

IMPORTANT NOTES:

The attached Basic Unaudited Financial Statements of the East Bay Municipal Utility District (the "District") for the three months ended September 30, 2023 are provided by the District voluntarily and are not required pursuant to any Continuing Disclosure Undertaking by the District relating to its outstanding bonds.

The District does not have, and does not incur by this voluntary filing, any obligation to update any information contained in this voluntary filing or provide any ongoing filing of its quarterly unaudited financial statements.

The information contained in the attached Basic Unaudited Financial Statements of the District for the three months ended September 30, 2023 is not made by the District in connection with a purchase or sale of any bonds or other debt obligations and accordingly is not intended to contain all information material to a decision to purchase or sell any District bonds or other debt obligations. The information contained in the attached Basic Unaudited Financial Statements of the District for the three months ended September 30, 2023 speaks only as of the dates and for the periods so indicated therein, and should not be viewed as indicative of future results or performance of the District. The delivery of the attached Basic Unaudited Financial Statements of the District for the three months ended September 30, 2023 does not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement of the District or otherwise in the affairs of the District.

Dated: December 14, 2023

EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

First quarter report which provides a continuing view of the District's financial position

**PREPARED BY THE
FINANCE DEPARTMENT**

UNAUDITED

**EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC UNAUDITED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2023**

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**EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC UNAUDITED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2023**

Management’s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations

Forward Looking Statements

This section presents management’s analysis of the East Bay Municipal Utility District’s (the District) financial condition and activities as of September 30, 2023. This information should be read in conjunction with the unaudited financial statements for the year ended June 30, 2023. The information in this MD&A is presented under the following headings:

- Organization and Business
- The Basic Unaudited Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Request for Information

ORGANIZATION AND BUSINESS

The District provides water and wastewater services to industrial, commercial, residential, and public authority users. The Water System collects, transmits, treats, and distributes high quality water to approximately 60% (332 square miles) of the developed area within Alameda and Contra Costa counties of California and serves a population of about 1.4 million. The Wastewater System intercepts and treats wastewater from residences and industries within an 88-square-mile service area including the communities of Alameda, Albany, Berkeley, El Cerrito, Emeryville, Kensington, Oakland, Piedmont, and parts of Richmond serving a population of about 740,000. The District recovers cost of service primarily through user fees.

THE BASIC UNAUDITED FINANCIAL STATEMENTS

The District’s basic unaudited financial statements are comprised of three components: Management Discussion and Analysis, Fund Financial Statements, and Notes to Basic Financial Statements. This quarterly financial report excludes the District’s Fiduciary Fund that consists of the Pension and other Employee Benefit Trusts. The Fiduciary Fund is reported on an annual basis only and is included in the most recent Annual Audited Financial Reports for the year ended June 30, 2023, which is posted on the District’s website <http://www.ebmud.com>.

FINANCIAL ANALYSIS

Net Position

The District's total net position increased by \$105.0 million or 4% during the three months ended September 30, 2023. The Water System's net position increased by \$92.9 million or 4%, and the Wastewater System's net position increased by \$12.1 million or 3%. Current, noncurrent, and other assets increased by \$90.7 million or 10%. Capital assets increased by \$67.1 million or 1%. By far the largest portion of the District's net position, 98% or \$2.9 billion, represents its investment in capital assets necessary to provide services. Components of the net position are shown in Table 1.

Table 1
Net Position
Water and Wastewater
September 30, 2023 and June 30, 2023
(In thousands)

	September 30, 2023	June 30, 2023	Increase (Decrease)	%
Current, noncurrent, and other assets	\$ 1,005,255	\$ 914,597	90,658	10%
Capital assets	6,067,068	5,999,925	67,143	1%
Total assets	<u>7,072,323</u>	<u>6,914,522</u>	<u>157,801</u>	2%
Deferred outflow of resources	452,692	453,008	(316)	(0)%
Total assets and deferred outflow	<u>7,525,015</u>	<u>7,367,530</u>	<u>157,485</u>	2%
Current and other liabilities	1,382,376	1,322,960	59,416	4%
Long-term liabilities	3,054,859	3,061,677	(6,818)	(0)%
Total liabilities	<u>4,437,235</u>	<u>4,384,637</u>	<u>52,598</u>	1%
Deferred inflow of resources	100,881	101,019	(138)	(0)%
Total liabilities and deferred inflow	<u>4,538,116</u>	<u>4,485,656</u>	<u>52,460</u>	1%
Net position:				
Net investment in capital assets	2,913,059	3,076,094	(163,035)	(5)%
Restricted	216,496	217,654	(1,158)	(1)%
Unrestricted	<u>(142,656)</u>	<u>(411,874)</u>	<u>269,218</u>	(65)%
Total net position	<u>\$ 2,986,899</u>	<u>\$ 2,881,874</u>	<u>105,025</u>	4%

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Results of Operations

For the three months ended September 30, 2023, the District's total operating revenue of \$233.6 million increased by \$13.6 million, and total operating expense of \$135.7 million increased by \$10.2 million compared to the same period of the previous fiscal year. The change in net position (including capital contributions) increased from \$89.8 million in the three months ended in the previous fiscal year to \$105.0 million in the same period of the current fiscal year. The District's total net position increased from \$2,749.5 million in the three months ended September 30, 2022 to \$2,986.9 million in the same period ending September 30, 2023.

The major components of the District's results of operations in the current period as compared to the same period in the prior year were:

- Water revenue increased by \$8.9 million or 5% due to an 8.5% water rate increase at the beginning of fiscal year 2024 offset by the removal of drought surcharges.
- Wastewater revenue remained stable, slightly increased by \$0.5 million or 2%.
- Power revenue increased by \$3.5 million or 101% due to higher hydropower prices and sales in the current fiscal year.
- Total operating expense increased by \$10.2 million, primarily due to increases of \$6.9 million in water treatment and distribution, \$4.1 million in general administration, \$1.7 million in sewer lines and pumps, and \$1.4 million in depreciation, offset by a \$3 million decrease in facilities management.
- Net nonoperating expense decreased by \$6.3 million, primarily due to a \$12.0 million increase in investment income and a \$2.1 million increase in taxes and subventions, offset by a \$7.5 million increase in other expenses.
- Capital contributions increased by \$5.5 million or 52% compared to the same period in the previous fiscal year. The increase is primarily due to an increase in earned standard service installments. Grants and other reimbursements decreased by \$0.4 million due to less monies received from Federal and State grants. Page 8 contains additional capital contributions information.

Table 2 shows changes in the District’s net position for the three months ended September 30, 2023 and 2022.

Table 2
Changes in Net Position
Water and Wastewater
September 30, 2023 and 2022

	(In thousands)			
	September 30, 2023	September 30, 2022	Increase (Decrease)	%
Operating Revenue:				
Water	\$ 191,197	\$ 182,315	8,882	5%
Sewer	27,053	26,518	535	2%
Power	7,033	3,504	3,529	101%
Wet weather facilities charges	8,345	7,722	623	8%
Total operating revenue	<u>233,628</u>	<u>220,059</u>	<u>13,569</u>	<u>6%</u>
Operating Expense:				
Raw water	12,833	15,488	(2,655)	(17)%
Water treatment & distribution	36,454	29,581	6,873	23%
Recreation areas, net	1,413	1,310	103	8%
Sewer lines & pumps	5,104	3,448	1,656	48%
Sewer treatment plant operations	10,529	10,432	97	1%
Customer accounting & collecting	5,872	5,192	680	13%
Financial and risk management	7,139	5,950	1,189	20%
Facilities management	926	3,966	(3,040)	(77)%
General administration	14,828	10,687	4,141	39%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	38,584	37,173	1,411	4%
Amortization	2,060	2,364	(304)	(13)%
Total operating expense	<u>135,742</u>	<u>125,591</u>	<u>10,151</u>	<u>8%</u>
Net operating income	<u>97,886</u>	<u>94,468</u>	<u>3,418</u>	<u>4%</u>
Nonoperating income (expense):				
Investment income (expense)	8,464	(3,491)	11,955	(342)%
Taxes & subventions	13,635	11,584	2,051	18%
Interest & amortization of bond expenses, net	(28,977)	(28,762)	(215)	1%
Decrease of Equity in JPA partnership fund	(1,033)	(1,032)	(1)	0%
Other income (expense)	(881)	6,612	(7,493)	(113)%
Total nonoperating income (expense), net	<u>(8,792)</u>	<u>(15,089)</u>	<u>6,297</u>	<u>(42)%</u>
Income before contributions	89,094	79,379	9,715	12%
Capital contributions	16,218	10,465	5,753	55%
Passthrough grant reimbursement	(287)	—	(287)	
Change in net position	105,025	89,844	15,181	17%
Total net position – beginning	<u>2,881,874</u>	<u>2,659,675</u>	<u>222,199</u>	<u>8%</u>
Total net position – ending	<u>\$ 2,986,899</u>	<u>\$ 2,749,519</u>	<u>237,380</u>	<u>9%</u>

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Liquidity

The District had \$509.3 million in combined current and noncurrent District Cash and Investments as of September 30, 2023, a decrease of \$255.5 million compared to \$764.7 million as of September 30, 2022. Components of cash and investments for the three months ended September 30, 2023 were:

- Water System total combined current and noncurrent cash and investments decreased by \$212.5 million compared to the same date of previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by \$14.6 million compared to the prior year. This was primarily due to an increase of \$9.6 million spending from capital and related financing activities, a decrease of \$7.0 million in investing activities and a decrease of \$5.3 million in noncapital financing activities offset by an increase of \$7.4 million in operating activities. Net increase (decrease) in noncurrent investments decreased by \$16.6 million, primarily due to the reallocation of investments between short-term and long-term.
- Wastewater System total combined current and noncurrent cash and investments decreased by \$43.0 million compared to the same date in the previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by \$12.6 million compared to the same date of prior year. This was primarily due to a decrease of \$8.6 million in investing activities, an increase of \$2.7 million spending from capital and related financing activities and a decrease of \$1.2 million in operating activities. Net increase (decrease) in noncurrent investments decreased by \$10.2 million, also primarily due to the reallocation of investments between short-term and long-term.

Table 3 shows the District’s cash flow for the three months ended September 30, 2023 and 2022.

Table 3
Cash Flows
Water and Wastewater System
For the Three Months Ended September 30, 2023 and 2022
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	Amount	%
Cash and cash equivalents:								
Beginning of year	\$ 94,250	\$ 130,071	\$ 35,256	\$ 46,753	\$ 129,506	\$ 176,824	(47,318)	(27)%
Net cash provided by operating activities	62,532	55,107	(1,485)	(327)	61,047	54,780	6,267	11%
Net cash provided by (used in) noncapital financing activities	10,135	15,477	2,619	2,719	12,754	18,196	(5,442)	(30)%
Net cash used in capital and related financing activities	(83,274)	(73,629)	(7,931)	(5,217)	(91,205)	(78,846)	(12,359)	16%
Net cash provided by (used in) investing activities	(14,093)	(7,078)	(3,730)	4,877	(17,823)	(2,201)	(15,622)	710%
Net increase (decrease) in cash and cash equivalents	(24,700)	(10,123)	(10,527)	2,052	(35,227)	(8,071)	(27,156)	
End of period	69,550	119,948	24,729	48,805	94,279	168,753	(74,474)	(44)%
Investments:								
Beginning of year	330,914	509,636	60,917	90,070	391,831	599,706	(207,875)	(35)%
Net increase (decrease) in investments	18,725	2,083	4,440	(5,800)	23,165	(3,717)	26,882	(723)%
End of period	\$ 349,639	\$ 511,719	\$ 65,357	\$ 84,270	\$ 414,996	\$ 595,989	(180,993)	(30)%
Total District Cash and Investments	\$ 419,189	\$ 631,667	\$ 90,086	\$ 133,075	\$ 509,275	\$ 764,742	(255,467)	(33)%

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Cash and Investments by Fund

Total cash and investments available for operating and capital activities are reported in current and noncurrent assets as unrestricted and restricted funds. Total cash and investments decreased by \$12.1 million during the three months ended September 30, 2023. Significant activities were as follows: Water System increased \$17.2 million in working capital reserve and spent \$25.0 million in capital reserves to main infrastructures. Wastewater System increased \$3.5 million in working capital reserve and spent \$9.2 million in capital reserves to maintain capital projects and equipment replacements.

Operating and capital reserves are components of unrestricted cash and investments. Individual funds within operating and capital reserves are funded pursuant to Board policy but are unrestricted as to use. The unrestricted reserve balances indicate the District's ability to meet unanticipated revenue declines or expenditure increases. Unrestricted reserves are committed by the Board of Directors. This is distinct from restricted reserves which are legally constrained by law or by third party. For additional information, see Note 1G to the financial statements.

Table 4 shows the District's cash and investment by fund as of September 30, 2023 and June 30, 2023.

Table 4
Cash and Investment by Fund
Water and Wastewater
September 30, 2023 and June 30, 2023
(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase (decrease)</u>	
	<u>September 30, 2023</u>	<u>June 30, 2023</u>	<u>September 30, 2023</u>	<u>June 30, 2023</u>	<u>September 30, 2023</u>	<u>June 30, 2023</u>	<u>Amount</u>	<u>%</u>
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	\$ 150,000	\$ 150,000	\$ 32,000	\$ 32,000	\$ 182,000	\$ 182,000	—	0%
Working capital reserve	99,400	82,200	25,900	22,400	125,300	104,600	20,700	20%
Self-insurance	6,600	8,271	1,000	1,141	7,600	9,412	(1,812)	(19)%
Workers compensation	7,800	7,192	900	992	8,700	8,184	516	6%
Total operating reserves	<u>263,800</u>	<u>247,663</u>	<u>59,800</u>	<u>56,533</u>	<u>323,600</u>	<u>304,196</u>	<u>19,404</u>	<u>6%</u>
Capital reserves:								
Reserved for capital projects	82,195	109,571	8,382	(1,533)	90,577	108,038	(17,461)	(16)%
Reserve funded CIP - Wastewater	—	—	15,892	15,480	15,892	15,480	412	3%
Vehicle replacements	29,387	27,011	—	—	29,387	27,011	2,376	9%
Equipment replacements	—	—	5,012	24,693	5,012	24,693	(19,681)	(80)%
Total capital reserves	<u>111,582</u>	<u>136,582</u>	<u>29,286</u>	<u>38,640</u>	<u>140,868</u>	<u>175,222</u>	<u>(34,354)</u>	<u>(20)%</u>
Total unrestricted cash and investment	<u>375,382</u>	<u>384,245</u>	<u>89,086</u>	<u>95,173</u>	<u>464,468</u>	<u>479,418</u>	<u>(14,950)</u>	<u>(3)%</u>
Restricted cash and investments								
Bond interest and redemption fund	—	—	—	—	—	—	—	N/A
Debt service reserve fund	1,135	1,136	—	—	1,135	1,136	(1)	+++
Funds received for construction	40,371	37,493	—	—	40,371	37,493	2,878	8%
FERC partnership fund	2,195	2,186	—	—	2,195	2,186	9	0%
Monetary reserve	106	104	1,000	1,000	1,106	1,104	2	0%
Total restricted cash and investments	<u>43,807</u>	<u>40,919</u>	<u>1,000</u>	<u>1,000</u>	<u>44,807</u>	<u>41,919</u>	<u>2,888</u>	<u>7%</u>
Total District cash and investments	<u>\$ 419,189</u>	<u>\$ 425,164</u>	<u>\$ 90,086</u>	<u>\$ 96,173</u>	<u>\$ 509,275</u>	<u>\$ 521,337</u>	<u>(12,062)</u>	<u>(2)%</u>

*For Wastewater System, the monetary reserve includes the resource recovery (R2) insurance reserve fund.

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Capital Contributions

Capital contributions primarily consist of Water System Capacity Charges (SCC) and Wastewater Capacity Fees (WCF). In addition, the District collects fees and charges from applicants when the District's facilities need to be relocated during construction projects. The District also receives state and federal grants to fund capital projects.

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

The Wastewater System's WCF are treated as unrestricted funds and pay for the applicant's share of Wastewater facilities including the main wastewater treatment plant, interceptors, and wet weather facilities.

For the three months ended September 30, 2023, capital contributions increased by \$5.5 million or 52% compared to the same period in the previous fiscal year. The increase is primarily due to an increase in earned standard service installments. Grants and other reimbursements decreased by \$0.4 million due to less monies received from Federal and State grants.

Table 5 shows the District's capital contributions received for the three months ended September 30, 2023 and 2022.

Table 5
Capital Contributions
Water and Wastewater
For the Three Months Ended September 30, 2023 and 2022
(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase (decrease)</u>	
	<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>Amount</u>	<u>%</u>
System capacity charges	\$ 10,937	\$ 6,930	\$ —	\$ —	\$ 10,937	\$ 6,930	4,007	58%
Wastewater capacity fees	—	—	1,174	1,195	1,174	1,195	(21)	(2)%
Earned contributions on construction	3,926	2,028	—	—	3,926	2,028	1,898	94%
Grants and other reimbursements	181	312	—	—	181	312	(131)	(42)%
Passthrough grant reimbursement	(287)	—	—	—	(287)	—	(287)	
Totals	\$ 14,757	\$ 9,270	\$ 1,174	\$ 1,195	\$ 15,931	\$ 10,465	5,466	52%

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CAPITAL ASSETS

The District had \$6.1 billion (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of September 30, 2023. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, pump stations, water reclamation facilities, wastewater and wet weather treatment facilities, machinery, and equipment. As of September 30, 2023, capital assets increased by \$67.1 million or 1.1% compared with capital assets as of June 30, 2023. Annual changes are consistent with the District's capital improvement program.

The Water System had \$5.2 billion (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of September 30, 2023. The investment in capital assets includes land, buildings, improvements, water treatment plants, aqueducts, water transmission and distribution mains, water storage facilities, pump stations, water recycling facilities, machinery, and equipment.

The Wastewater System had \$824.1 million (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of September 30, 2023. The investment in capital assets includes land, buildings, improvements, power generation, wastewater and wet weather treatment facilities, machinery, and equipment.

Table 6 shows the District's capital assets as of September 30, 2023 and June 30, 2023.

Table 6

Capital Assets, Net of Depreciation

Water and Wastewater

September 30, 2023 and June 30, 2023

(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023	Amount	%
Structures, buildings, and equipment	\$ 4,203,908	\$ 4,137,730	\$ 643,621	\$ 647,926	\$ 4,847,529	\$ 4,785,656	61,873	1.3%
Lease-right to use assets	1,543	1,543	—	—	1,543	1,543	—	0.0%
SBITAs-right to use assets	21,894	21,894	—	—	21,894	21,894	—	0.0%
Land and rights of way	73,767	73,767	21,552	21,552	95,319	95,319	—	0.0%
Construction work in progress	941,897	943,573	158,886	151,940	1,100,783	1,095,513	5,270	0.5%
Totals	\$ 5,243,009	\$ 5,178,507	\$ 824,059	\$ 821,418	\$ 6,067,068	\$ 5,999,925	67,143	1.1%

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DEBT ADMINISTRATION

The District had total long-term debt outstanding of \$3.2 billion as of September 30, 2023. Components of the District's long-term debt portfolio as of September 30, 2023 are:

- The Water System had total long-term debt outstanding of \$2.8 billion.
- The Wastewater System had total long-term debt outstanding of \$357.1 million.

Table 7 shows the District's long-term debt outstanding as of September 30, 2023 and June 30, 2023.

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
September 30, 2023 and June 30, 2023
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	September 30,	June 30,	September 30,	June 30,	September 30,	June 30,	Amount	%
	2023	2023	2023	2023	2023	2023		
Revenue bonds*	\$ 2,483,059	\$ 2,489,158	\$ 357,119	\$ 357,837	\$ 2,840,178	\$ 2,846,995	(6,817)	(0.2)%
Commercial paper	281,000	281,000	—	—	281,000	281,000	—	0.0%
Loans	29,251	29,251	—	—	29,251	29,251	—	0.0%
Totals	<u>\$ 2,793,310</u>	<u>2,799,409</u>	<u>\$ 357,119</u>	<u>\$ 357,837</u>	<u>\$ 3,150,429</u>	<u>\$ 3,157,246</u>	<u>(6,817)</u>	<u>(0.2)%</u>

*Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was \$192 million and \$198 million as of September 30, 2023 and June 30, 2023, respectively. For Wastewater System, the net of unamortized bond premium and discount was \$19 million and \$20 million as of September 30, 2023 and June 30, 2023, respectively.

It is the policy of the District to maintain a reasonable balance between debt and current revenue financing of capital projects. The following targets provide the framework for financing capital projects:

Debt Service Coverage Ratio: Maintain an annual revenue bond debt service coverage ratio of at least 1.6 times.

Debt-Funded Capital Spending: Limit debt-funded capital to no more than 65% of the total capital program over each five-year planning period.

Extendable Commercial Paper and Un-hedged Variable Rate Debt: Maintain an annual limit of 25% of outstanding long-term debt.

Revenue-supported debt authorization for the District can be approved by the District's Board of Directors, subject to a referendum process. As of September 30, 2023, the Water System had \$468.5 million and Wastewater System had \$167.9 million in authorized but unissued revenue bonds.

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

Table 8
Credit Ratings
Water and Wastewater
September 30, 2023

District debt by type	Standard & Poor’s	Rating by Moody’s Investors Service	Fitch
Water system:			
Fixed Rate Revenue Bonds	AAA	Aaa	AA+
Commercial Paper Notes	A-1+	P-1	-
Wastewater system:			
Fixed Rate Revenue Bonds	AAA	Aa1	AA+

For credit ratings by bond issue, please visit our website at <http://www.ebmud.com>.

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

REQUEST FOR INFORMATION

This financial report is designed to provide ratepayers and creditors with a general overview of the District’s finances and demonstrate the District’s accountability for the monies it receives. If you have any questions about this report or need additional information, please contact: the Controller, Accounting Division, P.O. Box 24055, Oakland, CA 94623-1055, or visit our website at <http://www.ebmud.com>.

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER, 2023 AND JUNE 30, 2023
(DOLLARS IN THOUSANDS)

Assets	Water System		Wastewater System		Totals	
	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023
Current assets:						
Cash and cash equivalents (Note 2)	\$ 59,664	\$ 82,716	\$ 23,729	\$ 34,256	\$ 83,393	\$ 116,972
Investments (Note 2)	315,718	301,529	65,357	60,917	381,075	362,446
Receivables:						
Customer	84,450	75,488	10,532	10,184	94,982	85,672
Lease (Note 7)	25,075	25,075	12,693	12,693	37,768	37,768
Interest and other	60,446	12,915	46,052	5,300	106,498	18,215
Materials and supplies (Note 1K)	32,029	25,890	7,318	7,397	39,347	33,287
Prepaid insurance	4,928	6,612	346	519	5,274	7,131
Total current assets	582,310	530,225	166,027	131,266	748,337	661,491
Noncurrent assets:						
Restricted cash and investments (Note 2):						
Cash and cash equivalents	9,886	11,534	1,000	1,000	10,886	12,534
Investments	33,921	29,385	-	-	33,921	29,385
Total restricted cash and investments	43,807	40,919	1,000	1,000	44,807	41,919
Other assets:						
Equity in JPA partnership fund (Note 2J)	210,055	211,088	-	-	210,055	211,088
Other	2,051	94	5	5	2,056	99
Total other assets	212,106	211,182	5	5	212,111	211,187
Capital assets (Note 3):						
Structures, buildings, and equipment	6,692,257	6,594,021	1,232,403	1,230,494	7,924,660	7,824,515
Lease-right to use assets (Note 7)	1,543	1,543	-	-	1,543	1,543
SBITAs-right to use assets (Note 8)	21,894	21,894	-	-	21,894	21,894
Less accumulated depreciation and amortization	(2,488,349)	(2,456,291)	(588,782)	(582,568)	(3,077,131)	(3,038,859)
Subtotal	4,227,345	4,161,167	643,621	647,926	4,870,966	4,809,093
Land and rights-of-way	73,767	73,767	21,552	21,552	95,319	95,319
Construction in progress	941,897	943,573	158,886	151,940	1,100,783	1,095,513
Total capital assets, net	5,243,009	5,178,507	824,059	821,418	6,067,068	5,999,925
Total noncurrent assets	5,498,922	5,430,608	825,064	822,423	6,323,986	6,253,031
Total assets	6,081,232	5,960,833	991,091	953,689	7,072,323	6,914,522
Deferred outflows of resources:						
Debt refundings related (Note 1H)	13,502	13,818	-	-	13,502	13,818
Pension related (Note 10)	348,457	348,457	56,475	56,475	404,932	404,932
OPEB related (Note 10)	29,447	29,447	4,811	4,811	34,258	34,258
Total deferred outflows	391,406	391,722	61,286	61,286	452,692	453,008
Total assets and deferred outflows	\$ 6,472,638	\$ 6,352,555	\$ 1,052,377	\$ 1,014,975	\$ 7,525,015	\$ 7,367,530

(Continued)

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
September, 2023 AND JUNE 30, 2023
(DOLLARS IN THOUSANDS)

Liabilities and Net Positions	Water System		Wastewater System		Totals	
	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023
Current liabilities:						
Current maturities of long-term debt and Commercial Paper (Note 5 & 6)	\$ 81,260	\$ 81,260	\$ 14,310	\$ 14,310	\$ 95,570	\$ 95,570
Accounts payable and accrued expenses (Note 4)	36,292	81,409	4,204	14,843	40,496	96,252
Compensated absences	53,717	42,858	8,710	6,881	62,427	49,739
Current reserve for claims (Note 11)	11,161	11,161	831	831	11,992	11,992
Accrued interest	39,712	10,685	5,635	1,409	45,347	12,094
Total current liabilities	222,142	227,373	33,690	38,274	255,832	265,647
Noncurrent liabilities:						
Advances for construction	38,366	35,352	-	-	38,366	35,352
Reserve for claims (Note 11)	36,745	36,745	3,670	3,670	40,415	40,415
Net pension liability (Note 10)	714,351	714,351	116,068	116,068	830,419	830,419
Net OPEB liability (Note 10)	109,632	109,632	18,026	18,026	127,658	127,658
Lease payable (Note 7)	1,581	1,581	-	-	1,581	1,581
SBITAs payable (Note 8)	4,333	4,333	-	-	4,333	4,333
Other liabilities	45,573	9,984	38,199	7,571	83,772	17,555
Long-term liabilities, net of current maturities (Note 5 & 6)	2,712,050	2,718,150	342,809	343,527	3,054,859	3,061,677
Total noncurrent liabilities	3,662,631	3,630,128	518,772	488,862	4,181,403	4,118,990
Total liabilities	3,884,773	3,857,501	552,462	527,136	4,437,235	4,384,637
Deferred inflows of resources						
Debt refunding related	6,949	7,076	570	581	7,519	7,657
Lease related (Note 7)	24,945	24,945	12,648	12,648	37,593	37,593
Pension related (Note 10)	22,930	22,930	5,319	5,319	28,249	28,249
OPEB related (Note 10)	23,360	23,360	4,160	4,160	27,520	27,520
Total deferred inflows	78,184	78,311	22,697	22,708	100,881	101,019
Total liabilities and deferred inflows	3,962,957	3,935,812	575,159	549,844	4,538,116	4,485,656
Net position (Note 9):						
Net investment in capital assets	2,449,562	2,623,736	463,497	452,358	2,913,059	3,076,094
Restricted for construction (Note 1G)	2,005	2,141.00	-	-	2,005	2,141
Restricted for debt service (Note 1G)	1,135	1,135	-	-	1,135	1,135
Restricted for JPA	210,055	211,088	-	-	210,055	211,088
Restricted - other (Note 1G)	2,301	2,290	1,000	1,000	3,301	3,290
Unrestricted	(155,377)	(423,647)	12,721	11,773	(142,656)	(411,874)
Total net position	2,509,681	2,416,743	477,218	465,131	2,986,899	2,881,874
Total liabilities, deferred inflows and net position	\$ 6,472,638	\$ 6,352,555	\$ 1,052,377	\$ 1,014,975	\$ 7,525,015	\$ 7,367,530

See accompanying notes to financial statements

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	September, 2023	September, 2022	September, 2023	September, 2022	September, 2023	September, 2022
Operating revenue:						
Water	\$ 191,197	\$ 182,315	\$ -	\$ -	\$ 191,197	\$ 182,315
Sewer	-	-	27,053	26,518	27,053	26,518
Power	6,780	3,447	253	57	7,033	3,504
Wet weather facilities charges	-	-	8,345	7,722	8,345	7,722
Total operating revenue	<u>197,977</u>	<u>185,762</u>	<u>35,651</u>	<u>34,297</u>	<u>233,628</u>	<u>220,059</u>
Operating expense:						
Raw water	12,833	15,488	-	-	12,833	15,488
Water treatment and distribution	36,454	29,581	-	-	36,454	29,581
Recreation areas, net	1,413	1,310	-	-	1,413	1,310
Sewer lines and pumping	-	-	5,104	3,448	5,104	3,448
Sewer treatment plant operations	-	-	10,529	10,432	10,529	10,432
Customer accounting and collecting	5,118	4,600	754	592	5,872	5,192
Financial and risk management	6,705	5,578	434	372	7,139	5,950
Facilities management	926	3,966	-	-	926	3,966
General administration	13,013	9,572	1,815	1,115	14,828	10,687
Depreciation on utility plant and vehicle	32,370	31,154	6,214	6,019	38,584	37,173
Amortization	1,810	2,081	250	283	2,060	2,364
Total operating expense	<u>110,642</u>	<u>103,330</u>	<u>25,100</u>	<u>22,261</u>	<u>135,742</u>	<u>125,591</u>
Net operating income	<u>87,335</u>	<u>82,432</u>	<u>10,551</u>	<u>12,036</u>	<u>97,886</u>	<u>94,468</u>
Nonoperating income (expense):						
Investment income (expense)	7,223	(2,968)	1,241	(523)	8,464	(3,491)
Taxes and subventions	11,760	10,009	1,875	1,575	13,635	11,584
Interest and amortization of bond expenses, net of	(25,479)	(24,973)	(3,498)	(3,789)	(28,977)	(28,762)
Increase (decrease) of equity in JPA partnership fund	(1,033)	(1,032)	-	-	(1,033)	(1,032)
Other income (expense)	(1,625)	5,468	744	1,144	(881)	6,612
Total nonoperating income (expense), net	<u>(9,154)</u>	<u>(13,496)</u>	<u>362</u>	<u>(1,593)</u>	<u>(8,792)</u>	<u>(15,089)</u>
Income before capital contributions	78,181	68,936	10,913	10,443	89,094	79,379
Capital contributions	15,044	9,270	1,174	1,195	16,218	10,465
Passthrough grant reimbursement	(287)	-	-	-	(287)	-
Change in net position	92,938	78,206	12,087	11,638	105,025	89,844
Total net position - beginning	<u>2,416,743</u>	<u>2,208,682</u>	<u>465,131</u>	<u>450,993</u>	<u>2,881,874</u>	<u>2,659,675</u>
Total net position - ending	<u>\$ 2,509,681</u>	<u>\$ 2,286,888</u>	<u>\$ 477,218</u>	<u>\$ 462,631</u>	<u>\$ 2,986,899</u>	<u>\$ 2,749,519</u>

See accompanying notes to financial statements

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Cash flows from operating activities						
Cash received from customers	\$ 189,015	\$ 180,133	\$ 35,303	\$ 34,871	\$ 224,318	\$ 215,004
Cash payments for judgments and claims	(3,019)	(1,982)	(69)	(33)	(3,088)	(2,015)
Cash payments to suppliers for goods and services	(47,707)	(52,521)	(24,176)	(23,311)	(71,883)	(75,832)
Cash payments to employees for services	(75,757)	(70,523)	(12,543)	(11,854)	(88,300)	(82,377)
Net cash provided by operating activities	<u>62,532</u>	<u>55,107</u>	<u>(1,485)</u>	<u>(327)</u>	<u>61,047</u>	<u>54,780</u>
Cash flows from noncapital financing activities:						
Tax receipts	11,760	10,009	1,875	1,575	13,635	11,584
Cash received from other income	(1,625)	5,468	744	1,144	(881)	6,612
Net cash provided by (used in) noncapital financing activities	<u>10,135</u>	<u>15,477</u>	<u>2,619</u>	<u>2,719</u>	<u>12,754</u>	<u>18,196</u>
Capital and related financing activities:						
Capital contributions	14,757	9,270	1,174	1,195	15,931	10,465
Proceeds from advances for construction	3,014	2,119	-	-	3,014	2,119
Proceeds from sale of capital assets	183	2,604	-	-	183	2,604
Acquisition and construction of capital assets	(98,865)	(86,413)	(9,104)	(6,154)	(107,969)	(92,567)
Principal retirement on long-term debt and commercial paper	(5,911)	(6,474)	(729)	(852)	(6,640)	(7,326)
Interest paid on long-term debt	3,548	5,265	728	594	4,276	5,859
Net cash used in capital and related financing activities	<u>(83,274)</u>	<u>(73,629)</u>	<u>(7,931)</u>	<u>(5,217)</u>	<u>(91,205)</u>	<u>(78,846)</u>
Cash flows from investing activities:						
Proceeds from securities	(3,070)	21,812	(527)	5,800	(3,597)	27,612
Expenditures from purchases of securities	(15,655)	(23,895)	(3,914)	-	(19,569)	(23,895)
Interest received (paid) on investments	4,632	(4,995)	711	(923)	5,343	(5,918)
Net cash provided by (used in) investing activities	<u>(14,093)</u>	<u>(7,078)</u>	<u>(3,730)</u>	<u>4,877</u>	<u>(17,823)</u>	<u>(2,201)</u>
Net increase (decrease) in cash and cash equivalents	<u>(24,700)</u>	<u>(10,123)</u>	<u>(10,527)</u>	<u>2,052</u>	<u>(35,227)</u>	<u>(8,071)</u>
Cash and cash equivalents:						
Beginning of year	94,250	130,071	35,256	46,753	129,506	176,824
End of period	<u>\$ 69,550</u>	<u>\$ 119,948</u>	<u>\$ 24,729</u>	<u>\$ 48,805</u>	<u>\$ 94,279</u>	<u>\$ 168,753</u>

UNAUDITED (Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Reconciliation of net operating income to net cash provided by operating activities:						
Net operating income	\$ 87,335	\$ 82,432	\$ 10,551	\$ 12,036	\$ 97,886	\$ 94,468
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation on utility plant and vehicle	32,370	31,154	6,214	6,019	38,584	37,173
Amortization on intangible assets	1,810	2,081	250	283	2,060	2,364
Changes in assets/liabilities:						
Materials and supplies	(6,139)	521	79	1	(6,060)	522
Prepaid insurance	1,684	(1,750)	173	157	1,857	(1,593)
Customer receivables	(8,962)	(5,629)	(348)	574	(9,310)	(5,055)
Other assets	(46,897)	(41,385)	(40,222)	(37,502)	(87,119)	(78,887)
Accounts payable and accrued expenses	1,331	(12,317)	21,818	18,105	23,149	5,788
Net cash provided by operating activities	<u>\$ 62,532</u>	<u>\$ 55,107</u>	<u>\$ (1,485)</u>	<u>\$ (327)</u>	<u>\$ 61,047</u>	<u>\$ 54,780</u>

See accompanying notes to financial statements

UNAUDITED

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Primary Government

The East Bay Municipal Utility District (the District or EBMUD) was formed in May 1923 under the provisions of the Municipal Utility District Act of 1921, as amended in 1941. The District is comprised of two financially independent entities: the Water System and the Wastewater System. These two entities are governed by the same elected seven-member Board of Directors, which determines such matters as rates and charges for services, approval of contracts, and District policies. The Water System provides administrative and other support services to the Wastewater System. These costs are charged to the Wastewater System.

B. Basis of Presentation

The unaudited financial information for the three months ended September 30, 2023, has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and, therefore, does not contain all the information and footnotes required by GAAP for annual financial statements. The financial statements should be read in conjunction with EBMUD's Annual Audited Financial Report for the year ended June 30, 2023 which is posted on our web site <http://www.ebmud.com>.

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses.

The basic financial statements include prior year comparative information. A complete presentation of the prior year information can be found in the District's Annual Audited Financial Reports for the year ended June 30, 2023.

The District reports the following major proprietary (enterprise) funds:

The **Water System** is engaged in the collection, transmission, and distribution of water to communities within Alameda and Contra Costa counties of California.

The **Wastewater System** is engaged in the interception and treatment of wastewater from residences and industries in the California communities of Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and the Stege Sanitary District.

In the opinion of EBMUD, the accompanying unaudited condensed financial statements contain all adjustments necessary for the fair presentation of the results for the three months ended September 30, 2023. These adjustments consist only of normal recurring adjustments. The results for interim periods are not necessarily indicative of the results for any future periods.

Management's discussion and analysis (MD&A) precedes the Basic Unaudited Financial Statements and provides a narrative introduction, overview, and analysis of the basic financial statements. The Basic Unaudited Financial Statements and MD&A complement each other and should be read in conjunction with each other.

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes wet weather facilities charges as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In addition, the accounting policies of the District conform to accounting policies generally accepted in the United States of America for water utilities. The accounts are maintained substantially in accordance with the Uniform System of Accounts for Water Utilities followed by investor-owned and major municipally-owned water utilities.

Statement of Net Position – The statement of net position is designed to display the financial position of the District. Net position is the excess of all the District's assets and deferred outflows over its liabilities and deferred inflows, which is broken down into three categories defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and related deferred inflows and outflows.
- Restricted – This component of net position consists of net position subject to constraints placed on its use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and other income.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Use of Estimates and Assumptions

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

E. Capital Assets

Utility Plant – at Original Cost

The cost of additions to utility plant and replacement of retired units of property is capitalized. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest during construction based on the interest rate on outstanding debt of the system in the prior fiscal year as allowed by GASB 76. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

The depreciated cost of capital assets, plus removal costs, less salvage, is charged to expense upon retirement.

Water Supply Management Program

Costs incurred in this program are debt funded and capitalized in construction in progress. These costs are transferred to utility plant upon completion of the project and depreciated over their useful life. Debt service costs on the debt used to finance the program are recovered in future periods through connection fees and rates and charges for service to those benefiting from the program.

Preliminary Survey and Investigation Costs

The District capitalizes initial costs incurred to study and evaluate certain potential long-term capital projects. These costs are transferred to property, plant and equipment upon completion of the project and are depreciated over the life of the asset. In the event the project is abandoned, these costs are expensed.

Contract Water Rights

The District has contracted with the U.S. Bureau of Reclamation for water deliveries from the Central Valley Project (CVP) and shall continue so long as EBMUD pays applicable rates and charges consistent with applicable law. Payments under the contract include reimbursement for operation and maintenance costs based on the amounts of water delivered to EBMUD, the Operation & Maintenance Deficit (EBMUD's current balance is \$5,003), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is \$1,123). The Water Enterprise Fund capitalized the two components.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Depreciation and Amortization

Depreciation and amortization of capital assets is computed on a straight-line basis using the estimated service lives of the related assets (5 to 100 years).

G. Restricted and Unrestricted Cash and Investments

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

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

Operating Reserves:

- Rate Stabilization Fund (RSF) reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain at least 20% of projected annual water volume revenues for Water and at least 5% of annual operating and maintenance expenses for Wastewater. Funding of the RSF is consistent with the District’s Bond indentures. In fiscal year 2014, the District combined the Rate Stabilization Fund referenced in the Bond indentures and the Contingency and Rate Stabilization Reserve referenced in Policy 4.02 into a single Rate Stabilization Fund reserve to enhance transparency.
- Working Capital reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain at least three times the District’s monthly net operating and maintenance expenses.
- Self-insurance reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain a level based on the Actuarial Self-Insured Retention (SIR) funding recommendation for the following year’s discounted loss and allocated loss adjustment expenses (ALAE) funding guidelines. Reserve amount should be calculated at a high (85%) confidence level. If an actuarial study is not available before close of the prior fiscal year end, the reserve shall equal 1.15 times the prior year reserve.
- Workers' compensation reserve is established by Policy 4.02, as adopted by the Board of Directors in the biennial budget, to maintain a level based on the Actuarial SIR funding recommendation for the following year’s discounted loss and ALAE funding guidelines. Reserve amount should be calculated at a high (85%) confidence level. If an actuarial study is not available before close of the prior fiscal year end, the reserve shall equal 1.15 times the prior year reserve.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Reserves:

- Reserve for Capital Projects comprises the resources available for cash funding of the District's capital improvement program as projected in conjunction with the biennial budget.
- Reserve Funded CIP (Wastewater) balance is a specific designation [Board Motion No. 029-94] used to fund wet and dry weather eligible construction projects.
- Vehicle Replacement Fund [Board Motion No. 030-94] is financed by deposits based on internal user rate charges and used to reimburse operational expenditures and vehicle replacement purchases.
- Equipment Replacement Fund was established by the District with the implementation of the Wastewater Capacity Fees effective July 1, 1984. The balance in this account represents funds set aside for future wastewater department equipment replacements.

Restricted funds include the following:

- Debt Funded Construction funds are the proceeds of bond or commercial paper issues that are restricted for use on eligible projects in the District's capital program.
- Capitalized Interest fund is restricted by the District's bond indenture for the purpose of defraying a specific bond issue's debt service payments for a specified period.
- Bond Interest and Redemption fund is utilized, in order for the District to transfer funds to the Trustee for the payment of principal and interest on the outstanding bonds one business day prior to the date such payment is due as required under the District's bond indentures. The District uses the Bond Interest and Redemption Fund to segregate funds accumulated for such payments. In addition, under certain of the interest rate swap agreements related to the District's outstanding bonds, the District is required to post collateral to the swap counterparty to the extent that the District's total exposure for termination payments under the swap agreement exceeds the threshold amount specified in the applicable swap agreement. The District also uses the Bond Interest and Redemption Fund to segregate District funds held by the applicable custodian to satisfy this collateral posting obligation.
- Debt Service Reserve fund is created and required to be maintained at a specified level in connection with certain series of the District's outstanding bonds. Amounts in a Bond Reserve Fund may only be used (a) for the payment of principal and interest on the related series of bonds in the event the District fails to transfer the required payment from the related system Revenue Fund (the respective designated part of the General Fund); (b) for the payment or redemption of all of the related series of bonds then outstanding; or (c) for the payment of the final principal and interest payments on the related series of bonds.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Funds received for construction reflect advances received from applicants for work to be performed by the District and the unspent future water supply component of system capacity charges. This fund is used for the construction of major facilities, applicant requested services, and the design and construction of water supply improvement program projects.
- FERC partnership fund of \$2 million was established January 11, 1999, in compliance with Federal Energy Regulatory Commission (FERC) order which brought resolution to its Mokelumne River Proceeding. The District manages the fund and income derived from investing the funds to provide operating support to the Joint Settlement Agreement with U.S. Fish and Wildlife and California Fish and Game to protect the Mokelumne River Ecosystem from Pardee Reservoir to the Delta. The principal and any unused earnings shall remain the property of the District and will revert to the District upon expiration of the agreement in March 2031 or upon withdrawal of any party to the agreement.
- Monetary Reserve represents money on deposit in the name of the District with the Automated Power Exchange Inc. (APX) in accordance with the terms and conditions of the Automated Power Exchange Inc. California Master Service Agreement of July 15, 1999, entered between the District and APX for the sale and purchase of electric power. The funds held on deposit shall be withdrawn by the Depository and Clearing Agent in the event that sufficient funds are not deposited in the District settlement account to cover power exchange transactions.

H. Deferred Amount on Bond Refunding

Gains and losses incurred in connection with debt refunding transactions are deferred and amortized over the shorter of the life of the refunded debt or the new debt.

I. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

J. District Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality, and type as obtained from market makers.

Each of the financial instruments invested in by the District represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified, and issuers of securities are dispersed throughout many industries and geographic locations, the concentrations of credit risk are limited.

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EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Material and Supplies

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

L. Revenue

Water billings include charges for water flow, elevation, and a monthly meter charge. Customer water meters are read on a cyclical basis throughout a monthly or bimonthly period. Bills are rendered and revenue is recognized in the period that meters are read.

Wastewater treatment billings are a combination of flow, strength charges, and a monthly service charge. Customer bills are rendered on a cyclical basis throughout a monthly or bimonthly period, and revenue is recognized in the period in which bills are rendered.

Wet weather facilities charges are designed to finance the operating and capital costs related to wet weather sewage flows and are billed annually on the property tax bill.

M. Deferred Outflows/Inflows of Resources

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

N. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Leases

Lessee: The District is a lessee primarily in land and buildings.. The District recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with other liabilities on the statement of net position.

Lessor: The District is a lessor in real estate used for billboard, telecom, and land purchases. The District recognizes a lease receivable and a deferred inflow of resources in the proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

P. Subscription-Based Information Technology Arrangements (SBITAs)

The District is a subscriber for noncancellable subscription of information technology services. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the proprietary fund financial statements.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the District is reasonably certain to exercise.

Subscription assets are reported with other capital assets and subscription liabilities are reported with other liabilities on the statement of net position.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 2 - CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of September 30, 2023, are as follows:

<i>District Enterprise Funds:</i>	Water System	Wastewater System	Total
Cash and investments included in unrestricted assets	\$375,382	\$89,086	\$464,468
Cash and investments included in restricted assets	43,807	1,000	44,807
Total District cash and investments	419,189	90,086	509,275
Less: investments	(349,639)	(65,357)	(414,996)
Net District current cash and cash equivalents	<u>\$69,550</u>	<u>\$24,729</u>	<u>\$94,279</u>

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

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive and provides information as to the limitations as they relate to interest rate risk, credit risk, and concentration risk.

U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	up to 100%	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation	5 Years	N/A	up to 100%	40% in each Agency
State of California Local Agency Investment Fund (LAIF Pool)	N/A	N/A	per Sec. 16429.1 \$75,000	N/A
California Asset Management Program (CAMP)	N/A	AAAm/AA-f	40%	20%
Investment Trust of California (CalTRUST)	N/A	AAAm/AA-f	40%	20%
Money Market Mutual Funds	N/A	AAAm	20%	5%
Certificates of Time Deposit	1 Year	AA-	20%	\$250
Negotiable Certificates of Deposit	5 Years	AA-	20%	\$250
Commercial Paper	270 Days	A-1+ and A	20%	5% of portfolio or 10%
Medium Term Corporate Notes	5 Years	AA- and A	20%	5%
Repurchase Agreements	270 Days	N/A	20%	N/A
Municipal Bonds	5 Years	AA- and A	20%	5%
Municipal Notes	N/A	SP-1+	20%	5%

The District does not enter into reverse repurchase agreements.

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**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. District Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures, or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Minimum Credit Quality
Repurchase Agreements	Top Four Short Term Rating Category
U.S. Treasury Bonds, Notes and Bills	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation	N/A
State Obligations	Not lower than the District's bond rating
Commercial Paper	Top Rating Category
Negotiable Certificates of Deposit	FDIC insured or collateralised
Time Certificates of Deposits - Banks or Savings and Loans	FDIC insured or collateralised
Corporate Notes (up to 3 years)	Top Short-Term Rating Category
Corporate Bonds (longer than 3 years)	Not lower than District's bond rating
Variable Rate Obligations	Top Short-Term Rating Category
Cash Sweep Agreements	Top Rating Category
Guaranteed Investment Contract	Not lower than District's bond rating
Shares of Beneficial Interest	Top Rating Category

D. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. This information is presented in the annual audited financial statements. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

E. Interest Rate Risk

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

Information about the sensitivity of the market values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided as part of the annual financial report.

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EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District participates in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. The District's investments with LAIF at September 30, 2023 included a portion of the pool 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 Collateralized Mortgage Obligations) or credit card receivables.

California Asset Management Program (CAMP) – the District is a participant in 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 CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP 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 in accordance with GASB 72 requirements.

Investment Trust of California (CalTRUST) – the District is a voluntary participant in the CalTRUST, which is a Joint Powers Authority governed by a Board of Trustees including local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the investment managers and other agents.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical credit rating organization. This information is presented in the annual audited financial statements.

G. Concentration Risk

Significant District investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds are presented in the annual audited financial statements.

H. Foreign Currency Risk

Foreign currency risk, the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit, is presented in the annual audited financial statements.

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**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

I. Custodial Credit Risk

Custodial credit risk for *cash on deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District 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 or trustee as the custodian of certain District managed investments, regardless of their form.

J. Joint Powers Authority

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

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

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**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 3 – CAPITAL ASSETS

A. Summary

The District capitalizes all assets with a historical cost of at least five thousand dollars and a useful life of at least three years. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

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

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

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

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

NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at September 30, 2023 and June 30, 2023 consist of:

	Water System		Wastewater System		Total	
	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023	June 30, 2023
Accounts payable	\$ 9,469	\$ 44,266	\$ 3,443	\$ 11,223	\$ 12,912	\$ 55,489
Accrued salaries	(66)	958	(8)	1,411	(74)	2,369
Other	26,889	36,185	769	2,209	27,658	38,394
Total	\$ 36,292	\$ 81,409	\$ 4,204	\$ 14,843	\$ 40,496	\$ 96,252

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**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 5 – COMMERCIAL PAPER NOTES

The District's Board of Directors has authorized the issuance of short-term indebtedness of the District in a maximum principal amount of up to the lesser of either the average of the total annual revenue for the three preceding years or 25% of the District's total outstanding bonds. Under this authority the District has established two commercial paper programs: an extendable commercial paper program and a traditional commercial paper program. The proceeds from the issuance of commercial paper under these programs are restricted as to use. Under the programs, which must be authorized by the Board of Directors every seven years by resolution subject to the right of referendum, the Water System or the Wastewater System may issue commercial paper and bank notes at prevailing interest rates for periods of not more than 270 days from the date of issuance. The programs were last authorized on April 27, 2021.

The District initially established its extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement with a commercial bank is needed. Instead, the District limits the term of the extendable commercial paper to 120 days, and the investor agrees to extend the maturity of their investment by 150 days at a higher interest rate in the event of a failure to place new commercial paper notes to pay maturing notes. This extension is expected to provide the District sufficient time to find a replacement investor or refund the extendable commercial paper with a different form of debt to repay the investor.

As of September 30, 2023, there are no outstanding balances in Water Series and Wastewater Series extendable commercial paper notes under this program.

The District established its current traditional commercial paper program in December 2015. As of September 30, 2023, \$281 million in Water Series and \$0 in Wastewater Series commercial paper notes were outstanding under this program. The Water Series commercial paper notes included the terms of 56 to 91 days and interest rates ranging from 2.85% to 3.42% as of September 30, 2023, and the terms of 58 to 96 days and interest rates ranging from 2.80% to 3.25% as of June 30, 2023.

To provide liquidity for the Water Series notes issued under the traditional commercial paper program, the District maintains two liquidity support facilities with commercial banks: a standby letter of credit in the amount of \$158 million and a revolving credit agreement in the amount of \$137 million. Borrowings by the Water System for commercial paper notes and bank notes under the traditional commercial paper program cannot exceed the aggregate amount available under these agreements. Draws under the liquidity support facilities are restricted to pay principal on maturing Water Series commercial paper notes. There were no borrowings under the liquidity support facilities as of September 30, 2023. The liquidity support facilities expire on May 6, 2024, and June 28, 2024, respectively, and are subject to extension at the request of the District upon agreement by the issuing bank.

There were no unused proceeds of commercial paper notes as of September 30, 2023. It is the District's practice to use the commercial paper programs as a portion of the District's long-term variable rate debt exposure.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 6 – LONG-TERM DEBT

A. Composition and Changes

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions for the year ending June 30, 2023, are presented in the annual audited financial statements.

B. Description of the District's Long-Term Debt Issues

Revenue-supported debt can be authorized by the District's Board of Directors, subject to a referendum process.

The net revenues of the Water System are pledged toward the repayment of the Water Revenue Bonds and the State Water Resources Control Board (SWRCB) Parity Loans of the Water System. The net revenues of the Wastewater System are pledged toward the repayment of the Wastewater Revenue Bonds of the Wastewater System.

The District is subject to certain revenue bond covenants on outstanding debt which require the setting of rates and charges to yield net revenues of the respective Water System or Wastewater System, as applicable, equal to at least 110% of the current annual debt service requirements for all revenue bonds and other parity obligations of the respective Water System or Wastewater System. The District has designated \$182 million (\$150 million for the Water System and \$32 million for the Wastewater System) of operating reserves as a rate stabilization fund, which is available to satisfy the coverage requirements for debt service in future years. There have never been any draws for this purpose.

Upon the occurrence and continuation of an event of default under the Water System Revenue Bond Indenture or Wastewater System Revenue Bond indenture, the principal amounts of (and accrued interest on) the respective system's revenue bonds can be accelerated and declared immediately due and payable by the registered bondholders of a majority in aggregate principal amount of the then outstanding bonds upon written notice delivered to the District. Failure to pay debt service when due and the occurrence of certain insolvency or bankruptcy-related events are events of default. Failure to observe or perform the covenants and agreements under the Indenture for a period of 60 days after written notice of such failure is given to the District is also an event of default unless the District has taken all action reasonably possible to remedy such failure within 60 days and the District diligently proceeds to remedy the failure. A default by the District under any agreement governing Parity Debt which continues after the applicable grace period, if any, is also an event of default.

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
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NOTE 7 – LEASES

The District implemented GASB Statement No. 87 in the fiscal year ended June 30, 2022, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District's leases issues and transactions for the year ending June 30, 2023, are presented in the annual audited financial statements.

NOTE 8 – Subscription-Based Information Technology Arrangements (SBITAs)

The District implemented GASB Statement No. 96 in the fiscal year ended June 30, 2023, which establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The District's SBITAs subscriptions and transactions for the year ending June 30, 2023, are presented in the annual audited financial statements.

NOTE 9 – NET POSITION

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

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets and any related deferred outflows and inflows.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, funds restricted for debt service and fees charged for the provision of future water resources.

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

NOTE 10 – EMPLOYEES' RETIREMENT PLAN

Net pension liability (i.e., the Plan's liability determined in accordance with GASB No. 68 less the fiduciary net position), net OPEB liability (The Plan's liability determined according to GASB 75) and pension and OPEB related deferred inflows and outflows of resources are calculated and revised annually.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(Dollars in thousands)**

NOTE 11 – RISK MANAGEMENT

The District has purchased commercial insurance for general, property, public officials’ liability and workers’ compensation.

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

Coverage	Policy limit	Self-insurance retention
Workers' compensation	Statutory limit	\$5,000
All risk property (except flood)	\$200,000	500
Flood	25,000	1,500
Liability	90,000	10,000 Water/ 10,000 Wastewater
Crime	10,000	25
Boiler and machinery	25,000	25
Pardee and Camanche dams	25,000	25
Main wastewater treatment plant	25,000	25

Settled claims have not exceeded the District’s policy limits in any of the past five fiscal years. Reserve for claims balance is calculated and revised annually.

NOTE 12 - CONTINGENT LIABILITIES

In the normal course of operations, the District is a party to various claims, legal actions and complaints, including challenges over certain rates and charges. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

NOTE 13 – CONTROLS & PROCEDURES

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