

IMPORTANT NOTES:

The attached Basic Unaudited Financial Statements of the East Bay Municipal Utility District (the "District") for the three months ended September 30, 2024 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, 2024 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, 2024 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, 2024 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 11, 2024

EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024

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, 2024**

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**EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC UNAUDITED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2024**

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, 2024. This information should be read in conjunction with the annual audited financial statements for the year ended June 30, 2024. 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, 2024, which is posted on the District’s website <http://www.ebmud.com>.

FINANCIAL ANALYSIS

Net Position

The District's total net position increased by \$126.8 million or 4% during the three months ended September 30, 2024. The Water System's net position increased by \$115.3 million or 4%, and the Wastewater System's net position increased by \$11.5 million or 2%. Current, noncurrent, and other assets increased by \$100.4 million or 10%. Capital assets increased by \$84.2 million or 1%. By far the largest portion of the District's net position, 98% or \$3.2 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, 2024 and June 30, 2024
(In thousands)

	September 30, 2024	June 30, 2024	Increase (Decrease)	%
Current, noncurrent, and other assets	\$ 1,059,642	\$ 959,236	100,406	10%
Capital assets	6,496,581	6,412,371	84,210	1%
Total assets	<u>7,556,223</u>	<u>7,371,607</u>	<u>184,616</u>	3%
Deferred outflow of resources	356,991	357,308	(317)	(0)%
Total assets and deferred outflow	<u>7,913,214</u>	<u>7,728,915</u>	<u>184,299</u>	2%
Current and other liabilities	1,376,957	1,311,561	65,396	5%
Long-term liabilities	3,190,891	3,197,914	(7,023)	(0)%
Total liabilities	<u>4,567,848</u>	<u>4,509,475</u>	<u>58,373</u>	1%
Deferred inflow of resources	91,826	92,708	(882)	(1)%
Total liabilities and deferred inflow	<u>4,659,674</u>	<u>4,602,183</u>	<u>57,491</u>	1%
Net position:				
Net investment in capital assets	3,181,306	3,037,334	143,972	5%
Restricted	211,435	212,435	(1,000)	(0)%
Unrestricted	<u>(139,201)</u>	<u>(123,037)</u>	<u>(16,164)</u>	13%
Total net position	<u>\$ 3,253,540</u>	<u>\$ 3,126,732</u>	<u>\$ 126,808</u>	4%

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Results of Operations

For the three months ended September 30, 2024, the District's total operating revenue of \$260.3 million increased by \$26.6 million, and total operating expense of \$140.2 million increased by \$4.5 million compared to the same period of the previous fiscal year. The change in net position (including capital contributions) increased from \$105.0 million in the three months ended in the previous fiscal year to \$126.8 million in the same period of the current fiscal year. The District's total net position increased from \$2,986.9 million in the three months ended September 30, 2023 to \$3,253.5 million in the same period ending September 30, 2024.

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 \$25.7 million or 13% due to an 8.5% water rate increase at the beginning of fiscal year 2025 and a 5.0% increase in water consumption.
- Wastewater revenue increased by \$2.5 million or 9% due to an 8.5% rate increase at the beginning of fiscal year 2025.
- Power revenue decreased by \$2.1 million or 30% due to lower hydropower prices and sales in the current fiscal year but are on pace to exceeded total budgeted.
- Total operating expense increased by \$4.5 million, primarily due to increases of \$2.3 million in sewer treatment plant operations, \$1.7 million in sewer lines and pumps, \$1.5 million in depreciation expense, \$0.9 million in water treatment and distribution, and \$0.8 million in facility management, offset by a \$2.5 million decrease in general administration expense.
- Net nonoperating expense decreased by \$3.6 million, primarily due to a \$2.2 million increase in investment income and a \$3.7 million increase in other income, offset by a \$1.2 million decrease in taxes and subventions income and a \$1.1 million increase in interest and amortization of bond expense.
- Capital contributions decreased by \$4.0 million or 25% compared to the same period in the previous fiscal year. The decrease is primarily reflecting a \$4.4 million decrease in System Capacity Charges (SCC) offset by a \$0.4 million increase in Wastewater Capacity Fees (WCF). The reduction is primarily reflecting a decrease in large development projects. Earned contributions decreased by \$0.7 million compared to the previous fiscal year due to the cyclical nature of construction phases throughout the service area. Grants and other reimbursements increased by \$0.6 million due to more monies received from Federal and State grants.

Table 2 shows changes in the District’s net position for the three months ended September 30, 2024 and 2023.

Table 2
Changes in Net Position
Water and Wastewater
September 30, 2024 and 2023

	(In thousands)			
	September 30, 2024	September 30, 2023	Increase (Decrease)	%
Operating Revenue:				
Water	\$ 216,888	191,197	25,691	13%
Sewer	29,541	27,053	2,488	9%
Power	4,919	7,033	(2,114)	(30)%
Wet weather facilities charges	8,928	8,345	583	7%
Total operating revenue	<u>260,276</u>	<u>233,628</u>	<u>26,648</u>	11%
Operating Expense:				
Raw water	12,501	12,833	(332)	(3)%
Water treatment & distribution	37,388	36,454	934	3%
Recreation areas, net	1,459	1,413	46	3%
Sewer lines & pumps	6,769	5,104	1,665	33%
Sewer treatment plant operations	12,868	10,529	2,339	22%
Customer accounting & collecting	6,568	5,872	696	12%
Financial and risk management	7,062	7,139	(77)	(1)%
Facilities management	1,693	926	767	83%
General administration	12,344	14,828	(2,484)	(17)%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	40,050	38,584	1,466	4%
Amortization	1,532	2,060	(528)	(26)%
Total operating expense	<u>140,234</u>	<u>135,742</u>	<u>4,492</u>	3%
Net operating income	<u>120,042</u>	<u>97,886</u>	<u>22,156</u>	23%
Nonoperating income (expense):				
Investment income (expense)	10,660	8,464	2,196	26%
Taxes & subventions	12,447	13,635	(1,188)	(9)%
Interest & amortization of bond expenses, net	(30,096)	(28,977)	(1,119)	4%
Decrease of Equity in JPA partnership fund	(1,034)	(1,033)	(1)	0%
Other income (expense)	2,833	(881)	3,714	(422)%
Total nonoperating income (expense), net	<u>(5,190)</u>	<u>(8,792)</u>	<u>3,602</u>	(41)%
Income before contributions	114,852	89,094	25,758	29%
Capital contributions	12,078	16,218	(4,140)	(26)%
Passthrough grant reimbursement	(122)	(287)	165	(57)%
Change in net position	<u>126,808</u>	<u>105,025</u>	<u>21,783</u>	21%
Total net position – beginning	<u>3,126,732</u>	<u>2,881,874</u>	<u>244,858</u>	8%
Total net position – ending	<u>\$ 3,253,540</u>	<u>\$ 2,986,899</u>	<u>\$ 266,641</u>	9%

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Liquidity

The District had \$563.1 million in combined current and noncurrent District cash and investments as of September 30, 2024, an increase of \$53.8 million compared to \$509.3 million as of September 30, 2023. Components of cash and investments for the three months ended September 30, 2024 were:

- Water System total combined current and noncurrent cash and investments increased by \$36.7 million compared to the same date of previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by \$15.2 million compared to the prior year. This was primarily due to a decrease of \$24.4 million from capital and related financing activities, a decrease of \$22.7 million in investing activities offset by an increase of \$3.2 million in noncapital financing activities and an increase of \$28.8 million in operating activities. Net increase (decrease) in noncurrent investments increased by \$24.7 million, primarily due to the reallocation of investments between short-term and long-term.
- Wastewater System total combined current and noncurrent cash and investments increased by \$17.2 million compared to the same date in the previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by \$4.0 million compared to the same date of prior year. This was primarily due to a decrease of \$1.6 million in investing activities, a decrease of \$0.6 million spending from noncapital and related financing activities and a decrease of \$2.7 million in operating activities offset by a increase of \$0.9 million from capital and related financing activities. Net increase (decrease) in noncurrent investments increased by \$2.7 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, 2024 and 2023.

Table 3
Cash Flows
Water and Wastewater System
For the Three Months Ended September 30, 2024 and 2023
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	Amount	%
Cash and cash equivalents:								
Beginning of year	\$ 141,778	\$ 94,250	\$ 56,268	\$ 35,256	\$ 198,046	\$ 129,506	68,540	53%
Net cash provided by (used in) operating activities	91,362	62,532	(4,163)	(1,485)	87,199	61,047	26,152	43%
Net cash provided by noncapital financing activities	13,302	10,135	1,978	2,619	15,280	12,754	2,526	20%
Net cash used in capital and related financing activities	(107,698)	(83,274)	(7,034)	(7,931)	(114,732)	(91,205)	(23,527)	26%
Net cash provided by (used in) investing activities	(36,834)	(14,093)	(5,348)	(3,730)	(42,182)	(17,823)	(24,359)	137%
Net increase (decrease) in cash and cash equivalents	(39,868)	(24,700)	(14,567)	(10,527)	(54,435)	(35,227)	(19,208)	
End of period	101,910	69,550	41,701	24,729	143,611	94,279	49,332	52%
Investments:								
Beginning of year	310,473	330,914	58,473	60,917	368,946	391,831	(22,885)	(6)%
Net increase (decrease) in investments	43,460	18,725	7,130	4,440	50,590	23,165	27,425	118%
End of period	\$ 353,933	\$ 349,639	\$ 65,603	\$ 65,357	\$ 419,536	\$ 414,996	4,540	1%
Total District Cash and Investments	\$ 455,843	\$ 419,189	\$ 107,304	\$ 90,086	\$ 563,147	\$ 509,275	53,872	11%

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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 \$3.8 million during the three months ended September 30, 2024. Significant activities were as follows: Water System increased \$3.9 million in working capital reserve and the reserve to fund capital projects increased \$1.8 million. Wastewater System increased \$1.2 million in working capital reserve and spent \$8.5 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, 2024 and June 30, 2024.

Table 4
Cash and Investment by Fund
Water and Wastewater
September 30, 2024 and June 30, 2024
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	Amount	%
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	103,300	99,400	27,100	25,900	130,400	125,300	5,100	4%
Self-insurance	6,100	9,133	1,200	1,259	7,300	10,392	(3,092)	(30)%
Workers compensation	7,800	7,432	900	1,025	8,700	8,457	243	3%
Total operating reserves	<u>267,200</u>	<u>265,965</u>	<u>61,200</u>	<u>60,184</u>	<u>328,400</u>	<u>326,149</u>	<u>2,251</u>	<u>1%</u>
Capital reserves:								
Reserved for capital projects	133,599	131,642	22,925	32,457	156,524	164,099	(7,575)	(5)%
Reserve funded CIP - Wastewater	—	—	16,664	16,453	16,664	16,453	211	1%
Vehicle replacements	27,389	27,591	—	—	27,389	27,591	(202)	(1)%
Equipment replacements	—	—	5,440	4,571	5,440	4,571	869	19%
Total capital reserves	<u>160,988</u>	<u>159,233</u>	<u>45,029</u>	<u>53,481</u>	<u>206,017</u>	<u>212,714</u>	<u>(6,697)</u>	<u>(3)%</u>
Total unrestricted cash and investment	<u>428,188</u>	<u>425,198</u>	<u>106,229</u>	<u>113,665</u>	<u>534,417</u>	<u>538,863</u>	<u>(4,446)</u>	<u>(1)%</u>
Restricted cash and investments								
Bond interest and redemption fund	148	152	75	76	223	228	(5)	N/A
Debt service reserve fund	1,136	1,136	—	—	1,136	1,136	—	+++
Funds received for construction	24,060	23,492	—	—	24,060	23,492	568	2%
FERC partnership fund	2,200	2,164	—	—	2,200	2,164	36	2%
Monetary reserve	111	109	1,000	1,000	1,111	1,109	2	0%
Total restricted cash and investments	<u>27,655</u>	<u>27,053</u>	<u>1,075</u>	<u>1,076</u>	<u>28,730</u>	<u>28,129</u>	<u>601</u>	<u>2%</u>
Total District cash and investments	<u>\$ 455,843</u>	<u>\$ 452,251</u>	<u>\$ 107,304</u>	<u>\$ 114,741</u>	<u>\$ 563,147</u>	<u>\$ 566,992</u>	<u>(3,845)</u>	<u>(1)%</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, 2024, capital contributions decreased by \$4.0 million or 25% compared to the same period in the previous fiscal year. SCC decreased by \$4.4 million while WCF increased by \$0.4 million. The reduction is primarily reflecting a decrease in large development projects. Earned contributions decreased by \$0.7 million compared to the previous fiscal year due to the cyclical nature of construction phases throughout the service area. Grants and other reimbursements increased by \$0.6 million due to more monies received from Federal and State grants.

Table 5 shows the District's capital contributions received for the three months ended September 30, 2024 and 2023.

Table 5
Capital Contributions
Water and Wastewater
For the Three Months Ended September 30, 2024 and 2023
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	Amount	%
System capacity charges	\$ 6,490	\$ 10,937	\$ —	\$ —	\$ 6,490	\$ 10,937	(4,447)	(41)%
Wastewater capacity fees	—	—	1,617	1,174	1,617	1,174	443	38%
Earned contributions on construction	3,221	3,926	(5)	—	3,216	3,926	(710)	(18)%
Grants and other reimbursements	547	181	208	—	755	181	574	317%
Passthrough grant reimbursement	(122)	(287)	—	—	(122)	(287)	165	(57)%
Totals	\$ 10,136	\$ 14,757	\$ 1,820	\$ 1,174	\$ 11,956	\$ 15,931	(3,975)	(25)%

*In the previous fiscal year, the District received a total of \$37 million for the California Extended Water and Wastewater Arrearage Payment Program (CWWAPP) from the State Water Resources Control Board of which \$36 million was to assist with accounts receivable on past due customer accounts and \$1 million was for administrative costs. Unapplied amounts totaling \$18.7 million and unused funds for administrative costs of \$0.7 million, totaling \$19.4 million will be returned in October 2024.

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CAPITAL ASSETS

The District had \$6.5 billion (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of September 30, 2024. 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, 2024, capital assets increased by \$84.2 million or 1.3% compared with capital assets as of June 30, 2024. Annual changes are consistent with the District's capital improvement program.

The Water System had \$5.6 billion (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of September 30, 2024. 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 \$859.3 million (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of September 30, 2024. 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, 2024 and June 30, 2024.

Table 6

Capital Assets, Net of Depreciation and Amortization

Water and Wastewater

September 30, 2024 and June 30, 2024

(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase/(decrease)</u>	
	<u>September 30, 2024</u>	<u>June 30, 2024</u>	<u>September 30, 2024</u>	<u>June 30, 2024</u>	<u>September 30, 2024</u>	<u>June 30, 2024</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, intangibles, and equipment	\$ 4,330,178	\$ 4,289,508	\$ 633,426	\$ 639,972	\$ 4,963,604	\$ 4,929,480	34,124	0.7%
Lease-right to use assets	2,805	2,805	—	—	2,805	2,805	—	0.0%
SBITAs-right to use assets	21,889	21,889	—	—	21,889	21,889	—	0.0%
Land and rights of way	73,882	73,882	22,086	22,086	95,968	95,968	—	0.0%
Construction work in progress	1,208,506	1,167,293	203,809	194,936	1,412,315	1,362,229	50,086	3.7%
Totals	<u>\$ 5,637,260</u>	<u>\$ 5,555,377</u>	<u>\$ 859,321</u>	<u>\$ 856,994</u>	<u>\$ 6,496,581</u>	<u>\$ 6,412,371</u>	<u>84,210</u>	<u>1.3%</u>

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DEBT ADMINISTRATION

The District had total long-term debt outstanding of \$3.3 billion as of September 30, 2024. Components of the District’s long-term debt portfolio as of September 30, 2024 are:

- The Water System had total long-term debt outstanding of \$2.9 billion.
- The Wastewater System had total long-term debt outstanding of \$367.9 million.

Table 7 shows the District’s long-term debt outstanding as of September 30, 2024 and June 30, 2024.

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
September 30, 2024 and June 30, 2024
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	Amount	%
Revenue bonds*	\$ 2,634,815	\$ 2,641,187	\$ 367,850	\$ 368,501	\$ 3,002,665	\$ 3,009,688	(7,023)	(0.2)%
Commercial paper	261,000	261,000	—	—	261,000	261,000	—	0.0%
Loans	27,391	27,391	—	—	27,391	27,391	—	0.0%
Totals	<u>\$ 2,923,206</u>	<u>2,929,578</u>	<u>\$ 367,850</u>	<u>\$ 368,501</u>	<u>\$ 3,291,056</u>	<u>\$ 3,298,079</u>	<u>(7,023)</u>	<u>(0.2)%</u>

*Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was \$211 million and \$217 million as of September 30, 2024 and June 30, 2024, respectively. For Wastewater System, the net of unamortized bond premium and discount was \$19 million and \$20 million as of September 30, 2024 and June 30, 2024, 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.

Commercial Paper and 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, 2024, the Water System had \$223.2 million, and Wastewater System had \$142.9 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, 2024

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 30, 2024 AND JUNE 30, 2024
(DOLLARS IN THOUSANDS)

Assets	Water System		Wastewater System		Totals	
	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024
Current assets:						
Cash and cash equivalents (Note 2)	\$ 93,050	\$ 130,944	\$ 40,626	\$ 55,192	\$ 133,676	\$ 186,136
Investments (Note 2)	335,138	294,254	65,603	58,473	400,741	352,727
Receivables:						
Customer	92,192	78,563	11,565	10,135	103,757	88,698
Lease (Note 7)	2,843	18,232	1,467	9,749	4,310	27,981
Interest and other	62,248	17,147	50,602	7,224	112,850	24,371
Materials and supplies (Note 1K)	33,425	31,069	8,160	8,226	41,585	39,295
Prepaid insurance	1,930	3,673	441	662	2,371	4,335
Total current assets	<u>620,826</u>	<u>573,882</u>	<u>178,464</u>	<u>149,661</u>	<u>799,290</u>	<u>723,543</u>
Noncurrent assets:						
Restricted cash and investments (Note 2):						
Cash and cash equivalents	8,860	10,834	1,075	1,076	9,935	11,910
Investments	18,795	16,219	-	-	18,795	16,219
Total restricted cash and investments	<u>27,655</u>	<u>27,053</u>	<u>1,075</u>	<u>1,076</u>	<u>28,730</u>	<u>28,129</u>
Other assets:						
Noncurrent lease receivable (Note 7)	15,389	-	8,282	-	23,671	-
Equity in JPA partnership fund (Note 2J)	205,975	207,008	-	-	205,975	207,008
Other	1,970	550	6	6	1,976	556
Total other assets	<u>223,334</u>	<u>207,558</u>	<u>8,288</u>	<u>6</u>	<u>231,622</u>	<u>207,564</u>
Capital assets (Note 3):						
Structures, buildings, intangibles (net), and equipment	6,947,253	6,874,222	1,282,905	1,283,154	8,230,158	8,157,376
Lease-right to use assets (Note 7)	2,805	2,805	-	-	2,805	2,805
SBITAs-right to use assets (Note 8)	21,889	21,889	-	-	21,889	21,889
Less accumulated depreciation	(2,617,075)	(2,584,714)	(649,479)	(643,182)	(3,266,554)	(3,227,896)
Subtotal	<u>4,354,872</u>	<u>4,314,202</u>	<u>633,426</u>	<u>639,972</u>	<u>4,988,298</u>	<u>4,954,174</u>
Land and rights-of-way	73,882	73,882	22,086	22,086	95,968	95,968
Construction in progress	1,208,506	1,167,293	203,809	194,936	1,412,315	1,362,229
Total capital assets, net	<u>5,637,260</u>	<u>5,555,377</u>	<u>859,321</u>	<u>856,994</u>	<u>6,496,581</u>	<u>6,412,371</u>
Total noncurrent assets	<u>5,888,249</u>	<u>5,789,988</u>	<u>868,684</u>	<u>858,076</u>	<u>6,756,933</u>	<u>6,648,064</u>
Total assets	<u>6,509,075</u>	<u>6,363,870</u>	<u>1,047,148</u>	<u>1,007,737</u>	<u>7,556,223</u>	<u>7,371,607</u>
Deferred outflows of resources:						
Debt refundings related (Note 1H)	12,236	12,553	-	-	12,236	12,553
Pension related (Note 10)	265,672	265,672	44,219	44,219	309,891	309,891
OPEB related (Note 10)	29,725	29,725	5,139	5,139	34,864	34,864
Total deferred outflows	<u>307,633</u>	<u>307,950</u>	<u>49,358</u>	<u>49,358</u>	<u>356,991</u>	<u>357,308</u>
Total assets and deferred outflows	<u>\$ 6,816,708</u>	<u>\$ 6,671,820</u>	<u>\$ 1,096,506</u>	<u>\$ 1,057,095</u>	<u>\$ 7,913,214</u>	<u>\$ 7,728,915</u>

(Continued)

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND JUNE 30, 2024
(DOLLARS IN THOUSANDS)

Liabilities and Net Positions	Water System		Wastewater System		Totals	
	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024
Current liabilities:						
Current maturities of long-term debt and Commercial Paper (Note 5 & 6)	\$ 85,190	\$ 85,190	\$ 14,975	\$ 14,975	\$ 100,165	\$ 100,165
Accounts payable and accrued expenses (Note 4)	48,583	90,931	15,487	26,100	64,070	117,031
Compensated absences	54,161	43,431	8,912	7,192	63,073	50,623
Current reserve for claims (Note 11)	12,037	12,037	860	860	12,897	12,897
Current lease payable (Note 7)	401	401	-	-	401	401
Current SBITAs payable (Note 8)	1,245	1,245	-	-	1,245	1,245
Accrued interest	43,062	11,201	5,814	1,453	48,876	12,654
Total current liabilities	<u>244,679</u>	<u>244,436</u>	<u>46,048</u>	<u>50,580</u>	<u>290,727</u>	<u>295,016</u>
Noncurrent liabilities:						
Advances for construction	23,270	22,702	-	-	23,270	22,702
Reserve for claims (Note 11)	38,955	38,955	3,887	3,887	42,842	42,842
Net pension liability (Note 10)	687,594	687,594	112,693	112,693	800,287	800,287
Net OPEB liability (Note 10)	113,475	113,475	18,906	18,906	132,381	132,381
Lease payable (Note 7)	1,561	1,561	-	-	1,561	1,561
SBITAs payable (Note 8)	1,817	1,817	-	-	1,817	1,817
Other liabilities	43,337	7,301	40,735	7,654	84,072	14,955
Long-term liabilities, net of current maturities (Note 5 & 6)	<u>2,838,016</u>	<u>2,844,388</u>	<u>352,875</u>	<u>353,526</u>	<u>3,190,891</u>	<u>3,197,914</u>
Total noncurrent liabilities	<u>3,748,025</u>	<u>3,717,793</u>	<u>529,096</u>	<u>496,666</u>	<u>4,277,121</u>	<u>4,214,459</u>
Total liabilities	<u>3,992,704</u>	<u>3,962,229</u>	<u>575,144</u>	<u>547,246</u>	<u>4,567,848</u>	<u>4,509,475</u>
Deferred inflows of resources						
Debt refunding related	23,327	24,199	529	539	23,856	24,738
Lease related (Note 7)	17,394	17,394	8,909	8,909	26,303	26,303
Pension related (Note 10)	16,564	16,564	3,621	3,621	20,185	20,185
OPEB related (Note 10)	18,274	18,274	3,208	3,208	21,482	21,482
Total deferred inflows	<u>75,559</u>	<u>76,431</u>	<u>16,267</u>	<u>16,277</u>	<u>91,826</u>	<u>92,708</u>
Total liabilities and deferred inflows	<u>4,068,263</u>	<u>4,038,660</u>	<u>591,411</u>	<u>563,523</u>	<u>4,659,674</u>	<u>4,602,183</u>
Net position (Note 9):						
Net investment in capital assets	2,701,044	2,562,349	480,262	474,985	3,181,306	3,037,334
Restricted for construction (Note 1G)	790	790	1,000	1,000	1,790	1,790
Restricted for debt service (Note 1G)	1,284	1,288	75	76	1,359	1,364
Restricted for JPA	205,975	207,008	-	-	205,975	207,008
Restricted - other (Note 1G)	2,311	2,273	-	-	2,311	2,273
Unrestricted	<u>(162,959)</u>	<u>(140,548)</u>	<u>23,758</u>	<u>17,511</u>	<u>(139,201)</u>	<u>(123,037)</u>
Total net position	<u>2,748,445</u>	<u>2,633,160</u>	<u>505,095</u>	<u>493,572</u>	<u>3,253,540</u>	<u>3,126,732</u>
Total liabilities, deferred inflows and net position	<u>\$ 6,816,708</u>	<u>\$ 6,671,820</u>	<u>\$ 1,096,506</u>	<u>\$ 1,057,095</u>	<u>\$ 7,913,214</u>	<u>\$ 7,728,915</u>

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating revenue:						
Water	\$ 216,888	\$ 191,197	\$ -	\$ -	\$ 216,888	\$ 191,197
Sewer	-	-	29,541	27,053	29,541	27,053
Power	4,845	6,780	74	253	4,919	7,033
Wet weather facilities charges	-	-	8,928	8,345	8,928	8,345
Total operating revenue	<u>221,733</u>	<u>197,977</u>	<u>38,543</u>	<u>35,651</u>	<u>260,276</u>	<u>233,628</u>
Operating expense:						
Raw water	12,501	12,833	-	-	12,501	12,833
Water treatment and distribution	37,388	36,454	-	-	37,388	36,454
Recreation areas, net	1,459	1,413	-	-	1,459	1,413
Sewer lines and pumping	-	-	6,769	5,104	6,769	5,104
Sewer treatment plant operations	-	-	12,868	10,529	12,868	10,529
Customer accounting and collecting	5,865	5,118	703	754	6,568	5,872
Financial and risk management	6,583	6,705	479	434	7,062	7,139
Facilities management	1,693	926	-	-	1,693	926
General administration	10,526	13,013	1,818	1,815	12,344	14,828
Depreciation on utility plant and vehicle	33,753	32,370	6,297	6,214	40,050	38,584
Amortization	1,301	1,810	231	250	1,532	2,060
Total operating expense	<u>111,069</u>	<u>110,642</u>	<u>29,165</u>	<u>25,100</u>	<u>140,234</u>	<u>135,742</u>
Net operating income	<u>110,664</u>	<u>87,335</u>	<u>9,378</u>	<u>10,551</u>	<u>120,042</u>	<u>97,886</u>
Nonoperating income (expense):						
Investment income (expense)	8,614	7,223	2,046	1,241	10,660	8,464
Taxes and subventions	10,571	11,760	1,876	1,875	12,447	13,635
Interest and amortization of bond expenses, net of	(26,397)	(25,479)	(3,699)	(3,498)	(30,096)	(28,977)
Increase (decrease) of equity in JPA partnership fund	(1,034)	(1,033)	-	-	(1,034)	(1,033)
Other income (expense)	2,731	(1,625)	102	744	2,833	(881)
Total nonoperating income (expense), net	<u>(5,515)</u>	<u>(9,154)</u>	<u>325</u>	<u>362</u>	<u>(5,190)</u>	<u>(8,792)</u>
Income before capital contributions	105,149	78,181	9,703	10,913	114,852	89,094
Capital contributions	10,258	15,044	1,820	1,174	12,078	16,218
Passthrough grant reimbursement	(122)	(287)	-	-	(122)	(287)
Change in net position	115,285	92,938	11,523	12,087	126,808	105,025
Total net position - beginning	<u>2,633,160</u>	<u>2,416,743</u>	<u>493,572</u>	<u>465,131</u>	<u>3,126,732</u>	<u>2,881,874</u>
Total net position - ending	<u>\$ 2,748,445</u>	<u>\$ 2,509,681</u>	<u>\$ 505,095</u>	<u>\$ 477,218</u>	<u>\$ 3,253,540</u>	<u>\$ 2,986,899</u>

See accompanying notes to financial statements

UNAUDITED

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cash flows from operating activities						
Cash received from customers	\$ 208,104	\$ 189,015	\$ 37,113	\$ 35,303	\$ 245,217	\$ 224,318
Cash payments for judgments and claims	(2,412)	(3,019)	(16)	(69)	(2,428)	(3,088)
Cash payments to suppliers for goods and services	(39,372)	(47,707)	(28,528)	(24,176)	(67,900)	(71,883)
Cash payments to employees for services	(74,958)	(75,757)	(12,732)	(12,543)	(87,690)	(88,300)
Net cash provided by operating activities	<u>91,362</u>	<u>62,532</u>	<u>(4,163)</u>	<u>(1,485)</u>	<u>87,199</u>	<u>61,047</u>
Cash flows from noncapital financing activities:						
Tax receipts	10,571	11,760	1,876	1,875	12,447	13,635
Cash received (paid) from other income	2,731	(1,625)	102	744	2,833	(881)
Net cash provided by (used in) noncapital financing activities	<u>13,302</u>	<u>10,135</u>	<u>1,978</u>	<u>2,619</u>	<u>15,280</u>	<u>12,754</u>
Capital and related financing activities:						
Capital contributions	10,136	14,757	1,820	1,174	11,956	15,931
Proceeds from advances for construction	568	3,014	-	-	568	3,014
Proceeds from sale of capital assets	322	183	-	-	322	183
Acquisition and construction of capital assets	(117,261)	(98,865)	(8,855)	(9,104)	(126,116)	(107,969)
Principal retirement on long-term debt and commercial paper	(6,927)	(5,911)	(661)	(729)	(7,588)	(6,640)
Interest paid on long-term debt	5,464	3,548	662	728	6,126	4,276
Net cash used in capital and related financing activities	<u>(107,698)</u>	<u>(83,274)</u>	<u>(7,034)</u>	<u>(7,931)</u>	<u>(114,732)</u>	<u>(91,205)</u>
Cash flows from investing activities:						
Proceeds from securities	27,793	(3,070)	7,109	(527)	34,902	(3,597)
Expenditures from purchases of securities	(71,252)	(15,655)	(14,239)	(3,914)	(85,491)	(19,569)
Interest received (paid) on investments	6,625	4,632	1,782	711	8,407	5,343
Net cash provided by (used in) investing activities	<u>(36,834)</u>	<u>(14,093)</u>	<u>(5,348)</u>	<u>(3,730)</u>	<u>(42,182)</u>	<u>(17,823)</u>
Net increase (decrease) in cash and cash equivalents	<u>(39,868)</u>	<u>(24,700)</u>	<u>(14,567)</u>	<u>(10,527)</u>	<u>(54,435)</u>	<u>(35,227)</u>
Cash and cash equivalents:						
Beginning of year	141,778	94,250	56,268	35,256	198,046	129,506
End of period	<u>\$ 101,910</u>	<u>\$ 69,550</u>	<u>\$ 41,701</u>	<u>\$ 24,729</u>	<u>\$ 143,611</u>	<u>\$ 94,279</u>

UNAUDITED (Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Reconciliation of net operating income to net cash provided by operating activities:						
Net operating income	\$ 110,664	\$ 87,335	\$ 9,378	\$ 10,551	\$ 120,042	\$ 97,886
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation on utility plant and vehicle	33,753	32,370	6,297	6,214	40,050	38,584
Amortization on intangible assets	1,301	1,810	231	250	1,532	2,060
Changes in assets/liabilities:						
Materials and supplies	(2,356)	(6,139)	66	79	(2,290)	(6,060)
Prepaid insurance	1,743	1,684	221	173	1,964	1,857
Customer receivables	(13,629)	(8,962)	(1,430)	(348)	(15,059)	(9,310)
Other assets	(44,532)	(46,897)	(43,114)	(40,222)	(87,646)	(87,119)
Accounts payable and accrued expenses	4,418	1,331	24,188	21,818	28,606	23,149
Net cash provided by operating activities	<u>\$ 91,362</u>	<u>\$ 62,532</u>	<u>\$ (4,163)</u>	<u>\$ (1,485)</u>	<u>\$ 87,199</u>	<u>\$ 61,047</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, 2024
(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, 2024, 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, 2024 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, 2024.

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, 2024. 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.

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(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, 2024
(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 \$3,039), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is \$1,370). 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, 2024
(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, 2024
(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. 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.
- 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.

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(Dollars in thousands)

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

EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(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, 2024
(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, 2024
(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, 2024
(Dollars in thousands)

NOTE 2 - CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of September 30, 2024, are as follows:

<i>District Enterprise Funds:</i>	Water System	Wastewater System	Total
Cash and investments included in unrestricted assets	\$428,188	\$106,229	\$534,417
Cash and investments included in restricted assets	27,655	1,075	28,730
Total District cash and investments	455,843	107,304	563,147
Less: investments	(353,933)	(65,603)	(419,536)
Net District current cash and cash equivalents	<u>\$101,910</u>	<u>\$41,701</u>	<u>\$143,611</u>

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

The District's Investment Policy, California Government Code, and the Municipal Utility Act 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	\$75,000 per Sec. 16429.1	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, 2024
(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, 2024
(Dollars in thousands)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund (LAIF) – the District participates in 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, 2024 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, 2024
(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, 2024
(Dollars in thousands)

NOTE 3 – CAPITAL ASSETS

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, 2024 and June 30, 2024 consist of:

	Water System		Wastewater System		Total	
	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024	September 30, 2024	June 30, 2024
Accounts payable	\$ 5,305	\$ 46,781	\$ 7,588	\$ 12,969	\$ 12,893	\$ 59,750
Accrued salaries	(8,983)	6,149	(1,338)	1,080	(10,321)	7,229
Other	52,261	38,001	9,237	12,051	61,498	50,052
Total	\$ 48,583	\$ 90,931	\$ 15,487	\$ 26,100	\$ 64,070	\$117,031

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EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(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 a commercial paper program. The proceeds from the issuance of commercial paper under this program are restricted as to use. Under the program, 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 program was last authorized on April 27, 2021.

The District established its current traditional commercial paper program in December 2015. As of September 30, 2024, \$261 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 55 to 219 days and interest rates ranging from 2.95% to 3.85% as of September 30, 2024, and the terms of 59 to 219 days and interest rates ranging from 3.53% to 3.85% as of June 30, 2024.

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 \$131 million and a revolving credit agreement in the amount of \$130 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, 2024. The liquidity support facilities expire on May 4, 2029, and June 28, 2028, 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, 2024. 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.

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, 2024, 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.

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EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(Dollars in thousands)

NOTE 6 – LONG-TERM DEBT (Continued)

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.

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, 2024, 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, 2024, are presented in the annual audited financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(Dollars in thousands)**

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.

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.

UNAUDITED

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(Dollars in thousands)**

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.