest and fiscal charges						
Total Expenditures	518,950	362,900	156,050			
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(466,950)	(325,710)	141,240	396,000	833,065	437,065
OTHER FINANCING SOURCES (USES)						
Transfers in	940,000	936,783	(3,217)	10,000		(10,000)
Transfers (out)	(1,562,000)		1,562,000	(1,121,600)	(1,347,476)	(225,876)
Total Other Financing Sources (Uses)	(622,000)	936,783	1,558,783	(1,111,600)	(1,347,476)	(235,876)
Net change in fund balance	($1,088,950)	611,073	$1,700,023	($715,600)	(514,411)	$201,189
Fund balances (deficits) at beginning of year		2,173,256			14,207,755	
Fund balances (deficits) at end of year		$2,784,329			$13,693,344	

	HOUSING & COMMUNITY ASSISTANCE			HORIZONS			SOLID WASTE MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Interest and rentals	$100,000	$99,949	($51)						
Intergovernmental	65,000	64,605	(395)				$485,000	$496,224	$11,224
Contributions from outside sources				$450,000	$401,843	($48,157)			
Charges for services									
Use of money and property	101,000	211,241	110,241		18,152	18,152	5,000	4,800	(200)
Miscellaneous		984	984	96,000	70,640	(25,360)	169,000	169,865	865
Total Revenues	266,000	376,779	110,776	546,000	490,635	(55,365)	659,000	670,889	11,889
EXPENDITURES									
Current:									
Police				794,590	798,614	(4,024)			
Community development	1,948,510	1,257,077	691,433				540,100	478,025	62,075
Library									
Redevelopment									
Capital Outlay									
Capital projects	40,000	40,000							
Debt service									
Principal		260,000	(260,000)						
Interest and fiscal charges		66,396	(66,396)						
Total Expenditures	1,988,510	1,623,473	365,037	794,590	798,614	(4,024)	540,100	478,025	62,075
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,722,510)	(1,246,694)	475,816	(248,590)	(307,979)	(59,389)	118,900	192,864	73,964
OTHER FINANCING SOURCES (USES)									
Transfers in	831,600	660,038	(171,562)	200,000	200,000				
Transfers (out)							(5,000)	(10,408)	(5,408)
Total Other Financing Sources (Uses)	831,600	660,038	(171,562)	200,000	200,000		(5,000)	(10,408)	(5,408)
Net change in fund balance	($890,910)	(586,656)	$304,254	($48,590)	(107,979)	($59,389)	$113,900	182,456	$68,556
Fund balances (deficits) at beginning of year		7,909,116			(11,200)			422,512	
Fund balances (deficits) at end of year		$7,322,460			($119,179)			$604,968	

(Continued)

BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	MAINTENANCE DISTRICT			AT&T BROADBAND GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Interest and rentals						
Intergovernmental	$2,781,000	$2,836,422	$55,422	$130,000	$97,590	($32,410)
Contributions from outside sources						
Charges for services						
Use of money and property		59,595	59,595			
Miscellaneous						
Total Revenues	2,781,000	2,896,017	115,017	130,000	97,590	(32,410)
EXPENDITURES						
Current:						
Police						
Community development	1,587,370	1,262,379	324,991			
Library						
Redevelopment						
Capital Outlay						
Capital projects	5,430	(59,530)	64,960	145,000	129,975	15,025
Debt service						
Principal						
Interest and fiscal charges						
Total Expenditures	1,592,800	1,202,849	389,951	145,000	129,975	15,025
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,188,200	1,693,168	504,968	(15,000)	(32,385)	(17,385)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(1,187,640)	(1,187,210)	430			
Total Other Financing Sources (Uses)	(1,187,640)	(1,187,210)	430			
Net change in fund balance	$560	505,958	$505,398	($15,000)	(32,385)	($17,385)
Fund balances (deficits) at beginning of year		3,108,560			143,678	
Fund balances (deficits) at end of year		$3,614,518			$111,293	

	CITY STREET SWEEPING			PARK FEE			REDEVELOPMENT AGENCY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes and special assessments									
Interest and rentals									
Intergovernmental				$277,000	$235,499	($41,501)			
Contributions from outside sources									
Charges for services	$376,000	$376,600	$600						
Use of money and property					10,039	10,039	$140,000	$133,550	($6,450)
Miscellaneous									
Total Revenues	376,000	376,600	600	277,000	245,538	(31,462)	140,000	133,550	(6,450)
EXPENDITURES									
Current:									
Police									
Community development	395,260	349,063	46,197						
Library									
Redevelopment									
Capital Outlay									
Capital projects				277,000	668,956	(391,956)			
Debt service									
Principal							760,000	760,000	
Interest and fiscal charges							1,648,890	1,648,881	9
Total Expenditures	395,260	349,063	46,197	277,000	668,956	(391,956)	2,408,890	2,408,881	9
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(19,260)	27,537	46,797		(423,418)	(423,418)	(2,268,890)	(2,275,331)	(6,441)
OTHER FINANCING SOURCES (USES)									
Transfers in	96,000	96,000					2,409,000	2,138,559	(270,441)
Transfers (out)									
Total Other Financing Sources (Uses)	96,000	96,000					2,409,000	2,138,559	(270,441)
Net change in fund balance	$76,740	123,537	$46,797		(423,418)	($423,418)	$140,110	(136,772)	($276,882)
Fund balances (deficits) at beginning of year		19,505			1,381,662			2,631,662	
Fund balances (deficits) at end of year		$143,042			$958,244			$2,494,890	

(Continued)

BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	FINANCING AUTHORITY COPS 2007			FINANCING AUTHORITY COPS 2008			STORM DRAIN			AIRPORT CONSTRUCTION			COLLEGE AVENUE ASSESSMENT DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES															
Interest and rentals															
Intergovernmental										$57,000	$76,924	$19,924			
Contributions from outside sources	$360,000	$359,581	($419)												
Charges for services															
Use of money and property		14	14		$4	$4		$17,919	$17,919						
Miscellaneous							$30,000	60,058	30,058					$6,014	$6,014
Total Revenues	360,000	359,595	(405)		4	4	30,000	77,977	47,977	57,000	76,924	19,924		6,014	6,014
EXPENDITURES															
Current:															
Police															
Community development															
Library															
Redevelopment															
Capital Outlay															
Capital projects							203,300	42,555	160,745	60,000	91,205	(31,205)			
Debt service															
Principal	1,375,000	961,934	413,066	$1,790,000	1,454,000	336,000									
Interest and fiscal charges	449,090	314,186	134,904	867,910	937,998	(70,088)									
Total Expenditures	1,824,090	1,276,120	547,970	2,657,910	2,391,998	265,912	203,300	42,555	160,745	60,000	91,205	(31,205)			
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,464,090)	(916,525)	547,565	(2,657,910)	(2,391,994)	265,916	(173,300)	35,422	208,722	(3,000)	(14,281)	(11,281)		6,014	6,014
OTHER FINANCING SOURCES (USES)															
Transfers in	1,465,000	916,479	(548,521)	2,658,000	2,060,258	(597,742)				6,200	4,560	(1,640)			
Transfers (out)					(4)	(4)									
Total Other Financing Sources (Uses)	1,465,000	916,479	(548,521)	2,658,000	2,060,254	(597,746)				6,200	4,560	(1,640)			
EXPENDITURES AND OTHER USES	$910	(46)	($956)	$90	(331,740)	($331,830)	($173,300)	35,422	$208,722	$3,200	(9,721)	($12,921)		6,014	$6,014
Fund balances (deficits) at beginning of the year		58			106,618			1,054,528			16,478			86,658	
Fund balances (deficits) at end of year		$12			($225,122)			$1,089,950			$6,757			$92,672	

(Continued)

BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	STREET IMPROVEMENTS			PARKING LOTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Interest and rentals						
Intergovernmental						
Contributions from outside sources	$1,549,000		($1,549,000)			
Charges for services	355,000	$289,540	(65,460)			
Use of money and property		103,627	103,627			
Miscellaneous						
Total Revenues	1,904,000	393,167	(1,510,833)			
EXPENDITURES						
Current:						
Police						
Community development						
Library						
Redevelopment						
Capital Outlay						
Capital projects	1,778,210	1,285,726	492,484	$1,800,000	$1,757,438	$42,562
Debt service						
Principal						
Interest and fiscal charges						
Total Expenditures	1,778,210	1,285,726	492,484	1,800,000	1,757,438	42,562
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	125,790	(892,559)	(1,018,349)	(1,800,000)	(1,757,438)	42,562
OTHER FINANCING SOURCES (USES)						
Transfers in	7,200	167,603	160,403	1,800,000	1,757,438	($42,562)
Transfers (out)	(3,062,200)	(1,655,000)	1,407,200		(167,603)	(167,603)
Total Other Financing Sources (Uses)	(3,055,000)	(1,487,397)	1,567,603	1,800,000	1,589,835	(210,165)
EXPENDITURES AND OTHER USES	($2,929,210)	(2,379,956)	$549,254		(167,603)	($167,603)
Fund balances (deficits) at beginning of year		5,729,589			167,603	
Fund balances (deficits) at end of year		$3,349,633				

	STREET PROJECTS			TVTC 20% FEE			LIVERMORE CAPITAL PROJECTS FINANCING AUTHORITY 2008 COP CAPITAL PROJECTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Interest and rentals	$1,689,500	$1,763,412	$73,912						
Intergovernmental	8,900,000	6,393,267	(2,506,733)						
Contributions from outside sources	2,400,000	2,400,000		$14,000	$31,876	$17,876			
Charges for services	353,000	43,043	(309,957)						
Use of money and property		159,200	159,200		11,200	11,200	$1,000	$933	($67)
Miscellaneous									
Total Revenues	13,342,500	10,758,922	(2,583,578)	14,000	43,076	29,076	1,000	933	(67)
EXPENDITURES									
Current:									
Police									
Community development		242	(242)						
Library									
Redevelopment									
Capital Outlay									
Capital projects	5,163,530	3,697,268	1,466,262				511,800	83,779	428,021
Debt service									
Principal									
Interest and fiscal charges									
Total Expenditures	5,163,530	3,697,510	1,466,020				511,800	83,779	428,021
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	8,178,970	7,061,412	(1,117,558)	14,000	43,076	29,076	(510,800)	(82,846)	427,954
OTHER FINANCING SOURCES (USES)									
Transfers in								4	4
Transfers (out)	(8,267,200)	(4,065,874)	4,201,326	(25,000)	(25,000)		(26,730)		26,730
Total Other Financing Sources (Uses)	(8,267,200)	(4,065,874)	4,201,326	(25,000)	(25,000)		(26,730)	4	26,734
EXPENDITURES AND OTHER USES	($88,230)	2,995,538	$3,083,768	($11,000)	18,076	$29,076	($537,530)	(82,842)	$454,688
Fund balances (deficits) at beginning of year		7,521,706			654,651			6,083,223	
Fund balances (deficits) at end of year		$10,517,244			$672,727			$6,000,381	

(Continued)

BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	OTHER STREET AND TRAIL CONSTRUCTION		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Interest and rentals			
Intergovernmental			
Contributions from outside sources	$1,831,000	$1,028,389	($802,611)
Charges for services	49,000	49,101	101
Use of money and property	1,000	274	(726)
Miscellaneous			
Total Revenues	1,881,000	1,077,764	(803,236)
EXPENDITURES			
Current:			
Police			
Community development			
Library			
Redevelopment			
Capital Outlay			
Capital projects	5,036,200	4,356,769	679,431
Debt service			
Principal			
Interest and fiscal charges			
Total Expenditures	5,036,200	4,356,769	679,431
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(3,155,200)	(3,279,005)	(123,805)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,329,560	2,824	(2,326,736)
Transfers (out)	(890,000)	(190,000)	700,000
Total Other Financing Sources (Uses)	1,439,560	(187,176)	(1,626,736)
EXPENDITURES AND OTHER USES	($1,715,640)	(3,466,181)	($1,750,541)
Fund balances (deficits) at beginning of year		4,173,015	
Fund balances (deficits) at end of year		$706,834	

Internal Service Funds

Internal service funds are used to account for the financing of services and supplies provided by one city department to another on a cost reimbursement basis.

The concept of major funds introduced by GASB 34 does not extend to internal service funds because they do not do business with outside parties. GASB 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting against the operations of the other city departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below:

LIABILITY INSURANCE FUND

Established to account for the city's public liability self-insured program.

WORKERS COMPENSATION FUND

Established to account for the city's self-insured workers compensation program.

FLEET AND EQUIPMENT SERVICES

Established to account for the maintenance and acquisition of the city's fleet and small equipment.

INFORMATION TECHNOLOGY

Established to account for the maintenance and acquisition of the city's software and hardware.

FACILITIES REHABILITATION PROJECTS

Established to account for the repair and maintenance of city facilities.

REPROGRAPHICS

Established to account for city-wide reprographic costs.

COMMUNITY DEVELOPMENT

Established to account for services provided to the Livermore Area Recreation and Park District (LARPD), a special district.

EMPLOYEE PAYROLL

Established to account for the city's employees' benefits.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Liability Insurance Reserve	Workers Compensation	Fleet and Equipment Services	Information Technology	Facilities Rehabilitation Projects	Reprographics	Community Development	Employee Benefits	Total
ASSETS									
Current Assets:									
Cash and investments in City Treasury	$3,583,508	$1,336,550	$3,662,253	$3,046,350	$1,434,420	$225,073		$916,924	$14,205,078
Accounts receivable (net of applicable allowance for uncollectibles)		51,000	70,464		213,066	1,078	$5,763	1,993	343,364
Prepaids, deposits and supplies			292,424						292,424
Total current assets	3,583,508	1,387,550	4,025,141	3,046,350	1,647,486	226,151	5,763	918,917	14,840,866
Noncurrent Assets:									
Land and construction			170,266						170,266
Capital assets (net of accumulated depreciation)			4,022,110						4,022,110
Total noncurrent assets			4,192,376						4,192,376
Total Assets	3,583,508	1,387,550	8,217,517	3,046,350	1,647,486	226,151	5,763	918,917	19,033,242
LIABILITIES									
Current Liabilities:									
Accounts payable and other accruals	23,397	114,362	124,523	12,088	54,446	9,472		919,738	1,258,026
Accrued payroll	4,270	6,711	18,439	28,835	10,251	2,134			70,640
Accrued compensated absences	10,894							1,004	11,898
Due to other funds							2,978	55,486	58,464
Total current liabilities	38,561	121,073	142,962	40,923	64,697	11,606	2,978	976,228	1,399,028
Noncurrent Liabilities:									
Claims payable	1,780,423	997,740							2,778,163
Net OPEB obligation								9,511,780	9,511,780
Total noncurrent liabilities	1,780,423	997,740						9,511,780	12,289,943
Total liabilities	1,818,984	1,118,813	142,962	40,923	64,697	11,606	2,978	10,488,008	13,688,971
NET ASSETS									
Invested in Capital Assets			4,022,110						4,022,110
Unrestricted	1,764,524	268,737	4,052,445	3,005,427	1,582,789	214,545	2,785	(9,569,091)	1,322,161
Total Net Assets (Deficit)	$1,764,524	$268,737	$8,074,555	$3,005,427	$1,582,789	$214,545	$2,785	($9,569,091)	$5,344,271

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INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
JUNE 30, 2010

	Liability Insurance Reserve	Workers Compensation	Fleet and Equipment Services	Information Technology	Facilities Rehabilitation Projects	Reprographics	Community Development	Employee Benefits	Total
OPERATING REVENUES									
Charges for services	$475,895	$1,051,197	$2,444,047	$1,642,910	$1,800,624	$241,383	$9,209	$1,471,811	$9,137,076
Miscellaneous			461			21,766			22,227
Total Operating Revenues	475,895	1,051,197	2,444,508	1,642,910	1,800,624	263,149	9,209	1,471,811	9,159,303
OPERATING EXPENSES									
Salaries and benefits	183,952	238,187	986,603	728,326	506,598	102,382		5,094,291	7,840,339
Contracted services	455,270	76,005	18,212	617,016	79,973	58,481			1,304,957
Insurance premiums	116,242	264,122	50,909	36,170	24,308	5,182			496,933
Materials, supplies and others	42,717	53,840	549,965	203,044	1,114,349	30,893	6,424		2,001,232
Depreciation			904,991						904,991
Repairs & maintenance			31,623	58,566	55,394				145,583
Claims expense	217,068	986,258							1,203,326
Total Operating Expenses	1,015,249	1,618,412	2,542,303	1,643,122	1,780,622	196,938	6,424	5,094,291	13,897,361
Operating Income (Loss)	(539,354)	(567,215)	(97,795)	(212)	20,002	66,211	2,785	(3,622,480)	(4,738,058)
NONOPERATING REVENUE (EXPENSES)									
Loss on disposal			(61,849)						(61,849)
TRANSFERS OUT				(1,000,000)					(1,000,000)
Change in Net Assets	(539,354)	(567,215)	(159,644)	(1,000,212)	20,002	66,211	2,785	(3,622,480)	(5,799,907)
Net assets-beginning	2,303,878	835,952	8,234,199	4,005,639	1,562,787	148,334		(5,946,611)	11,144,178
Net assets-ending (Deficit)	$1,764,524	$268,737	$8,074,555	$3,005,427	$1,582,789	$214,545	$2,785	($9,569,091)	$5,344,271

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INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Liability Insurance Reserve	Workers Compensation	Fleet and Equipment Services	Information Technology	Facilities Rehabilitation Projects	Reprographics	Community Development	Employee Payroll	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	$475,895	$1,051,197	$2,447,107	$1,642,910	$1,809,887	$262,071	$3,446	$1,471,811	$9,164,324
Payments to suppliers	(660,940)	(284,089)	(880,793)	(1,003,306)	(1,315,330)	(91,256)	(6,424)		(4,242,138)
Payments to or on behalf of employees	(182,609)	(235,775)	(987,196)	(712,121)	(505,839)	(102,115)		(1,821,202)	(4,546,857)
Claims paid	(404,147)	(831,788)							(1,235,935)
Net cash provided (used) by operating activities	(771,801)	(300,455)	579,118	(72,517)	(11,282)	68,700	(2,978)	(349,391)	(860,606)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES									
Receipts from other funds							2,978	55,486	58,464
Transfer (out)				(1,000,000)					(1,000,000)
Cash Flow from Non Capital Financing Activities				(1,000,000)			2,978	55,486	(941,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Capital asset additions, net			(530,169)						(530,169)
Cash Flows from Capital and Related Financing Activities			(530,169)						(530,169)
Net Cash Flows	(771,801)	(300,455)	48,949	(1,072,517)	(11,282)	68,700		(293,905)	(2,332,311)
Cash and investments at beginning of period	4,355,309	1,637,005	3,613,304	4,118,867	1,445,702	156,373		1,210,829	16,537,389
Cash and Investment at end of period	$3,583,508	$1,336,550	$3,662,253	$3,046,350	$1,434,420	$225,073		$916,924	$14,205,078
Reconciliation of operating income to net cash provided by operating activities:									
Operating income	($539,354)	($567,215)	($97,795)	($212)	$20,002	$66,211	$2,785	($3,622,480)	($4,738,058)
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation			904,991						904,991
Change in assets and liabilities:									
Accounts receivable			2,599		9,263	(1,078)	(5,763)		5,021
Prepaids, deposits and supplies			(19,728)						(19,728)
Net pension obligation								3,548,479	3,548,479
Accounts payable	(46,711)	109,878	(210,356)	(88,510)	(41,306)	3,300		(236,022)	(509,727)
Accrued liabilities	1,108	2,412	(593)	16,205	759	267			20,158
Accrued compensated absences	235							(39,368)	(39,133)
Claims payable	(187,079)	154,470							(32,609)
Net cash provided (used) by operating activities	($771,801)	($300,455)	$579,118	($72,517)	($11,282)	$68,700	($2,978)	($349,391)	($860,606)

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Fiduciary Funds

Fiduciary funds are used to account for assets held by the city for other entities and individuals. Such funds are operated to carry out the specific actions of trust agreements, ordinances, and other governing regulations.

GASB 34 requires that fiduciary funds the city has be presented separately from the Government-wide and Fund financial statements.

Agency Funds are custodial in nature and do not involve measurement of results of operations.

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

Assessment Districts	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Cash and investments in City Treasury	$4,627,490	$8,194,567	$8,403,466	$4,418,591
Cash and investments with Trustees	5,133,761		66,043	5,067,718
Total Assets	$9,761,251	$8,194,567	$8,469,509	$9,486,309
Due to special assessment districts	$9,761,251	$8,194,567	$8,469,509	$9,486,309
Total Liabilities	$9,761,251	$8,194,567	$8,469,509	$9,486,309

APPENDIX B

DEMOGRAPHIC INFORMATION ON THE SERVICE AREA OF THE MEMBERS

The service area of LAVWMA includes portions of Alameda and Contra Costa Counties. LAVWMA serves the cities of Pleasanton and Livermore, and through DSRSD, the cities of Dublin and the southern portion of San Ramon. Economic and demographic information for such counties and cities is presented below. Specific information on such counties and the cities may not be representative of LAVWMA's overall service area.

Population. The following table shows the population for 2007 through 2011.

Population
Alameda and Contra Costa Counties
Cities of Dublin, Livermore, San Ramon and Pleasanton
As of January 1

	2007	2008	2009	2010	2011
ALAMEDA COUNTY	1,519,250	1,538,054	1,557,749	1,509,240	1,521,157
Dublin	43,563	46,869	47,953	45,672	46,743
Livermore	82,581	83,470	84,470	80,905	81,687
Pleasanton	68,558	69,337	70,145	70,204	70,643
CONTRA COSTA COUNTY	1,035,097	1,048,185	1,061,325	1,047,948	1,056,064
San Ramon	59,488	61,184	63,230	71,947	73,109

Source: State of California, Department of Finance.

Unemployment Rate. The table below lists average annual civilian labor force statistics and comparative unemployment rates for 2006 through 2010.

Civilian Labor Force, Employment and Unemployment
Annual Average

	2006	2007	2008	2009	2010
ALAMEDA COUNTY					
Labor Force	735,700	746,700	757,100	761,000	755,500
Employment	703,000	711,700	710,600	681,000	670,000
Unemployment	32,600	35,000	46,500	80,000	85,500
Unemployment Rate	4.4%	4.7%	6.1%	10.5%	11.3%
Dublin					
Labor Force	15,200	15,400	15,500	15,300	N/A
Employment	14,800	15,000	14,900	14,300	N/A
Unemployment	400	400	600	1,000	N/A
Unemployment Rate	2.6%	2.8%	3.7%	6.4%	N/A
Livermore					
Labor Force	40,500	41,000	41,400	40,900	N/A
Employment	39,300	39,800	39,800	38,100	N/A
Unemployment	1,100	1,200	1,600	2,800	N/A
Unemployment Rate	2.8%	3.0%	3.9%	6.9%	N/A
Pleasanton					
Labor Force	35,100	35,600	35,800	35,100	N/A
Employment	34,300	34,700	34,700	33,200	N/A
Unemployment	800	800	1,100	1,900	N/A
Unemployment Rate	2.2%	2.3%	3.0%	5.3%	N/A
CONTRA COSTA COUNTY					
Labor Force	511,700	515,300	524,200	524,800	522,400
Employment	489,800	491,300	492,000	471,300	463,700
Unemployment	21,900	24,100	32,200	53,500	58,700
Unemployment Rate	4.3%	4.7%	6.1%	10.2%	11.2%
San Ramon					
Labor Force	28,500	28,600	28,900	28,200	N/A
Employment	28,000	28,100	28,200	27,000	N/A
Unemployment	500	500	700	1,200	N/A
Unemployment Rate	1.7%	1.9%	2.5%	4.2%	N/A

Source: State of California, Employment Development Department.

Personal Income. The table below summarizes the total effective buying income and the median household effective buying income for 2006 through 2010.

Personal Income
As of January 1

	Total Effective Buying Income	Median Household Effective Buying Income
ALAMEDA COUNTY		
2006	$35,772,898	$53,171
2007	37,572,278	54,688
2008	38,889,500	55,987
2009	40,053,865	57,997
2010	38,097,873	54,734
CONTRA COSTA COUNTY		
2006	$28,611,520	$58,497
2007	30,138,295	61,123
2008	30,737,690	61,903
2009	31,197,703	64,213
2010	30,049,698	61,031

Source: The Nielsen Company (US), Inc.

Major Employers. The following tables show the major employers in Alameda and Contra Costa Counties.

Alameda County
Major Employers
As of July 2011

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff Dept	Pleasanton	Sheriff
Alameda County Sheriff's Ofc	Oakland	Sheriff
Alta Bates Medical Ctr Inc	Berkeley	Hospitals
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & Etc
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Children's Hospital & Research	Oakland	Hospitals
Clorox Co	Oakland	Specialty Clng Plshng/Sanitation (Mfrs)
Clorox Co	Pleasanton	Specialty Clng Plshng/Sanitation (Mfrs)
Cooper Vision Inc	Pleasanton	Physicians & Surgeons Equip & Supls-Mfrs
East Bay Water	Oakland	Transit Lines
EMC Corp	Pleasanton	Computer Storage Devices (Mfrs)
Fairmont Hospital	San Leandro	Hospitals
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Laboratories-Testing
New United Motor Mfg Inc	Fremont	Automobile & Truck Brokers (Whls)
Residential & Student Svc Prog	Berkeley	Giftwares-Manufacturers
Transportation Dept-California	Oakland	State Government-Transportation Programs
UC Berkeley Extension	Berkeley	Schools-Universities & Colleges Academic
University Of CA-Berkeley	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital Healthcare	Fremont	Hospitals
Waste Management Inc	Oakland	County Government-Environmental Programs

Source: State of California, Employment Development Department, from the America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition.

Contra Costa County
Major Employers
As of July 2011

Employer Name	Location	Industry
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Laboratory Analytical Instruments (Mfrs)
Chevron Corp	San Ramon	Petroleum Products-Manufacturers
Chevron Global Downstream LLC	San Ramon	Petroleum Products (Whls)
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Ctr	Martinez	Hospitals
Department Of Veterans Affairs	Martinez	Physicians & Surgeons
Doctor's Medical Ctr	San Pablo	Hospitals
John Muir Medical Ctr	Walnut Creek	Hospitals
John Muir Medical Ctr	Concord	Hospitals
John Muir Physical Rehab	Concord	Rehabilitation Services
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente Medical Ctr	Martinez	Clinics
La Raza Market	Richmond	Grocers-Retail
Muirlab	Walnut Creek	Laboratories-Medical
PMI Group Inc	Walnut Creek	Insurance-Bonds
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Products Co	Martinez	Oil Refiners (Mfrs)
St Mary's	Moraga	Schools-Universities & Colleges Academic
St Mary's College Of Ca	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Ctr	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
USS-POSCO Industries	Pittsburg	Steel Mills (Mfrs)
VA Outpatient Clinic	Martinez	Physicians & Surgeons

Source: State of California, Employment Development Department, from the America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition.

Assessed Valuation. The following table shows the assessed valuation of Dublin, Livermore, Pleasanton, San Ramon (only the portion of San Ramon in DSRSD's sewer service area) and the counties of Alameda and Contra Costa for 2006-07 to 2010-11.

Dublin, Livermore, San Ramon, and Pleasanton
Alameda and Contra Costa Counties
Assessed Valuation

	2006-07	2007-08	2008-09	2009-10	2010-11
ALAMEDA COUNTY					
Dublin	$ 7,422,313,156	$ 8,202,696,764	$ 8,638,686,162	$ 8,341,462,340	$ 8,190,533,008
Livermore	12,557,594,462	13,475,629,678	13,950,643,165	13,120,148,407	12,792,980,202
Pleasanton	15,563,115,026	16,628,842,933	17,482,232,429	17,398,703,467	17,081,179,074
CONTRA COSTA COUNTY					
San Ramon (1)	5,817,771,576	6,697,942,185	6,805,933,296	6,616,749,064	6,636,115,234
Unincorporated County (1)	113,093,525	135,388,053	195,343,264	124,391,501	127,947,978

(1) Only the portion of the City and Unincorporated Area that lies within Dublin-San Ramon Services District's Sewer System service area.

Source: California Municipal Statistics.

Housing and Construction. In the five year period from 1996 to 2000, a total of 23,034 new single-family and multi-family housing units were constructed in Alameda County and 21,294 were constructed in Contra Costa County.

The following table shows the number of new single-family and multi-family housing units constructed in Dublin, Livermore, Pleasanton and San Ramon and the counties of Alameda and Contra Costa for the period 2006 to 2010.

Dublin, Livermore, San Ramon, and Pleasanton
Alameda and Contra Costa Counties
New Housing Units

	Single Family Units (1)	Multi-Family Units (2)	Total Units
2006			
Alameda County	1,681	4,035	5,716
Dublin	163	774	937
Livermore	111	45	156
Pleasanton	137	41	178
Contra Costa County	3,310	1,178	4,488
San Ramon	27	0	27
2007			
Alameda County	1,340	1,911	3,251
Dublin	38	80	118
Livermore	146	49	195
Pleasanton	45	0	45
Contra Costa County	2,698	909	3,607
San Ramon	76	0	76
2008			
Alameda County	761	1,296	2,057
Dublin	139	2	141
Livermore	62	8	70
Pleasanton	29	0	29
Contra Costa County	985	909	1,894
San Ramon	3	0	3
2009			
Alameda County	802	536	1,338
Dublin	122	19	141
Livermore	93	16	109
Pleasanton	14	0	14
Contra Costa County	1,038	163	1,201
San Ramon	0	0	0
2010			
Alameda County	907	936	1,843
Dublin	228	116	344
Livermore	78	17	95
Pleasanton	46	0	46
Contra Costa County	809	890	1,699
San Ramon	0	39	39

(1) Includes detached, semi-detached, rowhouse, and townhouse units.
(2) Includes duplexes, 3-4-unit structures and apartment-type structures with five units or more. Also includes condominium type units in structures of more than one living unit that do not meet the definition of single-family housing.
Source: Construction Industry Research Board

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APPENDIX C

BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2011 Bonds, payment of principal, interest and other payments on the 2011 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2011 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2011 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2011 Bonds (the "Agent") takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2011 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2011 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2011 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). On August 8, 2011, Standard & Poor's downgraded its rating of DTC from AAA to AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Sewer Service Contract and the Indenture of Trust not fully described elsewhere in the Official Statement. These summaries are not intended to be definitive. Reference is made to the actual documents (copies of which are available from LAVWMA) for the complete terms thereof.

DEFINED TERMS

The following terms shall have the following meanings, notwithstanding that any such terms may be elsewhere defined in the Official Statement. Any terms not expressly defined in the Summary but previously defined in the Official Statement shall have the respective meanings previously given.

"Actual Rate Stabilization Fund Draw" means, for any period of computation, the actual amounts taken from the Rate Stabilization Fund to pay Expansion Project Debt Service pursuant to the Sewer Service Contract or the Loan Agreement.

"Actual Fixed Costs" means, for any Fiscal Year, the actual Fixed Costs for such Fiscal Year as stated in the annual audited financial statement for the Enterprise prepared and submitted to Members in accordance with the Sewer Service Contract.

"Actual Flow" means, for any given period for any Member, the total number of Gallons of Wastewater delivered to the Enterprise during such period from such Member. The Actual Flow for Livermore shall be the amount of Wastewater delivered by Livermore to the Enterprise. The Actual Flow for Pleasanton shall be an amount measured by the amount of raw sewage delivered from Pleasanton to the District's treatment plant or equal to the amount of Wastewater delivered by Pleasanton to the Enterprise, after adjusting for recycled wastewater as noted below, or any combination of the preceding methods of delivery which provides for measurement of all of Pleasanton's flows into the Enterprise. The Actual Flow for the District shall be the difference between the amount of Wastewater delivered from the District's treatment plant to the Enterprise and the amount of the Actual Flow for Pleasanton received at the District's treatment plant, after adjusting for recycled wastewater at the District's Treatment Plant that is not delivered to the Enterprise.

"Actual Variable LAVWMA Maintenance and Operation Costs" means, for any Fiscal Year for any given facilities of the Enterprise, the actual Variable LAVWMA Maintenance and Operation Costs for such Fiscal Year for such facilities as stated in the annual audited financial statement for the Enterprise prepared and submitted to Members in accordance with the Sewer Service Contract.

"Authorized Investments" means any of the following, but only to the extent that the same are acquired at Fair Market Value, which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance Corporation, (iii) Farmers Home Administration; (iv) General Services Administration; (v) U.S. Maritime Administration; (vi) Small Business Administration; (vii) Government National Mortgage Association (GNMA); (viii) U.S. Department of Housing & Urban Development (PHA's); (ix) Federal Housing Administration and (x) Federal Financing Bank;

(c) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC); or obligations of the Resolution Funding Corporation (REFCORP);

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated "Aaam" or "AAAm-G" or better by S&P, including any such money market fund from which the Trustee or its affiliates receive fees for services to such fund;

(g) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) general obligations of States with a rating of at least "A2/A" or higher by both Moody's and S&P;

(i) the Local Agency Investment Fund maintained by the State of California; and

(j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended (also known as "CAMP").

"Average Annual Debt Service" means the total aggregate Debt Service for the entire period during which the Bonds are Outstanding, divided by the number of Fiscal Years or portions thereof during which the Bonds are Outstanding.

"**Bonds**" means, collectively, the 2011 Bonds and any Parity Bonds issued and at any time Outstanding hereunder and under a Parity Bonds Instrument.

"Bond Redemptions" means funds sent by the District to the Trustee from draws on the Rate Stabilization Fund in addition to Debt Service accompanied by irrevocable instructions to the Trustee that such funds are to be applied to the redemption of Expansion Project Bonds and the Treatment Plant Note in accordance with the optional redemption provisions of the Indenture, any Parity Bonds Instrument and the Loan Agreement.

"**Budgeted Fixed Costs**" means, for any given period, the estimated Fixed Costs for such period as stated in the annual budget for the Enterprise prepared and submitted to Members in accordance with the Sewer Service Contract.

"**Budgeted Variable LAVWMA Maintenance and Operation Costs**" means, for any given period for any given facilities of the Enterprise, the estimated Variable LAVWMA Maintenance and Operation Costs for such period for such facilities as stated in the annual budget for the Enterprise prepared and submitted to Members in accordance with the Sewer Service Contract.

"**Charges**" means fees, connection fees (excluding Regional Connection Fees), tolls, assessments, rates and charges, including User Charges and Regional User Charges, prescribed and collected by the legislative bodies of the Members for the services and facilities of the respective Sewer Systems furnished by the Members within their respective jurisdictions.

"**Continuing Disclosure Certificates**" means those certain Continuing Disclosure Certificates executed by LAVWMA and each of the Members and dated the date of original execution and delivery of the 2011 Bonds, as originally executed and as they may be amended from time to time in accordance with the terms thereof.

"**Debt Service**" means, for any period of computation (the "Computation Period"), the sum of (1) the interest accruing on all Bonds during such Computation Period, assuming that all Bonds are retired as scheduled, plus (2) the principal amount (including principal due as sinking fund installment payments) allocable to all Bonds in such Computation Period, calculated as if such principal amounts were deemed to accrue daily during such Computation Period in equal amounts from, in each case, each payment date for principal or the date of delivery of such Bonds (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal; provided, that the following adjustments shall be made to the foregoing amounts in the calculation of Debt Service:

(A) with respect to any such Bonds bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Debt Service shall be (i) with respect to such Bonds then outstanding, one hundred ten percent (110%) of the greater of (1) the daily average interest rate on such Bonds during the twelve (12) calendar months next preceding the date of such calculation (or the portion of the then current Computation Period that such Bonds has borne interest) or (2) the most recent effective interest rate on such Bonds prior to the date of such calculation and (ii) with respect to such Bonds then proposed to be issued, the average of the Revenue Bond Index for the prior 12 months published in *The Bond Buyer* (or a comparable index if such index is no longer published);

(B) with respect to any such Bonds having twenty percent (20%) or more of the aggregate principal amount thereof due in any one Computation Period, Debt Service shall be calculated for the Computation Period of determination as if the interest on and principal of such Bonds were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of such Bonds; provided, however, that the full amount of such Bonds shall be included in Debt Service if the date of calculation is within 24 months of the actual maturity of the payment;

(C) with respect to any such Bonds or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(D) Debt Service shall not include interest on Bonds which is to be paid from amounts constituting capitalized interest; and

(E) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Bonds to which it relates, no amounts payable under such interest rate swap in excess of debt service payable under such Parity Bonds Instrument shall be included in the calculation of Debt Service unless the sum of (i) the interest payable on such Bonds, plus (ii) the amounts payable by LAVWMA or the

Member under such interest rate swap agreement, less (iii) the amounts receivable by LAVWMA or the Member under such interest rate swap agreement, are greater than the interest payable on such Bonds, in which case the amount of such payments to be made that exceed the interest to be paid on such Bonds shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition.

"Defeasance Obligations" means (a) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause (b), or (b) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

"Discharged" means that the Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and prepayment premiums (if any) on such Bonds selected for prepayment as and when the same become due and payable; or

(b) by depositing with the trustee for the Bonds or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of the Bonds selected for prepayment, said security to be held by the trustee for such Bonds to be applied by the trustee for the Bonds or by such other fiduciary to pay or prepay such Bonds as the same become due.

"District" means the Dublin San Ramon Services District, a community services district duly organized and existing under and pursuant to the Community Services District Law, being Title 5, Division 3 (Sections 61000 *et seq.*) of the Government Code of the State of California, and formerly known as Valley Community Services District.

"District Local Charges" means fees, connection fees, capacity fees, tolls, assessments, rates and charges prescribed and collected by the Board of Directors of the District for the wastewater collection services and facilities of the District's Sewer System furnished by the District within its jurisdiction. To provide clarity, the term "District Local Charges" does not include the Regional Service Charge or the Regional Capacity Reserve Fee.

"District Local Obligations" means bonds, notes, installment sale agreements or other obligations issued or to be issued by or on behalf of the District, the proceeds of which are applied to finance or refinance improvements or repair to the District's Sewer System, and payable from District Local Charges.

"Dual Use Facilities" means those facilities of the Enterprise which are utilized by only two of the Members. The Dual Use Facilities for Pleasanton and the District comprise the interceptor from the District's treatment plant to the Joint Use Facilities.

"EBDA" means the East Bay Dischargers Authority, a public entity and agency duly organized and existing under and pursuant to Title 1, Division 7, Chapter 5, Article 1 (Sections 6500 *et seq.*) of the Government Code of the State of California and that certain First Amended Joint Exercise of Powers Agreement, dated as of January 1, 1978, made and entered into by and between the City of Hayward, the City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, and Union Sanitary District, amending that certain Joint Exercise of Powers Agreement, dated as of February 15, 1974, made and entered into by and between such parties.

"**EBDA Capacity Payments"** means the payments LAVWMA is obligated to pay to EBDA under the EBDA Master Agreement.

"**EBDA Master Agreement**" means that certain "Master Agreement to Provide Sewer System Discharge Services Between East Bay Discharges Authority and Livermore-Amador Valley Water Management Authority," dated April 26, 2007,between EBDA and LAVWMA.

"**Enterprise**" means facilities for the disposal or reuse of Wastewater from the Livermore-Amador Valley acquired and constructed with the proceeds of the 1978 Bonds, comprising an export pump station and pipeline and capacity in the East Bay Dischargers Authority ("EBDA") Interceptor, together with necessary pipes, pumps, valves and machinery and lands, easements and rights of way therefor; and other works, properties or structures necessary or convenient for the disposal or reuse of Wastewater from the Livermore Amador Valley, including all additions, betterments, extensions and improvements to such facilities or any part thereof thereafter made, including in particular the Export Pipeline Facilities Project.

"**Escrow Deposit and Trust Agreement**" means that certain Escrow Deposit and Trust Agreement, dated as of October 1, 2011, between LAVWMA and the 2001 Trustee, acting as Escrow Bank thereunder.

"**Escrow Fund**" means the Escrow Fund established and held by the 2001 Trustee, acting as Escrow Bank under the Escrow Deposit and Trust Agreement.

"**Estimated Flow**" means, for any given period for any Member, the total number of Gallons of Wastewater to be delivered to the Enterprise during such period from such Member, as estimated by LAVWMA pursuant to the Sewer Service Contract.

"**Expansion Project**" means (i) the LAVWMA Expansion Project, and (ii) the Treatment Plant Expansion Project.

"**Expansion Project Bonds**" means Bonds, the proceeds of which will be or have been applied to the acquisition and construction of the Expansion Project, determined in accordance with the Sewer Service Contract.

"**Expansion Project Debt Service**" means, for any period, the aggregate of Debt Service due in such period on: (i) Expansion Project Bonds; and (ii) the Treatment Plant Note.

"**Financing Implementation Agreement**" means that certain Financing Implementation Agreement, dated as of May 1, 2000, between the District and Pleasanton.

"**Fiscal Year**" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period prescribed by law for general law cities in the State of California.

"**Fixed Costs**" means, for any given period, the sum of the following amounts:

(1) amounts to be deposited during such period into the Sole-Use, Dual-Use and Joint-Use Replacement Funds established and maintained in accordance with Board policy; and

(2) all Fixed LAVWMA Maintenance and Operation Costs.

"**Fixed Cost Allocation**" means, when used with respect to Debt Service, for Livermore and the District, the percentages for such Member specified by the Sewer Service Contract and when used with respect to Fixed Maintenance and Operations Costs, the percentage for the Members specified by the Sewer Service Contract

"**Fixed Maintenance and Operations Costs**" means Maintenance and Operations Costs which are not Variable Maintenance and Operations Costs.

"**Gross Revenues**" means, for the pertinent period of computation, (a) all Charges, (b) the Regional Capacity Reserve Buy-In Fees, and (c) all receipts derived from the investment of Charges and the Regional Capacity Reserve Buy-In Fees held by such Member (excluding the Rate Stabilization Fund).

"Indenture" means that certain Indenture of Trust, dated as of October 1, 2011, between LAVWMA and U.S. Bank National Association, as Trustee, under which the 2011 Bonds are being issued.

"Joint Powers Agreement" means that certain agreement, dated September 10, 1997, entitled "Amended and Restated Joint Exercise of Powers Agreement for the Livermore-Amador Valley Water Management Agency" and entered into by and among Livermore, Pleasanton and the District.

"Joint Use Facilities" means those facilities of the Enterprise which are utilized by or beneficial to all Members, comprising LAVWMA's junction structure, regulating reservoirs, export pump station, export pipeline, metering and sampling station, and capacity in the EBDA interceptor.

"LAVWMA" means the Livermore-Amador Valley Water Management Agency, a public entity and agency duly organized and existing under and pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 *et seq.*) of the Government Code of the State of California and the Joint Powers Agreement, and its successors and assigns.

"**LAVWMA Expansion Project**" means the portion of the 2001 Project comprised of the Export Pipeline Expansion Project, more particularly described in the Engineer's Report, prepared by Brown & Caldwell, entitled Livermore Amador Valley Water Management Agency Export Pipeline Facilities Project.

"LAVWMA Gross Revenues" means, for any period of computation, all amounts received for, and all other income and revenues derived by LAVWMA from, the ownership or operation of the Enterprise, or otherwise arising from the Enterprise during such period, including but not limited to (a) all amounts received by LAVWMA from the Members under the Sewer Service Contract and the Regional Agreement for disposal or reuse of the Members' wastewater, (b) all receipts derived from the investment of funds held by the Treasurer or the Trustee under the Indenture, and (c) all moneys received by LAVWMA in connection with the Enterprise.

"LAVWMA's Maintenance and Operation Costs" means, for any given period for any given facilities of the Enterprise, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service, amortization of intangibles or other book-keeping entries of a similar nature, and costs paid out of the Sole-Use, Dual-Use and Joint-Use Replacement Funds.

"LAVWMA Net Revenues" means, with respect to the Enterprise, for any period of computation, the amount of the LAVWMA Gross Revenues received by LAVWMA during such period, less the amount of LAVWMA Maintenance and Operation Costs of the Enterprise becoming payable during such period.

"Livermore" means the City of Livermore, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California.

"**Loan Agreement**" means that certain Loan Agreement, dated as of September 1, 2009, between the District and Bank of America, N.A., relating to $18,486,000 Dublin San Ramon Services District 2009 Refunding Note.

"Maintenance and Operation Costs", when used with respect to a Member's Sewer System, means, for any given period for any given facilities of such Member's Sewer System, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but **excluding** in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt

service (including amounts paid by or on behalf of a Member under the Sewer Service Contract, amortization of intangibles or other book-keeping entries of a similar nature.

"Maximum Annual Expansion Project Debt Service" means, as of the date of any calculation and with respect to Expansion Project Debt Service, the maximum amount of Expansion Project Debt Service for the current or any future fiscal year during the term of the Sewer Service Contract and the Bonds.

"Member" means Livermore, Pleasanton or the District. **"Members"** means Livermore, Pleasanton and the District.

"Net Revenues" means, for each Member, such Member's Gross Revenues, less such Member's Maintenance and Operation Costs, less such Member's share of LAVWMA's Maintenance and Operation Costs, whether paid directly by such Member or, as in the case of Pleasanton, paid for Pleasanton by the District.

"Obligations" means bonds, notes, installment sale agreements or other obligations issued or to be issued by the Members, the proceeds of which are applied to finance or refinance improvements or repair to their respective Sewer Systems, and payable from Charges, including specifically the Treatment Plant Bonds.

"Parity Bonds" means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of LAVWMA payable from and secured by a pledge of and lien upon any of the LAVWMA Net Revenues, issued or incurred pursuant to the Indenture.

"Parity Bonds Instrument" means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by LAVWMA, and under which Parity Bonds are issued.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Pleasanton" means the City of Pleasanton, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California.

"**Pleasanton Local Charges**" means fees, connection fees, capacity fees, tolls, assessments, rates and charges prescribed and collected by the City Council of Pleasanton for the wastewater collection services and facilities of Pleasanton's Sewer System furnished by Pleasanton within its jurisdiction. To provide clarity, the term "Pleasanton Local Charges" does not include the Regional Service Charge or the Regional Capacity Reserve Fee.

"**Pleasanton Local Maintenance and Operation Costs**" means, for any given period for any given facilities of Pleasanton's Sewer System, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but **excluding** in all cases depreciation, replacement and obsolescence charges or reserves therefor; debt service, amortization of intangibles or other book-keeping entries of a similar nature. To provide clarity, the term "Pleasanton Local Maintenance and Operation Costs" does not include any portion of LAVWMA's Maintenance and Operation Costs.

"**Pleasanton Local Obligations**" means bonds, notes, installment sale agreements or other obligations issued or to be issued by or on behalf of Pleasanton, the proceeds of which are applied to finance or refinance improvements or repair to Pleasanton's Sewer System, and payable from Pleasanton Local Charges.

"Rate Covenant Debt Service" means: (1) Debt Service on the Bonds; plus (2) Debt Service on the Treatment Plant Bonds; less the sum of: (1) amounts payable by Livermore under the Sewer Service Contract; and (2) the Actual Rate Stabilization Fund Draw.

"Rate Stabilization Fund" means the fund by that name created and held by the District pursuant to the Installment Sale Agreement.

"Regional Agreement" means that certain Agreement for Wastewater Disposal Services," dated November 3, 1992, between the District and Pleasanton, as supplemented by: (i) the First Supplemental Agreement to Agreement for Wastewater Disposal Services, dated September 2, 1997; (ii) the Financing Implementation Agreement; (iii) the Second Supplemental Agreement to Agreement for Wastewater Disposal Services; and (iv) the provisions of the Sewer Service Contract, and as further amended from time to time.

"**Regional Capacity Reserve Buy-In Fee**" means the buy-in component of the regional capacity fee levied by Pleasanton and the District, which is based on a new customer's share of Regional Facilities that have already been constructed.

"Regional Capacity Reserve Fees" means the connection fees described in the Regional Agreement, whether levied and collected by Pleasanton or the District. To provide clarity, the term "Regional Capacity Reserve Fees" does not include Regional Capacity Reserve Buy-In Fees.

"Regional Facilities" has the meaning given to the term "Regional Sewerage Facilities" in the Regional Agreement.

"Regional Service Charges" means the service charges described in the Regional Agreement, whether levied and collected by Pleasanton or the District.

"**Rehabilitation Project**" means the portion of the 2001 Project comprised of the Export Pipeline Rehabilitation Project, as more particularly described in the Engineer's Report, prepared by Brown and Caldwell, entitled "Livermore Amador Valley Water Management Agency Export Pipeline Facilities Project Engineer's Finance Report".

"**Rehabilitation Project Bonds**" means Bonds, the proceeds of which will be or have been applied to the acquisition and construction of the Rehabilitation Project, determined in accordance with the Sewer Service Contract.

"Sewer Service" means the service provided by LAVWMA to the Members for the disposal or reuse of Wastewater provided by the Enterprise, as specified herein.

"Sewer System" means, for each Member, facilities of such Member for the collection, treatment, disposal or reuse of wastewater within its jurisdiction, together with necessary pipes, pumps, valves and machinery and lands, easements and rights of way therefor; and other works, properties or structures necessary or convenient for the collection, treatment, disposal or reuse of wastewater within its jurisdiction, including all additions, betterments, extensions and improvements to such facilities or any part thereof thereafter made.

"Sole Use Facilities" means those facilities of the Enterprise which are utilized by only one of the Members. The Sole Use Facilities for Livermore comprise the Livermore peaking ponds and the interceptor from the Livermore treatment plant to the Joint Use Facilities.

"Target Level" means, with respect to amounts on deposit in the Rate Stabilization Fund, an amount equal to two times (2.0x) Maximum Annual Expansion Project Debt Service.

"Treatment Plant" means the District's sanitary sewerage treatment facilities located at 7399 Johnson Drive, Pleasanton, CA 94588, including the land and improvements thereon and appurtenances thereto, and sludge disposal facilities and appurtenances thereto in the vicinity of said treatment facilities.

"Treatment Plant Expansion Project" means the proposed expansion of the Treatment Plant that will increase its treatment capacity by at least 5.5 mgd ADWF (Average Dry Weather Flow), as more particularly described as "expansion" in Exhibit B to the Installment Sale Agreement.

"Treatment Plant Note" means the portion of the Treatment Plant Note issued by the District to refinance the 2000 Installment Sale Agreement, the proceeds of which were applied to pay the cost of the Treatment Plant Expansion Project.

"Treatment Plant Project" means the Treatment Plant Expansion Project and Treatment Plant Rehabilitation Project.

"Treatment Plant Rehabilitation Project" means the rehabilitation of the Treatment Plant, consisting generally of repairs and replacements to the Treatment Plant, as more particularly described as "replacement" in Exhibit B to the Installment Sale Agreement.

"**2000 Installment Sale Agreement**" means that certain Installment Sale Agreement, dated as of July 1, 2000, between the District and the DSRSD Financing Corporation.

"2001 Bonds" means the sewer revenue bonds issued by LAVWMA in the original principal amount of $142,385,000 under the 2001 Indenture to finance the 2001 Project.

"**2001 Indenture**" means that certain Indenture of Trust, dated as of March 1, 2001, between LAVWMA and the 2001 Trustee.

"2001 Project" means the Export Pipeline Facilities Project, as described in that certain engineer's report, prepared by Brown & Caldwell, dated September, 2000, and entitled "Livermore Amador Valley Water Management Agency Export Pipeline Facilities Project."

"**2001 Trustee**" means The Bank of New York Mellon Trust Company, N.A. (formerly known as BNY Western Trust Company), and its successors and assigns.

"User Charges" means Charges levied for use of a Member's Sewer System, exclusive of connection fees.

"Variable LAVWMA Maintenance and Operation Costs" means, for any given period for any given facilities of the Enterprise, those LAVWMA Maintenance and Operation Costs incurred during such period for energy used for pumping and for chemicals used in the treatment of Wastewater.

"Wastewater" means the effluent from the sewage treatment plants operated by Livermore and the District, acting for itself and Pleasanton.

SEWER SERVICE CONTRACT

See SECURITY FOR THE 2011 BONDS – Sewer Service Contract, Rate Covenants, and Rate Stabilization Fund, for a description of provisions in the Sewer Service Contract relating to (I) Fixed Cost Allocation for Debt Service, (ii) Rate Stabilization Fund (iii) Rate Covenanst, and (iv) Abatement. The provisions in the Sewer Service Contract relating to said topics are not summarized or repeated below.

TERM OF CONTRACT; CHARGES FOR SEWER SERVICE

Term of Contract. The term of the Sewer Service Contract, which is an amendment of the Sewer Service Contract in place for the 2001 Bonds, is in full force and effect on the date of issue of the 2011 Bonds, and shall continue until all Bonds are paid or Discharged.

Providing Sewer Service and Charges Therefor. LAVWMA has provided, and will continue to provide, Sewer Service to the Members. The Obligation of the Members to pay for Sewer Service shall continue so long as LAVWMA shall provide Sewer Service to the Members.

COVENANTS OF LAVWMA

Completion of the 2001 Project. LAVWMA has completed construction of the 2001 Project.

Maintenance and Operation of the Enterprise; Right of Entry. LAVWMA shall maintain and preserve the Enterprise in good repair and working order at all times and shall operate the Enterprise in an efficient and economical manner. Each Member shall have the right to enter the Enterprise during reasonable business hours (and in emergencies at all times) to inspect the same, for any purpose connected with such Member's rights or obligations under the Sewer Service Contract and for all other lawful purposes.

Acceptance of Wastewater.

(a) LAVWMA shall take, receive, and dispose of all Wastewater delivered to the Enterprise from each Member up to such Member's respective maximum Sewer Service requirement specified by subsection (b).

(b) The maximum Sewer Service required to be provided to each Member shall be as follows:

(1) for Livermore, an instantaneous rate of flow of 8.728 million gallons per day, as set forth in the Joint Powers Agreement; and

(2) for the District, for its own account and Pleasanton's, pursuant to the Regional Agreement, an instantaneous rate of flow of 32.472 million gallons per day, as set forth in the Joint Powers Agreement;

provided, however, that any two Members may at any time agree to apportion between themselves the total of their combined average daily Actual Flows as established above.

Measuring and Recording Flow. LAVWMA shall continuously measure the amount of Wastewater received from Livermore and the amount of Wastewater received from the District's plant. The District shall continuously measure the amount of raw sewage transported from within its own territorial limits and from Pleasanton to the District's treatment plant. LAVWMA shall keep such records of such amounts of Wastewater as are necessary for all purposes of the Sewer Service Contract. The District shall keep and submit to LAVWMA in a timely fashion such records of such amounts of raw sewage as are necessary for all purposes of the Sewer Service Contract. Pleasanton shall have the right, during reasonable business hours (and in emergencies at all times), to inspect the District's and LAVWMA's records maintained pursuant to this provision and to enter the District's property to inspect the recording devices measuring the raw sewage transported to the District's sewage treatment plant from Pleasanton and from the District's own territorial limits. Livermore and the District shall have the right, during reasonable business hours (and in emergencies at all times) to inspect LAVWMA's records maintained pursuant to this provision.

Contract with EBDA. LAVWMA shall comply with all terms, covenants and provisions, express and implied, of the EBDA Master Agreement, and shall promptly and diligently enforce all its rights thereunder. LAVWMA shall not amend or terminate the EBDA Master Agreement in any way that would adversely affect the ability of LAVWMA to comply with any of the provisions of the Sewer Service Contract.

PAYMENT FOR SEWER SERVICE

Estimated Flows. Not less than 90 days before the beginning of each Fiscal Year, LAVWMA shall prepare and submit to each Member LAVWMA's best estimate of what such Member's Actual Flow will be for each of the three-calendar-month periods in such Fiscal Year, beginning with January 1, April 1, July 1 and October 1.

Advance Payment. . In consideration of the provision by LAVWMA of the Sewer Service capacity, whether or not such Sewer Service is used, on or before each December 1 and June 1 during the term of the Sewer Service Contract, Livermore and District, acting for itself and Pleasanton, shall pay to LAVWMA their respective shares of budgeted costs identified in LAVWMA's adopted budget as follows:

(a) Total Budgeted Fixed Costs and Budgeted Variable LAVWMA Maintenance and Operation Costs shall be paid in two equal amounts on or before each December 1 and June 1.

(b) 100% of the EBDA Capacity Payments shall be paid each June 1.

(c) Debt Service due on the Bonds on August 1 of each year shall be paid June 1 of each year, and Debt Service due on the Bonds on February 1 of each year shall be paid on December 1 of the prior year.

(d) Livermore and the District shall take such action as may be necessary to include all payments due under this provision in their respective annual budgets, and shall make the necessary annual appropriations for such payments.

(e) Pleasanton agrees to make all payments due to District under of the Regional Agreement within 30 days, and District agrees to enforce said payment obligation, if needed, and shall apply amounts received from Pleasanton pursuant to the Regional Agreement to the payment obligation created under the Sewer Service Contract.

Determination of Amount of Expansion Project Bonds and Rehabilitation Project Bonds.

(a) The amount of Expansion Project Bonds for any Member shall determined, at the time of calculation, by multiplying the principal amount of Bonds then outstanding times the percentage for which a Member is responsible for Debt Service on Expansion Project Bonds, or 22.52% for Livermore, and 77.48% for the District, for itself and Pleasanton.

(b) The amount of Rehabilitation Project Bonds for any Member shall be determined, at the time of calculation, by multiplying the principal amount of Bonds then Outstanding times the percentage for which a Member is responsible for Debt Service on Rehabilitation Project Bonds, or 39.95% for Livermore, and 60.05%, for the District, for itself and Pleasanton.

(c) Of the 2011 Bonds Outstanding at any particular time, 69.54% of the principal amount of the 2011 Bonds shall be treated as Expansion Project Bonds, and 30.46% shall be treated as Rehabilitation Project Bonds.

Provisions Relating to Regional Agreement. In order to secure the Bonds, the District and Pleasanton hereby agree, for the benefit of the Trustee and Bondholders, as follows:

(a) Termination. The District and Pleasanton hereby surrender their right to terminate the Regional Agreement, unless and until the Bonds are Discharged; provided, however, that if

both Pleasanton and the District decide to have another public agency (the "Regional Agency") assume responsibility for operation of the Regional Facilities, the Regional Agreement may be terminated to reflect said change in operation of the Regional Facilities, subject to the following:

(i) the Regional Agency shall assume all obligations of the District and Pleasanton hereunder; and

(ii) the Sewer Service Contract shall be amended to incorporate all relevant provisions of the Regional Agreement, including specifically the rate setting mechanism contained in the Regional Agreement.

(b) Third Party Beneficiary. The trustee for the Bonds and any financial institution providing insurance or a letter of credit to secure the Bonds shall be third-party beneficiaries of the Regional Agreement.

(c) Amendment of Regional Agreement. The District and Pleasanton will not amend the Regional Agreement so as to materially adversely affect the holders of the Bonds, which shall be determined by the Rating Agency then rating the Bonds indicating in writing that such amendment would or would not result in a downgrading to the rating then in effect for the Bonds. If the Rating Agency then rating the Bonds declines for any reason to comment in writing on the effect of such proposed amendment on the rating then in place on the Bonds, then such proposed amendment shall be determined not to be materially adverse to the holders of the Bonds if Bond Counsel delivers to the Trustee an opinion to that effect.

(d) Use of Regional Service Charges. Funds derived from Regional Service Charges may be used to advance funds to pay Expansion Project Debt Service.

Joint Powers Agreement. LAVWMA and the Members agree that they will not amend the Joint Powers Agreement so as to materially adversely affect the holders of the Bonds, which shall be determined by the Rating Agency then rating the Bonds indicating in writing that such amendment would or would not result in a downgrading to or withdrawal of the rating then in effect on the Bonds, or, if the Bonds are then insured, such amendment shall be considered not to materially adversely affect the holders of the Bonds if such amendment is consented to by such Bond insurer. If the Bonds are not insured, and the Rating Agency then rating the Bonds declines for any reason to comment in writing on the effect of such proposed amendment on the Bonds, then such proposed amendment shall be determined not to be materially adverse to the holders of the Bonds if Bond Counsel delivers to the Trustee an opinion to that effect.

MISCELLANEOUS

Eminent Domain. If the whole of the Enterprise shall be taken under the power of eminent domain, the term of the Sewer Service Contract shall end as of the day possession of the Enterprise shall be so taken. If less than the whole of the Enterprise shall be taken under the power of eminent domain, the Sewer Service Contract shall continue in full force and effect and shall not be terminated by virtue of such taking; the Members waive any rights to terminate the Sewer Service Contract by virtue of such taking and waive the benefit of any law to the contrary; and, if such taking causes a material interruption in the Sewer Service, payments for Sewer Service shall be abated during the period of such inability. The net proceeds realized by LAVWMA from any such taking shall be deposited and applied by LAVWMA in the manner provided in the Indenture.

Default in Payment. If default shall be made in the due and punctual payment of any amounts required to be paid under the Sewer Service Contract, or if default shall be made by any Member in the observance of any of the covenants, agreements or conditions on its part in the Sewer Service Contract and such default shall have continued for a period of 30 days after such Member shall have given notice in writing by LAVWMA of such default, such Member shall be deemed to be in default under the Sewer Service Contract and it shall be lawful for LAVWMA to exercise any and all remedies available pursuant

to law or granted pursuant to the Sewer Service Contract. Upon any such default, LAVWMA, in addition to any other rights and remedies it may have at law, shall have the option, without terminating the Sewer Service Contract, to collect each payment for Sewer Service as such payment becomes due and to enforce any other term or provision of the Sewer Service Contract to be kept or performed by such Member.

LAVWMA shall have the right to institute an action for damages sustained as a result of any such default and shall have the right by mandamus or other proceeding at law or in equity to enforce its rights against such Member and to compel such Member and any officers or employees thereof to perform and carry out their obligations and duties under the Sewer Service Contract. In the event of any such default, the Trustee designated pursuant to the Indenture shall have the right to enforce for the benefit of the holders of the Bonds the rights of LAVWMA under the Sewer Service Contract, and, to that end, shall have the right to institute any action or other proceeding at law or in equity which the Trustee could institute under this provision.

Other Sewer Service Users. LAVWMA shall not sell or offer to sell Sewer Service to any user other than a Member: (a) without the written consent of all Members, (b) upon terms and conditions more favorable than those herein provided for the Members, or (c) if the provision of such Sewer Service would prevent it from meeting its obligations under the Sewer Service Contract to provide Sewer Service to the Members.

Disruptions in Pipeline Capacity. To the extent permitted by law, LAVWMA covenants to accept the Wastewater of Members notwithstanding any disruption in pipeline capacity and shall use its best efforts in the event of any such disruption to undertake alternative and interim methods of storage and disposal of wastewater.

Continuing Disclosure. The Members covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificates. Notwithstanding any other provision of the Sewer Service Contract, failure of the Members to comply with the Continuing Disclosure Certificates shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation fees and expenses of its attorneys, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

TRUST INDENTURE

See SECURITY FOR THE BONDS – Pledge Under the Indenture, - Flow of Funds Under the Indenture, and – Parity Bonds for a description of the portions of the Indenture relating to said topics. The provisions in the Indenture relating to said topics are not summarized or repeated below.

Cost of Issuance Fund. Under the Indenture, there is created a fund known as the "Livermore-Amador Valley Water Management Agency Sewer Revenue Bonds, Series A Cost of Issuance Fund" (the "Cost of Issuance Fund"), which LAVWMA will covenant and agree to cause to be maintained and which shall be held in trust by the Trustee. The moneys in the Cost of Issuance Fund shall be used solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of LAVWMA therefor, on or after the Closing Date. Any funds remaining in the Cost of Issuance Fund six months after the Closing Date, shall be transferred by the Trustee to the Revenue Fund.

Escrow Fund. Proceeds of the 2011 Bonds in an amount, which when combined with funds on hand in the Reserve Account for the 2001 Bonds and held under the 2001 Indenture, sufficient to redeem all 2001 Bonds outstanding on October 14, 2011, will be transferred on the date of issue of the 2011 Bonds to the 2001 Trustee for deposit into the Escrow Fund. The 2001 Trustee has delivered a notice of redemption of the 2001 Bonds to the holders thereof in accordance with the provisions of the 2001 Indenture, and has been given irrevocable instructions to redeem all Outstanding 2001 Bonds on such date.

Investments

All moneys in the Debt Service Fund and Cost of Issuance Fund shall be invested by the Trustee solely in Authorized Investments, as directed pursuant to a Request of LAVWMA. In the absence of any such Request of LAVWMA, the Trustee may (but shall not be required to) invest any such moneys in Authorized Investments described in paragraph (f) of the definition thereof. Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, and all interest or gain derived from the investment of amounts in any of the Funds or Accounts established under the Indenture shall be deposited in the Fund or Account from which such investment was made; and shall be accounted for and applied as provided in the Indenture. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee may act as principal or agent in the acquisition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this provision.

Covenants of LAVWMA

Punctual Payment; Compliance With Documents. LAVWMA shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Parity Bonds Instruments.

Against Encumbrances. LAVWMA will not mortgage or otherwise encumber, pledge or place any charge upon the Enterprise or any part thereof, or upon any of the LAVWMA Net Revenues, except as provided in the Indenture.

Discharge of Claims. LAVWMA covenants that in order to fully preserve and protect the priority and security of the Bonds LAVWMA shall pay from the LAVWMA Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the LAVWMA Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. LAVWMA shall also pay from the LAVWMA Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Enterprise or upon any part thereof or upon any of the LAVWMA Net Revenues therefrom.

Acquisition, Construction or Financing of Improvements to the Enterprise. LAVWMA will acquire, construct, or finance Improvements to the Enterprise to be financed with the proceeds of any Parity Bonds with all practicable dispatch, and such Improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

Maintenance and Operation of Enterprise in Efficient and Economical Manner. LAVWMA covenants and agrees to maintain and operate the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order.

Against Sale, Eminent Domain.

(a) LAVWMA will not sell, lease or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the LAVWMA Net Revenues except as herein expressly permitted. LAVWMA will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate LAVWMA Net Revenues for the payment of the interest on and principal or Redemption Price, if any, on the Bonds, or which would otherwise impair the rights of the Holders with respect to the LAVWMA Net Revenues or the operation of the Enterprise. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has worn out, may be sold without the consent of the Holders if such sale will not reduce LAVWMA Net Revenues and if all of the Net Proceeds of such sale are deposited in the Revenue Fund.

(b) If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by LAVWMA therefrom shall be deposited by LAVWMA with the Trustee in a special fund in trust and applied by LAVWMA to the cost of acquiring or constructing or financing

Improvements to the Enterprise if (A) LAVWMA first secures and files with the Trustee a Certificate of LAVWMA showing (i) the estimated loss in annual LAVWMA Net Revenues, if any, suffered, or to be suffered, by LAVWMA by reason of such eminent domain proceedings, (ii) a general description of the Improvements to the Enterprise then proposed to be acquired or constructed by LAVWMA from such Net Proceeds, and (iii) an estimate of the additional LAVWMA Net Revenues to be derived from such Improvements; and (B) the Trustee, on the basis of such Certificate of LAVWMA, determines that such additional LAVWMA Net Revenues will sufficiently offset the loss of LAVWMA Net Revenues, resulting from such eminent domain proceedings so that the ability of LAVWMA to meet its obligations under the Indenture will not be substantially impaired, which determination shall be final and conclusive. If the foregoing conditions are met, LAVWMA shall then promptly proceed with the acquisition or construction or financing of such Improvements substantially in accordance with such Certificate of LAVWMA and payments therefor shall be made by the Trustee from such Net Proceeds and from other moneys of LAVWMA lawfully available therefor, and any balance of such Net Proceeds not required by LAVWMA for the purposes aforesaid shall be deposited in the Revenue Fund. If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Trustee pro rata to the redemption or purchase of the Bonds of each Series then Outstanding in the proportion which the principal amount of the Outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then Outstanding. If the Trustee is unable to purchase or redeem Bonds in amounts sufficient to exhaust the available moneys allocable to each such Series, the remainder of such moneys for each such Series shall be held in trust by the Trustee and applied to the payment of the Bonds of such Series as the same become due by their terms.

Insurance. LAVWMA covenants that it shall at all times maintain such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Enterprise shall be damaged or destroyed, such part shall be restored to use. The Net Proceeds of insurance against accident to or destruction of the physical Enterprise shall be used for repairing or rebuilding the damaged or destroyed portions of the Enterprise, (to the extent that such repair or rebuilding is determined by LAVWMA to be useful or of continuing value to the Enterprise) and to the extent not so applied, shall be applied to the redemption of the Outstanding Bonds issued on a pro rata basis, and for such purpose shall be paid into the Redemption Account.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to LAVWMA, or may be in the form of self-insurance by LAVWMA. LAVWMA shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance. LAVWMA shall file or cause to be filed with the Trustee, annually within one hundred twenty (120) days after the close of each Fiscal Year, a Certificate of LAVWMA (a) setting forth a description in reasonable detail of the insurance then in effect, including any self-insurance fund, maintained pursuant to the requirements of this provision, (b) stating that LAVWMA is then in compliance with the requirements of this provision, and (c) stating whether during the preceding Fiscal Year any loss has been incurred with respect to the Enterprise and, if so, the amount of Net Proceeds of insurance, including the Net Proceeds of any self-insurance fund, covering such loss and specifying the reasonable and necessary costs of repair, reconstruction or replacement thereof.

Records and Accounts. LAVWMA covenants that it shall keep proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

LAVWMA covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Bond Owners at the office of the Trustee in San Francisco, California, upon reasonable request, a copy of the report of such Independent Certified Public Accountant.

LAVWMA covenants that it will cause to be prepared annually, not more than one hundred eighty (180) days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of LAVWMA Gross Revenues and the amount of all other

funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds, the disbursements from the LAVWMA Gross Revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the Enterprise. LAVWMA shall furnish a copy of the statement to the Trustee, and upon written request, to any Bond Owner.

Protection of Security and Rights of Owners. LAVWMA will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Parity Bonds by LAVWMA, such Parity Bonds shall be incontestable by LAVWMA.

Against Competitive Facilities. LAVWMA will not acquire, construct, operate or maintain the Enterprise or utility within the service area of LAVWMA that would be competitive with the Enterprise.

Payment of Taxes, Etc. LAVWMA will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon any Revenues when the same shall become due. LAVWMA will duly observe and conform with all valid requirements of any governmental authority relative to the Enterprise or any part thereof, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any Improvements to the Enterprise.

Enforcement of Sewer Service Contract and Regional Agreement. LAVWMA shall enforce its right to receive payments from the Members under the Sewer Service Contract, and, as third party beneficiary of the Regional Agreement, to ensure timely payment on the Bonds.

No Priority for Additional Obligations. LAVWMA covenants that no additional bonds or other obligations shall be issued or incurred having any priority in payment of principal or interest out of the LAVWMA Net Revenues over the Bonds. Nothing in the Indenture shall prohibit or impair the authority of LAVWMA to issue bonds or other obligations secured by a lien on LAVWMA Gross Revenues or LAVWMA Net Revenues which is subordinate to the lien established under the Indenture, upon such terms and in such principal amounts as LAVWMA may determine.

No Arbitrage. LAVWMA shall not take, nor permit nor suffer to be taken any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" within the meaning of the Tax Code.

Information Report. The Treasurer is directed to assure the filing of an information report for the 2011 Bonds in compliance with Section 149 (e) of the Tax Code.

Private Business Use Limitation. Not more than ten percent (10%) of the Net Proceeds of the 2011 Bonds shall be used in a manner which would cause the 2011 Bonds to become "private activity bonds" under and within the meaning of Section 141 (a) of the Tax Code.

Private Loan Limitation. Not more than five percent (5%) of the Net Proceeds of the 2011 Bonds shall be used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Obligations or assessments) to persons other than state or local government units.

Federal Guarantee Prohibition. LAVWMA shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2011 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

Further Assurances. LAVWMA will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Continuing Disclosure. LAVWMA covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the

Indenture, failure of LAVWMA to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2011 Bonds, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation fees and expenses of its attorneys, or any holder or beneficial owner of the 2011 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Rebate Requirement. LAVWMA shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

Maintenance of Tax-Exemption. LAVWMA shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Bonds

Amendments to the Indenture

Amendment by Consent of Bond Owners. The Indenture and the rights and obligations of LAVWMA and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of LAVWMA to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Amendment Without Consent of Bondholders. The Indenture and the rights and obligations of LAVWMA and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery, without consent of any Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of LAVWMA in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon LAVWMA; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as LAVWMA may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not adversely affect the interests of the Owners of the Bonds;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of special funds and accounts relating to such Parity Bonds and any other provisions relating solely to such Parity Bonds, subject to and in accordance with the provisions of the Indenture; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) Default by LAVWMA in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in any Parity Bonds Instrument or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after LAVWMA shall have been given notice in writing of such default by the Trustee; or

(d) The filing by LAVWMA of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of LAVWMA, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of LAVWMA or of the whole or any substantial part of its property.

(e) Default by LAVWMA or Members in the observance of any of the covenants, agreements or conditions on their part in the Sewer Service Contract and such default shall have continued for a period of thirty (30) days after LAVWMA or the Members shall have been given notice in writing of such default to the Trustee.

Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, the Sewer Service Contract and the Regional Agreement.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed

with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Discharge of Indenture. If LAVWMA shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by depositing with a qualified escrow holder, in trust, Defeasance Obligations in such amount as LAVWMA (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the Funds and Accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the election of LAVWMA, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the LAVWMA Net Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of LAVWMA under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of LAVWMA to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to LAVWMA.

Refunding bonds may be issued at any time without regard to whether an Event of Default exists.

To accomplish defeasance LAVWMA shall cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or earlier redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to LAVWMA and the Trustee.

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APPENDIX E

PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES

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FORM OF LAVWMA
CONTINUING DISCLOSURE CERTIFICATE

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY
2011 SEWER REVENUE REFUNDING BONDS
(AGENCY)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Livermore-Amador Valley Water Management Agency (the "Agency") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of October 1, 2011 (the "Indenture"), between the Agency and U.S. Bank National Association, as trustee.

The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is 210 days after the end of the Agency's fiscal year (currently the fiscal year end is June 30).

"*Dissemination Agent*" means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"Members" means the Dublin San Ramon Services District and the Cities of Pleasanton and Livermore.

"Member Annual Reports" means the Annual Reports required to be filed pursuant to the Member Continuing Disclosure Certificates.

"Member Continuing Disclosure Certificates" means the Continuing Disclosure Certificates relating to the Bonds executed by each of the Members.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for

purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the Agency in connection with the issuance of the Bonds.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing with the report for the 2010-11 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Agency, (1) file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided, and (2) with respect to Member Annual Reports, file a report with the Agency certifying that the Member Annual Reports have been provided pursuant to this Disclosure Certificate, and stating the dates they were provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) The Agency's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency for the preceding fiscal year or as of the end of the preceding fiscal year, as applicable, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of the Bonds and any Parity Bonds outstanding.

(ii) Any material changes since the later of the Official Statement or the most recent Annual Report relating to the permits, licenses, contracts and applicable regulations related to the LAVWMA Enterprise (as defined in the Official Statement).

(iii) Description of any local initiatives that have been approved for the ballot or adopted by the voters that may materially restrict or limit development in the Agency's service area.

(iv) A summary of debt service coverage for the most recently completed bond year (no updated projections are required) in the form of Table 2B of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the Agency determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond holders or any other party. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: October 13, 2011

LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY

By: _____

Name: _____

Title: _____

AGREED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Livermore-Amador Valley Water Management Agency

Name of Issue: Livermore-Amador Valley Water Management Agency
2011 Sewer Revenue Refunding Bonds

Date of Issuance: October 13, 2011

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of October 1, 2011, between the Agency and U.S. Bank National Association, as trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated:_____

DISSEMINATION AGENT:

U.S. BANK NATIONAL
ASSOCIATION

By: _____
Its: _____

FORM OF MEMBER
CONTINUING DISCLOSURE CERTIFICATE

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT MEMBER
2011 SEWER REVENUE REFUNDING BONDS
(MEMBER)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by _____ (the "Member") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of October 1, 2011 (the "Indenture"), between the Livermore-Amador Valley Water Management Agency (the "Agency") and U.S. Bank National Association, as trustee.

The Member covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Member for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Member pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is 210 days after the end of the Member's fiscal year (currently the fiscal year end is June 30).

"*Dissemination Agent*" means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Members and which has filed with the Members a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"Members" means the Member and [Dublin San Ramon Services District][the City of Pleasanton][the City of Livermore].

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the Agency in connection with the issuance of the Bonds.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Member shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing with the report for the 2010-11 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Member shall provide the Annual Report to the Dissemination Agent (if other than the Member). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Member) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Member to determine if the Member is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Member may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Member's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Member shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Member hereunder.

(b) If the Member does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Member shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Member, file a report with the Member certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

(iii) file a report with the Agency certifying that the Annual Report for the Member has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Member's Annual Report shall contain or incorporate by reference the following:

(a) The Member's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Member's audited financial

statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Member for the preceding fiscal year or as of the end of the preceding fiscal year, as applicable, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Material changes in the Sewer System's permits, licenses and applicable regulations since the later of the Official Statement or the most recent Annual Report.

(ii) Dwelling Unit Equivalents and Connections by Classification of User as of June 30 of the most recently completed fiscal year, in the form of [DSRSD: Table 4] [Pleasanton: Table 13] [Livermore: Table 17] in the Official Statement.

(iii) [DSRSD: Information of the type shown in the Official Statement in Table 6 – "Revenues Generated by Regional Charges by Type of Fee and Class of User" for the most recently completed fiscal year.] [Livermore: Information of the type shown in Table 19 – "Revenues by Class of User" for the most recently completed fiscal year]. [Pleasanton: no obligation to update information under this clause (iii).]

(iv) Current User Charges, to the extent they have changed from information previously provided in the Official Statement or an Annual Report, as applicable.

(v) Current Connection Charges, to the extent they have changed from information previously provided in the Official Statement or an Annual Report, as applicable.

(vi) [DSRSD: For the most recently completed fiscal year, the beginning balance in the Rate Stabilization Fund, the Target Level, and the ending balance in the Rate Stabilization Fund.]

(vii) Prior fiscal year's operating results (no updated projections required) presented in the form of [DSRSD: Table 11B in the Official Statement] [Pleasanton: Table 15 in the Official Statement] [Livermore: Table 23 in the Official Statement].

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Member shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Member or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Member shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Member shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Member obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6) (but only with respect to "other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security"), (a)(7), (a)(8) (if the event is a bond call), (a)(10),

(a)(13) or (a)(14) above, the Member determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the Member shall, or shall cause the Dissemination Agent (if not the Member) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Member's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Member shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Member may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the Member.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Member may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Member to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Member from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Member chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Member shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Member fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Member to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Member to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Member agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Member hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Member, the Bond holders or any other party. The obligations of the Member under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Member for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Member, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: October 13, 2011

[MEMBER]

By: _____

Name: _____

Title: _____

AGREED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Reporting Party: [Member]

Name of Issue: Livermore-Amador Valley Water Management Agency 2011 Sewer Revenue Refunding Bonds

Date of Issuance: October 13, 2011

NOTICE IS HEREBY GIVEN that the Member has not provided an Annual Report with respect to the above-named Bonds as required by the Member's Continuing Disclosure Certificate with respect to such Bonds. The Member anticipates that the Annual Report will be filed by _____.

Dated:_____

DISSEMINATION AGENT:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Its: _____

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APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

[Letterhead of Jones Hall, A Professional Law Corporation]

October 13, 2011

Livermore-Amador Valley Water Management Agency
7051 Dublin Boulevard
Dublin, California 94568

OPINION: $105,345,000 Livermore-Amador Valley Water Management Agency
2011 Sewer Revenue Refunding Bonds

Members of the Board:

We have acted as bond counsel in connection with the issuance by the Livermore-Amador Valley Water Management Agency (the "Authority") of the $105,345,000 Livermore-Amador Valley Water Management Agency 2011 Sewer Revenue Refunding Bonds (the "Bonds"), pursuant to Section 53570 *et seq.* of the Government Code of the State of California (the "Bond Law"), an Indenture of Trust, dated as of October 1, 2011, by and between LAVWMA and U.S. Bank National Association, as trustee (the "Indenture"), a resolution (the "Resolution") of the Board of Directors of LAVWMA adopted on September 14, 2011, and that certain Amended and Restated Sewer Service Contract, dated as of October 1, 2011 (the "Sewer Service Contract") among LAVWMA, the Cities of Livermore and Pleasanton, and the Dublin San Ramon Community Services District (the "Members"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of LAVWMA contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. LAVWMA is duly created and validly existing as a joint exercise of powers agency with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly approved by LAVWMA and constitutes a valid and binding obligation of LAVWMA enforceable upon LAVWMA.

3. Pursuant to the Bond Law, the Indenture creates a valid lien on the LAVWMA Net Revenues pledged by the Indenture for the security of the Bonds, as described in the Indenture.

4. The Bonds have been duly authorized, executed and delivered by LAVWMA, and are valid and binding special obligations of LAVWMA, payable solely from the sources provided therefor in the Indenture.

5. The Sewer Service Contract has been duly authorized, executed and delivered by LAVWMA and the Members, and is a valid and binding obligation of LAVWMA and each of the Members, enforceable in accordance with its terms.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that LAVWMA comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. LAVWMA has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation