



# EAST BAY MUNICIPAL UTILITY DISTRICT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021    BASIC FINANCIAL STATEMENTS

Focused  
on YOU



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**EAST BAY MUNICIPAL UTILITY DISTRICT  
 BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><i>Independent Auditors' Report</i></b> .....	1
<b><i>Management's Discussion and Analysis</i></b> .....	5
<b><i>Basic Financial Statements</i></b>	
Statements of Net Position .....	22
Statements of Revenues, Expenses and Changes in Net Position .....	25
Statements of Cash Flows .....	26
Statements of Fiduciary Net Position .....	28
Statements of Changes in Fiduciary Net Position .....	29
Notes to Basic Financial Statements .....	31
<b><i>Required Supplemental Information</i></b>	
Employees' Retirement System Trust Fund:	
Schedule of Changes in Employer's Net Pension Liability – Pension Plan .....	95
Schedule of Employer's Net Pension Liability – Pension Plan .....	96
Schedule of Employer's Contributions – Pension Plan .....	96
Schedule of Investment Returns – Pension Plan .....	97
Schedule of Changes in Employer's Net OPEB Liability – Post-Employment Healthcare Plan .....	97
Schedule of Employer's Net OPEB Liability – Post-Employment Healthcare Plan .....	98
Schedule of Employer's Contributions – Post-Employment Healthcare Plan .....	98
Notes to Required Supplementary Information .....	99

**EAST BAY MUNICIPAL UTILITY DISTRICT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><i>Supplemental Information</i></b>	
Fiduciary Fund:	
Combining Statement of Net Position – Employees’ Retirement System Trust Fund .....	102
Combining Statement of Changes in Net Position – Employees’ Retirement System Trust Fund .....	103
Combining Statement of Net Position – Custodial Funds .....	104
Combining Statement of Changes in Net Position – Custodial Funds .....	105
<b><i>Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</i></b> .....	<b>107</b>



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
East Bay Municipal Utility District  
Oakland, California

### Report on the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the East Bay Municipal Utility District, (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

##### *Change in Accounting Principle*

As described in Note 8 to the financial statements, in the fiscal year ended June 30, 2022, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to these matters.

#### **Responsibilities of Management for the Financial Statements**

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



To the Board of Directors  
East Bay Municipal Utility District  
Oakland, California

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Responsibilities***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required pension and other post-employment benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We



To the Board of Directors  
East Bay Municipal Utility District  
Oakland, California

have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fiduciary fund financial statements (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

#### *Report on Summarized Comparative Information*

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



To the Board of Directors  
East Bay Municipal Utility District  
Oakland, California

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
September 30, 2022



# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

This section presents management's analysis of the East Bay Municipal Utility District's (the District) financial condition and activities as of and for the year ended June 30, 2022. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The District, as the primary governmental entity, includes within the financial statements, the financial position, and activities of the District's Employees' Retirement System (Employees' Retirement System) as a component unit. The Employees' Retirement System issues its own financial statements and MD&A under a separate cover. Significant matters pertaining to the Employees' Retirement System have been included in the notes to the financial statements as deemed appropriate.

The information in this MD&A is presented under the following headings:

- Organization and Business
- Overview of the Basic Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Request for Information

### ORGANIZATION AND BUSINESS

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

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of two components: (1) Fund Financial Statements and (2) Notes to Basic Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

***Fund Financial Statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

***Proprietary Funds.*** The District's proprietary funds consist of two enterprise funds, the Water System, and the Wastewater System. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2022

The District's proprietary fund statements include:

The *Statement of Net Position* presents information on the District's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the District's operations over the course of the fiscal year and information as to how the net position changed during the year. This statement can be used as an indicator of the extent to which the District has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expense of employee earned but unused vacation leave.

The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and excludes noncash accounting measures of depreciation or amortization of assets.

***Fiduciary Fund.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District's fiduciary fund consists of the Pension and Other Employee Benefit Trust fund and the Custodial fund. The Pension and Other Employee Benefit Trust fund is maintained to account for assets held by the Employees' Retirement System in a trustee capacity for vested and retired employees. The Custodial fund is used to account for monies held for Dublin San Ramon Services District (DSRSD)/EBMUD Recycled Water Authority (DERWA) and Freeport Regional Water Authority (FRWA), joint power authorities the District provides accounting and investing services for; and monies held in external investment pools. The accounting used for fiduciary funds is much like that used for the proprietary funds.

**Notes to Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 31 to 91 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *certain required supplementary information* concerning the District's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found on pages 95 to 100 of this report.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

### FINANCIAL ANALYSIS

#### *Financial Highlights*

In fiscal year 2022, EBMUD continued to effectively manage its finances and strengthen its financial position by adopting sufficient water and wastewater rates to fund capital infrastructure improvements and to maintain strong financial performance. The following results of operations indicate a continuing strong and stable fiscal position.

The total assets and deferred outflows of the District exceeded the total liabilities and deferred inflows by \$2.7 billion (*net position*).

Net position increased by \$285 million or 12% during the fiscal year.

Capital assets increased by \$202 million or 4% to \$5.7 billion.

Operating revenue increased by \$22 million or 3% to \$770 million.

Operating expense decreased by \$47 million or 9% to \$495 million.

Non-operating net expense increased by \$4 million or 10% to (\$50) million.

Capital contributions decreased by \$21million or 27% from the prior fiscal year.

#### *Financial Position*

In the current year, the District's total net position increased by \$285 million or 12% during the fiscal year. The Water System's net position increased by \$244 million or 12% and the Wastewater System's net position increased by \$41 million or 10%. Current and other assets increased by \$174 million or 18%. Capital assets increased by \$202 million or 4%. By far the largest portion of the District's net position, 89% or \$2.4 billion, represents its investment in capital assets necessary to provide services.

In the previous fiscal year, the District's total net position increased by \$242 million or 11% during the fiscal year. The Water System's net position increased by \$213 million or 12% and the Wastewater System's net position increased by \$29 million or 8%. Current and other assets decreased by \$60 million or 6%. Capital assets increased by \$228 million or 4%. By far the largest portion of the District's net position, 93% or \$2.2 billion, represents its investment in capital assets necessary to provide services.

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2022

Table 1 shows the District's net position for the fiscal years ended June 30, 2022, 2021, and 2020:

**Table 1**  
Net Position  
Water and Wastewater  
June 30, 2022 and 2021  
(In thousands)

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 1,157,740	\$ 984,044	\$ 173,696	18%
Capital assets	5,667,819	5,466,263	201,556	4%
Total assets	6,825,559	6,450,307	375,252	6%
Deferred outflow of resources	231,655	327,956	(96,301)	(29)%
Total assets and deferred outflow	7,057,214	6,778,263	278,951	4%
Current and other liabilities	841,853	1,168,602	(326,749)	(28)%
Long-term liabilities	3,223,739	3,186,996	36,743	1%
Total liabilities	4,065,592	4,355,598	(290,006)	(7)%
Deferred inflow of resources	331,947	47,733	284,214	595%
Total liabilities and deferred inflow	4,397,539	4,403,331	(5,792)	(0)%
Net position:				
Net investment in capital assets	2,365,584	2,198,902	166,682	8%
Restricted	219,473	246,257	(26,784)	(11)%
Unrestricted	74,618	(70,227)	144,845	(206)%
Total net position	\$ 2,659,675	\$ 2,374,932	\$ 284,743	12%

**Table 1**  
Net Position  
Water and Wastewater  
June 30, 2021 and 2020  
(In thousands)

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 984,044	\$ 1,044,499	\$ (60,455)	(6)%
Capital assets	5,466,263	5,237,870	228,393	4%
Total assets	6,450,307	6,282,369	167,938	3%
Deferred outflow of resources	327,956	215,423	112,533	52%
Total assets and deferred outflow	6,778,263	6,497,792	280,471	4%
Current and other liabilities	1,168,602	960,028	208,574	22%
Long-term liabilities	3,186,996	3,324,076	(137,080)	(4)%
Total liabilities	4,355,598	4,284,104	71,494	2%
Deferred inflow of resources	47,733	80,281	(32,548)	(41)%
Total liabilities and deferred inflow	4,403,331	4,364,385	38,946	1%
Net position:				
Net investment in capital assets	2,198,902	1,840,222	358,680	19%
Restricted	246,257	250,370	(4,113)	(2)%
Unrestricted	(70,227)	42,815	(113,042)	(264)%
Total net position	\$ 2,374,932	\$ 2,133,407	\$ 241,525	11%

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2022

#### ***Results of Operations***

In the current fiscal year, the District's total operating revenue of \$769 million for the year increased by \$22 million and total operating expense of \$495 million for the year decreased by \$47 million. The change in net position (including capital contributions) increased from \$242 million in the previous fiscal year to \$285 million in the current fiscal year. The District's total net position increased from \$2,375 million to \$2,660 million during the current fiscal year.

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

- Water revenue increased by \$13 million or 2% due to a 4% water rate increase at the beginning of fiscal year 2022, offset by reduced water consumption.
- Wastewater revenue increased by \$5 million or 5% due to a 4% wastewater rate increase at the beginning of fiscal year 2022.
- Power revenue increased by \$3 million or 51% due to more hydropower generated in the current year.
- Wet weather facilities charges increased by \$1 million or 4% due to a 4% rate increase at the beginning of fiscal year 2022.
- Total operating expense decreased by \$47 million, primarily reflecting decreases of \$98 million in pension expense mainly due to a higher return on the market value of pension plan assets versus the assumption rate used in the actuarial valuation. Offsetting this decrease were increases of \$34 million in general administration, \$6 million in water treatment and distribution, \$5 million in raw water, and \$4 million in sewer treatment plant operations.
- Net nonoperating expense increased by \$4 million, primarily due to \$7 million increase in bond interest expense and amortization and \$3 million increase in investment loss resulting from the fair market value fluctuation of investments offset by a \$5 million increase in taxes and subventions income. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were \$3 million and (\$8) million respectively in the current fiscal year, and \$2 million and (\$4) million respectively in the prior fiscal year.
- Capital contributions decreased by \$21 million primarily reflecting a \$11 million decrease in System Capacity Charges (SCC) and a \$1 million decrease in Wastewater Capacity Fees (WCF) reflecting changes made from a SCC study in fiscal year 2021 and adoption of reduced SCC & WCF rates in fiscal year 2022. Construction service installments decreased by \$11 million due to the cyclical nature of construction phases throughout the service area. Grants and other reimbursements increased by \$1 million due to additional monies received from Federal and State grants. Page 16 contains additional capital contributions information.

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2022

In the previous fiscal year, the District's total operating revenue of \$747 million for the year increased by \$54 million and total operating expense of \$541 million for the year increased by \$53 million. The change in net position (including capital contributions) decreased from \$244 million in fiscal year 2020 to \$242 million in the fiscal year 2021. The District's total net position increased from \$2,133 million to \$2,375 million during the fiscal year 2021.

The major components of the District's results of operations in fiscal year 2021 were:

- Water revenue increased by \$53 million or 9% due to a 6.25% water rate increase at the beginning of fiscal year 2021 and a 3.3% increase of billed water consumption.
- Wastewater revenue remained largely stable in the fiscal year 2021 compared to fiscal year 2020, increasing \$1.4 million or 2%.
- The power revenue decreased by \$2 million or 28% due to dry weather and less water to generate hydropower in the fiscal year 2021.
- Operating expense increased by \$53 million, primarily as increases of \$30 million in pension expense, \$8 million in general and administration, \$7 million in water treatment and distribution, \$6 million in depreciation on utility plant and vehicle, and \$4 million in raw water expenses.
- Net nonoperating expense increased by \$6 million, primarily due to a \$7 million decrease in bond interest expense and amortization and \$2 million increase in other income, offset by \$16 million decrease in investment income resulting from fair market value fluctuation of investments. Included in non-operating net expense is investment income (loss), consisting of interest earned on investment and the net change in the fair value of investments were \$2 million and (\$4) million respectively in fiscal year 2021, and \$14 million and \$1 respectively in fiscal year 2020.
- Capital contributions increased by \$3 million. System Capacity Charges decreased by \$3 million reflecting a slowdown in property development. Wastewater Capacity Fees increased by \$2 million. Earned contributions increased by \$4 million. Grants and other reimbursements received increased by \$1 million in fiscal year 2021 compared to fiscal year 2020. Page 16 contains additional capital contributions information.

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2022

Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2022, 2021, and 2020:

**Table 2**

Changes in Net Position

Water and Wastewater

June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Water	\$ 633,840	\$ 620,471	\$ 13,369	2%
Sewer	98,345	93,394	4,951	5%
Power	7,898	5,236	2,662	51%
Wet weather facilities charges	29,435	28,316	1,119	4%
Total operating revenue	<u>769,518</u>	<u>747,417</u>	<u>22,101</u>	3%
Operating Expense:				
Raw water	62,214	57,448	4,766	8%
Water treatment & distribution	140,309	134,022	6,287	5%
Recreation areas, net	5,268	6,878	(1,610)	(23)%
Sewer lines & pumps	18,273	16,713	1,560	9%
Sewer treatment plant operations	47,053	42,956	4,097	10%
Customer accounting & collecting	21,906	20,010	1,896	9%
Financial and risk management	22,700	22,504	196	1%
Facilities management	4,146	3,882	264	7%
General administration	72,902	39,406	33,496	85%
Pension expense	(53,417)	44,130	(97,547)	(221)%
OPEB expense	(1,234)	(714)	(520)	73%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	145,723	144,161	1,562	1%
Amortization	8,710	10,163	(1,453)	(14)%
Total operating expense	<u>494,553</u>	<u>541,559</u>	<u>(47,006)</u>	(9)%
Net operating income (expense)	<u>274,965</u>	<u>205,858</u>	<u>69,107</u>	34%
Nonoperating income (expense):				
Investment income (loss)	(5,006)	(1,545)	(3,461)	224%
Taxes & subventions	52,881	47,435	5,446	11%
Interest & amortization of bond expenses, net	(113,075)	(106,157)	(6,918)	7%
Increase (decrease) of Equity in JPA partnership fund	(4,125)	(3,783)	(342)	9%
Other income	19,648	18,771	877	5%
Total nonoperating income (expense), net	<u>(49,677)</u>	<u>(45,279)</u>	<u>(4,398)</u>	10%
Income (loss) before contributions	225,288	160,579	64,709	40%
Capital contributions	59,455	80,946	(21,491)	(27)%
Change in net position	284,743	241,525	43,218	18%
Total net position – beginning	<u>2,374,932</u>	<u>2,133,407</u>	<u>241,525</u>	11%
Total net position – ending	<u>\$ 2,659,675</u>	<u>\$ 2,374,932</u>	<u>\$ 284,743</u>	12%

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

**Table 2**

Changes in Net Position

Water and Wastewater

June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Water	\$ 620,471	\$ 567,394	\$ 53,077	9%
Sewer	93,394	91,956	1,438	2%
Power	5,236	7,223	(1,987)	(28)%
Wet weather facilities charges	28,316	27,090	1,226	5%
Total operating revenue	<u>747,417</u>	<u>693,663</u>	<u>53,754</u>	8%
Operating Expense:				
Raw water	57,289	53,246	4,043	8%
Water treatment & distribution	134,022	126,647	7,375	6%
Recreation areas, net	6,878	6,674	204	3%
Sewer lines & pumps	16,713	16,365	348	2%
Sewer treatment plant operations	42,956	41,504	1,452	3%
Customer accounting & collecting	20,010	19,922	88	0%
Financial and risk management	22,504	25,550	(3,046)	(12)%
Facilities management	3,882	5,980	(2,098)	(35)%
General administration	39,406	31,722	7,684	24%
Pension expense	44,130	14,523	29,607	204%
OPEB expense	(714)	(3,984)	3,270	(82)%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	144,161	136,631	7,530	6%
Amortization	10,163	13,252	(3,089)	(23)%
Total operating expense	<u>541,400</u>	<u>488,032</u>	<u>53,368</u>	11%
Net operating income (expense)	<u>206,017</u>	<u>205,631</u>	<u>386</u>	0%
Nonoperating income (expense):				
Investment income (loss)	(1,545)	14,902	(16,447)	(110)%
Taxes & subventions	47,435	46,626	809	2%
Interest & amortization of bond expenses, net	(106,157)	(113,506)	7,349	(6)%
Increase (decrease) of Equity in JPA partnership fund	(3,783)	(3,325)	(458)	14%
Other income	18,612	16,194	2,418	15%
Total nonoperating income (expense), net	<u>(45,438)</u>	<u>(39,109)</u>	<u>(6,329)</u>	16%
Income (loss) before contributions	160,579	166,522	(5,943)	(4)%
Capital contributions	80,946	77,623	3,323	4%
Change in net position	241,525	244,145	(2,620)	(1)%
Total net position – beginning	<u>2,133,407</u>	<u>1,889,262</u>	<u>244,145</u>	13%
Total net position – ending	<u>\$ 2,374,932</u>	<u>\$ 2,133,407</u>	<u>\$ 241,525</u>	11%



## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2022

#### **Liquidity**

The District had \$776 million in combined current and noncurrent District Cash and Investments as of June 30, 2022, an increase of \$114 million compared to \$662 million as of June 30, 2021. Components of cash and investments for the year ended June 30, 2022 were:

- Water System total combined current and noncurrent cash and investments increased by \$88 million compared to the same date of the previous fiscal year. Cash and cash equivalents decreased by a net \$147 million compared to the prior year. This was primarily due to a decrease of \$314 million from the net proceeds of securities in investing activities offset by a decrease of \$162 million spending from capital and related financing activities and an increase of \$7 million in non-capital financing activities. Noncurrent investments increased by a net \$297 million primarily due to reallocation of investments between short-term and long-term.
- Wastewater System total combined current and noncurrent cash and investments increased by \$26 million compared to the same date in the previous fiscal year. Cash and cash equivalents decreased by a net \$40 million compared to the prior year. This was primarily due to a decrease of \$63 million from the net proceeds of securities in investing activities offset by a decrease of \$15 million spending from capital and related financing activities and an increase of \$7 million in operating activities. Noncurrent investments increased by a net \$67 million also primarily due to reallocation of investments between short-term and long-term.

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2022, 2021, and 2020:

<b>Table 3</b>				
Cash Flows				
Water and Wastewater System				
June 30, 2022 and 2021				
(In thousands)				
	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>%</u>
Cash and cash equivalents:				
Beginning of year	\$ 426,405	\$ 489,723	\$ (63,318)	(13)%
Net cash provided by operating activities	404,497	418,027	(13,530)	(3)%
Net cash provided by noncapital financing activities	73,593	47,435	26,158	55%
Net cash provided by (used in) capital and related financing activities	(363,866)	(510,731)	146,865	(29)%
Net cash provided by (used in) investing activities	<u>(369,147)</u>	<u>7,985</u>	<u>(377,132)</u>	<u>(4,723)%</u>
Net increase (decrease) in cash and cash equivalents	(254,923)	(37,284)	(217,639)	584%
Reconciliation of non-cash transactions:				
Amortization of bond premiums and discounts	9,040	(29,500)	38,540	(131)%
Debt refunding related	<u>(3,698)</u>	<u>3,466</u>	<u>(7,164)</u>	<u>(207)%</u>
End of period	<u><u>176,824</u></u>	<u><u>426,405</u></u>	<u><u>(249,581)</u></u>	<u><u>(59)%</u></u>
Investments:				
Beginning of year	235,894	242,970	(7,076)	(3)%
Net increase (decrease) in investments	<u>363,812</u>	<u>(7,076)</u>	<u>370,888</u>	<u>(5,241)%</u>
End of period	<u><u>599,706</u></u>	<u><u>235,894</u></u>	<u><u>363,812</u></u>	<u><u>154%</u></u>
Total District Cash and Investments	<u><u>\$ 776,530</u></u>	<u><u>\$ 662,299</u></u>	<u><u>\$ 114,231</u></u>	<u><u>17%</u></u>

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2022

**Table 3 (Continued)**

Cash Flows

Water and Wastewater System

June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>%</u>
<b>Cash and cash equivalents:</b>				
Beginning of year	\$ 489,723	\$ 178,179	\$ 311,544	175%
Net cash provided by operating activities	418,027	388,572	29,455	8%
Net cash provided by noncapital financing activities	47,435	46,626	809	2%
Net cash provided by (used in) capital and related financing activities	(510,731)	(464,483)	(46,248)	10%
Net cash provided by (used in) investing activities	7,985	361,564	(353,579)	(98)%
Net increase (decrease) in cash and cash equivalents	<u>(37,284)</u>	<u>332,279</u>	<u>(369,563)</u>	<u>(111)%</u>
<b>Reconciliation of non-cash transactions:</b>				
Amortization of bond premiums and discounts	(29,500)	(32,752)	3,252	(10)%
Debt refunding related	3,466	12,017	(8,551)	(71)%
End of period	<u>426,405</u>	<u>489,723</u>	<u>(63,318)</u>	<u>(13)%</u>
<b>Investments:</b>				
Beginning of year	242,970	588,161	(345,191)	(59)%
Net increase (decrease) in investments	<u>(7,076)</u>	<u>(345,191)</u>	<u>338,115</u>	<u>(98)%</u>
End of period	<u>235,894</u>	<u>242,970</u>	<u>(7,076)</u>	<u>(3)%</u>
Total District Cash and Investments	<u>\$ 662,299</u>	<u>\$ 732,693</u>	<u>\$ (70,394)</u>	<u>(10)%</u>

**Cash and Investments by Fund**

In fiscal years 2022 and 2021, total cash and investments available for operating and capital activities are reported in current and noncurrent assets as unrestricted and restricted funds. Significant activities in the current fiscal year were as follows: Water System increased \$102 million in capital reserves to fund capital projects. Wastewater System increased \$24 million in capital reserves to fund capital projects and equipment replacements.

In the previous fiscal year, significant activities were as follows: the Water System reserved an additional \$55 million in the rate stabilization fund, increased \$4 million in working capital and spent \$23 million in capital reserves to pay down commercial paper. Wastewater System reserved an additional \$7.9 million in the rate stabilization fund and spent \$0.7 million in capital reserves to pay down extendable commercial paper.

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 1H to the financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2022

Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2022, 2021, and 2020:

**Table 4**  
Cash and Investment by Fund  
Water and Wastewater  
June 30, 2022 and 2021  
(In thousands)

	<b>Water System</b>		<b>Wastewater System</b>		<b>Total</b>		<b>Increase (decrease)</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>Amount</b>	<b>%</b>
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	78,700	78,800	21,300	19,600	100,000	98,400	1,600	2%
Self-insurance	7,822	7,818	1,036	1,227	8,858	9,045	(187)	(2)%
Workers compensation	6,631	6,032	879	947	7,510	6,979	531	8%
Total operating reserves	<u>243,153</u>	<u>242,650</u>	<u>55,215</u>	<u>53,774</u>	<u>298,368</u>	<u>296,424</u>	<u>1,944</u>	<u>1%</u>
Capital reserves:								
Reserved for capital projects	351,614	250,091	41,110	23,862	392,724	273,953	118,771	43%
Reserve funded CIP - Wastewater	-	-	15,397	15,377	15,397	15,377	20	0%
Vehicle replacements	17,251	16,334	-	-	17,251	16,334	917	6%
Equipment replacements	-	-	24,174	17,816	24,174	17,816	6,358	36%
Total capital reserves	<u>368,865</u>	<u>266,425</u>	<u>80,681</u>	<u>57,055</u>	<u>449,546</u>	<u>323,480</u>	<u>126,066</u>	<u>39%</u>
Total Unrestricted cash and investment	<u>612,018</u>	<u>509,075</u>	<u>135,896</u>	<u>110,829</u>	<u>747,914</u>	<u>619,904</u>	<u>128,010</u>	<u>21%</u>
Restricted Cash and Investments								
Bond interest and redemption fund	886	-	261	-	1,147	-	1,147	N/A
Debt service reserve fund	2	3,763	-	-	2	3,763	(3,761)	(100)%
Funds received for construction	24,242	35,715	-	-	24,242	35,715	(11,473)	(32)%
FERC partnership fund	2,163	2,188	-	-	2,163	2,188	(25)	(1)%
Monetary reserve	396	396	666	333	1,062	729	333	46%
Total restricted cash and investments	<u>27,689</u>	<u>42,062</u>	<u>927</u>	<u>333</u>	<u>28,616</u>	<u>42,395</u>	<u>(13,779)</u>	<u>(33)%</u>
Total District Cash and Investments	<u>\$ 639,707</u>	<u>\$ 551,137</u>	<u>\$ 136,823</u>	<u>\$ 111,162</u>	<u>\$ 776,530</u>	<u>\$ 662,299</u>	<u>\$ 114,231</u>	<u>17%</u>

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

**Table 4**  
Cash and Investment by Fund  
Water and Wastewater  
June 30, 2021 and 2020  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2021	2020	2021	2020	2021	2020	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	\$ 150,000	\$ 95,000	\$ 32,000	\$ 24,090	\$ 182,000	\$ 119,090	\$ 62,910	53%
Working capital reserve	78,800	74,800	19,600	18,800	98,400	93,600	4,800	5%
Self-insurance	7,818	7,753	1,227	1,202	9,045	8,955	90	1%
Workers compensation	6,032	6,099	947	945	6,979	7,044	(65)	(1)%
Total operating reserves	<u>242,650</u>	<u>183,652</u>	<u>53,774</u>	<u>45,037</u>	<u>296,424</u>	<u>228,689</u>	<u>67,735</u>	<u>30%</u>
Capital reserves:								
Reserved for capital projects	250,091	384,050	23,862	21,067	273,953	405,117	(131,164)	(32)%
Reserve funded CIP - Wastewater	-	-	15,377	15,336	15,377	15,336	41	0%
Vehicle replacements	16,334	13,484	-	-	16,334	13,484	2,850	21%
Equipment replacements	-	2,580	17,816	26,589	17,816	29,169	(11,353)	(39)%
Total capital reserves	<u>266,425</u>	<u>400,114</u>	<u>57,055</u>	<u>62,992</u>	<u>323,480</u>	<u>463,106</u>	<u>(139,626)</u>	<u>(30)%</u>
Total Unrestricted cash and investment	<u>509,075</u>	<u>583,766</u>	<u>110,829</u>	<u>108,029</u>	<u>619,904</u>	<u>691,795</u>	<u>(71,891)</u>	<u>(10)%</u>
Restricted Cash and Investments								
Bond interest and redemption fund	-	457	-	21	-	478	(478)	(100)%
Debt service reserve fund	3,763	3,763	-	-	3,763	3,763	-	0%
Funds received for construction	35,715	33,827	-	-	35,715	33,827	1,888	6%
FERC partnership fund	2,188	2,276	-	-	2,188	2,276	(88)	(4)%
Monetary reserve	396	554	333	-	729	554	175	32%
Total restricted cash and investments	<u>42,062</u>	<u>40,877</u>	<u>333</u>	<u>21</u>	<u>42,395</u>	<u>40,898</u>	<u>1,497</u>	<u>4%</u>
Total District Cash and Investments	<u>\$ 551,137</u>	<u>\$ 624,643</u>	<u>\$ 111,162</u>	<u>\$ 108,050</u>	<u>\$ 662,299</u>	<u>\$ 732,693</u>	<u>\$ (70,394)</u>	<u>(10)%</u>

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

### Capital Contributions

Capital contributions primarily consist of System Capacity Charges (SCCs) and Wastewater Capacity Fees (WCFs). 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 System's SCCs consist 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 WCFs 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.

Capital contributions decreased by \$21 million primarily reflecting a \$11 million decrease in SCCs and a \$1 million decrease in WCFs due to changes made from the SCC study in fiscal year 2021 and adoption of reduced SCC & WCF rates in fiscal year 2022. Construction service installments decreased by \$11 million compared to previous fiscal year due to the cyclical nature of construction phases throughout the service area. Grants and other reimbursements increased by \$1 million due to additional monies received from Federal and State grants.

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2022, 2021, and 2020:

**Table 5**  
Capital Contributions  
Water and Wastewater  
June 30, 2022 and 2021  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2022	2021	2022	2021	2022	2021	Amount	%
System capacity charges	\$39,690	\$50,378	\$ -	\$ -	\$39,690	\$50,378	\$(10,688)	(21)%
Wastewater capacity fees	-	-	6,443	7,203	6,443	7,203	(760)	(11)%
Earned contributions on construction	9,836	21,315	-	(4)	9,836	21,311	(11,475)	(54)%
Grants and other reimbursements	3,486	1,754	-	300	3,486	2,054	1,432	70%
<b>Totals</b>	<b>\$53,012</b>	<b>\$73,447</b>	<b>\$ 6,443</b>	<b>\$ 7,499</b>	<b>\$59,455</b>	<b>\$80,946</b>	<b>\$(21,491)</b>	<b>(27)%</b>

**Table 5**  
Capital Contributions  
Water and Wastewater  
June 30, 2021 and 2020  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2021	2020	2021	2020	2021	2020	Amount	%
System capacity charges	\$50,378	\$53,307	\$ -	\$ -	\$50,378	\$53,307	\$(2,929)	(5)%
Wastewater capacity fees	-	-	7,203	5,697	7,203	5,697	1,506	26%
Earned contributions on construction	21,315	17,780	(4)	-	21,311	17,780	3,531	20%
Grants and other reimbursements	1,754	839	300	-	2,054	839	1,215	145%
<b>Totals</b>	<b>\$73,447</b>	<b>\$71,926</b>	<b>\$ 7,499</b>	<b>\$ 5,697</b>	<b>\$80,946</b>	<b>\$77,623</b>	<b>\$ 3,323</b>	<b>4%</b>

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

### CAPITAL ASSETS

The District had \$5.7 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2022. Total capital assets were \$5.5 billion as of June 30, 2021. 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. In the current fiscal year, capital assets increased by \$201 million or 4% over the prior fiscal year. In fiscal year 2021, capital assets increased by \$228 million or 4% over fiscal year 2020. Annual changes are consistent with the District's capital improvement program.

The Water System had \$4.9 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2022. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, power generation, pump stations, water reclamation facilities, machinery and equipment.

The Wastewater System had \$790 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2022. 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 for the fiscal years ended June 30, 2022, 2021, and 2020:

**Table 6**  
Capital Assets, Net of Depreciation  
Water and Wastewater  
June 30, 2022 and 2021  
(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase/(decrease)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, and equipment	\$ 4,080,633	\$ 3,984,072	\$ 643,357	\$ 635,053	\$ 4,723,990	\$ 4,619,125	\$ 104,865	2.3%
Land and rights of way	73,790	73,790	21,409	21,409	95,199	95,199	-	0.0%
Construction work in progress	722,935	635,447	125,695	116,492	848,630	751,939	96,691	12.9%
<b>Totals</b>	<b>\$ 4,877,358</b>	<b>\$ 4,693,309</b>	<b>\$ 790,461</b>	<b>\$ 772,954</b>	<b>\$ 5,667,819</b>	<b>\$ 5,466,263</b>	<b>\$ 201,556</b>	<b>3.7%</b>

Capital Assets, Net of Depreciation  
Water and Wastewater  
June 30, 2021 and 2020  
(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase/(decrease)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, and equipment	\$ 3,984,072	\$ 3,908,424	\$ 635,053	\$ 638,147	\$ 4,619,125	\$ 4,546,571	\$ 72,554	1.6%
Land and rights of way	73,790	73,790	21,409	21,409	95,199	95,199	-	0.0%
Construction work in progress	635,447	497,634	116,492	98,466	751,939	596,100	155,839	26.1%
<b>Totals</b>	<b>\$ 4,693,309</b>	<b>\$ 4,479,848</b>	<b>\$ 772,954</b>	<b>\$ 758,022</b>	<b>\$ 5,466,263</b>	<b>\$ 5,237,870</b>	<b>\$ 228,393</b>	<b>4.4%</b>

## EAST BAY MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis

June 30, 2022

The District's net revenue, long-term debt, and contributions from customers are used to finance capital investments. More detailed information about the District's capital assets is presented in Note 3 to the basic financial statements.

This year's major capital expenditures included:

***Water System:***

Treatment plant upgrades	\$	105,232
Pipeline rebuild		73,830
Open cut reservoir program		63,467
Maloney pumping plant & water treatment plant improvements		57,555
Large diameter pipelines		50,074
Pumping plant rehabilitation		40,227
Trench soils management		35,776
Service lateral replacements		33,416
Reservoir rehab/maintenance		33,114
Pressure zone improvements		13,542
Pipeline system improvements		13,181
Raw water infrastructure		12,971
Mokelumne aqueduct 2 & 3 relining		12,025
Pipeline relocations		11,298
Dam operational upgrades		10,565
West of hills master plan		10,377
Water transfers		7,663
Reservoir tower modifications		7,413
Pipeline system extensions		7,285
Raw water aqueduct improvements		7,224

***Wastewater System:***

Digesters	\$	25,357
General wastewater		25,219
Utilities and sitework		23,259
Interceptors and pump stations		10,196
Secondary		8,536
Power generation and biogas		6,288
Effluent discharge		4,354
Resource recovery		3,652
Wet weather facilities		2,728
Electricals and controls		2,705
Nutrients		2,496
Preliminary treatment		1,832

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2022

### DEBT ADMINISTRATION

The District had total long-term debt outstanding of \$3.3 billion as of June 30, 2022, a 1% increase from June 30, 2021. Total long-term debt outstanding was \$3.3 billion as of June 30, 2021, a 4% decrease from June 30, 2020. Components of the District's long-term debt portfolio as of June 30, 2022 are:

- The Water System had total long-term debt outstanding of \$2.9 billion.
- The Wastewater System had total long-term debt outstanding of \$383 million.

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2022, 2021, and 2020:

**Table 7**  
Long -Term Debt  
(Net of Unamortized Costs)  
Water and Wastewater  
June 30, 2022 and 2021  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2022	2021	2022	2021	2022	2021	Amount	%
Revenue bonds*	\$ 2,606,497	\$ 2,546,127	\$ 374,755	\$ 369,455	\$ 2,981,252	\$ 2,915,582	\$ 65,670	2%
Commercial paper	295,000	312,800	8,000	9,300	303,000	322,100	(19,100)	(6)%
Loans	31,073	32,857	-	-	31,073	32,857	(1,784)	(5)%
Totals	\$ 2,932,570	\$ 2,891,784	\$ 382,755	\$ 378,755	\$ 3,315,325	\$ 3,270,539	\$ 44,786	1%

**Table 7**  
Long -Term Debt  
(Net of Unamortized Costs)  
Water and Wastewater  
June 30, 2021 and 2020  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2021	2020	2021	2020	2021	2020	Amount	%
Revenue bonds*	\$ 2,546,127	\$ 2,639,641	\$ 369,455	\$ 383,781	\$ 2,915,582	\$ 3,023,422	\$ (107,840)	(4)%
Commercial paper	312,800	335,800	9,300	10,000	322,100	345,800	(23,700)	(7)%
Loans	32,857	35,069	-	-	32,857	35,069	(2,212)	(6)%
Totals	\$ 2,891,784	\$ 3,010,510	\$ 378,755	\$ 393,781	\$ 3,270,539	\$ 3,404,291	\$ (133,752)	(4)%

\*Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was \$225 million, \$217 million, and \$243 million as of June 30, 2022, 2021 and 2020, respectively. For Wastewater System, the net of unamortized bond premium and discount was \$23 million, \$22 million, and \$25 million as of June 30, 2022, 2021 and 2020, 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. As of June 30, 2022, the coverage ratio for Water was 2.32 and for Wastewater was 2.63; the overall District ratio was 2.36.

**Debt-Funded Capital Spending:** Limit debt-funded capital to no more than 65% of the total capital program over each five-year planning period. As of June 30, 2022, the percentage of debt-funded capital spending for Water was 22% and for Wastewater was 10%; the overall District percentage was 21%.

**Extendable Commercial Paper and Un-hedged Variable Rate Debt:** Maintain an annual limit of 25% of outstanding long-term debt. As of June 30, 2022, the percentage of extended commercial paper and



**EAST BAY MUNICIPAL UTILITY DISTRICT**

Management's Discussion and Analysis

June 30, 2022

un-hedged variable rate debt compared to total outstanding long-term debt for Water was 11% and for Wastewater was 2%; the overall District percentage was 10%.

Revenue-supported debt authorization for the District can be approved by the District's Board of Directors, subject to a referendum process. At June 30, 2022, the Water System had \$468 million and the Wastewater System had \$168 million in authorized but unissued revenue bonds.

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

**Table 8**

Credit Ratings

Water and Wastewater

June 30, 2022

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

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

Additional information on the District's long-term debt can be found in Note 7 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 by visiting our website at <http://www.ebmud.com>.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2022 and 2021**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents (Note 2)	\$ 121,818	\$ 310,312	\$ 45,826	\$ 87,655	\$ 167,644	\$ 397,967
Investments	490,200	198,763	90,070	23,174	580,270	221,937
Receivables:						
Customer	70,463	65,825	10,166	8,067	80,629	73,892
Lease	29,483	-	13,924	-	43,407	-
Interest and other	4,228	458	3,781	3,581	8,009	4,039
Materials and supplies	22,241	14,885	7,094	6,101	29,335	20,986
Prepaid insurance	3,945	2,254	472	407	4,417	2,661
<b>Total current assets</b>	<b>742,378</b>	<b>592,497</b>	<b>171,333</b>	<b>128,985</b>	<b>913,711</b>	<b>721,482</b>
<b>Noncurrent assets:</b>						
Restricted assets (Note 2):						
Cash and cash equivalents	8,253	28,105	927	333	9,180	28,438
Investments	19,436	13,957	-	-	19,436	13,957
<b>Total restricted cash and investments</b>	<b>27,689</b>	<b>42,062</b>	<b>927</b>	<b>333</b>	<b>28,616</b>	<b>42,395</b>
<b>Other assets:</b>						
Equity in JPA partnership fund	215,099	219,224	-	-	215,099	219,224
Other	46	298	268	645	314	943
<b>Total other assets</b>	<b>215,145</b>	<b>219,522</b>	<b>268</b>	<b>645</b>	<b>215,413</b>	<b>220,167</b>
<b>Capital assets (Note 3):</b>						
Structures, buildings, and equipment	6,361,919	6,157,768	1,193,659	1,160,219	7,555,578	7,317,987
Intangible Assets	389,174	374,097	40,223	40,223	429,397	414,320
Lease-right to use assets	2,370	-	-	-	2,370	-
Less accumulated depreciation/amortization	(2,672,830)	(2,547,793)	(590,525)	(565,389)	(3,263,355)	(3,113,182)
<b>Subtotal</b>	<b>4,080,633</b>	<b>3,984,072</b>	<b>643,357</b>	<b>635,053</b>	<b>4,723,990</b>	<b>4,619,125</b>
Land and rights-of-way	73,790	73,790	21,409	21,409	95,199	95,199
Construction in progress	722,935	635,447	125,695	116,492	848,630	751,939
<b>Total capital assets, net</b>	<b>4,877,358</b>	<b>4,693,309</b>	<b>790,461</b>	<b>772,954</b>	<b>5,667,819</b>	<b>5,466,263</b>
<b>Total noncurrent assets</b>	<b>5,120,192</b>	<b>4,954,893</b>	<b>791,656</b>	<b>773,932</b>	<b>5,911,848</b>	<b>5,728,825</b>
<b>Total assets</b>	<b>5,862,570</b>	<b>5,547,390</b>	<b>962,989</b>	<b>902,917</b>	<b>6,825,559</b>	<b>6,450,307</b>
<b>Deferred outflow of resources</b>						
Accumulated decrease in fair value of hedging derivatives	-	29,400	-	-	-	29,400
Debt refunding related (Note 7)	15,084	3,178	-	-	15,084	3,178
Pension related	158,471	226,463	25,691	37,134	184,162	263,597
OPEB related	27,866	27,324	4,543	4,457	32,409	31,781
Total deferred outflows	201,421	286,365	30,234	41,591	231,655	327,956
<b>Total assets and deferred outflows</b>	<b>6,063,991</b>	<b>5,833,755</b>	<b>993,223</b>	<b>944,508</b>	<b>7,057,214</b>	<b>6,778,263</b>

See accompanying notes to basic financial statements.

(Continued)

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF NET POSITION (Continued)**  
**JUNE 30, 2022 and 2021**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Totals	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Liabilities and Net Position						
Current liabilities:						
Current maturities of long-term debt and commercial paper (Note 6 and 7)	\$ 77,992	\$ 72,064	\$ 13,595	\$ 11,480	\$ 91,587	\$ 83,544
Accounts payable and accrued expenses (Note 4)	87,328	58,639	16,233	6,539	103,561	65,178
Compensated absences (Note 5)	41,839	39,677	6,671	6,424	48,510	46,101
Current reserve for claims	10,388	10,004	707	804	11,095	10,808
Accrued interest	10,304	9,693	1,472	1,449	11,776	11,142
<b>Total current liabilities</b>	<b>227,851</b>	<b>190,077</b>	<b>38,678</b>	<b>26,696</b>	<b>266,529</b>	<b>216,773</b>
Noncurrent liabilities:						
Other liabilities:						
Advances for construction	25,788	15,362	-	-	25,788	15,362
Reserve for claims (Note 11)	48,716	38,948	3,307	4,156	52,023	43,104
Net pension liability (Note 10)	287,513	619,188	47,338	102,459	334,851	721,647
Lease payable (Note 8)	1,993	-	-	-	1,993	-
Net OPEB liability (Note 10)	122,843	130,214	20,333	21,620	143,176	151,834
Other liabilities	9,797	12,711	7,696	7,171	17,493	19,882
<b>Total other liabilities</b>	<b>496,650</b>	<b>816,423</b>	<b>78,674</b>	<b>135,406</b>	<b>575,324</b>	<b>951,829</b>
Long-term liabilities, net of current maturities (Note 7)	2,854,579	2,819,721	369,160	367,275	3,223,739	3,186,996
<b>Total noncurrent liabilities</b>	<b>3,351,229</b>	<b>3,636,144</b>	<b>447,834</b>	<b>502,681</b>	<b>3,799,063</b>	<b>4,138,825</b>
<b>Total liabilities</b>	<b>3,579,080</b>	<b>3,826,221</b>	<b>486,512</b>	<b>529,377</b>	<b>4,065,592</b>	<b>4,355,598</b>
Deferred inflow of resources:						
Derivative instrument	-	29,400	-	-	-	29,400
Debt refunding related	7,585	-	623	-	8,208	-
Lease related	29,483	-	13,924	-	43,407	-
Pension related	227,318	8,977	38,855	3,251	266,173	12,228
OPEB related	11,843	4,847	2,316	1,258	14,159	6,105
<b>Total deferred inflows</b>	<b>276,229</b>	<b>43,224</b>	<b>55,718</b>	<b>4,509</b>	<b>331,947</b>	<b>47,733</b>
<b>Total liabilities and deferred inflows</b>	<b>3,855,309</b>	<b>3,869,445</b>	<b>542,230</b>	<b>533,886</b>	<b>4,397,539</b>	<b>4,403,331</b>
Net position (Note 9):						
Net investment in capital assets	1,957,878	1,804,703	407,706	394,199	2,365,584	2,198,902
Restricted for construction	-	20,353	667	333	667	20,686
Restricted for debt service	887	3,763	261	-	1,148	3,763
Restricted for JPA	215,099	219,224	-	-	215,099	219,224
Restricted - other	2,559	2,584	-	-	2,559	2,584
Unrestricted	32,259	(86,317)	42,359	16,090	74,618	(70,227)
<b>Total net position</b>	<b>2,208,682</b>	<b>1,964,310</b>	<b>450,993</b>	<b>410,622</b>	<b>2,659,675</b>	<b>2,374,932</b>
<b>Total liabilities and net position</b>	<b>\$ 6,063,991</b>	<b>\$ 5,833,755</b>	<b>\$ 993,223</b>	<b>\$ 944,508</b>	<b>\$ 7,057,214</b>	<b>\$ 6,778,263</b>

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**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating revenue:						
Water	\$ 633,840	\$ 620,471	\$ -	\$ -	\$ 633,840	\$ 620,471
Sewer	-	-	98,345	93,394	98,345	93,394
Power	7,232	4,573	666	663	7,898	5,236
Wet weather facilities charges	-	-	29,435	28,316	29,435	28,316
<b>Total operating revenue</b>	<b>641,072</b>	<b>625,044</b>	<b>128,446</b>	<b>122,373</b>	<b>769,518</b>	<b>747,417</b>
Operating expense:						
Raw water	62,214	57,448	-	-	62,214	57,448
Water treatment and distribution	140,309	134,022	-	-	140,309	134,022
Recreation areas, net	5,268	6,878	-	-	5,268	6,878
Sewer lines and pumping	-	-	18,273	16,713	18,273	16,713
Sewer treatment plant operations	-	-	47,053	42,956	47,053	42,956
Customer accounting and collecting	19,554	17,675	2,352	2,335	21,906	20,010
Financial and risk management	21,368	21,195	1,332	1,309	22,700	22,504
Facilities management	4,146	3,882	-	-	4,146	3,882
General administration	66,274	33,813	6,628	5,593	72,902	39,406
Pension expense	(45,343)	38,635	(8,074)	5,495	(53,417)	44,130
OPEB expense	(919)	(477)	(315)	(237)	(1,234)	(714)
Depreciation on utility plant and vehicle	121,809	120,581	23,914	23,580	145,723	144,161
Amortization	7,561	8,902	1,149	1,261	8,710	10,163
<b>Total operating expense</b>	<b>402,241</b>	<b>442,554</b>	<b>92,312</b>	<b>99,005</b>	<b>494,553</b>	<b>541,559</b>
<b>Net operating income (loss)</b>	<b>238,831</b>	<b>182,490</b>	<b>36,134</b>	<b>23,368</b>	<b>274,965</b>	<b>205,858</b>
Other income (expense):						
Investment income	(4,254)	(1,522)	(752)	(23)	(5,006)	(1,545)
Taxes and subventions	45,499	40,578	7,382	6,857	52,881	47,435
Interest and amortization of bond expenses, net of	(98,432)	(92,050)	(14,643)	(14,107)	(113,075)	(106,157)
Increase (decrease) of equity in JPA partnership fund	(4,125)	(3,783)	-	-	(4,125)	(3,783)
Other income	13,841	13,678	5,807	5,093	19,648	18,771
<b>Total other income (expense), net</b>	<b>(47,471)</b>	<b>(43,099)</b>	<b>(2,206)</b>	<b>(2,180)</b>	<b>(49,677)</b>	<b>(45,279)</b>
<b>Income before capital contributions</b>	<b>191,360</b>	<b>139,391</b>	<b>33,928</b>	<b>21,188</b>	<b>225,288</b>	<b>160,579</b>
Capital contributions	53,012	73,447	6,443	7,499	59,455	80,946
<b>Change in net position</b>	<b>244,372</b>	<b>212,838</b>	<b>40,371</b>	<b>28,687</b>	<b>284,743</b>	<b>241,525</b>
<b>Total net position - beginning</b>	<b>1,964,310</b>	<b>1,751,472</b>	<b>410,622</b>	<b>381,935</b>	<b>2,374,932</b>	<b>2,133,407</b>
<b>Total net position - ending</b>	<b>\$ 2,208,682</b>	<b>\$ 1,964,310</b>	<b>\$ 450,993</b>	<b>\$ 410,622</b>	<b>\$ 2,659,675</b>	<b>\$ 2,374,932</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flows from operating activities						
Cash received from customers	\$ 636,434	\$ 614,476	\$ 126,347	\$ 120,990	\$ 762,781	\$ 735,466
Cash payments for judgments and claims	(8,009)	(7,382)	(162)	(288)	(8,171)	(7,670)
Cash payments to suppliers for goods and services	(61,295)	(56,690)	(30,089)	(34,091)	(91,384)	(90,781)
Cash payments to employees for services	(221,883)	(203,686)	(36,847)	(34,073)	(258,730)	(237,759)
<b>Net cash provided by (used for) operating activities</b>	<b>345,247</b>	<b>346,718</b>	<b>59,249</b>	<b>52,538</b>	<b>404,496</b>	<b>399,256</b>
Cash flows from noncapital financing activities:						
Tax receipts	45,499	40,578	7,382	6,857	52,881	47,435
Cash received from other income	14,905	12,852	5,807	5,093	20,712	17,945
<b>Net cash provided by financing activities</b>	<b>60,404</b>	<b>53,430</b>	<b>13,189</b>	<b>11,950</b>	<b>73,593</b>	<b>65,380</b>
Capital and related financing activities:						
Capital contributions	53,012	73,447	6,443	7,499	59,455	80,946
Payments from advances for construction	10,426	1,827	-	-	10,426	1,827
Proceeds from sale of capital assets	642	2,313	-	-	642	2,313
Net proceeds and premiums from sale of bonds	369,749	-	40,858	-	410,607	-
Acquisition and construction of capital assets	(315,491)	(344,430)	(42,570)	(39,776)	(358,061)	(384,206)
Principal retirement on long-term debt and commercial paper	(324,494)	(92,596)	(36,450)	(11,655)	(360,944)	(104,251)
Amount paid to fiscal agent including swap termination payments	(15,417)	-	-	-	(15,417)	-
Costs and discounts from issuance on long-term debt	(958)	-	(408)	-	(1,366)	-
Interest paid on long-term debt	(89,869)	(115,042)	(13,997)	(17,526)	(103,866)	(132,568)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(312,400)</b>	<b>(474,481)</b>	<b>(46,124)</b>	<b>(61,458)</b>	<b>(358,524)</b>	<b>(535,939)</b>
Cash flows from investing activities:						
Proceeds from securities	342,562	381,940	51,524	37,754	394,086	419,694
Expenditures from purchases of securities	(639,477)	(370,069)	(118,420)	(42,549)	(757,897)	(412,618)
Interest received on investments	(4,682)	828	(653)	81	(5,335)	909
<b>Net cash provided by (used for) investing activities</b>	<b>(301,597)</b>	<b>12,699</b>	<b>(67,549)</b>	<b>(4,714)</b>	<b>(369,146)</b>	<b>7,985</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(208,346)</b>	<b>(61,634)</b>	<b>(41,235)</b>	<b>(1,684)</b>	<b>(249,561)</b>	<b>(63,318)</b>
Cash and cash equivalents:						
Beginning of year	338,417	400,051	87,988	89,672	426,405	489,723
End of year	\$ 130,071	\$ 338,417	\$ 46,753	\$ 87,988	\$ 176,824	\$ 426,405

(Continued)

See accompanying notes to basic financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Reconciliation of net operating income to net cash provided by (used for) operating activities:						
Net operating income	\$ 238,831	\$ 182,490	\$ 36,134	\$ 23,368	\$ 274,965	\$ 205,858
Adjustments to reconcile net operating income to net cash provided by (used for) operating activities:						
Pension expense	(45,343)	38,635	(8,074)	5,495	(53,417)	44,130
OPEB expense	(919)	(477)	(315)	(237)	(1,234)	(714)
Depreciation on utility plant and vehicle	121,323	119,108	23,914	23,580	145,237	142,688
Depreciation within Recreation Area	486	1,473	-	-	486	1,473
Amortization on intangible assets	7,561	8,902	1,221	1,334	8,782	10,236
Amortization on deferred quality control services	-	-	(72)	(73)	(72)	(73)
Changes in assets/liabilities:						
Materials and supplies	(7,356)	(2,153)	(993)	(625)	(8,349)	(2,778)
Prepaid insurance	(1,691)	(612)	(65)	(72)	(1,756)	(684)
Customer receivables	(4,638)	(10,568)	(2,099)	(1,383)	(6,737)	(11,951)
Other assets	(3,089)	(108)	78	(654)	(3,011)	(762)
Reserve for claims	10,152	6,683	(946)	(102)	9,206	6,581
Accounts payable and accrued expenses	25,775	(2,076)	10,219	1,288	35,994	(788)
Accrued compensated absences	2,162	5,421	247	619	2,409	6,040
Lease payable	1,993	-	-	-	1,993	-
Net provided by (used for) operating activities	\$ 345,247	\$ 346,718	\$ 59,249	\$ 52,538	\$ 404,496	\$ 399,256
Schedule of Non-cash Activities						
Change in Fair Market Value	\$ (7,636)	\$ (1,470)	\$ (1,134)	\$ (140)	\$ (8,770)	\$ (1,610)
Amortization of bond premiums and discounts	7,745	(26,129)	1,295	(3,371)	9,040	(29,500)
Debt refunding related	(4,321)	3,466	623	-	(3,698)	3,466
Decrease of JPA investment	(4,125)	(3,783)	-	-	(4,125)	(3,783)
Gain (loss) on sale of capital assets	(1,064)	826	-	-	(1,064)	826

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(DOLLARS IN THOUSANDS)**

	Retirement System Trust Funds		Custodial Funds		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Assets:</b>						
Cash and cash equivalents, at fair value (Note 2)	\$ 25,336	\$ 37,595	\$ 8,015	\$ 7,902	\$ 33,351	\$ 45,497
Invested securities lending collateral	101,249	157,933	-	-	101,249	157,933
Prepaid expenses	568	578	-	-	568	578
Receivables:						
Brokers, securities sold	923	189	-	-	923	189
Employer	3,176	2,477	-	-	3,176	2,477
Plan members	664	538	-	-	664	538
Custodial fund receivables	-	-	3,152	4,294	3,152	4,294
Interest, dividends, and recoverable taxes	4,700	4,325	8	4	4,708	4,329
<b>Total Receivables</b>	<b>9,463</b>	<b>7,529</b>	<b>3,160</b>	<b>4,298</b>	<b>12,623</b>	<b>11,827</b>
Investments, at fair value (Note 2):						
U.S. government obligations	268,062	254,139	-	-	268,062	254,139
Municipal bonds	-	664	-	-	-	664
Domestic corporate bonds	197,497	184,961	-	-	197,497	184,961
International bonds	21,677	20,244	-	-	21,677	20,244
Domestic stocks	930,723	1,107,552	-	-	930,723	1,107,552
International stocks	483,198	608,001	-	-	483,198	608,001
Real estate	125,557	113,913	-	-	125,557	113,913
<b>Total Investments</b>	<b>2,026,714</b>	<b>2,289,474</b>	<b>-</b>	<b>-</b>	<b>2,026,714</b>	<b>2,289,474</b>
Capital assets:						
Capital assets not being depreciated	-	-	13,690	13,593	13,690	13,593
Capital assets, net of accumulated depreciation	-	-	393,745	403,074	393,745	403,074
<b>Total capital assets, net of accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>407,435</b>	<b>416,667</b>	<b>407,435</b>	<b>416,667</b>
<b>Total Assets</b>	<b>2,163,330</b>	<b>2,493,109</b>	<b>418,610</b>	<b>428,967</b>	<b>2,581,940</b>	<b>2,921,976</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	2,447	2,609	1,339	1,186	3,786	3,795
Payables to brokers, securities purchased	711	3,845	-	-	711	3,845
Securities lending collateral (Note 2B)	101,249	157,933	-	-	101,249	157,933
Long-term liabilities:						
Due in one year	-	-	1,513	1,476	1,513	1,476
Due in more than one year	-	-	3,774	5,287	3,774	5,287
<b>Total Liabilities</b>	<b>104,407</b>	<b>164,387</b>	<b>6,626</b>	<b>7,949</b>	<b>111,033</b>	<b>172,336</b>
<b>Net Position:</b>						
Restricted for pension benefits	2,005,352	2,270,763	-	-	2,005,352	2,270,763
Restricted for post-employment healthcare benefits	53,571	57,959	-	-	53,571	57,959
Net investment in capital assets	-	-	66,146	66,690	66,146	66,690
Restricted for specified purpose	-	-	345,838	354,227	345,838	354,227
<b>Total Net Position</b>	<b>2,058,923</b>	<b>2,328,722</b>	<b>411,984</b>	<b>420,917</b>	<b>2,470,907</b>	<b>2,749,639</b>



**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(DOLLARS IN THOUSANDS)**

	Retirement System Trust Funds		Custodial Funds		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Additions:</b>						
Contributions:						
Employers	\$ 102,285	\$ 90,624	\$ -	\$ -	\$ 102,285	\$ 90,624
Plan members	21,127	19,336	-	-	21,127	19,336
Joint Power Authority members	-	-	9,823	9,666	9,823	9,666
Grants and other receipts	-	-	4,814	4,681	4,814	4,681
<b>Total Contributions</b>	<b>123,412</b>	<b>109,960</b>	<b>14,637</b>	<b>14,347</b>	<b>138,049</b>	<b>124,307</b>
<b>Investment Income:</b>						
From Investment Activities						
Net appreciation (depreciation) in fair value investments:						
Traded securities	(289,735)	472,236	-	-	(289,735)	472,236
Real estate	13,051	(465)	-	-	13,051	(465)
Interest	14,434	11,607	15	25	14,449	11,632
Dividends	11,282	12,602	-	-	11,282	12,602
Real estate operating income, net	2,322	2,002	-	-	2,322	2,002
<b>Total Investment Income</b>	<b>(248,646)</b>	<b>497,982</b>	<b>15</b>	<b>25</b>	<b>(248,631)</b>	<b>498,007</b>
Less:						
Investment expense	(3,533)	(4,609)	-	-	(3,533)	(4,609)
<b>Net Income from Investment Activities</b>	<b>(252,179)</b>	<b>493,373</b>	<b>15</b>	<b>25</b>	<b>(252,164)</b>	<b>493,398</b>
From Security Lending Activities						
Security lending income	348	293	-	-	348	293
on Borrowers' rebates and other agent fees	(178)	(119)	-	-	(178)	(119)
<b>Security Lending Activities</b>	<b>170</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>174</b>
<b>Net Investment Income</b>	<b>(252,009)</b>	<b>493,547</b>	<b>15</b>	<b>25</b>	<b>(251,994)</b>	<b>493,572</b>
<b>Total Additions, net</b>	<b>(128,597)</b>	<b>603,507</b>	<b>14,652</b>	<b>14,372</b>	<b>(113,945)</b>	<b>617,879</b>
<b>Deductions:</b>						
Benefits paid (Notes 1C & 1D)	138,582	130,198	-	-	138,582	130,198
Refunds of contributions (Note 4)	699	274	-	-	699	274
General and administrative expenses	1,921	1,922	6,549	2,577	8,470	4,499
Professional services expense	-	-	2,783	3,496	2,783	3,496
Operation and maintenance expense	-	-	3,567	2,891	3,567	2,891
Grants and other expenses	-	-	1,004	1,516	1,004	1,516
Interest expense	-	-	169	205	169	205
Depreciation expense	-	-	9,514	10,164	9,514	10,164
<b>Total Deductions</b>	<b>141,202</b>	<b>132,394</b>	<b>23,586</b>	<b>20,849</b>	<b>164,788</b>	<b>153,243</b>
<b>Changes in Net Position</b>	<b>(269,799)</b>	<b>471,113</b>	<b>(8,934)</b>	<b>(6,477)</b>	<b>(278,733)</b>	<b>464,636</b>
<b>Net Position - Beginning of the Year</b>	<b>2,328,722</b>	<b>1,857,609</b>	<b>420,918</b>	<b>427,394</b>	<b>2,749,640</b>	<b>2,285,003</b>
<b>Net Position - End of the Year</b>	<b>\$ 2,058,923</b>	<b>\$ 2,328,722</b>	<b>\$ 411,984</b>	<b>\$ 420,917</b>	<b>\$ 2,470,907</b>	<b>\$ 2,749,639</b>

See accompanying notes to basic financial statements.

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**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
--

**A. Description of the Primary Government**

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

**B. Description of the Component Unit**

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

Copies of the audited financial statements of the Employees' Retirement System may be obtained by writing to the Controller, P.O. Box 24055, Oakland, CA 94623 or by visiting our website at <http://www.ebmud.com>.

**C. Basis of Presentation**

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

The basic financial statements include prior year comparative information. A complete presentation of the prior year information can be found in the District's financial statements for the year ended June 30, 2021.

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

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

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

Additionally, the District reports the following fiduciary fund:

The **Pension and Other Employee Benefit Trust** is used to account for the resources held by the Employees' Retirement System which provides retirement, disability, and survivorship benefits for eligible directors, officers, and employees of the District.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

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

The **Custodial Funds** are used to account for monies held for Dublin San Ramon Services District (DSRSD)/EBMUD Recycled Water Authority (DERWA) and Freeport Regional Water Authority (FRWA), joint power authorities the District provides accounting and investing services for; and monies held in external investment pools. See Note 2.K for additional information.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Pension and Other Employee Benefit Trust fund is maintained to account for assets held by the Employees' Retirement System in a trustee capacity.

**D. Basis of Accounting**

Proprietary funds and the Pension and Other Employee Benefit Trust fund are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets, deferred outflows, liabilities, and deferred inflows associated with operations are included on the statement of net position, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

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

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

**Statement of Net Position** – The statement of net position is designed to display the financial position of the District. The District's fund equity is reported as net position, which is broken down into three categories defined as follows:

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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

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

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

**E. Use of Estimates and Assumptions**

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

**F. Capital Assets**

**Utility Plant – at Original Cost**

The cost of additions to utility plant and replacement of retired units of property are capitalized. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest 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 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 \$5,633), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is \$1,382). The Water Enterprise Fund capitalized the two components.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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**G. Depreciation**

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

**H. Restricted Assets**

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

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

*Operating Reserves:*

- Rate Stabilization Fund (RSF) reserve is established by Policy 4.02, as adopted by the Board of Directors in the 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.

*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.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

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

- 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 that 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.
- 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 US Fish and Wildlife and California Fish and Game to protect the Mokelumne River Ecosystem from Pardee Reservoir to the Delta. The principal and any unused earnings shall remain the property of the District and will revert to the District upon expiration of the agreement in March 2031 or upon withdrawal of any party to the agreement.
- 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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

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

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.

***I. 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.

***J. Cash and Cash Equivalents***

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

***K. District Investments***

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

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

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

***L. Retirement System Investments***

Investments are reported at fair value. Securities and bonds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that have no quoted market price are reported at estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturity, quality, and type as obtained from market makers. Measurement of the fair value of real estate investments is estimated by the investment managers and reflects both internal and independent appraisals of real estate properties.

The System presents in the Statements of Changes in Fiduciary Net Position the net change in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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

The System invests in a combination of stocks, bonds, fixed income securities, real estate, and other investment securities. These investments are exposed to various risks, such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term



**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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and those such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Retirement Board policies permit the System to use investments of the Plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return collateral for the same securities in the future. The System's securities custodian is an agent in lending the Plan's securities for cash collateral, U.S. government securities, and irrevocable letters of credit of 102% for domestic securities and 105% for international securities lent.

As of June 30, 2022, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. Contracts with the lending agent require them to indemnify the System under certain circumstances if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers while the securities are on loan. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the agent in performing the duties allocated under the securities lending agreement with respect to collateral. During the year ended June 30, 2022, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

In lending securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2022, had a weighted average maturity of 24 days. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the collateral investment generally matches the term of the loan. Noncash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans for the System was approximately 190 days. There are no dividends or coupon payments owing on the securities lent. Cash received as collateral on securities lending transactions is reported as an asset of the System with a corresponding liability.

As of June 30, 2022, the fair value of securities on loan was \$98,767. The total cash and noncash collateral held by the System's custodian to secure these securities on loan was valued at \$101,249 (all cash collateral).

**M. Material and Supplies**

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

**N. 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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***O. Interest Rate Swap***

The District has entered into interest rate swap agreements in the past to modify interest rates on some outstanding debt.

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

***P. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position 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 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.

***Q. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements***

**GASB Statement No. 84 – Fiduciary Activities.** The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

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

**GASB Statement No. 87 – Leases.** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. See additional information in Note 8.

**GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period.** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

**R. 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS**

**A. Classification**

Reconciliations of cash and investments reported on the financial statements as of June 30, 2022, are as follows:

	Water System	Wastewater System	Total
<b>District Enterprise Funds:</b>			
Cash and investments included in current assets	\$ 612,018	\$ 135,896	\$ 747,914
Cash and investments included in restricted investments	27,689	927	28,616
Total District cash and investments	639,707	136,823	776,530
Less investments	(509,636)	(90,070)	(599,706)
Cash and cash equivalents	<u>\$ 130,071</u>	<u>\$ 46,753</u>	<u>\$ 176,824</u>
<b>System Pension Trust Funds:</b>			
	Pension Plan Benefits	Post-employment Healthcare Benefits	Total
Cash and cash equivalents	\$ 24,687	\$ 649	\$ 25,336
Invested securities lending collateral	98,654	2,595	101,249
Retirement system investments	1,974,769	51,945	2,026,714
Total System cash and investments	<u>\$ 2,098,110</u>	<u>\$ 55,189</u>	<u>\$ 2,153,299</u>

Reconciliations of cash and investments reported on the financial statements as of June 30, 2021, are as follows:

	Water System	Wastewater System	Total
<b>District Enterprise Funds:</b>			
Cash and investments included in current assets	\$ 509,075	\$ 110,829	\$ 619,904
Cash and investments included in restricted investments	42,062	333	42,395
Total District cash and investments	551,137	111,162	662,299
Less investments	(212,720)	(23,174)	(235,894)
Cash and cash equivalents	<u>\$ 338,417</u>	<u>\$ 87,988</u>	<u>\$ 426,405</u>
<b>System Pension Trust Funds:</b>			
	Pension Plan Benefits	Post-employment Healthcare Benefits	Total
Cash and cash equivalents	\$ 36,672	\$ 923	\$ 37,595
Invested securities lending collateral	154,057	3,876	157,933
Retirement system investments	2,233,286	56,188	2,289,474
Total System cash and investments	<u>\$ 2,424,015</u>	<u>\$ 60,987</u>	<u>\$ 2,485,002</u>

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer/Fund
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	40%	20%
Investment Trust of California (CalTRUST)	N/A	AAAm	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.

**C. District Enterprise Fund Investments Authorized by Debt Agreements**

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

Authorized Investment Type	Minimum Credit Quality
Repurchase Agreements	Top Four Short Term Rating Category
U.S. Treasury Bonds, Notes and Bills	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation	N/A
State Obligations	Not lower than 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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***D. Employees Retirement System Authorized Investment Strategy***

The System's Statement of Investment Policy and Procedures authorize the System to invest in financial instruments in four broad investment categories: equity, fixed income, real estate, and covered calls. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the System's Statement of Investment Policy and Procedures adopted by the System on March 21, 2019.

The Retirement Board is authorized to designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and the Investment Guidelines established by the Retirement Board. Allocation of assets to the investment managers are determined by the Retirement Board to accommodate changing conditions and laws.

In March 15, 2018, the System adopted an updated asset allocation, which is shown in the table below.

US Equity	25%
Non-US Equity	25%
Core Fixed-Income	20%
Non-Core Fixed Income	5%
Covered Calls	20%
Real Estate	5%

The Director of Finance is authorized to transfer assets as provided in the System's Statement of Investment Policy and Procedures. The Director of Finance is further authorized to withdraw assets from assigned managers as necessary to efficiently meet operating needs.

The core fixed income target allocation (20% of the total portfolio) will primarily consist of U.S. denominated fixed income securities.

The non-core fixed income target allocation (5% of the total portfolio) will primarily consist of U.S. denominated fixed income securities. It is expected that this allocation may have a material allocation to below investment grade securities.

The domestic equity allocation target (25% of the total portfolio) will consist of the allocation to securities that corresponds to the weight of securities within the Russell 3000 Index.

The covered calls target allocation (20% of the total portfolio) may consist of a combination of Chicago Board Options Exchange S&P 500 BuyWrite Index (the "BXM Index") replication strategy and/or active non-replication strategies and their underlying domestic equity portfolios.

The international equity target allocation (25% of the total portfolio) will consist of an allocation to non-US equity securities benchmarked to the MSCI ACWI xUS Index.

The real estate target allocation (5% of the total portfolio) will consist of either equity (ownership) and/or fixed income participation in commercial, industrial, or residential properties. Investments may include interests in mortgages pools secured by loans of underlying properties.

The asset allocation does allow for the fact that at any time equity and fixed income managers may have transactional cash on hand and the District will maintain enough cash as working capital to effectively meet cash flow demands on the system. However, there is no specific allocation for cash as all investable cash is allocated to specific investment mandates.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**E. 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. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2022 and 2021:

**District Enterprise Funds:**

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2022:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value Level:</b>			
U.S. Treasury Bills	\$ 589,467	\$ -	\$ 589,467
Corporate Securities	-	9,873	9,873
Municipal Bonds	-	365	365
Total Investments at Fair Value	\$ 589,467	\$ 10,238	599,705
<b>Investments Measured at Net Asset Value Per Share:</b>			
California Asset Management Program			37,122
<b>Investments Measured at Amortized Cost:</b>			
California Local Agency Investment Fund			38,498
Mutual Funds (U.S. Securities)			76,060
Total Investments			751,385
<i>Cash in banks</i>			25,145
Total District Cash and Investments			\$ 776,530

In fiscal year 2022, U.S. Treasury Bills totaling \$589,467, is classified in Level 1 of the fair value hierarchy, and is valued using quoted prices in active markets. The Corporate securities totaled \$9,873, and Municipal Bonds totaled \$365, are classified in Level 2 of the fair value hierarchy, and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2021:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value Level:</b>			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	\$ -	\$ 81,210	\$ 81,210
Callable	-	503	503
U.S. Treasury Bills	170,795	-	170,795
Corporate Securities	-	50,874	50,874
Municipal Bonds	-	508	508
Total Investments at Fair Value	<u>\$ 170,795</u>	<u>\$ 133,095</u>	<u>303,890</u>
<b>Investments Measured at Net Asset Value Per Share:</b>			
California Asset Management Program			121,620
Investment Trust of California			20,034
<b>Investments Measured at Amortized Cost:</b>			
California Local Agency Investment Fund			70,529
Mutual Funds (U.S. Securities)			102,902
Total Investments			<u>618,975</u>
<i>Cash in banks</i>			<u>43,324</u>
Total District Cash and Investments			<u>\$ 662,299</u>

In fiscal year 2021, U.S. Treasury Bills totaling \$170,795, is classified in Level 1 of the fair value hierarchy, and is valued using quoted prices in active markets. The U.S. Government-Sponsored Enterprise Agency securities totaled \$81,713, Corporate securities totaled \$50,874, and Municipal Bonds totaled \$508, are classified in Level 2 of the fair value hierarchy, and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.



**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**System Pension Trust Fund:**

The following is a summary of the fair value hierarchy of the fair value of investments of the Pension Trust Fund as of June 30, 2022:

Investment Type	Level 1	Level 2	Level 3	Total
<b>Investments by Fair Value:</b>				
Asset Backed Securities	\$ -	\$ 11,806	\$ -	\$ 11,806
Equities	484,450	170	74	484,694
Bank Loans	-	6,992	-	6,992
Commercial Mortgage-Backed	-	9,289	-	9,289
Corporate Bonds	-	145,345	-	145,345
Corporate Convertible Bonds	-	484	-	484
Govt Agencies	-	57,478	-	57,478
Govt Bonds	-	131,584	-	131,584
Govt Mortgage Backed Securities	-	81,467	-	81,467
Other Fixed Income	-	5,121	-	5,121
Real Estate-Partnerships	-	-	66,407	66,407
Total Investments at Fair Value	\$ 484,450	\$ 449,736	\$ 66,481	1,000,667
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Comingled Funds and Other				1,026,047
Total System Investments				2,026,714
Invested Securities Lending Collateral				101,249
<b>Cash and Cash Equivalents:</b>				
California Local Agency Investment Fund				6,596
Cash & Short-term Investments				18,740
Total System Cash and Investments				\$ 2,153,299

Investments classified in Level 1 of the fair value hierarchy, valued at \$484,450, are valued using quoted prices in active markets. \$449,736 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling \$66,481 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The following is a summary of the fair value hierarchy of the fair value of investments of the Pension Trust Fund as of June 30, 2021:

Investment Type	Level 1	Level 2	Level 3	Total
<b>Investments by Fair Value:</b>				
Asset Backed Securities	\$ -	\$ 12,605	\$ -	\$ 12,605
Equities	704,475	-	76	704,551
Bank Loans	-	9,680	-	9,680
Commercial Mortgage-Backed	-	5,987	-	5,987
Corporate Bonds	-	140,645	52	140,697
Corporate Convertible Bonds	-	467	-	467
Govt Agencies	-	22,615	-	22,615
Govt Bonds	-	138,241	-	138,241
Govt Mortgage Backed Securities	-	92,679	-	92,679
Index Linked Govt Bonds	-	1,798	-	1,798
Municipal/Provincial Bonds	-	664	-	664
Other Fixed Income	-	579	-	579
Real Estate-Partnerships	-	-	51,555	51,555
Total Investments at Fair Value	<u>\$ 704,475</u>	<u>\$ 425,960</u>	<u>\$ 51,683</u>	<u>1,182,118</u>
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Comingled Funds and Other				1,107,356
Total System Investments				<u>2,289,474</u>
Invested Securities Lending Collateral				157,933
<b>Cash and Cash Equivalents:</b>				
California Local Agency Investment Fund				2,289
Cash & Short-term Investments				35,306
Total System Cash and Investments				<u>\$ 2,485,002</u>

Investments classified in Level 1 of the fair value hierarchy, valued at \$704,475, are valued using quoted prices in active markets. \$425,960 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling \$51,683 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

**F. Interest Rate Risk**

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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

***District Enterprise Funds:***

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity or earliest call date for June 30, 2022:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Bills	\$ 288,462	\$ 178,760	\$ 122,245	\$ 589,467
Corporate Securities	9,873	-	-	9,873
Municipal Bonds	365	-	-	365
Mutual Funds (U.S. Securities)	76,060	-	-	76,060
California Asset Management Program	37,122	-	-	37,122
California Local Agency Investment Fund	38,498	-	-	38,498
Total Investments	<u>\$ 450,380</u>	<u>\$ 178,760</u>	<u>\$ 122,245</u>	751,385
<i>Cash in banks</i>				<u>25,145</u>
Total District Cash and Investments				<u>\$ 776,530</u>

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity or earliest call date for June 30, 2021:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	\$ 81,210	\$ -	\$ -	\$ 81,210
Callable	-	-	503	503
U.S. Treasury Bills	170,795	-	-	170,795
Corporate Securities	40,609	10,265	-	50,874
Municipal Bonds	135	373	-	508
Mutual Funds (U.S. Securities)	102,902	-	-	102,902
California Asset Management Program	121,620	-	-	121,620
Investment Trust of California	20,034	-	-	20,034
California Local Agency Investment Fund	70,529	-	-	70,529
Total Investments	<u>\$ 607,834</u>	<u>\$ 10,638</u>	<u>\$ 503</u>	618,975
<i>Cash in banks</i>				<u>43,324</u>
Total District Cash and Investments				<u>\$ 662,299</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***System Pension Trust Fund:***

Information about the sensitivity of the fair value of the Pension Trust Fund's investments to market interest rate fluctuations is date provided in the following table that shows the distribution of the District's investments by maturity or earliest call for June 30, 2022:

Investment Type	Less than 12 Months	12 to 72 Months	72 to 120 Months	More than 120 Months	Maturity not Determined	Total
Asset Backed securities	\$ -	\$ 4,783	\$ 1,900	\$ 5,123	\$ -	\$ 11,806
Equity Securities	484,694	-	-	-	-	484,694
Bank Loans	-	6,654	338	-	-	6,992
Commercial Mortgage-Backed	753	735	670	7,131	-	9,289
Corporate Bonds	3,832	78,140	43,577	19,985	-	145,534
Corporate Convertible Bonds	-	484	-	-	-	484
Govt Agencies	-	13,313	14,302	29,863	-	57,478
Govt Bonds	27,697	65,415	35,656	2,816	-	131,584
Govt Mortgage Backed Securities	-	-	836	80,631	-	81,467
Other Fixed Income	992	4,129	-	-	-	5,121
Real Estate-Partnerships	-	-	-	-	66,407	66,407
Comingled Funds and Other	-	-	-	-	1,025,858	1,025,858
Total System Investments	<u>\$ 517,968</u>	<u>\$ 173,653</u>	<u>\$ 97,279</u>	<u>\$ 145,549</u>	<u>\$ 1,092,265</u>	<u>\$ 2,026,714</u>

Information about the sensitivity of the fair value of the Pension Trust Fund's investments to market interest rate fluctuations is date provided in the following table that shows the distribution of the District's investments by maturity or earliest call for June 30, 2021:

Investment Type	Less than 12 Months	12 to 72 Months	72 to 120 Months	More than 120 Months	Maturity not Determined	Total
Asset Backed securities	\$ 1	\$ 6,371	\$ 1,531	\$ 4,702	\$ -	\$ 12,605
Equity Securities	704,551	-	-	-	-	704,551
Bank Loans	-	3,898	5,782	-	-	9,680
Commercial Mortgage-Backed	288	721	689	4,289	-	5,987
Corporate Bonds	17,499	57,757	42,234	23,207	-	140,697
Corporate Convertible Bonds	-	467	-	-	-	467
Govt Agencies	5,325	8,685	3,505	5,100	-	22,615
Govt Bonds	-	99,298	31,278	7,665	-	138,241
Govt Mortgage Backed Securities	-	-	378	92,301	-	92,679
Index Linked Govt Bonds	-	694	1,104	-	-	1,798
Municipal/Provincial Bonds	-	-	-	664	-	664
Other Fixed Income	-	579	-	-	-	579
Real Estate-Partnerships	-	-	-	-	51,555	51,555
Comingled Funds and Other	-	-	-	-	1,107,356	1,107,356
Total System Investments	<u>\$ 727,664</u>	<u>\$ 178,470</u>	<u>\$ 86,501</u>	<u>\$ 137,928</u>	<u>\$ 1,158,911</u>	<u>\$ 2,289,474</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The District and System are participants 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 and System's investments with LAIF at June 30, 2022 and 2021 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.

As of June 30, 2022 and 2021, the District had investments of \$\$38,498 and \$70,529, respectively, and System had investments of \$6,596 and \$2,289, respectively, invested in LAIF, which had invested 1.88% and 2.31% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.987125414 and 1.00008297 as of June 30, 2022 and 2021, respectively was used to calculate the fair value of the investments in LAIF.

The System's investments include the following investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated above as of June 30, 2022 and 2021:

Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	\$ 81,467
Commercial Mortgage - Backed Securities	9,289
Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	\$ 92,679
Commercial Mortgage - Backed Securities	5,987

**G. 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***District Enterprise Funds:***

Presented below is the actual rating as of June 30, 2022 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Treasury Bills	\$ 589,467	\$ -	\$ -	\$ -	\$ 589,467
Corporate Securities	4,902	4,971	-	-	9,873
Mutual Funds (U.S. Securities)	76,060	-	-	-	76,060
Totals	<u>\$ 670,429</u>	<u>\$ 4,971</u>	<u>\$ -</u>	<u>\$ -</u>	675,400
<i>Not rated by Moody's:</i>					
Municipal Bonds					365
California Local Agency Investment Fund					38,498
California Asset Management Program					37,122
Investment Trust of California					-
Cash in Banks					<u>25,145</u>
Total District Cash and Investments					<u>\$ 776,530</u>

Presented below is the actual rating as of June 30, 2021 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Government-Sponsored					
Non-Callable	\$ 81,210	\$ -	\$ -	\$ -	\$ 81,210
Callable	503	-	-	-	503
U.S. Treasury Bills	170,795	-	-	-	170,795
Corporate Securities	23,759	27,115	-	-	50,874
Mutual Funds (U.S. Securities)	102,902	-	-	-	102,902
Totals	<u>\$ 379,169</u>	<u>\$ 27,115</u>	<u>\$ -</u>	<u>\$ -</u>	406,284
<i>Not rated by Moody's:</i>					
Municipal Bonds					508
California Local Agency Investment Fund					70,529
California Asset Management Program					121,620
Investment Trust of California					20,034
Cash in Banks					<u>43,324</u>
Total District Cash and Investments					<u>\$ 662,299</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**System Pension Trust Fund:**

Presented below is the actual rating as of June 30, 2022 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	U.S.		Total
								Government Guaranteed	Not Rated	
Asset Backed Securities	\$ 3,075	\$ -	\$ -	\$ 1,628	\$ -	\$ -	\$ -	\$ -	\$ 7,103	\$ 11,806
Equity Securities	-	-	-	-	-	-	-	-	484,694	484,694
Bank Loans	-	-	-	632	2,732	3,082	-	-	546	6,992
Commercial Mortgage - Backed Securities	3,859	-	-	434	-	-	-	-	4,996	9,289
Corporate Bonds	2,772	10,396	69,818	20,057	19,578	18,347	2,260	-	2,306	145,534
Corporate Convertible Bonds	-	-	-	-	-	484	-	-	-	484
Government Agencies	56,586	-	-	-	-	-	-	892	-	57,478
Government Bonds	131,584	-	-	-	-	-	-	-	-	131,584
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	81,325	142	81,467
Other Fixed Income	-	-	-	-	-	-	-	-	5,121	5,121
Real Estate - Partnerships	-	-	-	-	-	-	-	-	66,407	66,407
Comingled Funds and Other	-	-	-	-	-	-	-	-	1,025,858	1,025,858
<b>Total System Investments</b>	<b>\$ 197,876</b>	<b>\$ 10,396</b>	<b>\$ 69,818</b>	<b>\$ 22,751</b>	<b>\$ 22,310</b>	<b>\$ 21,913</b>	<b>\$ 2,260</b>	<b>\$ 82,217</b>	<b>\$ 1,597,173</b>	<b>\$ 2,026,714</b>

Presented below is the actual rating as of June 30, 2021 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	U.S.		Total
								Government Guaranteed	Not Rated	
Asset Backed Securities	\$ 3,741	\$ 508	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 7,856	\$ 12,605
Equity Securities	-	-	-	-	-	-	-	-	704,551	704,551
Bank Loans	-	-	-	808	3,465	3,774	-	-	1,633	9,680
Commercial Mortgage - Backed Securities	2,077	-	-	531	-	-	-	-	3,379	5,987
Corporate Bonds	-	11,698	62,811	24,547	16,897	16,869	2,077	-	5,798	140,697
Corporate Convertible Bonds	-	-	-	109	-	358	-	-	-	467
Government Agencies	15,453	-	-	-	-	-	-	5,325	1,837	22,615
Government Bonds	135,168	-	-	1,194	-	-	-	1,879	-	138,241
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	92,469	210	92,679
Index Linked Government Bonds	1,798	-	-	-	-	-	-	-	-	1,798
Municipal Bonds	-	664	-	-	-	-	-	-	-	664
Other Fixed Income	-	-	-	-	-	-	-	-	579	579
Real Estate - Partnerships	-	-	-	-	-	-	-	-	51,555	51,555
Comingled Funds and Other	-	-	-	-	-	-	-	-	1,107,356	1,107,356
<b>Total System Investments</b>	<b>\$ 158,237</b>	<b>\$ 12,870</b>	<b>\$ 62,811</b>	<b>\$ 27,689</b>	<b>\$ 20,362</b>	<b>\$ 21,001</b>	<b>\$ 2,077</b>	<b>\$ 99,673</b>	<b>\$ 1,884,754</b>	<b>\$ 2,289,474</b>

**H. Concentration Risk**

The District has no significant investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds as of June 30, 2022.

Significant District investments in the securities of any individual issuers, other than U. S. Treasury securities, LAIF, and mutual funds, are set forth below as of June 30, 2021:

**District Enterprise Funds:**

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide	APPLE INC.	Corporate Securities	\$ 35,305
	FHLB	Federal Agency Securities	77,880
Major Funds: Water System	FHLB	Federal Agency Securities	73,065
Wastewater System	APPLE INC.	Corporate Securities	9,616
	MICROSOFT CORP.	Corporate Securities	5,780
	FHLB	Federal Agency Securities	4,815

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***System Pension Trust Fund:***

As of June 30, 2022, the District did not have investments in any one organization exceeding 5% of the System's investments.

The District held demand deposits (overdrafts) amounting to \$2,456 and \$1,221 on behalf of the System as of June 30, 2022 and 2021, respectively. The financial institution which holds these deposits is required by state law to maintain collateral pools against all public deposits they hold.

**I. Foreign Currency Risk**

***System Pension Trust Fund:***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit.

Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2022:

Foreign Currency	Market Value
Euro	\$ 5

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 0.0002%.

Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2021:

Foreign Currency	Market Value
Euro	\$ 61,131
British Pound Sterling	17,975
Japanese Yen	21,002
Hong Kong Dollar	8,195
South Korean Won	7,557
Swiss Franc	3,812
Danish Krone	3,196
Canadian Dollar	2,658
Australian Dollar	5,769
Norwegian Krone	1,988
Indonesian Rupiah	2,190
New Zealand Dollar	706
Total	\$ 136,179

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 5.95%.



**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**J. Custodial Credit Risk**

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

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

The District and System invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District and System employ the Trust Department of a bank or trustee as the custodian of certain District and System managed investments, regardless of their form.

As of June 30, 2022 and 2021, the System's brokers/dealers held \$0 in cash exposed to custodial credit risk.

**K. Joint Powers Authority and Partnership Funds**

**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 JPA 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 JPA books and records are being maintained separately from DSRSD and the District. The DSRSD and District made member contributions to fund the JPA start-up and continue to fund capital projects at the request of the JPA on an as needed basis. Although DERWA has a significant relationship with the District, DERWA does not provide services solely to the District, and therefore is not considered a component unit of the District.

**Freeport Regional Water Authority** - The Freeport Regional Water Project (FRWP) is a regional water supply project undertaken by the District in partnership with the Sacramento County Water Agency (SCWA). In February 2002, with the support of the United States Bureau of Reclamation, the District and SCWA formed the Freeport Regional Water Authority (FRWA) under a joint powers agreement to develop the FRWP. The FRWP provides the permanent infrastructure to allow the District to receive water deliveries pursuant to the Long-Term Renewal Central Valley Project Contract at a new point of diversion along the Sacramento River. In addition to providing the District up to 100 MGD of supplemental water in dry years, 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 statement of net position.

**California Asset Management Program (CAMP)** – the District is a participant in the 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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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. At June 30, 2022, the fair value was approximate to the District's cost. As of June 30, 2022, the District investment in CAMP is \$37,122.

**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. As of June 30, 2022, the District's investment in CalTRUST is \$0.

**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 statement of net position 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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 3 – CAPITAL ASSETS (Continued)**

**B. Additions and Retirements**

Capital assets activity for all business-type activities for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2022
<b>Water System:</b>				
Capital assets, not being depreciated:				
Land	\$ 70,747	\$ -	\$ -	\$ 70,747
Rights-of-way	3,043	-	-	3,043
Construction in progress - land/rights of way	201	15	-	216
Construction in progress	635,246	315,712	(228,239)	722,719
Total capital assets, not being depreciated	<u>709,237</u>	<u>315,727</u>	<u>(228,239)</u>	<u>796,725</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	252,987	28,274	-	281,261
System and improvements	5,773,457	175,602	(5,897)	5,943,162
Machinery and equipment	131,324	6,680	(508)	137,496
Intangible assets	374,097	15,077	-	389,174
Lease-right to use assets	-	2,370	-	2,370
Total capital assets, being depreciated/amortized:	<u>6,531,865</u>	<u>228,003</u>	<u>(6,405)</u>	<u>6,753,463</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(128,664)	(5,249)	-	(133,913)
System and improvements	(2,017,032)	(108,486)	4,212	(2,121,306)
Machinery and equipment	(76,371)	(8,061)	458	(83,974)
Intangible assets	(325,726)	(7,574)	40	(333,260)
Lease-right to use assets	-	(377)	-	(377)
Total accumulated depreciation/amortization	<u>(2,547,793)</u>	<u>(129,747)</u>	<u>4,710</u>	<u>(2,672,830)</u>
Total capital assets, being depreciated/amortized, net	<u>3,984,072</u>	<u>98,256</u>	<u>(1,695)</u>	<u>4,080,633</u>
Water System capital assets, net	<u>\$ 4,693,309</u>	<u>\$ 413,983</u>	<u>\$ (229,934)</u>	<u>\$ 4,877,358</u>
<b>Wastewater System:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,218	\$ -	\$ -	\$ 21,218
Rights-of-way	191	-	-	191
Construction in progress - land/rights of way	301	28	-	329
Construction in progress	116,191	42,597	(33,422)	125,366
Total capital assets, not being depreciated	<u>137,901</u>	<u>42,625</u>	<u>(33,422)</u>	<u>147,104</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	91,194	-	-	91,194
System and improvements	1,051,406	33,422	-	1,084,828
Machinery and equipment	17,619	18	-	17,637
Intangible assets	40,223	-	-	40,223
Total capital assets, being depreciated/amortized:	<u>1,200,442</u>	<u>33,440</u>	<u>-</u>	<u>1,233,882</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(44,682)	(1,611)	-	(46,293)
System and improvements	(476,991)	(21,397)	-	(498,388)
Machinery and equipment	(12,435)	(906)	-	(13,341)
Intangible assets	(31,281)	(1,222)	-	(32,503)
Total accumulated depreciation/amortization	<u>(565,389)</u>	<u>(25,136)</u>	<u>-</u>	<u>(590,525)</u>
Total capital assets, being depreciated/amortized, net	<u>635,053</u>	<u>8,304</u>	<u>-</u>	<u>643,357</u>
Wastewater System capital assets, net	<u>\$ 772,954</u>	<u>\$ 50,929</u>	<u>\$ (33,422)</u>	<u>\$ 790,461</u>
Business-type activities capital assets, net	<u>\$ 5,466,263</u>	<u>\$ 464,912</u>	<u>\$ (263,356)</u>	<u>\$ 5,667,819</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 3 – CAPITAL ASSETS (Continued)**

Capital assets activity for all business-type activities for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2021
<b>Water System:</b>				
Capital assets, not being depreciated:				
Land	\$ 70,747	\$ -	\$ -	\$ 70,747
Rights-of-way	3,043	-	-	3,043
Construction in progress - land/rights of way	653	-	(452)	201
Construction in progress	496,981	343,701	(205,436)	635,246
Total capital assets, not being depreciated	<u>571,424</u>	<u>343,701</u>	<u>(205,888)</u>	<u>709,237</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	248,041	4,963	(17)	252,987
System and improvements	5,592,518	184,499	(3,560)	5,773,457
Machinery and equipment	126,486	8,399	(3,561)	131,324
Intangible assets	365,341	8,756	-	374,097
Total capital assets, being depreciated/amortized:	<u>6,332,386</u>	<u>206,617</u>	<u>(7,138)</u>	<u>6,531,865</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(123,326)	(5,354)	16	(128,664)
System and improvements	(1,912,245)	(107,664)	2,877	(2,017,032)
Machinery and equipment	(71,566)	(7,562)	2,757	(76,371)
Intangible assets	(316,825)	(8,902)	1	(325,726)
Total accumulated depreciation/amortization	<u>(2,423,962)</u>	<u>(129,482)</u>	<u>5,651</u>	<u>(2,547,793)</u>
Total capital assets, being depreciated/amortized, net	<u>3,908,424</u>	<u>77,135</u>	<u>(1,487)</u>	<u>3,984,072</u>
Water System capital assets, net	<u>\$ 4,479,848</u>	<u>\$ 420,836</u>	<u>\$ (207,375)</u>	<u>\$ 4,693,309</u>
<b>Wastewater System:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,218	\$ -	\$ -	\$ 21,218
Rights-of-way	191	-	-	191
Construction in progress - land/rights of way	189	112	-	301
Construction in progress	98,277	39,735	(21,821)	116,191
Total capital assets, not being depreciated	<u>119,875</u>	<u>39,847</u>	<u>(21,821)</u>	<u>137,901</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	90,931	267	(4)	91,194
System and improvements	1,031,985	19,488	(67)	1,051,406
Machinery and equipment	15,571	2,067	(19)	17,619
Intangible assets	40,223	-	-	40,223
Total capital assets, being depreciated/amortized:	<u>1,178,710</u>	<u>21,822</u>	<u>(90)</u>	<u>1,200,442</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(43,062)	(1,624)	4	(44,682)
System and improvements	(456,153)	(20,903)	65	(476,991)
Machinery and equipment	(11,401)	(1,053)	19	(12,435)
Intangible assets	(29,947)	(1,334)	-	(31,281)
Total accumulated depreciation/amortization	<u>(540,563)</u>	<u>(24,914)</u>	<u>88</u>	<u>(565,389)</u>
Total capital assets, being depreciated/amortized, net	<u>638,147</u>	<u>(3,092)</u>	<u>(2)</u>	<u>635,053</u>
Wastewater System capital assets, net	<u>\$ 758,022</u>	<u>\$ 36,755</u>	<u>\$ (21,823)</u>	<u>\$ 772,954</u>
Business-type activities capital assets, net	<u>\$ 5,237,870</u>	<u>\$ 457,591</u>	<u>\$ (229,198)</u>	<u>\$ 5,466,263</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 3 – CAPITAL ASSETS (Continued)**

**C. Construction in Progress**

Construction in Progress in fiscal 2021-2022 comprises:

	Expended to Date
<b>Water System:</b>	
Treatment plant upgrades	\$ 105,232
Pipeline rebuild	73,830
Open cut reservoir program	63,467
Maloney pumping plant & water treatment plant improvements	57,555
Large diameter pipelines	50,074
Pumping plant rehabilitation	40,227
Trench soils management	35,776
Service lateral replacements	33,416
Reservoir rehab/maintenance	33,114
Pressure zone improvements	13,542
Pipeline system improvements	13,181
Raw water infrastructure	12,971
Mokelumne aqueduct 2 & 3 relining	12,025
Pipeline relocations	11,298
Dam operational upgrades	10,565
West of hills master plan	10,377
Water transfers	7,663
Reservoir tower modifications	7,413
Pipeline system extensions	7,285
Raw water aqueduct improvements	7,224
Other construction projects	116,700
	722,935
<b>Wastewater System:</b>	
Digesters	25,357
General wastewater	25,219
Utilities and sitework	23,259
Interceptors and pump stations	10,196
Secondary	8,536
Power generation and biogas	6,288
Effluent discharge	4,354
Resource recovery	3,652
Wet weather facilities	2,728
Electricals and controls	2,705
Nutrients	2,496
Preliminary treatment	1,832
Digester upgrades phase 2	852
Dewatering	540
Pump station master plan update	529
Other construction projects	7,152
	125,695
Total District construction in progress	\$ 848,630

At June 30, 2022, the District's remaining current major project commitments are estimated to be \$404,666 for the Water System and \$37,309 for the Wastewater System.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 3 – CAPITAL ASSETS (Continued)**

Construction in Progress in fiscal 2020-2021 comprises:

	Expended to Date
<b><i>Water System:</i></b>	
Treatment plant upgrades	\$ 70,320
Pipeline infrastructure renewals	64,196
Pumping plant rehabilitation	47,843
Maloney PZ improvements	45,606
Open cut reservoir program	39,978
Large diameter pipelines	34,274
Reservoir rehab/maintenance	32,352
Trench soils management	28,107
Building facilities improvement	28,092
Service lateral replacements	25,786
Sup supply and regional planning	19,300
Faria PZI (formerly Purdue)	18,345
Pipeline infra renew historic	15,054
West of hills master plan	13,072
FIS/MMIS replacement	12,627
Pipeline system improvements	11,847
Mokelumne aqueduct 2 & 3 relining	10,382
Summit pressure zone improvement	9,745
SRV recycled water program	9,695
Raw water infrastructure	9,476
Other construction projects	89,350
	635,447
<b><i>Wastewater System:</i></b>	
Digesters	25,357
General wastewater	25,219
Interceptors and pump stations	23,259
Preliminary treatment	10,196
Utilities and sitework	8,536
Power generation and biogas	6,288
Secondary	4,354
Wet weather facilities	3,652
Resource recovery	2,728
Effluent discharge	2,705
Electricals and controls	2,496
Nutrients	1,832
Treatment plant infrastructure	852
South interceptor relocation high street	540
West end property development	529
Other construction projects	(2,051)
	116,492
Total District construction in progress	\$ 751,939

At June 30, 2021, the District's remaining current major project commitments are estimated to be \$94,460 for the Water System and \$18,984 for the Wastewater System.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2022 and 2021 consist of:

	Water System		Wastewater System		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Accounts payable	\$ 51,853	\$ 29,645	\$ 9,891	\$ 4,488	\$ 61,744	\$ 34,133
Accrued salaries	6,687	5,791	1,065	983	7,752	6,774
Other	28,788	23,203	5,277	1,068	34,065	24,271
Total	<u>\$ 87,328</u>	<u>\$ 58,639</u>	<u>\$ 16,233</u>	<u>\$ 6,539</u>	<u>\$ 103,561</u>	<u>\$ 65,178</u>

**NOTE 5 – COMPENSATED ABSENCES**

Compensated absences as of June 30, 2022 and 2021, are included on the statement of net position separately from accounts payable and accrued expenses. In previous years, trends have shown that the District employees utilize the accruals annually, therefore, amounts payable are accrued and reported as a current liability on the financial statements.

The changes in compensated absences were as follows:

	Water System		Wastewater System		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Beginning Balance	\$ 39,677	\$ 34,256	\$ 6,424	\$ 5,805	\$ 46,101	\$ 40,061
Additions	39,607	36,221	6,003	5,723	45,610	41,944
Payments	(37,445)	(30,800)	(5,756)	(5,104)	(43,201)	(35,904)
Ending Balance	<u>\$ 41,839</u>	<u>\$ 39,677</u>	<u>\$ 6,671</u>	<u>\$ 6,424</u>	<u>\$ 48,510</u>	<u>\$ 46,101</u>

**NOTE 6 – 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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 6 – COMMERCIAL PAPER NOTES (Continued)**

event of a failure to place new commercial paper notes to pay maturing notes, which 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.

In May 2022, the District paid down \$1.3 million in extendable commercial paper for the Wastewater System. As of June 30, 2022, \$8 million in Wastewater Series extendable commercial paper notes were outstanding under this program. There are no outstanding balances in Water Series extendable commercial paper notes under this program. The Wastewater Series included the term of 90 days and an interest rate of 1.32% as of June 30, 2022, and the term of 91 days and an interest rate of 0.11% as of June 30, 2021.

The District established its current traditional commercial paper program in December 2015. In June 2022, the District paid down \$17.8 million in commercial paper for the Water System. As of June 30, 2022, \$295 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 28 to 93 days and interest rates ranging from 0.80% to 1.29% as of June 30, 2022, and the terms of 34 to 92 days and interest rates ranging from 0.07% to 0.11% as of June 30, 2021.

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 June 30, 2022. 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 June 30, 2022. 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 YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 – LONG-TERM DEBT**

**A. Composition and Changes**

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

The District's debt issues and transactions during fiscal year 2021-2022 are summarized below.

	Original Issue Amount	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amount due within one year
<b>Water System Revenue Bonds:</b>						
<b>Subordinated Series 2008 A</b>						
0.59% variable rate, due 6/1/38	\$ 322,525	\$ 105,250	\$ -	\$ 105,250	\$ -	\$ -
<b>Subordinated Series 2010 B</b>						
5.87%, due 6/1/40	400,000	400,000	-	-	400,000	-
<b>Series 2012 A (Private Placement)</b>						
5.00%, due 6/1/37	191,750	81,750	-	81,750	-	-
<b>Series 2012 B</b>						
1.00 - 5.00%, due 6/1/26	358,620	86,390	-	45,230	41,160	26,885
<b>Series 2014 A</b>						
3.00 - 5.00%, due 6/1/35	128,315	128,315	-	-	128,315	-
<b>Series 2014 B</b>						
2.00 - 5.00%, due 6/1/30	242,730	199,185	-	22,360	176,825	23,160
<b>Series 2014 C</b>						
5.00%, due 6/1/44	75,000	75,000	-	-	75,000	-
<b>Series 2015 A</b>						
4.00 - 5.00%, due 6/1/37	429,360	429,360	-	-	429,360	18,515
<b>Series 2015 B</b>						
4.00 - 5.00%, due 6/1/45	74,335	74,335	-	-	74,335	2,325
<b>Series 2015 C</b>						
4.00 - 5.00%, due 6/1/45	110,715	110,715	-	-	110,715	-
<b>Series 2017 A</b>						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
<b>Series 2017 B</b>						
3.00 - 5.00%, due 6/1/37	309,665	296,160	-	-	296,160	-
<b>Series 2019 A</b>						
5.00%, due 6/1/49	161,820	156,990	-	2,690	154,300	2,825
<b>Series 2022 A</b>						
5.00% - 5.25%, due 6/1/52	133,950	-	133,950	-	133,950	-
<b>Series 2022 B-1</b>						
5.00%, due 6/1/37	133,950	-	72,105	-	72,105	190
<b>Series 2022 B-2</b>						
5.00%, due 6/1/34	175,955	-	103,850	-	103,850	2,270
Total water long-term bonds		<u>\$ 2,328,805</u>	<u>\$ 309,905</u>	<u>\$ 257,280</u>	<u>\$ 2,381,430</u>	<u>\$ 76,170</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amount due within one year
<b>Wastewater System Revenue Bonds:</b>						
<b>Subordinated Series 2010 B</b>						
5.03 - 5.18%, due 6/1/40	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
<b>Series 2012 A (Private Placement)</b>						
5.00% , due 6/1/37	20,000	20,000	-	20,000	-	-
<b>Series 2014 A</b>						
2.00 - 5.00%, due 6/1/31	82,150	50,415	-	6,805	43,610	7,095
<b>Series 2015 A-1</b>						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
<b>Series 2015 A-2</b>						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
<b>Series 2015 B</b>						
2.10 - 3.35% , due 6/1/30	2,795	1,800	-	180	1,620	180
<b>Series 2017 A</b>						
4.00 - 5.00%, due 6/1/45	69,420	57,305	-	4,495	52,810	4,735
<b>Series 2022 A</b>						
5.00%, due 6/1/45		-	18,140	-	18,140	1,585
<b>Series 2022 B</b>						
5.00%, due 6/1/37		-	17,345	-	17,345	-
Total wastewater long-term bonds		<u>347,890</u>	<u>35,485</u>	<u>31,480</u>	<u>351,895</u>	<u>13,595</u>
<b>Total long-term bonds</b>		<u>2,676,695</u>	<u>345,390</u>	<u>288,760</u>	<u>2,733,325</u>	<u>89,765</u>
<b>Water Loans:</b>						
<b>State Water Resources Control Board</b>						
<b>2008 East Bayshore, Recycled Water Project</b>						
2.40%, due 4/1/28	20,100	8,032	-	1,067	6,965	1,093
<b>2018 South Reservoir Replacement Project</b>						
1.70%, due 7/1/48	13,998	13,330	-	393	12,937	400
<b>2018 MacArthur Davenport Pipeline Replacement Project</b>						
1.70%, due 7/1/49	12,045	11,495	-	324	11,171	329
Total water loans		<u>32,857</u>	<u>-</u>	<u>1,784</u>	<u>31,073</u>	<u>1,822</u>
<b>Total long-term loans</b>		<u>32,857</u>	<u>-</u>	<u>1,784</u>	<u>31,073</u>	<u>1,822</u>
<b>Commercial Paper (see Note 6)</b>						
Water System Commercial Paper		312,800	1,695,105	1,712,905	295,000	
Wastewater System Commercial Paper		9,300	55,800	57,100	8,000	
Total commercial paper		322,100	1,750,905	1,770,005	303,000	
Amount due within one year		(83,544)	(8,043)	-	(91,587)	
Add: Unamortized premium, net		238,888	45,024	35,984	247,928	
<b>Total long-term liabilities, net</b>		<u>\$ 3,186,996</u>	<u>\$ 2,133,276</u>	<u>\$ 2,096,533</u>	<u>\$ 3,223,739</u>	<u>\$ 91,587</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

The District's debt issues and transactions during fiscal year 2020-2021 are summarized below.

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
<b>Water System Revenue Bonds:</b>						
<b>Subordinated Series 2008 A</b>						
0.02% variable rate, due 6/1/38	\$ 322,525	\$ 105,250	\$ -	\$ -	\$ 105,250	\$ -
<b>Subordinated Series 2010 B</b>						
5.87%, due 6/1/40	400,000	400,000	-	-	400,000	-
<b>Series 2012 A (Private Placement)</b>						
5.00%, due 6/1/37	191,750	81,750	-	-	81,750	-
<b>Series 2012 B</b>						
1.00 - 5.00%, due 6/1/26	358,620	133,580	-	47,190	86,390	45,230
<b>Series 2013 A</b>						
5.00%, due 6/1/21	48,670	7,585	-	7,585	-	-
<b>Series 2014 A</b>						
3.00 - 5.00%, due 6/1/35	128,315	128,315	-	-	128,315	-
<b>Series 2014 B</b>						
2.00 - 5.00%, due 6/1/30	242,730	208,265	-	9,080	199,185	22,360
<b>Series 2014 C</b>						
5.00%, due 6/1/44	75,000	75,000	-	-	75,000	-
<b>Series 2015 A</b>						
4.00 - 5.00%, due 6/1/37	429,360	429,360	-	-	429,360	-
<b>Series 2015 B</b>						
4.00 - 5.00%, due 6/1/45	74,335	74,335	-	-	74,335	-
<b>Series 2015C</b>						
4.00 - 5.00%, due 6/1/45	110,715	110,715	-	-	110,715	-
<b>Series 2017 A</b>						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
<b>Series 2017 B</b>						
3.00 - 5.00%, due 6/1/37	309,665	297,130	-	970	296,160	-
<b>Series 2019 A</b>						
5.00%, due 6/1/49	161,820	159,550	-	2,560	156,990	2,690
Total water long-term bonds		<u>\$ 2,396,190</u>	<u>\$ -</u>	<u>\$ 67,385</u>	<u>\$ 2,328,805</u>	<u>\$ 70,280</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
<b>Wastewater System Revenue Bonds:</b>						
<b>Subordinated Series 2010 B</b>						
5.03 - 5.18%, due 6/1/40	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
<b>Placement)</b>						
5.00% , due 6/1/37	20,000	20,000	-	-	20,000	-
<b>Series 2014 A</b>						
2.00 - 5.00%, due 6/1/31	82,150	56,835	-	6,420	50,415	6,805
<b>Series 2015 A-1</b>						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
<b>Series 2015 A-2</b>						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
<b>Series 2015 B</b>						
2.10 - 3.35% , due 6/1/30	2,795	1,975	-	175	1,800	180
<b>Series 2017 A</b>						
4.00 - 5.00%, due 6/1/45	69,420	61,665	-	4,360	57,305	4,495
Total wastewater long-term bonds		358,845	-	10,955	347,890	11,480
<b>Total long-term bonds</b>		2,755,035	-	78,340	2,676,695	81,760
<b>Water Loans:</b>						
<b>State Water Resources Control Board</b>						
<b>2004 Upper San Leandro Reservoir Project</b>						
2.51%, due 1/1/24	2,188	464	-	464	-	-
<b>2008 East Bayshore, Recycled Water Project</b>						
2.40%, due 4/1/28	20,100	9,075	-	1,043	8,032	1,067
<b>2018 South Reservoir Replacement Project</b>						
1.70%, due 7/1/48	13,998	13,716	-	386	13,330	393
<b>2018 MacArthur Davenport Pipeline Replacement Project</b>						
1.70%, due 7/1/49	12,045	11,813	-	318	11,495	324
Total water loans		35,068	-	2,211	32,857	1,784
<b>Total long-term loans</b>		35,068	-	2,211	32,857	1,784
<b>Commercial Paper (see Note 6)</b>						
Water System Commercial Paper		335,800	1,816,115	1,839,115	312,800	
Paper		10,000	49,300	50,000	9,300	
Total commercial paper		345,800	1,865,415	1,889,115	322,100	
Amount due within one year		(80,215)	(3,329)	-	(83,544)	
Add: Unamortized premium, net		268,388	-	29,500	238,888	
<b>Total long-term liabilities, net</b>		<b>\$ 3,324,076</b>	<b>\$ 1,862,086</b>	<b>\$ 1,999,166</b>	<b>\$ 3,186,996</b>	<b>\$ 83,544</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

***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.

***Water System Revenue Bonds Issuance During the Fiscal Year***

**2022 Water System Revenue Bonds, Series 2022A (Green Bonds)** – The District issued \$134.0 million principal amount of Water System Revenue Bonds Series 2022A on June 21, 2022, to provide monies to finance and/or reimburse the District for certain costs of improvements to the District Water System and to pay the costs of issuance in connection with the bonds. The Water System Revenue Bonds Series 2022A are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2024 and are payable annually on June 1 thereafter. Interest payments are payable on June 1 and December 1 of each year, commencing December 1, 2022.

**2022 Water System Revenue Refunding Bonds, Series 2022B-1** – The District issued \$72.1 million principal amount of Water System Revenue Refunding Bonds Series 2022B-1 on June 21, 2022, to refund the Water System Subordinated Revenue Bonds Series 2012A and to pay a portion of the cost of issuance in connection with the bonds. The Water System Revenue Refunding Bonds Series 2022B-1 are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2023 and are payable annually on June 1 thereafter. Interest payments are payable on June 1 and December 1 of each year, commencing December 1, 2022.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

**2022 Water System Revenue Refunding Bonds, Series 2022B-2** – The District issued \$103.9 million principal amount of Water System Revenue Refunding Bonds Series 2022B-2 on June 21, 2022, to refund the Water System Subordinated Revenue Bonds Series 2008A, to pay the cost of terminating certain interest rate swap agreements, and to pay a portion of the cost of issuance in connection with the bonds. The Water System Revenue Refunding Bonds Series 2022B-2 are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Water Revenues. Principal payments commence on June 1, 2023 and are payable annually on June 1 thereafter. Interest payments are payable on June 1 and December 1 of each year, commencing December 1, 2022.

***Wastewater System Revenue Bonds Issuance During the Fiscal Year***

**2022 Wastewater System Revenue Bonds, Series 2022A (Green Bonds)** – The District issued \$118.1 million principal amount of Wastewater System Revenue Bonds Series 2022A on June 16, 2022, to provide monies to finance or reimburse the District for certain costs of improvements to the District Wastewater System and to a portion of the costs of issuance in connection with the bonds. The Wastewater System Revenue Bonds Series 2022A are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principal payments commence on June 1, 2023 and are payable annually on June 1 thereafter. Interest payments are payable on June 1 and December 1 of each year, commencing December 1, 2022.

**2022 Wastewater System Revenue Refunding Bonds, Series 2022B** – The District issued \$17.4 million principal amount of Wastewater System Revenue Refunding Bonds Series 2022B on June 16, 2022, to refund the District’s Wastewater System Subordinated Revenue Bonds Series 2012A and to pay a portion of the cost of issuance in connection with the bonds. The Wastewater System Revenue Refunding Bonds Series 2022B are special obligations of the District and are payable solely from and secured by a pledge of Subordinated Wastewater Revenues. Principal payments commence on June 1, 2027 and are payable annually on June 1 thereafter. Interest payments are payable on June 1 and December 1 of each year, commencing December 1, 2022.

**C. Debt Service Requirements**

Annual debt service requirements for fiscal year 2021-2022 are shown below for the above debt issues:

For the Year Ending June 30	Water System		Wastewater System		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 77,992	\$ 119,405	\$ 13,595	\$ 17,458	\$ 91,587	\$ 136,863
2024	85,835	116,497	14,310	16,853	100,145	133,350
2025	89,945	112,371	14,975	16,140	104,920	128,511
2026	94,265	108,033	15,670	15,392	109,935	123,425
2027	93,722	103,370	14,030	14,616	107,752	117,986
2028 - 2032	542,673	442,699	69,280	63,554	611,953	506,253
2033 - 2037	689,511	295,539	110,815	41,437	800,326	336,976
2038 - 2042	511,264	114,632	89,070	15,679	600,334	130,311
2043 - 2047	201,840	25,697	10,150	955	211,990	26,652
2048 - 2052	25,456	2,119	-	-	25,456	2,119
Totals	<u>\$2,412,503</u>	<u>\$1,440,362</u>	<u>\$ 351,895</u>	<u>\$ 202,084</u>	<u>\$ 2,764,398</u>	<u>\$ 1,642,446</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

Annual debt service requirements for fiscal year 2020-2021, including the swap payments discussed in F., are shown below for the above debt issues:

For the Year Ending June 30	Water System		Wastewater System		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 72,064	\$ 115,514	\$ 11,480	\$ 17,329	\$ 83,544	\$ 132,843
2023	75,532	112,082	12,010	16,757	87,542	128,839
2024	78,865	108,435	12,575	16,158	91,440	124,593
2025	82,735	104,659	13,155	15,531	95,890	120,190
2026	84,480	100,680	13,760	14,875	98,240	115,555
2027 - 2031	489,001	436,195	67,030	64,596	556,031	500,791
2032 - 2036	618,356	305,568	106,915	44,156	725,271	349,724
2037 - 2041	580,183	141,171	106,820	18,378	687,003	159,549
2042 - 2046	249,031	35,415	4,145	409	253,176	35,824
2047 - 2050	31,415	2,868	-	-	31,415	2,868
Totals	<u>\$2,361,662</u>	<u>\$1,462,587</u>	<u>\$ 347,890</u>	<u>\$ 208,189</u>	<u>\$ 2,709,552</u>	<u>\$ 1,670,776</u>

Interest payments on debt subject to swap agreements were calculated using the variable rates at June 30, 2021 and 2020, respectively.

**D. Prior-Defeasances**

In prior years, the District defeased certain debt issues by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. As of June 30, 2021, \$110 million of the bonds outstanding are considered defeased. There is no defeased debt as of June 30, 2022.

**E. Variable Rate Debt**

As of June 30, 2022, the District has fully refunded the Water System Revenue Bonds Series 2008A issued with variable interest rates. No variable rate Water System Revenue Bonds or Wastewater System Revenue Bonds remain outstanding. The District does have variable rate commercial paper notes outstanding (see Note 6).

**F. Interest Rate Swap Agreements**

The District terminated all outstanding interest rate swap agreements on June 21, 2022.

*Fair value.* The fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 7 - LONG TERM DEBT (Continued)**

hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. The fair values of each swap at June 30, 2022 and 2021, are included below:

Related Bond Issuance	Fair Value	
	2022	2021
2008A Water System Refunding Bonds	\$ -	\$ (29,400)

*Credit risk.* As of June 30, 2022, the District was not exposed to credit risk related to interest rate swaps because no swaps remain outstanding.

*Basis risk.* Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. As of June 30, 2022, the District was not exposed to basis risk because no swaps remain outstanding.

**NOTE 8 – 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.

**A. Leases Right of Use Assets/Leases Payable**

Lessee

Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

The District is a lessee primarily in three general categories: land, office, and wells. All of these leases are on the Water System. The District recognizes its obligations for various agreements in accordance within GASB Statement No. 87, which measures right to use leased assets, associated accumulated amortization, and the result of which are leases payable. The District is reporting lease right of use assets of \$2,370, accumulated amortization \$377, and leases payable \$1,993 at June 30, 2022.

Right-to-Use Leased Assets:

Land Leases - The District has four land lease agreements with various lessors with lease terms ranging from 5 years to 50 years including options for renewal. There are multiple purposes for these leases including:

- Operations of communications equipment
- Operations of monitoring wells and a pumping station
- Access and installation of utilities service equipment

The District makes monthly payments for the respective leases with ending term dates ranging from 2025 to 2055.



**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 8 – LEASES (Continued)**

Office space leases - The District has three office space lease agreements with respective lease terms of 5 years. The leased office spaces are used for multiple purposes including:

- Laboratory research to conduct biological tests
- Warehousing equipment
- Office space for administration and operations

The District makes monthly payments for the respective leases with ending term dates ranging from 2024 to 2028.

Right-to-use monitoring wells and road leases - The District has ten right-to-use agreements for roads and well access with lease terms ranging from 3 to 20 years including options for renewal. These right-to-use leases grant the District the right to maintain and operate groundwater monitoring wells, water sampling and testing. Based on these agreements, the District makes monthly payments for the respective leases with ending term dates ranging from 2023 to 2040.

Right-to-use leased assets include the following as of June 30, 2022:

Lease Type	Major Class of Underlying Assets	Amount of Leased Capital Assets	Accumulated Amortization
Land Lease	Right-to-use leased land	\$ 799	\$ 12
Office Space	Right-to-use leased office space	1,510	351
Wells and Road	Right-to-use leased wells	61	14
		<u>\$ 2,370</u>	<u>\$ 377</u>

Principal and Interest Payment Requirements:

Future principal and interest requirements to maturity for each lease liability as of June 30, 2022 are as follows:

Land Lease			
Fiscal Year	Principal	Interest	Total
2023	\$ 52	\$ 1	\$ 53
2024	53	1	54
2025	51	1	52
2026	51	1	52
2027	53	1	54
2028-2032	288	5	293
2033-2037	63	1	64
2038-2042	71	2	73
2043-2047	66	2	68
2048-2052	26	1	27
2053-2055	13	-	13
Total	<u>\$ 787</u>	<u>\$ 16</u>	<u>\$ 803</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 8 – LEASES (Continued)**

Office Space			
Fiscal Year	Principal	Interest	Total
2023	\$ 145	\$ 1	\$ 146
2024	310	3	313
2025	221	3	224
2026	228	3	231
2027	235	3	238
2028-2032	20	-	20
Total	\$ 1,159	\$ 13	\$ 1,172

Wells and Road			
Fiscal Year	Principal	Interest	Total
2023	\$ 13	\$ -	\$ 13
2024	5	-	5
2025	5	-	5
2026	4	-	4
2027	4	-	4
2028-2032	12	-	12
2033-2037	3	-	3
2038-2042	1	-	1
Total	\$ 47	\$ -	\$ 47

Total			
Fiscal Year	Principal	Interest	Total
2023	\$ 210	\$ 2	\$ 212
2024	368	4	372
2025	277	4	281
2026	283	4	287
2027	292	4	296
2028-2032	320	5	325
2033-2037	66	1	67
2038-2042	72	2	74
2043-2047	66	2	68
2048-2052	26	1	27
2053-2055	13	-	13
Total	\$ 1,993	\$ 29	\$ 2,022

**B. Leases Receivable/Deferred Inflows of Resources**

Lessor

Under GASB Statement No. 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District functions as a landlord or lessor to tenants for the right-to-use real estate for the varied purposes including farming, parking, parks and recreation, and for the right to place cellular towers for communications. The District is reporting leases receivable of \$43,407 and deferred inflow of resources of \$43,407 at June 30, 2022.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 8 – LEASES (Continued)**

**Inflows of Resources**

Inflows of resources recognized as of June 30, 2022 consisted of the following:

Inflows of Resources	Water System	Wastewater System	Total
Lease Revenue	\$ 2,731	\$ 1,351	\$ 4,082
Interest Revenue	38	21	59
Total	\$ 2,769	\$ 1,372	\$ 4,141

A description of the general types of lessor leases follows:

*Land Leases* - The District oversees and manages five properties ranging from 1 year to 25-year agreements with each lease entered with different lessees. The purpose of these leases includes granting rights for the purposes of farming, access to limited septic systems, storage of shipping containers, and creation of a vehicle refueling station. Based on these agreements, the District is receiving monthly payments from the respective leases with ending term dates ranging from 2023 through 2045. Renewal options range from 1 year to 5 years for three of the leases and no options for the remaining two leases.

*Parking Leases* - The District oversees and manages six properties with 5-year agreements for most leases and a 20-year agreement with one lessee. Each lease is with a different lessee with the purpose being uniform among all of them, which is for the parking of vehicles to facilitate the lessee's business functions. Based on these agreements, the District is receiving monthly payments with end dates varying from 2022 through 2031. Renewal options range from 5 to 10 years on three of the leases.

*Parks & Recreation Leases* – On December 1, 2015, The District entered into a 25-year agreement with the East Bay Regional Park District for the development and operation of land for the usage of the public including maintenance of trails and related recreational endeavors. Based on this agreement, the District is receiving monthly payments through 2040 and collected \$57 in principal and \$1 in interest during fiscal year 2022. There are currently no renewal options.

On December 15, 2016, the District entered into a 5-year lease agreement with two 5-year options for renewal with Brookside Golf & Country Club for a parcel of land to be used for golfing. Based on this agreement, the District is receiving monthly payments through 2031 and collected \$8 in principal and \$1 interest during fiscal year 2022. The lease is currently in its first 5-year option.

*Telecom Leases* - The District oversees and manages 44 telecom leases, with all but one residing on the Water Side. The leases range from 2 year to 10-year agreements, with most of them being 5-year terms with 5-year renewal options. There are various lessees, all of which are for the purpose of communications and include AT&T, Verizon, T-Mobile, Sprint, and related sector entities. Based on these agreements, the District is receiving monthly payments through 2035.

*Billboard Lease* - On March 23, 2010, the District entered into a 20-year lease agreement with Clear Channel Outdoor Inc. for the lease of billboard space at the main wastewater treatment plant. Based on this agreement, the District is receiving monthly payments through 2030. There are no renewal options included in this lease agreement.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 8 – LEASES (Continued)**

The tables below summarize the total remaining lease receivables/deferred lease receivables/deferred lease inflows and lease interest receivable at estimated discount rates, based on generic credit spreads for AA rated tax-exempt entities for each respective lease as of June 30, 2022:

**Annualized Payment Schedule: (Water System)**

Land			
Fiscal Year	Principal	Interest	Total
2023	\$ 83	\$ 1	\$ 84
2024	84	1	85
2025	84	1	85
2026	124	2	126
2027	87	1	88
2028-2032	37	1	38
Total	<u>\$ 499</u>	<u>\$ 7</u>	<u>\$ 506</u>

Parking			
Fiscal Year	Principal	Interest	Total
2023	\$ 456	\$ 6	\$ 462
2024	478	6	484
2025	501	7	508
2026	509	7	516
2027	450	6	456
2028-2032	1,039	15	1,054
Total	<u>\$ 3,433</u>	<u>\$ 47</u>	<u>\$ 3,480</u>

Park & Recreation			
Fiscal Year	Principal	Interest	Total
2023	\$ 65	\$ 1	\$ 66
2024	66	1	67
2025	66	1	67
2026	67	2	69
2027	67	2	69
2028-2032	337	7	344
2033-2037	307	7	314
2038-2042	215	6	221
Total	<u>\$ 1,190</u>	<u>\$ 27</u>	<u>\$ 1,217</u>

Telecom			
Fiscal Year	Principal	Interest	Total
2023	\$ 2,298	\$ 33	\$ 2,331
2024	2,261	34	2,295
2025	2,170	34	2,204
2026	1,990	33	2,023
2027	1,864	33	1,897
2028-2032	9,650	173	9,823
2033-2037	4,128	78	4,206
Total	<u>\$ 24,361</u>	<u>\$ 418</u>	<u>\$ 24,779</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 8 – LEASES (Continued)**

Water System Total			
Fiscal Year	Principal	Interest	Total
2023	\$ 2,902	\$ 41	\$ 2,943
2024	2,889	42	2,931
2025	2,821	43	2,864
2026	2,690	44	2,734
2027	2,468	42	2,510
2028-2032	11,063	196	11,259
2033-2037	4,435	85	4,520
2038-2042	215	6	221
Total	<u>\$ 29,483</u>	<u>\$ 499</u>	<u>\$ 29,982</u>

**Annualized Payment Schedule: (Wastewater System)**

Billboard			
Fiscal Year	Principal	Interest	Total
2023	\$ 358	\$ 5	\$ 363
2024	358	5	363
2025	358	5	363
2026	378	6	384
2027	393	6	399
2028-2032	1,343	22	1,365
Total	<u>\$ 3,188</u>	<u>\$ 49</u>	<u>\$ 3,237</u>

Land			
Fiscal Year	Principal	Interest	Total
2023	\$ 945	\$ 15	\$ 960
2024	986	15	1,001
2025	1,051	16	1,067
2026	1,082	17	1,099
2027	1,114	17	1,131
2028-2032	3,223	53	3,276
2033-2037	1,610	31	1,641
Total	<u>\$ 10,011</u>	<u>\$ 164</u>	<u>\$ 10,175</u>

Parking			
Fiscal Year	Principal	Interest	Total
2023	\$ 2	\$ -	\$ 2
Total	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 8 – LEASES (Continued)**

Telecom			
Fiscal Year	Principal	Interest	Total
2023	\$ 65	\$ 1	\$ 66
2024	67	1	68
2025	69	1	70
2026	71	1	72
2027	81	1	82
2028-2032	370	6	376
Total	<u>\$ 723</u>	<u>\$ 11</u>	<u>\$ 734</u>

Wastewater System Total			
Fiscal Year	Principal	Interest	Total
2023	\$ 1,370	\$ 21	\$ 1,391
2024	1,411	21	1,432
2025	1,478	22	1,500
2026	1,531	24	1,555
2027	1,588	24	1,612
2028-2032	4,936	81	5,017
2033-2037	1,610	31	1,641
Total	<u>\$ 13,924</u>	<u>\$ 224</u>	<u>\$ 14,148</u>

**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, debt service requirements, and fees charged for the provision of future water resources.

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

**NOTE 10 – EMPLOYEES' RETIREMENT PLAN**

**A. Description**

The Employees' Retirement System is a single-employer, contributory, defined benefit pension plan (the Plan) which provides retirement, disability, survivorship, and post-employment healthcare benefits for eligible directors, officers, and employees of the District. The Plan is administered by a Retirement Board composed of three members appointed by the District's Board of Directors and two members elected by and from the active membership of the Plan, and a nonvoting member elected by the retirees of the Plan. Retirement Ordinance No. 40 assigns the authority to establish Plan benefit provisions to the District's Board of Directors. A stand-alone financial report of the

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

Employees’ Retirement System is available. Please send request to the Controller, Accounting Division, P.O. Box 24055, Oakland, CA 94623-1055 or visit the District website at <http://www.ebmud.com>.

All regular full-time employees of the District are members of the Plan in addition to certain job share and intermittent employees. In accordance with the ordinance governing the System, eligible employees become members on the first day they are physically on the job. Members become vested in the Plan after five years of continuous full-time employment. Vested members who terminate employment may elect a refund of their contributions or leave them in the Plan until eligible to receive benefits.

The Plan is funded by contributions from its members and from the District. District contribution percentages are recommended by the Retirement Board; employee contribution rates are established by the Board of Directors pursuant to the Ordinance, giving consideration to actuarial recommendations and prospective changes in factors which affect funding.

**B. Retirement Benefits and Allowances**

There are two tiers in effect currently, the 1980 Plan and the 2013 Plan. Employees who became Members of the Retirement System prior to January 1, 2013, or who have reciprocal membership prior to January 1, 2013 are in the 1980 Plan (1980 Plan Members), employees who became Members on or after January 1, 2013, or who have reciprocal membership after January 1, 2013 are in the 2013 Plan (2013 Plan Members).

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

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

**C. Post-employment Healthcare Cost**

In addition to retirement benefits, the District provides post-employment health benefits assistance (administered by the Employees’ Retirement System) for employees who retire from the District or their surviving spouses. As of June 30, 2021, there were 1,735 participants receiving these health care benefits.

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Effective January 1, 1999, retired members who had separated from the District prior to their retirement who has at least 10 years of service also became eligible for the post-employment

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

health benefits based on the same sliding scale. The scale provides for 25% of healthcare benefits for service from 5 through 10 years, 50% of healthcare benefits for service from 10 through 15 years, 75% of healthcare benefits for service from 15 through 20 years, and 100% of healthcare benefits for service of 20 years or more. Effective July 1, 2003, the District reimbursed up to \$450 per month (\$550 per month effective July 1, 2004, for membership of a spouse or registered domestic partner) for any health, dental, or long-term care insurance premiums paid by the retiree for themselves, current spouse, or domestic partner, or any health, dental, or long-term care insurance premiums paid by the eligible surviving spouse of a retiree. These benefits are paid from a separate post-employment healthcare benefits fund which up until June 17, 2002, was advance funded entirely by the District on an actuarially determined basis. Cash reimbursement of these benefits totaled \$9,342 in the year ended June 30, 2022. Effective June 18, 2002, a portion of the post-employment healthcare benefits costs is recovered through employee contributions.

Through June 30, 1999, the medical premium subsidy was not a vested benefit, and the District reserved the right to modify or terminate the benefit at any time. If the medical subsidy were terminated, assets accumulated from contributions made for the subsidy would be used to provide other pension benefits. Effective July 1, 1999, the medical premium subsidy became a vested benefit to a maximum of \$200 per month, was changed effective October 1, 2000, to a maximum of \$250 per month, and was changed effective July 1, 2002, to a maximum of \$400 per month per month, and was changed effective July 1, 2003, to a maximum of \$450 per month, and was changed again effective July 1, 2004, to a maximum of \$450 per month and \$550 per month for membership of a spouse or registered domestic partner.

***D. Actuarial Assumptions and Funding Policy***

The Plan’s funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by ordinance. The individual entry age normal method is used to determine the normal cost for other post-employment benefits (OPEB) and service cost for pension, and the OPEB unfunded actuarial accrued liability (past service liability) is amortized as a level percentage of future payroll over 30 years open period.

District adopted contribution rates for the year ended June 30, 2022 are as follows:

<u>1980 Plan:</u>	
Pension plan:	
Employer service cost	18.45%
Toward unfunded pension liability	23.92%
Other post-employment benefits:	
Employer normal cost	0.97%
Unfunded actuarial accrued liability	3.82%
 <u>2013 Plan:</u>	
Pension plan:	
Employer service cost	9.40%
Toward unfunded pension liability	23.92%
Other post-employment benefits:	
Employer normal cost	0.70%
Unfunded actuarial accrued liability	3.82%



**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

District adopted contribution rates for fiscal year 2022-2023 are as follows:

1980 Plan:

Pension plan:

Employer service cost	18.42%
Toward unfunded pension liability	23.95%

Other post-employment benefits:

Employer normal cost	1.05%
Unfunded actuarial accrued liability	3.74%

2013 Plan:

Pension plan:

Employer service cost	9.72%
Toward unfunded pension liability	23.60%

Other post-employment benefits:

Employer normal cost	0.75%
Unfunded actuarial accrued liability	3.77%

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

<b>NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)</b>
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Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25 year periods; experience gains/losses are amortized over separate decreasing 20 year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Net Investment Return	7.00%, net of investment and administrative expenses.
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service*
Inflation rate	2.75%
Cost-of-living adjustments	2.75% per annum
Mortality	Pre-retirement: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020.  Post-retirement: <i>Healthy Members</i> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Beneficiaries</i> - Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

\*Includes inflation of 2.75% plus across the board salary increase of 0.50% plus merit and promotional increases.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

***E. Contributions Required and Contributions Made***

Contributions for the years ended June 30, 2022 and June 30, 2021, based on the June 30, 2021, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

	2022		2021	
	Pension	Healthcare Benefit Plan	Totals	
Regular contributions:				
District contributions	\$ 91,393	\$ 10,892	\$ 102,285	\$ 90,624
Member contributions	20,802	212	21,014	19,312
	112,195	11,104	123,299	109,936
Other contributions:				
Member buybacks	113	-	113	24
	\$ 112,308	\$ 11,104	\$ 123,412	\$ 109,960

Regular District and member contributions in fiscal year 2022 represent an aggregate of 43.50% and 8.94% of covered payroll, respectively. The District’s contributions include amounts for post-employment healthcare benefits at a rate of 4.63% of covered payroll, determined by the actuarial valuation dated June 30, 2021. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2022, was \$235,151 which was 89.37% of the total District payroll of \$263,110.

The total District contributions of \$102,285 is comprised of the normal cost of \$39,553 and the unfunded actuarial accrued liability of \$62,732.

Regular District and member contributions in fiscal year 2021 represent an aggregate of 40.74% and 8.68% of covered payroll, respectively. The District’s contributions include amounts for post-employment healthcare benefits at a rate of 5.11% of covered payroll, determined by the actuarial dated June 30, 2020. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2021, was \$222,419 which was 90.98% of the total District payroll of \$244,469.

The total District contributions of \$90,624 is comprised of the normal cost of \$32,108 and the unfunded actuarial accrued liability of \$58,516.

Member buyback contributions relate to prior years’ service credits for Plan participants. The Plan was amended in 1998 for limited temporary construction workers and in 2003 for intermittent employees to allow current members, who previously worked for the District in a status which did not qualify for membership in the System, to establish retirement service credit for prior service with payments over a period of two to eight years.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

**F. Net Pension Liability**

The net pension liability (the Plan’s liability determined in accordance with GASB 68 less the fiduciary net position) as of June 30, is as shown below:

	2022	2021
Total Pension Liability	\$ 2,605,614	\$ 2,535,238
Plan Fiduciary Net Position	(2,270,763)	(1,813,591)
Employer Net Pension Liability	\$ 334,851	\$ 721,647
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.15%	71.54%
Covered Payroll	\$ 221,809	\$ 215,110
Liability as a Percentage of Covered Payroll	150.96%	335.48%

The actuarial assumptions used in the June 30, 2021 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020. Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers’ net pension liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The net pension liability was measured as of June 30, 2021 and 2020 and are not adjusted or rolled forward to the June 30, 2022 and 2021 reporting dates, respectively.

For the year ended June 30, 2022, the District recognized pension expense as follows:

	Water	Wastewater	Total
Contributions made after measurement date	\$ (78,618)	\$ (12,775)	\$ (91,393)
Current year changes in the net pension liability:			
Service cost	44,831	7,381	52,212
Interest on total pension liability	151,872	25,006	176,878
Member contributions	(16,431)	(2,705)	(19,136)
Projected earnings on investments	(108,261)	(17,825)	(126,086)
Difference in expected and actual earnings	(61,104)	(10,061)	(71,165)
Other	22,368	2,905	25,273
Total current year activity	33,275	4,701	37,976
<b>Total pension expense</b>	<b>\$ (45,343)</b>	<b>\$ (8,074)</b>	<b>\$ (53,417)</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Water	Wastewater	Water	Wastewater
Pension contributions subsequent to measurement date	\$ 78,618	\$ 12,774	\$ -	\$ -
Differences between expected and actual experiences	19,791	3,258	30,648	5,046
Changes of assumption	58,634	9,654	-	-
Change in proportion and difference between employer contributions and proportionate share of contributions	1,428	5	5	1,428
Net difference between projected and actual earnings on pension plan investments	-	-	196,665	32,381
<b>Total</b>	<b>\$ 158,471</b>	<b>\$ 25,691</b>	<b>\$ 227,318</b>	<b>\$ 38,855</b>

A total of \$91,393 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Water	Wastewater
2023	\$ (23,513)	\$ (4,450)
2024	(24,029)	(4,492)
2025	(34,779)	(6,094)
2026	(61,989)	(10,344)
Thereafter	(3,155)	(558)
	<b>\$ (147,465)</b>	<b>\$ (25,938)</b>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Arithmetic Expected Real Rate of Return
Domestic Large Cap Equity	22.5%	5.44%
Domestic Small Cap Equity	2.5%	6.62%
Developed International Large Cap Equity	20.0%	6.71%
Emerging Market Equity	5.0%	8.93%
Core Bond	20.0%	1.07%
High-Yield Bond	2.5%	3.14%
Bank Loan	2.5%	3.55%
Real Estate	5.0%	5.09%
Covered Calls	20.0%	4.12%
Total	100.0%	

The discount rates used to measure the total pension liability was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2021 and June 30, 2020.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

Changes in net pension liability for fiscal year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning Balance	\$ 2,535,238	\$ 1,813,591	\$ 721,647
Changes Recognized during the Measurement Period:			
Service cost	52,212	-	52,212
Interest on total pension liability	176,878	-	176,878
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(37,465)	-	(37,465)
Changes of assumptions	-	-	-
Contributions from the employer	-	79,252	(79,252)
Contributions from the employee	-	19,136	(19,136)
Net investment income	-	481,909	(481,909)
Benefit payments, including refunds of employee contributions	(121,249)	(121,249)	-
Administrative expenses	-	(1,876)	1,876
Net Changes during the Measurement Period	70,376	457,172	(386,796)
Ending Balance	\$ 2,605,614	\$ 2,270,763	\$ 334,851

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the Plan as of June 30, 2022, calculated using the discount rate of 7.00% as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1- percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 671,793	\$ 334,851	\$ 55,704

**G. Net OPEB Liability**

The net OPEB liability (The Plan’s liability determined according to GASB 75) as of June 30, is shown below:

	2022	2021
Total OPEB Liability	\$ 201,135	\$ 195,853
Plan Fiduciary Net Position	(57,959)	(44,018)
Employer Net OPEB Liability	\$ 143,176	\$ 151,835
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	28.82%	22.48%

The actuarial assumptions used in the June 30, 2021 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020, and the Retiree Health assumptions letter dated January 6, 2022. They are the same as the assumptions used in the June 30, 2021 funding actuarial valuation except the discount rate is calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 75, and implicit

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

subsidy benefit payments are based on the age-based costs. The net OPEB liability is measured as of June 30, 2021 and 2020 and is not adjusted or rolled forward to the June 30, 2022 and 2021 reporting dates.

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25-year periods; and experience gains/losses are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Net Investment Return	3.99%, net of investment and administrative expenses.
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service*
Inflation rate	2.75%
Health Care Trend	Non-Medicare: 7.375% graded to ultimate 4.50% over 12 years Medicare: 6.375% graded to ultimate 4.50% over 8 years
HIB increases	0.00%
Mortality	<i>Pre-Retirement- Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> <i>Post-Retirement Healthy Members- Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> <i>Post-Retirement Disabled Members- Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i> <i>Beneficiaries- Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale</i>

\*Includes inflation of 2.75% plus across the board salary increase of 0.50% plus merit and promotional increases.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major



**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	22.5%	5.44%
Domestic Small Cap Equity	2.5%	6.62%
Developed International Large Cap Equity	20.0%	6.71%
Emerging Market Equity	5.0%	8.93%
Core Bond	20.0%	1.07%
High-Yield Bonds	2.5%	3.14%
Bank Loans	2.5%	3.55%
Real Estate	5.0%	5.09%
Covered Calls	20.0%	4.12%
Total	100.0%	

The municipal bond rates used to determine the blended discount rate, as discussed below, were 2.16% and 2.21% which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2021 and June 30, 2020, respectively.

The discount rates used to measure the total OPEB liability were 3.99% and 4.40% as of June 30, 2021 and June 30, 2020, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates for the \$450/\$550 HIB Subsidy excluding the implicit subsidy that will continue to be paid on a pay-as-you-go basis. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

Change in Net OPEB liability for fiscal year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Beginning Balance	\$ 195,853	\$ 44,018	\$ 151,835
Changes Recognized during the Measurement Period:			
Service cost	5,538	-	5,538
Interest on total OPEB liability	8,608	-	8,608
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(4,383)	-	(4,383)
Changes of assumptions	7,163	-	7,163
Contributions from the employer	-	11,372	(11,372)
Contributions from the employee	-	200	(200)
Net investment income	-	11,638	(11,638)
Administrative expenses	-	(46)	46
Benefit payments, including implicit subsidies*	(11,644)	(11,644)	-
Other**	-	2,421	(2,421)
Net Changes during the Measurement Period	5,282	13,941	(8,659)
Ending Balance	\$ 201,135	\$ 57,959	\$ 143,176

\* Sum of cash benefit payments (\$9,223) and estimated implicit subsidy benefit payments (\$2,421)

\*\* The total employer contributions for estimated implicit subsidy

In accordance with GASB 75 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2022, calculated using the discount rate of 3.99% as well as what the Plan’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.99%) or 1-percentage-point higher (4.99%) than the current rate:

	1% Decrease (2.99%)	Current Discount (3.99%)	1% Increase (4.99%)
Net OPEB Liability	\$ 166,135	\$ 143,176	\$ 123,810

Additionally, in accordance with GASB 75 regarding disclosure of the sensitivity of the net OPEB liability to changes in the trend rate (only applied to implicit subsidy and not the \$450/\$550 cash subsidy), the following table presents the net OPEB liability of the Plan as of June 30, 2022, calculated using the current trend rates as well as what the Plan’s net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 139,470	\$ 143,176	\$ 147,374

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

For the year ended June 30, 2022, the District recognized OPEB expense as follows:

	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
Contributions made after measurement date	\$ (9,354)	\$ (1,538)	\$ (10,892)
Current year changes in the net OPEB liability:			
Service cost	4,752	786	5,538
Interest on total OPEB liability	7,385	1,223	8,608
Member contributions	(172)	(28)	(200)
Projected earnings on investments	(1,705)	(282)	(1,987)
Difference in expected and actual earnings	(1,656)	(274)	(1,930)
Other	(169)	(202)	(371)
	8,435	1,223	9,658
Total current year activity			
	\$ (919)	\$ (315)	\$ (1,234)

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were as follows:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<b>Water</b>	<b>Wastewater</b>	<b>Water</b>	<b>Wastewater</b>
OPEB contributions subsequent to measurement date	\$ 9,354	\$ 1,538	\$ -	\$ -
Differences between expected and actual experiences	387	64	5,128	849
Changes of assumption	17,769	2,941	592	97
Change in proportion and difference between employer contributions and proportionate share of contributions	356	-	-	356
Net difference between projected and actual earnings on OPEB plan investments	-	-	6,123	1,014
	-	-	6,123	1,014
<b>Total</b>	<b>\$ 27,866</b>	<b>\$ 4,543</b>	<b>\$ 11,843</b>	<b>\$ 2,316</b>

\$10,892 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows and resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	<b>Water</b>	<b>Wastewater</b>
2023	\$ 1,211	\$ 51
2024	2,263	250
2025	2,341	293
2026	507	46
Thereafter	347	49
	\$ 6,669	\$ 689

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

**H. Public Employees’ Pension Reform Act (PEPRA)**

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

The table below provides the details of the 2013 Plan provisions in accordance with PEPRA.

Benefit Formula	2.5% at Age 67
Final Compensation Period	Average of Last 3 Years
Employer Normal Cost Contribution Rate as a percentage payroll	9.40% of Reportable Compensation
Member Normal Cost Contribution Rate as a percentage of payroll	9.41% of Reportable Compensation

The employer contribution rate listed above was in effect as of June 30, 2022. In accordance with the provisions of AB 340, the member contribution rate shown above was set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. The total normal cost rate used for this calculation is 18.81% of payroll for new members. Under AB 340, the member contributions rate is adjusted when the normal cost deviates by 1% or more from the original PEPRA valuation in 2013.

**NOTE 11 – RISK MANAGEMENT**

The District has purchased commercial insurance for general, property, public officials’ liability and workers’ compensation. During the fiscal year ended June 30, 2022, the District paid \$2,597 for current year coverage.

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

Selected other coverages are:

Coverage	Policy Limit	Self-insurance retention
Workers' Compensation	Statutory Limit	\$5,000
All risk property (except flood)	\$200,000	500
Flood	25,000	1,500
Liability	90,000	10,000 Water/ 10,000 Wastewater
Crime	10,000	25
Boiler and Machinery	25,000	25
Pardee and Camanche Dams	25,000	25
Main Wastewater Treatment Plant	25,000	25

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 11 – RISK MANAGEMENT (Continued)**

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

Claim expenses and liabilities are recorded when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. As of June 30, 2022, the amount of these liabilities was \$63,118. This amount (which has not been discounted) has been actuarially determined and includes an estimate of incurred but not reported losses. Changes in the reported liability are as follows:

	2022	2021
Liability at beginning of year	\$ 53,912	\$ 47,331
Current year claims and changes in estimates	17,377	14,251
Payments of claims	(8,171)	(7,670)
Liability at end of year	\$ 63,118	\$ 53,912
Estimated liability:		
Due within one year	\$ 11,095	\$ 10,808
Due in more than one year	52,023	43,104
	\$ 63,118	\$ 53,912

**NOTE 12 – KNOWN ENVIRONMENTAL LIABILITIES**

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, provides guidance on accounting and financial reporting for pollution remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. Pollution remediation activities include: pre-cleanup activities, cleanup activities, external government oversight and enforcement, and operation and maintenance of the remedy. The following is a summary of the District’s known environmental liabilities as of August 16, 2022, that may meet the requirements of GASB Statement No. 49:

- Under a NPDES permit issued by the San Francisco Regional Water Quality Control Board, discharges from the District’s wet weather facilities are prohibited. In 2014, the District signed a Consent Decree on this matter that focuses on the excess wet weather flow entering the District’s system and allows discharges to continue while work to reduce them is performed. The Consent Decree requires the District and its seven satellite agencies to do a range of work to reduce flows, including working with property owners to address leaks in their private sewer laterals. The Consent Decree is expected to be in place until 2036. The District’s cost to meet the requirements in the Consent Decree is approximately \$5 million/year.
- In summer 2016, the Central Valley Regional Water Quality Control Board (CVRWQCB) requested that the District produce a technical report to reexamine the groundwater network at the Camanche North Shore (CANS) and Camanche South Shore (CASS) Wastewater Treatment Plants including the effectiveness of existing monitoring wells and hydraulic connections between the wastewater ponds and the aquifers. The technical report for CANS was provided in March 2017. The CVRWQCB stated in its winter 2018 response that it agreed with the CANS recommendations in the technical report and subsequently required the District to submit a work plan for new well installations as well as conduct additional monitoring. In May 2018, the District submitted its response to the CVRWQCB, including the work plan for the new CANS wells. The District never received formal approval on the CANS workplan. In March 2022, the District submitted a proposal to the CVRWQCB for an updated CANS groundwater monitoring well network that would enhance the groundwater quality monitoring. The proposal requests that the CVRWQCB’s review of the on-file 2018 workplan for new well installations be put on hold until the

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 12 – KNOWN ENVIRONMENTAL LIABILITIES (Continued)**

new network was considered. Once the new proposal is approved, it will result in the installation of five new wells better strategically located, in addition to reducing the network from the current nine wells to a total of six. The District is awaiting a response from CVRWQCB. In August 2018, the District submitted a required technical memorandum for CASS. In September 2018, the District submitted an assessment report for the cap on the closed CASS landfill also required by the CVRWQCB. The CVRWQCB has not responded to either submittal. The CVRWQCB requested additional analysis for the CASS facility which is ongoing. It is possible that the CVRWQCB could mandate the District to construct wastewater treatment pond upgrades. At this preliminary planning stage, it is estimated that the cost would be approximately \$6.6 million to upgrade the existing facilities or, alternatively, approximately \$7.8 million to construct a joint wastewater project with Amador County.

- The Alameda County Environmental Health Agency (County) requested that the District conduct site investigations at the Adeline Maintenance Center (AMC) Shops to define the extent of petroleum hydrocarbons in soil and groundwater associated with former underground storage tanks (USTs). The District completed site investigations in accordance with an approved work plan in 2009. The results indicated that elevated concentrations of petroleum hydrocarbons remain in soil and groundwater in localized areas near the former USTs. In June 2016, the County then requested that the District conduct a Sensitive Receptor Survey for the AMC Shops parcel and that all environmental data collected during previous investigations be posted to the State's GeoTracker website, after which a meeting would be scheduled to agree upon final actions necessary to obtain regulatory closure of the site under the State Water Resource Control Board's Low Threat Closure Policy. The County met with the District in July 2018 to discuss next steps towards site closure. In 2021, the County requested a Site Conceptual Model and Workplan to help address data gaps for the site. Both were delivered and once the workplan is approved, additional environmental samples will be collected and analyzed as early as this fall. Upon review of the new data, the County will make a decision on case closure.
- The District operates many facilities throughout Northern California that have NPDES permits, waste discharge requirements, and air permits. The total estimated liability for all known violations, excluding the items detailed above, is less than \$350.

**NOTE 13 - 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 14 – COMMITMENTS AND CONTINGENCIES**

***Central Valley Project***

In December 1970, the District entered into a contract with the US Bureau of Reclamation for access to up to 150,000 acre feet per year of Central Valley Project (CVP) water from a diversion point on the American River. The successor contract, the Long Term Renewal Contract, was executed in April 2006 with a 40 year term. The Long Term Renewal Contract provides for delivery of up to 133,000 acre feet per year of CVP water in dry years to supplement the District's surface water supplies. Deliveries to the District are limited to a 165,000 acre foot total over any three successive dry years. In years in which the District takes delivery of CVP water, the District's allocated CVP capital cost and the District's operations and maintenance deficit balance will be paid down

**EAST BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in Thousands)**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

commensurately with the quantity of water delivered. For example, if the District had to take delivery of 80,000 acre feet in fiscal year 15, the District's CVP capital and deficit balances would each be reduced by approximately 20%. The balances must be paid off by 2030.

**NOTE 15 – RECLASSIFICATION OF PRIOR YEAR EXPENSES**

The District reclassified water interception expense between operating expenses and other income for the prior year ended June 30, 2021. The water interception expense was reclassified as raw water in operating expense of Statements of Revenues, Expenses and Changes in Net Position for consistency with current year presentation. This reclassification has no effect on the reported results of operations. The raw water expense was reclassified from \$57,289 to \$57,448, and the other income was reclassified from \$13,519 to \$13,678 for Water System.

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**EAST BAY MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022  
(Dollars in thousands)**

**(1) Pension Plan**

Schedule of Changes in Employer's Net Pension Liability:

Reporting Date Measurement Date	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
<b>Total Pension Liability</b>								
Service cost	\$ 52,212	\$ 46,124	\$ 44,710	\$ 40,636	\$ 41,106	\$ 37,828	\$ 36,791	\$ 34,987
Interest	176,878	163,114	154,896	149,324	144,392	138,135	131,595	127,558
Differences between expected and actual experience	(37,465)	(6,199)	25,974	48,581	(22,641)	5,278	(1,390)	438
Changes of assumptions	-	104,814	-	12,484	-	52,596	-	18,421
Benefit payments, including refunds of employee contributions	(121,249)	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)	(71,232)
<b>Net change in total pension liability</b>	<b>70,376</b>	<b>194,465</b>	<b>119,795</b>	<b>152,963</b>	<b>72,152</b>	<b>149,951</b>	<b>89,206</b>	<b>110,172</b>
<b>Total pension liability - beginning</b>	<b>2,535,238</b>	<b>2,340,773</b>	<b>2,220,978</b>	<b>2,068,015</b>	<b>1,995,863</b>	<b>1,845,912</b>	<b>1,756,706</b>	<b>1,646,534</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,605,614</b>	<b>\$ 2,535,238</b>	<b>\$ 2,340,773</b>	<b>\$ 2,220,978</b>	<b>\$ 2,068,015</b>	<b>\$ 1,995,863</b>	<b>\$ 1,845,912</b>	<b>\$ 1,756,706</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 79,252	\$ 77,645	\$ 74,033	\$ 71,221	\$ 67,096	\$ 65,218	\$ 64,177	\$ 61,660
Contributions - employee	19,136	18,690	17,681	16,860	15,820	14,741	13,260	11,963
Net investment income	481,909	39,973	91,194	147,424	197,977	13,934	59,288	216,601
Benefit payments, including refunds of employee contributions	(121,249)	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)	(71,232)
Administrative expense	(1,876)	(1,453)	(1,477)	(1,521)	(1,403)	(1,289)	(1,269)	(1,233)
<b>Net change in plan fiduciary net position</b>	<b>457,172</b>	<b>21,467</b>	<b>75,646</b>	<b>135,922</b>	<b>188,785</b>	<b>8,718</b>	<b>57,666</b>	<b>217,759</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,813,591</b>	<b>1,792,124</b>	<b>1,716,478</b>	<b>1,580,556</b>	<b>1,391,771</b>	<b>1,383,053</b>	<b>1,325,387</b>	<b>1,107,628</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,270,763</b>	<b>\$ 1,813,591</b>	<b>\$ 1,792,124</b>	<b>\$ 1,716,478</b>	<b>\$ 1,580,556</b>	<b>\$ 1,391,771</b>	<b>\$ 1,383,053</b>	<b>\$ 1,325,387</b>
<b>Plan's net pension liability - ending (a) - (b)</b>	<b>\$ 334,851</b>	<b>\$ 721,647</b>	<b>\$ 548,649</b>	<b>\$ 504,500</b>	<b>\$ 487,459</b>	<b>\$ 604,092</b>	<b>\$ 462,859</b>	<b>\$ 431,319</b>

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

**EAST BAY MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022  
(Dollars in thousands)**

**(2) Pension Plan**

Schedule of Employer's Net Pension Liability:

Reporting Date Measurement Date	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014	2014 2013
Total Pension Liability	\$ 2,605,614	\$ 2,535,238	\$ 2,340,773	\$ 2,220,978	\$ 2,068,015	\$ 1,995,863	\$ 1,845,912	\$ 1,756,706	\$ 1,646,534
Plan fiduciary net position	(2,270,763)	(1,813,591)	(1,792,124)	(1,716,478)	(1,580,556)	(1,391,771)	(1,383,053)	(1,325,387)	(1,107,628)
Net pension liability	<u>\$ 334,851</u>	<u>\$ 721,647</u>	<u>\$ 548,649</u>	<u>\$ 504,500</u>	<u>\$ 487,459</u>	<u>\$ 604,092</u>	<u>\$ 462,859</u>	<u>\$ 431,319</u>	<u>\$ 538,906</u>
Plan fiduciary net position as a percentage of total pension liability	87.15%	71.54%	76.56%	77.28%	76.43%	69.73%	74.93%	75.45%	67.27%
Covered payroll*	\$ 221,809	\$ 215,110	\$ 203,541	\$ 193,717	\$ 182,032	\$ 174,586	\$ 166,886	\$ 159,513	\$ 153,707
Plan net pension liability as a percentage of covered payroll	150.96%	335.48%	269.55%	260.43%	267.79%	346.01%	277.35%	270.40%	350.61%

\*In accordance with GASB 82, the covered payroll amounts are defined as the payroll on which contributions to a pension plan are based. The covered payroll amounts for fiscal year 2014 through fiscal year 2016, were updated to adopt the provisions of GASB 82.

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

**(3) Pension Plan**

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2010	\$ 44,031	\$ 44,031	\$ -	\$ 161,641	27.24%
2011	50,987	50,987	-	160,336	31.80%
2012	52,156	52,156	-	158,481	32.91%
2013	53,795	53,795	-	153,707	35.00%
2014	61,660	61,660	-	159,513	38.66%
2015	64,177	64,177	-	166,886	38.46%
2016	65,218	65,218	-	174,586	37.36%
2017	67,096	67,096	-	182,032	36.86%
2018	71,221	71,221	-	193,717	36.77%
2019	74,033	74,033	-	203,541	36.37%
2020	77,645	77,645	-	215,110	36.10%
2021	79,252	79,252	-	221,809	35.73%
2022	91,393	91,393	-	235,151	38.87%

\*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered employee payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2022 are based on the reporting date. Years preceding fiscal year ended June 30, 2022 are based on the measurement date.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022  
(Dollars in thousands)**

**(4) Pension Plan**

Schedule of Investment Returns:

Reporting Date	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	-10.81%	26.85%	2.27%	5.37%	9.29%	14.46%	0.91%	4.40%	19.42%

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

**(5) Post-Employment Healthcare Plan**

Schedule of Changes in Employer's Net OPEB Liability:

Reporting Date	2022	2021	2020	2019	2018	2017	2016
Measurement Date	2021	2020	2019	2018	2017	2016	2015
<b>Total OPEB Liability</b>							
Service cost	\$ 5,538	\$ 4,864	\$ 4,692	\$ 4,827	\$ 5,276	\$ 4,514	\$ 4,460
Interest	8,608	9,042	9,332	9,265	8,797	9,374	9,159
Differences between expected and actual experience	(4,383)	704	(2,783)	(3,299)	(1,711)	(3,286)	(309)
Changes of assumptions	7,163	18,913	5,753	(527)	(6,107)	12,471	-
Benefit payments - cash*	-	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(11,644)	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
<b>Net change in total OPEB liability</b>	<b>5,282</b>	<b>22,141</b>	<b>5,942</b>	<b>(124)</b>	<b>(3,549)</b>	<b>13,224</b>	<b>3,675</b>
<b>Total OPEB liability - beginning</b>	<b>195,853</b>	<b>173,712</b>	<b>167,770</b>	<b>167,894</b>	<b>171,443</b>	<b>158,219</b>	<b>154,544</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 201,135</b>	<b>\$ 195,853</b>	<b>\$ 173,712</b>	<b>\$ 167,770</b>	<b>\$ 167,894</b>	<b>\$ 171,443</b>	<b>\$ 158,219</b>
<b>Plan fiduciary net position</b>							
Employer Contributions - cash	\$ 11,372	\$ 11,089	\$ 10,518	\$ 9,875	\$ 9,764	\$ 9,454	\$ 8,964
Employer Contributions - estimated implicit subsidy	-	-	-	-	-	2,164	2,241
Employee Contributions - total	11,372	11,089	10,518	9,875	9,764	11,618	11,205
Employee Contributions	200	195	184	219	198	184	167
Net investment income	11,638	890	2,060	2,925	3,706	271	938
Benefit payments - cash*	-	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(11,644)	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Administrative expense	(46)	(34)	(33)	(30)	(26)	(22)	(20)
Other	2,421	2,419	2,402	2,075	1,892	-	-
<b>Net change in plan fiduciary net position</b>	<b>13,941</b>	<b>3,177</b>	<b>4,079</b>	<b>4,674</b>	<b>5,730</b>	<b>2,202</b>	<b>2,655</b>
<b>Plan fiduciary net position - beginning</b>	<b>44,018</b>	<b>40,841</b>	<b>36,762</b>	<b>32,088</b>	<b>26,358</b>	<b>24,156</b>	<b>21,501</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 57,959</b>	<b>\$ 44,018</b>	<b>\$ 40,841</b>	<b>\$ 36,762</b>	<b>\$ 32,088</b>	<b>\$ 26,358</b>	<b>\$ 24,156</b>
<b>Plan's net OPEB liability - ending (a) - (b)</b>	<b>\$ 143,176</b>	<b>\$ 151,835</b>	<b>\$ 132,871</b>	<b>\$ 131,008</b>	<b>\$ 135,806</b>	<b>\$ 145,085</b>	<b>\$ 134,063</b>

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

\*Benefit Payments and Employer Contributions - cash and estimated implicit subsidy report together starting fiscal year 2018.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022  
(Dollars in thousands)**

**(6) Post-Employment Healthcare Plan**

Schedule of Employer's Net OPEB Liability:

Reporting Date <i>Measurement Date</i>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Total OPEB Liability	\$ 201,135	\$ 195,853	\$ 173,712	\$ 167,770	\$ 167,894	\$ 171,443	\$ 158,219
Plan fiduciary net position	(57,959)	(44,018)	(40,841)	(36,762)	(32,088)	(26,358)	(24,156)
Net OPEB liability	<u>\$ 143,176</u>	<u>\$ 151,835</u>	<u>\$ 132,871</u>	<u>\$ 131,008</u>	<u>\$ 135,806</u>	<u>\$ 145,085</u>	<u>\$ 134,063</u>
Plan fiduciary net position as a percentage of total OPEB liability	28.82%	22.48%	23.51%	21.91%	19.11%	15.37%	15.27%
Covered-employee payroll	\$ 221,809	\$ 215,110	\$ 203,541	\$ 193,717	\$ 182,032	\$ 174,586	\$ 166,886
Plan net OPEB liability as a percentage of covered-employee payroll	64.55%	70.58%	65.28%	67.63%	74.61%	83.10%	80.33%

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

**(7) Post-Employment Healthcare Plan**

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2010	\$ 7,725	\$ 7,725	\$ -	\$ 161,641	4.78%
2011	7,494	7,494	-	160,336	4.67%
2012	7,495	7,495	-	158,481	4.73%
2013	7,772	7,772	-	153,707	5.06%
2014	8,457	8,457	-	159,513	5.30%
2015	8,964	8,964	-	166,886	5.37%
2016	9,454	9,454	-	174,586	5.42%
2017	9,764	9,764	-	182,032	5.36%
2018	9,875	9,875	-	193,717	5.10%
2019	10,518	10,518	-	203,541	5.17%
2020	11,089	11,089	-	215,110	5.16%
2021	11,372	11,372	-	221,809	5.13%
2022	10,892	10,892	-	235,151	4.63%

\*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2022 are based on the reporting date. Years preceding fiscal year ended June 30, 2022 are based on the measurement date.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022  
(Dollars in thousands)**

**(8) Notes to Required Supplementary Information**

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

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25-year periods; and experience gains/losses (including year-to-year health assumption changes) are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Investment Rate of Return	7.00%, net of investment and administrative expenses
Average projected salary increases*	Ranges from 3.75% to 9.25% based on years of service*
Inflation rate	2.75%
Cost-of-living adjustments	2.75% per annum
Mortality	<i>Pre-retirement:</i> Headcount-Weighted RP-2014 Employee Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. <i>After Service Retirement and All Beneficiaries:</i> Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. <i>After Disability Retirement:</i> Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward nine years for males and females.

\*Includes inflation of 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022  
(Dollars in thousands)**

**(8) Notes to Required Supplementary Information (Continued)**

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

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumptions changes are amortized over separate decreasing 25-year periods; and experience gains/losses (including year-to-year health assumption changes) are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the of the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Investment Rate of Return	7.00%, net of OPEB Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.25% based on years of service*
Inflation rate	2.75%
Health care trend	Non-Medicare: 6.625% graded to ultimate 4.50% over 9 years Medicare: 6.125% graded to ultimate 4.50% over 7 years
HIB increases	0.00%
Mortality	<i>Pre-retirement:</i> Headcount-Weighted RP-2014 Employee Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. <i>After Service Retirement and All Beneficiaries:</i> Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward two years for males and one year for females. <i>After Disability Retirement:</i> Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional improvement scale MP-2015, set forward nine years for males and females.

\*Includes inflation of 2.75% plus across the board salary increases of 0.50% plus merit and promotional increases.



**SUPPLEMENTAL INFORMATION**

**EAST BAY MUNICIPAL UTILITY DISTRICT  
COMBINING STATEMENT OF NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2022**  
(With summarized comparative financial information as of June 30, 2021)  
(DOLLARS IN THOUSANDS)

	2022			2021	
	Pension plan benefits	Post-employment healthcare benefits		Total	Total
<b>Assets:</b>					
Cash and cash equivalents, at fair value (Note 5)	\$ 24,687	\$ 649	\$ 25,336	\$ 37,595	
Invested securities lending collateral	98,654	2,595	101,249	157,933	
Prepaid expenses	-	568	568	578	
Receivables:					
Brokers, securities sold	899	24	923	189	
Employer	2,830	346	3,176	2,477	
Plan members	664	-	664	538	
Interest, dividends, and recoverable taxes	4,580	120	4,700	4,325	
<b>Total Receivables</b>	<b>8,973</b>	<b>490</b>	<b>9,463</b>	<b>7,529</b>	
Investments, at fair value (Note 5):					
U.S. government obligations	261,192	6,870	268,062	254,139	
Municipal bonds	-	-	-	664	
Domestic corporate bonds	192,435	5,062	197,497	184,961	
International bonds	21,121	556	21,677	20,244	
Domestic stocks	906,868	23,855	930,723	1,107,552	
International stocks	470,814	12,384	483,198	608,001	
Real estate	122,339	3,218	125,557	113,913	
<b>Total Investments</b>	<b>1,974,769</b>	<b>51,945</b>	<b>2,026,714</b>	<b>2,289,474</b>	
<b>Total Assets</b>	<b>2,107,083</b>	<b>56,247</b>	<b>2,163,330</b>	<b>2,493,109</b>	
<b>Liabilities:</b>					
Accounts payable and accrued expenses	2,384	63	2,447	2,609	
Payables to brokers, securities purchased	693	18	711	3,845	
Securities lending collateral (Note 2B)	98,654	2,595	101,249	157,933	
<b>Total Liabilities</b>	<b>101,731</b>	<b>2,676</b>	<b>104,407</b>	<b>164,387</b>	
Net position restricted for pension benefits and post-employment healthcare benefits			2,058,923	2,328,722	
<b>Total Net Position</b>	<b>\$ 2,005,352</b>	<b>\$ 53,571</b>	<b>\$ 2,058,923</b>	<b>\$ 2,328,722</b>	

See accompanying notes to basic financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
COMBINING STATEMENT OF CHANGES IN NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2022**  
(With summarized comparative financial information as of June 30, 2021)  
(DOLLARS IN THOUSANDS)

	2022		2021	
	Pension plan benefits	Post- employment healthcare benefits	Total	Total
<b>Additions:</b>				
Contributions:				
Employers	\$ 91,393	\$ 10,892	\$ 102,285	\$ 90,624
Plan members	20,915	212	21,127	19,336
<b>Total Contributions</b>	<b>112,308</b>	<b>11,104</b>	<b>123,412</b>	<b>109,960</b>
<b>Investment Income:</b>				
From Investment Activities				
Net appreciation (depreciation)				
in fair value investments:				
Traded securities	(282,716)	(7,019)	(289,735)	472,236
Real estate	12,735	316	13,051	(465)
Interest	14,084	350	14,434	11,607
Dividends	11,009	273	11,282	12,602
Real estate operating income, net	2,266	56	2,322	2,002
<b>Total Investment Income</b>	<b>(242,622)</b>	<b>(6,024)</b>	<b>(248,646)</b>	<b>497,982</b>
Less:				
Investment expense	(3,448)	(85)	(3,533)	(4,609)
<b>Net Income from Investment Activities</b>	<b>(246,070)</b>	<b>(6,109)</b>	<b>(252,179)</b>	<b>493,373</b>
From Security Lending Activities				
Security lending income	340	8	348	293
on Borrowers' rebates and other agent fees	(174)	(4)	(178)	(119)
<b>Security Lending Activities</b>	<b>166</b>	<b>4</b>	<b>170</b>	<b>174</b>
<b>Net Investment Income</b>	<b>(245,904)</b>	<b>(6,105)</b>	<b>(252,009)</b>	<b>493,547</b>
<b>Total Additions, net</b>	<b>(133,596)</b>	<b>4,999</b>	<b>(128,597)</b>	<b>603,507</b>
<b>Deductions:</b>				
Benefits paid (Notes 1C & 1D)	129,241	9,341	138,582	130,198
Refunds of contributions (Note 4)	699	-	699	274
Administrative expenses	1,875	46	1,921	1,922
<b>Total Deductions</b>	<b>131,815</b>	<b>9,387</b>	<b>141,202</b>	<b>132,394</b>
<b>Changes in Net Position</b>	<b>(265,411)</b>	<b>(4,388)</b>	<b>(269,799)</b>	<b>471,113</b>
<b>Net Position - Beginning of the Year</b>	<b>2,270,763</b>	<b>57,959</b>	<b>2,328,722</b>	<b>1,857,609</b>
<b>Net Position - End of the Year</b>	<b>\$ 2,005,352</b>	<b>\$ 53,571</b>	<b>\$ 2,058,923</b>	<b>\$ 2,328,722</b>

See accompanying notes to basic financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**COMBINING STATEMENT OF NET POSITION - CUSTODIAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With summarized comparative financial information as of June 30, 2021)  
(DOLLARS IN THOUSANDS)

	2022					Total	2021 Total*
	Dublin San	Ramon Services	Freepport	Upper	Mokelumne River		
	District/East Bay	Municipal Utility	Regional Water	Authority*	Authority*		
	Bay Area Clean	District Recycled	Water	Water	Water	Total	2021 Total*
	Water Agencies	Water Authority	Authority	Authority	Authority		
<b>Assets:</b>							
Cash and cash equivalents, at fair value (Note 2)	\$ 3,431	\$ 1,805	\$ 2,158	\$ 621	\$ 8,015	\$ 8,015	\$ 7,902
Accounts receivable:							
Miscellaneous receivables	78	1,582	1,265	227	3,152	3,152	4,294
Interest receivable	4	2	2	-	8	8	4
<b>Total Receivables</b>	<b>82</b>	<b>1,584</b>	<b>1,267</b>	<b>227</b>	<b>3,160</b>	<b>3,160</b>	<b>4,298</b>
Capital assets:							
Capital assets not being depreciated	-	1,988	11,702	-	13,690	13,690	13,593
Capital assets, net of accumulated depreciation	-	69,445	324,300	-	393,745	393,745	403,074
<b>Total capital assets, net of accumulated depreciation</b>	<b>-</b>	<b>71,433</b>	<b>336,002</b>	<b>-</b>	<b>407,435</b>	<b>407,435</b>	<b>416,667</b>
<b>Total Assets</b>	<b>3,513</b>	<b>74,822</b>	<b>339,427</b>	<b>848</b>	<b>418,610</b>	<b>418,610</b>	<b>428,867</b>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	210	751	125	253	1,339	1,339	1,186
Long-term liabilities:							
Due in one year	-	1,513	-	-	1,513	1,513	1,476
Due in more than one year	-	3,774	-	-	3,774	3,774	5,287
<b>Total Liabilities</b>	<b>210</b>	<b>6,038</b>	<b>125</b>	<b>253</b>	<b>6,626</b>	<b>6,626</b>	<b>7,949</b>
<b>Net Position:</b>							
Net investment in capital assets	-	66,146	-	-	66,146	66,146	66,690
Restricted for specified purpose	3,303	2,638	339,302	595	345,838	345,838	354,227
<b>Total Net Position</b>	<b>\$ 3,303</b>	<b>\$ 68,784</b>	<b>\$ 339,302</b>	<b>\$ 595</b>	<b>\$ 411,984</b>	<b>\$ 411,984</b>	<b>\$ 420,917</b>

\* Upper Mokelumne River Watershed Authority is presented using the most recent fiscal yearend. Therefore, 2022 and 2021 information are as of September 30, 2021 and September 30, 2020, respectively.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With summarized comparative financial information as of June 30, 2021)  
(DOLLARS IN THOUSANDS)

	2022					2021 Total*
	Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority	Freeport Regional Water Authority	Mokelumne River Watershed Authority*	Total		
<b>Additions:</b>						
Contributions - members	1,440	2,666	159	\$ 9,823	\$	9,666
Grants and other receipts	1,906	1,046	1,080	4,814		4,681
<b>Total Contributions</b>	<b>3,346</b>	<b>3,712</b>	<b>1,239</b>	<b>14,637</b>		<b>14,347</b>
<b>Investment Income:</b>						
Interest	9	3	-	15		25
<b>Total Investment Income</b>	<b>9</b>	<b>3</b>	<b>-</b>	<b>15</b>		<b>25</b>
<b>Total Additions, net</b>	<b>3,355</b>	<b>3,715</b>	<b>1,239</b>	<b>14,652</b>		<b>14,372</b>
<b>Deductions:</b>						
General and administrative expenses	486	3,511	86	6,549		2,577
Professional services expense	2,778	5	-	2,783		3,496
Operation and maintenance expense	-	3,487	80	3,567		2,891
Grants and other expenses	-	-	1,004	1,004		1,516
Interest expense	-	169	-	169		205
Depreciation expense	-	2,291	7,223	9,514		10,164
<b>Total Deductions</b>	<b>3,264</b>	<b>10,734</b>	<b>1,170</b>	<b>23,586</b>		<b>20,849</b>
<b>Changes in Net Position</b>	<b>91</b>	<b>(7,019)</b>	<b>69</b>	<b>(8,934)</b>		<b>(6,477)</b>
<b>Net Position - Beginning of the Year</b>	<b>3,212</b>	<b>346,321</b>	<b>526</b>	<b>420,918</b>		<b>427,394</b>
<b>Net Position - End of the Year</b>	<b>\$ 3,303</b>	<b>\$ 68,784</b>	<b>\$ 595</b>	<b>\$ 411,984</b>		<b>\$ 420,917</b>

\* Upper Mokelumne River Watershed Authority is presented using the most recent fiscal year-end. Therefore, 2022 and 2021 information are as of September 30, 2021 and September 30, 2020, respectively.

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

To the Board of Directors  
East Bay Municipal Utility District  
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and the aggregate remaining fund information of the East Bay Municipal Utility District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2022.

### **Report on Internal Control over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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



To the Board of Directors  
East Bay Municipal Utility District  
Oakland, California

**Purpose of this Report**

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

*Lance, Solt & Loughard, LLP*

Sacramento, California  
September 30, 2022