



EAST BAY MUNICIPAL UTILITY DISTRICT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 BASIC FINANCIAL STATEMENTS

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EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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**EAST BAY MUNICIPAL UTILITY DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Years Ended June 30, 2021 and 2020**

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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, 2021 and 2020, and the related notes to the 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 plan net position of the East Bay Municipal Utility District, as of June 30, 2021 and 2020, 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 opinion.

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.

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 date of the financial statements.



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

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 the GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 to 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 other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.



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 23, 2021 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.

Lance, Solt & Lingham, LLP

Sacramento, California
September 23, 2021

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EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

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, 2021. 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, 2021

The District's proprietary fund statements include:

The *Balance Sheet* 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 Balance Sheet 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, which is maintained to account for assets held by the Employees' Retirement System in a trustee capacity for vested and retired employees. 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 33 to 93 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 97 to 103 of this report.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

FINANCIAL ANALYSIS

Financial Highlights

In fiscal year 2021, 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 \$2.4 billion (*net position*).

Net position increased by \$242 million or 11% during the fiscal year.

Capital assets increased by \$228 million or 4% to \$5.5 billion.

Operating revenue increased by \$54 million or 8% to \$747 million.

Operating expense increased by \$53 million or 11% to \$541 million.

Non-operating net expense increased by \$6 million or 16% to (\$45) million.

Capital contributions increased by \$3 million or 4% from the prior fiscal year.

Financial Position

In the current 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 Net Investment in capital assets necessary to provide services.

In the previous fiscal year, the District's total net position increased by \$244 million or 13% during the fiscal year. The Water System's net position increased by \$214 million or 14% and the Wastewater System's net position increased by \$30 million or 9%. Current and other assets decreased by \$31 million or 3%. Capital assets increased by \$187 million or 4%. By far the largest portion of the District's net position, 86% or \$1.8 billion, represents its investment in capital assets necessary to provide services.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Table 1 shows the District's net position for the fiscal years ended June 30, 2021, 2020, and 2019:

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	<u>6,450,307</u>	<u>6,282,369</u>	<u>167,938</u>	3%
Deferred outflow of resources	327,956	215,423	112,533	52%
Total assets and deferred outflow	<u>6,778,263</u>	<u>6,497,792</u>	<u>280,471</u>	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	<u>4,355,598</u>	<u>4,284,104</u>	<u>71,494</u>	2%
Deferred inflow of resources	47,733	80,281	(32,548)	(41)%
Total liabilities and deferred inflow	<u>4,403,331</u>	<u>4,364,385</u>	<u>38,946</u>	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	<u>(70,227)</u>	<u>42,815</u>	<u>(113,042)</u>	(264)%
Total net position	<u>\$ 2,374,932</u>	<u>\$ 2,133,407</u>	<u>\$ 241,525</u>	11%

Table 1
Net Position
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 1,044,499	\$ 1,075,055	\$ (30,556)	(3)%
Capital assets	5,237,870	5,051,112	186,758	4%
Total assets	<u>6,282,369</u>	<u>6,126,167</u>	<u>156,202</u>	3%
Deferred outflow of resources	215,423	205,992	9,431	5%
Total assets and deferred outflow	<u>6,497,792</u>	<u>6,332,159</u>	<u>165,633</u>	3%
Current and other liabilities	960,028	905,933	54,095	6%
Long-term liabilities	3,324,076	3,442,657	(118,581)	(3)%
Total liabilities	<u>4,284,104</u>	<u>4,348,590</u>	<u>(64,486)</u>	(1)%
Deferred inflow of resources	80,281	94,307	(14,026)	(15)%
Total liabilities and deferred inflow	<u>4,364,385</u>	<u>4,442,897</u>	<u>(78,512)</u>	(2)%
Net position:				
Net investment in capital assets	1,840,222	1,549,619	290,603	19%
Restricted	250,370	253,567	(3,197)	(1)%
Unrestricted	<u>42,815</u>	<u>86,076</u>	<u>(43,261)</u>	(50)%
Total net position	<u>\$ 2,133,407</u>	<u>\$ 1,889,262</u>	<u>\$ 244,145</u>	13%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Results of Operations

In the current 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 the previous fiscal year to \$242 million in the current fiscal year. The District's total net position increased from \$2,133 million to \$2,375 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 \$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 therefore less water to generate hydropower in the current year.
- 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) and the net change in the fair value of investments which were \$2 million and (\$4) million respectively in the current fiscal year, and \$14 million and \$1 million respectively in the prior fiscal year.
- 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 the current fiscal year compared to the prior year. Page 17 contains additional capital contributions information.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

In the previous fiscal year, the District's total operating revenue of \$694 million for the year increased by \$47 million and total operating expense of \$488 million for the year increased by \$56 million. The change in net position (including capital contributions) decreased from \$279 million in fiscal year 2019 to \$244 million in the fiscal year 2020. The District's total net position increased from \$1,889 million to \$2,133 million during the fiscal year 2020.

The major components of the District's results of operations in fiscal year 2020 were:

- Water revenue increased by \$47 million or 9% due to a 6.5% water rate increase at the beginning of fiscal year 2020 and a 3.5% increase of billed water consumption. The major categories of billed water consumption consist of a 6.0% increase in residential customers' water consumption and a 2.4% decrease in industrial customers' water consumption.
- Wastewater revenue remained largely stable in the fiscal year 2020 compared to fiscal year 2019, increasing \$1.6 million or 2%.
- The power revenue decreased by \$4 million or 36% due to dry weather and less water to generate hydropower in fiscal year 2020.
- Operating expense increased by \$56 million, primarily as increases of \$33 million in pension expense, \$9 million in raw water expenses, \$9 million in water treatment and distribution, \$4 million in sewer treatment plant operations, \$5 million in depreciation on utility plant and vehicle, were offset by decrease of \$5 million in general administration expense.
- Net nonoperating expense decreased by \$8 million, primarily due to a \$5 million increase in property tax received and \$6 million decrease in bond interest expense and amortization, offset by \$3 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 \$14 million and \$1 million respectively in fiscal year 2020, and \$13 million and \$5 respectively in fiscal year 2019.
- Capital contributions decreased by \$34 million. After a continued high rate of development since fiscal year 2017 and a record high in fiscal year 2019, System Capacity Charges decreased by \$20 million and Wastewater Capacity Fees decreased by \$8 million in fiscal year 2020 reflecting a slowdown in property development. The construction service installments decreased by \$6 million compared to fiscal year 2019 due to slowdown of construction projects in the Oakland and Berkeley service areas. Grants and other reimbursements received remained stable in fiscal year 2020 compared to fiscal year 2019. Page 17 contains additional capital contributions information.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2021, 2020, and 2019:

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	4,514	(632)	(14)%
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	138,097	6,064	4%
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	<u>206,017</u>	<u>205,631</u>	<u>386</u>	0%
Nonoperating income (expense):				
Investment income	(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)%
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 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, 2021

Table 2

Changes in Net Position

Water and Wastewater

June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Water	\$ 567,394	\$ 520,344	\$ 47,050	9%
Sewer	91,956	90,323	1,633	2%
Power	7,223	11,272	(4,049)	(36)%
Wet weather facilities charges	27,090	25,113	1,977	8%
Total operating revenue	<u>693,663</u>	<u>647,052</u>	<u>46,611</u>	7%
Operating Expense:				
Raw water	53,246	44,626	8,620	19%
Water treatment & distribution	126,647	117,557	9,090	8%
Recreation areas, net	6,674	6,126	548	9%
Sewer lines & pumps	16,365	15,881	484	3%
Sewer treatment plant operations	41,504	37,954	3,550	9%
Customer accounting & collecting	19,922	20,282	(360)	(2)%
Financial and risk management	25,550	23,069	2,481	11%
Facilities management	4,514	5,020	(506)	(10)%
General administration	31,722	36,843	(5,121)	(14)%
Pension expense	14,523	(18,259)	32,782	(180)%
OPEB expense	(3,984)	(3,312)	(672)	20%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	138,097	131,997	6,100	5%
Amortization	13,252	14,401	(1,149)	(8)%
Total operating expense	<u>488,032</u>	<u>432,185</u>	<u>55,847</u>	13%
Net operating income (expense)	<u>205,631</u>	<u>214,867</u>	<u>(9,236)</u>	(4)%
Nonoperating income (expense):				
Investment income	14,902	18,105	(3,203)	(18)%
Taxes & subventions	46,626	41,565	5,061	12%
Interest & amortization of bond expenses, net	(113,506)	(119,574)	6,068	(5)%
Increase (decrease) of Equity in JPA partnership fund	(3,325)	(3,545)	220	(6)%
Other income	16,194	15,928	266	2%
Total nonoperating income (expense), net	<u>(39,109)</u>	<u>(47,521)</u>	<u>8,412</u>	(18)%
Income (loss) before contributions	166,522	167,346	(824)	(0)%
Capital contributions	<u>77,623</u>	<u>111,350</u>	<u>(33,727)</u>	(30)%
Change in net position	244,145	278,696	(34,551)	(12)%
Total net position – beginning	1,889,262	1,629,890	259,372	16%
Prior Period adjustment - Debt Refunding	-	(23,802)	23,802	N/A
Changes in accounting estimates	-	4,478	(4,478)	N/A
Total net position – ending	<u>\$ 2,133,407</u>	<u>\$ 1,889,262</u>	<u>\$ 244,145</u>	13%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Liquidity

The District had \$662 million in combined current and noncurrent District Cash and Investments as of June 30, 2021, a decrease of \$71 million compared to \$733 million as of June 30, 2020. Components of cash and investments for the year ended June 30, 2021 were:

- Water System total combined current and noncurrent cash and investments decreased by \$74 million compared to the same date of the previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by \$369 million compared to the prior year. This was primarily due to a decrease of \$335 million from the net proceeds of securities in investing activities, and an increase of \$59 million spending from capital and related financing activities, offset by \$24 million increase in operating activities. Net increase (decrease) in noncurrent investments decreased by \$12 million was primarily due to reallocation of investments between short-term and long-term.
- Wastewater System total combined current and noncurrent cash and investments increased by \$3 million compared to the same date in the previous fiscal year. Net increase (decrease) in cash and cash equivalents decreased by \$6 million compared to the prior year. This was primarily due to a decrease of \$19 million from the net proceeds of securities in investing activities offset by an increase of \$3 million in operating activities, and a decrease of \$9 million spending from capital and related financing activities. Net increase (decrease) in noncurrent investments decreased by \$5 million also primarily due to reallocation of investments between short-term and long-term.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 3
Cash Flows
Water and Wastewater System
June 30, 2021 and 2020
(In thousands)

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>%</u>
Cash and cash equivalents:				
Beginning of year	\$ 489,723	\$ 178,179	311,544	175%
Net cash provided by operating activities	399,415	372,378	27,037	7%
Net cash provided by noncapital financing activities	65,221	62,820	2,401	4%
Net cash used in capital and related financing activities	(535,939)	(485,218)	(50,721)	10%
Net cash provided by investing activities	<u>7,985</u>	<u>361,564</u>	<u>(353,579)</u>	<u>(98)%</u>
Net increase (decrease) in cash and cash equivalents	<u>(63,318)</u>	<u>311,544</u>	<u>(374,862)</u>	<u>(120)%</u>
End of period	<u><u>426,405</u></u>	<u><u>489,723</u></u>	<u><u>(63,318)</u></u>	<u><u>(13)%</u></u>
Investments:				
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><u>235,894</u></u>	<u><u>242,970</u></u>	<u><u>(7,076)</u></u>	<u><u>(3)%</u></u>
Total District Cash and Investments	<u><u>\$ 662,299</u></u>	<u><u>\$ 732,693</u></u>	<u><u>(70,394)</u></u>	<u><u>(10)%</u></u>

Table 3
Cash Flows
Water and Wastewater System
June 30, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>%</u>
Cash and cash equivalents:				
Beginning of year	\$ 178,179	\$ 100,943	77,236	77%
Net cash provided by operating activities	372,378	343,354	29,024	8%
Net cash provided by noncapital financing activities	62,820	41,565	21,255	51%
Net cash used in capital and related financing activities	(485,218)	(239,902)	(245,316)	102%
Net cash provided by (used in) investing activities	<u>361,564</u>	<u>(67,781)</u>	<u>429,345</u>	<u>(633)%</u>
Net increase (decrease) in cash and cash equivalents	<u>311,544</u>	<u>77,236</u>	<u>234,308</u>	<u>303%</u>
End of period	<u><u>489,723</u></u>	<u><u>178,179</u></u>	<u><u>311,544</u></u>	<u><u>175%</u></u>
Investments:				
Beginning of year	588,161	502,698	85,463	17%
Net increase (decrease) in investments	<u>(345,191)</u>	<u>85,463</u>	<u>(430,654)</u>	<u>(504)%</u>
End of period	<u><u>242,970</u></u>	<u><u>588,161</u></u>	<u><u>(345,191)</u></u>	<u><u>(59)%</u></u>
Total District Cash and Investments	<u><u>\$ 732,693</u></u>	<u><u>\$ 766,340</u></u>	<u><u>(33,647)</u></u>	<u><u>(4)%</u></u>

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Cash and Investments by Fund

In fiscal years 2021 and 2020, 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 current fiscal year were as follows: 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.

In the previous fiscal year, significant activities were as follows: the Water System spent \$24 million in capital reserves to pay down commercial paper and \$5 million in funds received for construction. Wastewater System spent \$5 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, 2021

Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2021, 2020, and 2019:

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>	30%
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>	(30)%
Total Unrestricted cash and investments	<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>	(10)%
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>	4%
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>	(10)%

Table 4
Cash and Investment by Fund
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2020	2019	2020	2019	2020	2019	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	\$ 95,000	\$ 95,000	\$ 24,090	\$ 24,090	\$ 119,090	\$ 119,090	\$ -	0%
Working capital reserve	74,800	72,400	18,800	18,300	93,600	90,700	2,900	3%
Self-insurance	7,753	7,374	1,202	1,116	8,955	8,490	465	5%
Workers compensation	6,099	5,727	945	867	7,044	6,594	450	7%
Total operating reserves	<u>183,652</u>	<u>180,501</u>	<u>45,037</u>	<u>44,373</u>	<u>228,689</u>	<u>224,874</u>	<u>3,815</u>	2%
Capital reserves:								
Reserved for capital projects	384,050	411,964	21,067	38,813	405,117	450,777	(45,660)	(10)%
Reserve funded CIP - Wastewater	-	-	15,336	15,093	15,336	15,093	243	2%
Vehicle replacements	13,484	9,088	-	-	13,484	9,088	4,396	48%
Equipment replacements	2,580	2,657	26,589	17,587	29,169	20,244	8,925	44%
Total capital reserves	<u>400,114</u>	<u>423,709</u>	<u>62,992</u>	<u>71,493</u>	<u>463,106</u>	<u>495,202</u>	<u>(32,096)</u>	(6)%
Total Unrestricted cash and investments	<u>583,766</u>	<u>604,210</u>	<u>108,029</u>	<u>115,866</u>	<u>691,795</u>	<u>720,076</u>	<u>(28,281)</u>	(4)%
Restricted Cash and Investments								
Bond interest and redemption fund	457	844	21	18	478	862	(384)	(45)%
Debt service reserve fund	3,763	3,719	-	-	3,763	3,719	44	1%
Funds received for construction	33,827	38,931	-	-	33,827	38,931	(5,104)	(13)%
FERC partnership fund	2,276	2,203	-	-	2,276	2,203	73	3%
Monetary reserve	554	549	-	-	554	549	5	1%
Total restricted cash and investments	<u>40,877</u>	<u>46,246</u>	<u>21</u>	<u>18</u>	<u>40,898</u>	<u>46,264</u>	<u>(5,366)</u>	(12)%
Total District Cash and Investments	<u>\$ 624,643</u>	<u>\$ 650,456</u>	<u>\$ 108,050</u>	<u>\$ 115,884</u>	<u>\$ 732,693</u>	<u>\$ 766,340</u>	<u>\$ (33,647)</u>	(4)%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Capital Contributions

Capital contributions primarily consist of System Capacity Charges (SCCs) and Wastewater Capacity Fees (WCFs). In addition, the District can receive contributions 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 increased \$3 million or 4% as compared to the previous fiscal year. SCCs decreased by \$3 million reflecting a slowdown in property development. WCFs increased by \$2 million in fiscal year 2021. Earned contribution increased by \$4 million. Grants and other reimbursements increased by \$1 million due to additional monies received from Federal and State grants, offset by a decrease of mitigation fees received.

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2021, 2020, and 2019:

Table 5
Capital Contributions
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>
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%
Totals	<u>\$ 73,447</u>	<u>\$ 71,926</u>	<u>\$ 7,499</u>	<u>\$ 5,697</u>	<u>\$ 80,946</u>	<u>\$ 77,623</u>	<u>\$ 3,323</u>	4%

Table 5
Capital Contributions
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase (decrease)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>Amount</u>	<u>%</u>
System capacity charges	\$ 53,307	\$ 73,496	\$ -	\$ -	\$ 53,307	\$ 73,496	\$ (20,189)	(27)%
Wastewater capacity fees	-	-	5,697	13,260	5,697	13,260	(7,563)	(57)%
Earned contributions on construction	17,780	23,750	-	(52)	17,780	23,698	(5,918)	(25)%
Grants and other reimbursements	839	896	-	-	839	896	(57)	(6)%
Totals	<u>\$ 71,926</u>	<u>\$ 98,142</u>	<u>\$ 5,697</u>	<u>\$ 13,208</u>	<u>\$ 77,623</u>	<u>\$ 111,350</u>	<u>\$ (33,727)</u>	(30)%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

CAPITAL ASSETS

The District had \$5.5 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2021. Total capital assets were \$5.2 billion as of June 30, 2020. 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 \$228 million or 4% over the prior fiscal year. In fiscal year 2020, capital assets increased by \$187 million or 4% over fiscal year 2019. Annual changes are consistent with the District's capital improvement program.

The Water System had \$4.7 billion (net of accumulated depreciation) invested in a broad range of utility capital assets 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, power generation, pump stations, water reclamation facilities, machinery and equipment.

The Wastewater System had \$773 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2021. 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, 2021, 2020, and 2019:

Table 6
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%
Totals	<u>\$ 4,693,309</u>	<u>\$ 4,479,848</u>	<u>\$ 772,954</u>	<u>\$ 758,022</u>	<u>\$ 5,466,263</u>	<u>\$ 5,237,870</u>	<u>\$ 228,393</u>	4.4%

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

Table 6 (Continued)

Capital Assets, Net of Depreciation

Water and Wastewater

June 30, 2020 and 2019

(In thousands)

	<u>Water System</u>		<u>Wastewater System</u>		<u>Total</u>		<u>Increase/(decrease)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>Amount</u>	<u>%</u>
Structures, buildings, and equipment	\$ 3,908,424	\$ 3,716,296	\$ 638,147	\$ 651,379	\$ 4,546,571	\$ 4,367,675	\$ 178,896	4.1%
Land and rights of way	73,790	70,917	21,409	21,409	95,199	92,326	2,873	3.1%
Construction work in progress	497,634	522,919	98,466	68,192	596,100	591,111	4,989	0.8%
Totals	<u>\$ 4,479,848</u>	<u>\$ 4,310,132</u>	<u>\$ 758,022</u>	<u>\$ 740,980</u>	<u>\$ 5,237,870</u>	<u>\$ 5,051,112</u>	<u>\$ 186,758</u>	3.7%

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	\$	70,320
Pipeline Infrastruct 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 Planing		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 No 2 & 3 Relining		10,382
Summit Pressure Zone Improvement		9,745
SRV Recycled Water Program		9,695
Raw Water Infrastructure		9,476

Wastewater System :

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

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

DEBT ADMINISTRATION

The District had total long-term debt outstanding of \$3.3 billion as of June 30, 2021, a 4% decrease from June 30, 2020. Total long-term debt outstanding was \$3.4 billion as of June 30, 2020, a 3% decrease from June 30, 2019. Components of the District's long-term debt portfolio as of June 30, 2021 are:

- The Water System had total long-term debt outstanding of \$2.9 billion.
- The Wastewater System had total long-term debt outstanding of \$379 million.

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2021, 2020, and 2019:

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	\$ 369,456	\$ 383,781	\$ 2,915,583	\$ 3,023,422	\$ (107,839)	(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	\$ 378,756	\$ 393,781	\$ 3,270,540	\$ 3,404,291	\$ (133,751)	(4)%

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2020 and 2019
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2020	2019	2020	2019	2020	2019	Amount	%
Revenue bonds*	\$ 2,639,641	\$ 2,733,864	\$ 383,781	\$ 398,605	\$ 3,023,422	\$ 3,132,469	\$ (109,047)	(3)%
Commercial paper	335,800	359,800	10,000	15,000	345,800	374,800	(29,000)	(8)%
Loans	35,069	12,886	-	-	35,069	12,886	22,183	172%
Totals	\$ 3,010,510	\$ 3,106,550	\$ 393,781	\$ 413,605	\$ 3,404,291	\$ 3,520,155	\$ (115,864)	(3)%

*Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was \$217 million, \$243 million, and \$272 million as of June 30, 2021, 2020 and 2019, respectively. For Wastewater System, the net of unamortized bond premium and discount was \$22 million, \$25 million, and \$29 million as of June 30, 2021, 2020 and 2019, respectively.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

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, 2021, the coverage ratio for Water was 2.18 and for Wastewater was 2.37; the overall District ratio was 2.20.

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, 2021, the percentage of debt-funded capital spending for Water was 25% and for Wastewater was 3%; the overall District percentage was 23%.

Extendable Commercial Paper and Un-hedged Variable Rate Debt: Maintain an annual limit of 25% of outstanding long-term debt. As of June 30, 2021, the percentage of extended commercial paper and un-hedged variable rate debt compared to total outstanding long-term debt for Water was 12% and for Wastewater was 3%; the overall District percentage was 11%.

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, 2021, the Water System had \$602 million and the Wastewater System had \$186 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, 2021

District debt by type	Standard & Poor's	Rating by Moody's Investors Service	Fitch
Water system:			
Fixed Rate Revenue Bonds	AAA	Aa1	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.

EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis

June 30, 2021

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, California 94623-1055 or visit our website at <http://www.ebmud.com>.

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EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
JUNE 30, 2021 AND JUNE 30, 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Assets						
Current assets:						
Cash and cash equivalents (Note 2)	\$ 310,312	\$ 371,488	\$ 87,655	\$ 89,651	\$ 397,967	\$ 461,139
Investments	198,763	212,278	23,174	18,378	221,937	230,656
Receivables:						
Customer	65,825	55,257	8,067	6,684	73,892	61,941
Interest and other	458	2,915	3,581	3,171	4,039	6,086
Materials and supplies	14,885	12,732	6,101	5,476	20,986	18,208
Prepaid insurance	2,254	1,642	407	335	2,661	1,977
Total current assets	592,497	656,312	128,985	123,695	721,482	780,007
Noncurrent assets:						
Restricted assets (Note 2):						
Cash and cash equivalents	28,105	28,563	333	21	28,438	28,584
Investments	13,957	12,314	-	-	13,957	12,314
Total restricted cash and investments	42,062	40,877	333	21	42,395	40,898
Other assets:						
Equity in JPA partnership fund	219,224	223,006	-	-	219,224	223,006
Other	298	83	645	505	943	588
Total other assets	219,522	223,089	645	505	220,167	223,594
Capital assets (Note 3):						
Structures, buildings, and equipment	6,157,768	5,967,045	1,160,219	1,138,487	7,317,987	7,105,532
Intangible assets	374,097	365,341	40,223	40,223	414,320	405,564
Less accumulated depreciation/amortization	(2,547,793)	(2,423,962)	(565,389)	(540,563)	(3,113,182)	(2,964,525)
Subtotal	3,984,072	3,908,424	635,053	638,147	4,619,125	4,546,571
Land and rights-of-way	73,790	73,790	21,409	21,409	95,199	95,199
Construction in progress	635,447	497,634	116,492	98,466	751,939	596,100
Total capital assets, net	4,693,309	4,479,848	772,954	758,022	5,466,263	5,237,870
Total noncurrent assets	4,954,893	4,743,814	773,932	758,548	5,728,825	5,502,362
Total assets	\$5,547,390	\$5,400,126	\$902,917	\$882,243	\$6,450,307	\$6,282,369
Deferred outflow of resources						
Accumulated decrease in fair value of hedging derivatives	29,400	40,513	-	-	29,400	40,513
Debt refundings related (Note 7)	3,178	6,644	-	-	3,178	6,644
Pension related (Note 9)	226,463	130,560	37,134	21,531	263,597	152,091
OPEB related (Note 9)	27,324	13,916	4,457	2,259	31,781	16,175
Total deferred outflows	286,365	191,633	41,591	23,790	327,956	215,423
Total assets and deferred outflows	\$ 5,833,755	\$ 5,591,759	\$ 944,508	\$ 906,033	\$ 6,778,263	\$ 6,497,792

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
BALANCE SHEETS
JUNE 30, 2021 AND JUNE 30, 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Totals	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Liabilities and Net Position						
Current liabilities:						
Current maturities of long-term debt and commercial paper (Note 6 and 7)	\$ 72,064	\$ 69,260	\$ 11,480	\$ 10,955	\$ 83,544	\$ 80,215
Accounts payable and accrued expenses (Note 4)	58,639	60,793	6,539	6,455	65,178	67,248
Compensated absences (Note 5)	39,677	34,256	6,424	5,805	46,101	40,061
Current reserve for claims (Note 10)	10,004	10,018	804	820	10,808	10,838
Accrued interest	9,693	10,022	1,449	1,497	11,142	11,519
Total current liabilities	190,077	184,349	26,696	25,532	216,773	209,881
Noncurrent liabilities:						
Other liabilities:						
Advances for construction	15,362	13,535	-	-	15,362	13,535
Reserve for claims (Note 10)	38,948	32,251	4,156	4,242	43,104	36,493
Net pension liability (Note 9)	619,188	469,634	102,459	79,015	721,647	548,649
Net OPEB liability (Note 9)	130,215	113,732	21,620	19,139	151,835	132,871
Other liabilities	12,710	12,632	7,171	5,967	19,881	18,599
Total other liabilities	816,423	641,784	135,406	108,363	951,829	750,147
Long-term liabilities, net of current maturities (Note 6 and 7)	2,819,721	2,941,250	367,275	382,826	3,186,996	3,324,076
Total noncurrent liabilities	3,636,144	3,583,034	502,681	491,189	4,138,825	4,074,223
Total liabilities	3,826,221	3,767,383	529,377	516,721	4,355,598	4,284,104
Deferred inflow of resources:						
Derivative instrument (Note 7)	29,400	40,513	-	-	29,400	40,513
Pension related (Note 9)	8,977	23,993	3,251	5,598	12,228	29,591
OPEB related (Note 9)	4,847	8,398	1,258	1,779	6,105	10,177
Total deferred inflows	43,224	72,904	4,509	7,377	47,733	80,281
Total liabilities and deferred inflows	3,869,445	3,840,287	533,886	524,098	4,403,331	4,364,385
Net position (Note 8):						
Net investment in capital assets	1,804,703	1,475,981	394,199	364,241	2,198,902	1,840,222
Restricted for construction	20,353	20,292	-	-	20,353	20,292
Restricted for debt service	3,763	4,220	-	21	3,763	4,241
Restricted for JPA	219,224	223,006	-	-	219,224	223,006
Restricted - other	2,584	2,831	333	-	2,917	2,831
Unrestricted	(86,317)	25,142	16,090	17,673	(70,227)	42,815
Total net position	1,964,310	1,751,472	410,622	381,935	2,374,932	2,133,407
Total liabilities and net position	\$ 5,833,755	\$ 5,591,759	\$ 944,508	\$ 906,033	\$ 6,778,263	\$ 6,497,792

See accompanying notes to basic financial statements.

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EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating revenue:						
Water	\$ 620,471	\$ 567,394	\$ -	\$ -	\$ 620,471	\$ 567,394
Sewer	-	-	93,394	91,956	93,394	91,956
Power	4,573	6,308	663	915	5,236	7,223
Wet weather facilities charges	-	-	28,316	27,090	28,316	27,090
Total operating revenue	625,044	573,702	122,373	119,961	747,417	693,663
Operating expense:						
Raw water	57,289	53,246	-	-	57,289	53,246
Water treatment and distribution	134,022	126,647	-	-	134,022	126,647
Recreation areas, net	6,878	6,674	-	-	6,878	6,674
Sewer lines and pumping	-	-	16,713	16,365	16,713	16,365
Sewer treatment plant operations	-	-	42,956	41,504	42,956	41,504
Customer accounting and collecting	17,675	17,391	2,335	2,531	20,010	19,922
Financial and risk management	21,195	24,752	1,309	798	22,504	25,550
Facilities management	3,882	4,514	-	-	3,882	4,514
General administration	33,813	25,728	5,593	5,994	39,406	31,722
Pension expense	38,635	13,228	5,495	1,295	44,130	14,523
OPEB expense	(477)	(3,329)	(237)	(655)	(714)	(3,984)
Depreciation on utility plant and vehicle	120,581	114,531	23,580	23,566	144,161	138,097
Amortization	8,902	11,575	1,261	1,677	10,163	13,252
Total operating expense	442,395	394,957	99,005	93,075	541,400	488,032
Net operating income	182,649	178,745	23,368	26,886	206,017	205,631
Other income (expense):						
Investment income	(1,522)	13,056	(23)	1,846	(1,545)	14,902
Taxes and subventions	40,578	40,337	6,857	6,289	47,435	46,626
Interest and amortization of bond expenses, net of capitalized interest of \$6,389 and \$10,896 for the Water System and \$496 and \$967 for the Wastewater System in 2021 and 2020, respectively	(92,050)	(98,605)	(14,107)	(14,901)	(106,157)	(113,506)
Increase (decrease) of equity in JPA partnership fund	(3,783)	(3,325)	-	-	(3,783)	(3,325)
Other income	13,519	11,818	5,093	4,376	18,612	16,194
Total other income (expense), net	(43,258)	(36,719)	(2,180)	(2,390)	(45,438)	(39,109)
Income before capital contributions	139,391	142,026	21,188	24,496	160,579	166,522
Capital contributions	73,447	71,926	7,499	5,697	80,946	77,623
Change in net position	212,838	213,952	28,687	30,193	241,525	244,145
Total net position - beginning	1,751,472	1,537,520	381,935	351,742	2,133,407	1,889,262
Total net position - ending	\$1,964,310	\$1,751,472	\$410,622	\$381,935	\$2,374,932	\$2,133,407

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash flows from operating activities						
Cash received from customers	\$ 614,476	\$ 568,417	\$ 120,990	\$ 119,907	\$ 735,466	\$ 688,324
Cash payments for judgments and claims	(7,382)	(11,128)	(288)	(184)	(7,670)	(11,312)
Cash payments to suppliers for goods and services	(56,531)	(37,967)	(34,091)	(37,578)	(90,622)	(75,545)
Cash payments to employees for services	(203,686)	(196,416)	(34,073)	(32,673)	(237,759)	(229,089)
Net cash provided by operating activities	346,877	322,906	52,538	49,472	399,415	372,378
Cash flows from noncapital financing activities:						
Tax receipts	40,578	40,337	6,857	6,289	47,435	46,626
Other income	12,693	11,818	5,093	4,376	17,786	16,194
Net cash provided by financing activities	53,271	52,155	11,950	10,665	65,221	62,820
Capital and related financing activities:						
Capital contributions	73,447	71,926	7,499	5,697	80,946	77,623
Payments from advances for construction	1,827	(5,447)	-	-	1,827	(5,447)
Proceeds from sale of capital assets	2,313	1,393	-	-	2,313	1,393
Principal received from SRF loans	-	23,783	-	-	-	23,783
Acquisition and construction of capital assets	(344,430)	(298,683)	(39,776)	(42,284)	(384,206)	(340,967)
Change in Investment in JPA	-	(46)	-	-	-	(46)
Principal retirement on long-term debt and commercial paper	(92,596)	(91,035)	(11,655)	(15,860)	(104,251)	(106,895)
Interest paid on long-term debt	(115,042)	(116,980)	(17,526)	(17,682)	(132,568)	(134,662)
Net cash provided by (used in) capital and related financing activities	(474,481)	(415,089)	(61,458)	(70,129)	(535,939)	(485,218)
Cash flows from investing activities:						
Proceeds from securities	381,940	925,777	37,754	54,302	419,694	980,079
Expenditures from purchases of securities	(370,069)	(592,330)	(42,549)	(42,557)	(412,618)	(634,887)
Interest received on investments	828	14,214	81	2,158	909	16,372
Net cash (used in) provided by investing activities	12,699	347,661	(4,714)	13,903	7,985	361,564
Net increase (decrease) in cash and cash equivalents	(61,634)	307,633	(1,684)	3,911	(63,318)	311,544
Cash and cash equivalents:						
Beginning of year	400,051	92,418	89,672	85,761	489,723	178,179
End of year	\$ 338,417	\$ 400,051	\$ 87,988	\$ 89,672	\$ 426,405	\$ 489,723

(Continued)

See accompanying notes to basic financial statements.

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Reconciliation of net operating (loss) income to net cash provided by operating activities:						
Net operating income	\$ 182,649	\$ 178,745	\$ 23,368	\$ 26,886	\$ 206,017	\$ 205,631
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Pension expense	38,635	13,228	5,495	1,295	44,130	14,523
OPEB expense	(477)	(3,329)	(237)	(655)	(714)	(3,984)
Depreciation on utility plant and vehicle	119,108	114,531	23,580	23,566	142,688	138,097
Depreciation within Recreation Area	1,473	1,466	-	-	1,473	1,466
Amortization on intangible assets	8,902	11,575	1,334	1,749	10,236	13,324
Amortization on deferred quality control services	-	-	(73)	(72)	(73)	(72)
Changes in assets/liabilities:						
Materials and supplies	(2,153)	(2,521)	(625)	(606)	(2,778)	(3,127)
Prepaid insurance	(612)	(270)	(72)	(85)	(684)	(355)
Customer receivables	(10,568)	(5,285)	(1,383)	(54)	(11,951)	(5,339)
Other assets	(108)	1,476	(654)	(495)	(762)	981
Reserve for claims	6,683	(2,766)	(102)	706	6,581	(2,060)
Accounts payable and accrued expenses	(2,076)	11,082	1,288	(3,344)	(788)	7,738
Accrued compensated absences	5,421	4,974	619	581	6,040	5,555
Net cash provided by operating activities	\$ 346,877	\$ 322,906	\$ 52,538	\$ 49,472	\$ 399,415	\$ 372,378

	June 30, 2021	June 30, 2020
Schedule of Non-cash Activities		
Change in Fair Market Value	\$ (1,470)	\$ 1,844
Amortization of bond premiums and discounts	\$ (26,129)	\$ (28,788)
Debt refunding related	\$ 3,466	\$ 10,783
Decrease of JPA investment	\$ (3,783)	\$ (3,325)
Gain on sale of capital assets	\$ 826	\$ -

See accompanying notes to basic financial statements.

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EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	2021	2020
Assets:		
Cash and cash equivalents, at fair value (Note 2)	\$ 37,595	\$ 57,852
Invested securities lending collateral (Note 2)	157,933	80,731
Prepaid expenses	578	575
Receivables:		
Brokers, securities sold	189	475
Employer	2,477	2,246
Plan members	538	484
Interest, dividends and recoverable taxes	4,325	4,707
Total Receivables	7,529	7,912
Investments, at fair value (Note 2):		
U.S. government obligations	254,139	143,915
Municipal bonds	664	705
Domestic corporate bonds	184,961	298,975
International bonds	20,244	19,793
Domestic stocks	1,107,552	849,826
International stocks	608,001	397,426
Real estate	113,913	95,649
Total Investments	2,289,474	1,806,289
Total Assets	2,493,109	1,953,359
Liabilities:		
Accounts payable and accrued expenses	2,609	2,396
Payables to brokers, securities purchased	3,845	12,623
Securities lending collateral (Note 2)	157,933	80,731
Total Liabilities	164,387	95,750
Net Position:		
Restricted for pension benefits	2,270,763	1,813,591
Restricted for post-employment healthcare benefits	57,959	44,018
Total Net Position	\$ 2,328,722	\$ 1,857,609

See Accompanying Notes to Financial Statements

EAST BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION AND OTHER EMPLOYEE BENEFIT TRUST
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	2021	2020
Additions:		
Contributions:		
Employers	\$ 90,624	\$ 88,734
Plan members	19,336	18,885
Total Contributions	109,960	107,619
Investment Income:		
From Investment Activities		
Net appreciation (depreciation) in fair value investments:		
Traded securities	472,236	13,251
Real estate	(465)	688
Interest	11,607	13,263
Dividends	12,602	16,360
Real estate operating income, net	2,002	1,990
Total Investment Income	497,982	45,552
Less:		
Investment expense	(4,609)	(4,864)
Net Income from Investment Activities	493,373	40,688
From Security Lending Activities		
Security lending income	293	1,078
Borrowers' rebates and other agent fees on securities lending transactions	(119)	(903)
Security Lending Activities	174	175
Net Investment Income	493,547	40,863
Total Additions, net	603,507	148,482
Deductions:		
Benefits paid	130,198	121,889
Refunds of contributions	274	462
Administrative expenses	1,922	1,487
Total Deductions	132,394	123,838
Changes in Net Position	471,113	24,644
Net Position - Beginning of the Year	1,857,609	1,832,965
Net Position - End of the Year	\$ 2,328,722	\$ 1,857,609

See Accompanying Notes to Financial Statements

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, California 94623 or visit 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, 2020.

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 balance sheet, 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.

Balance Sheet – The balance sheet 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted – This component of net position consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,452), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is \$4,452). The Water Enterprise Fund capitalized the two components.

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.
- 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.

EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 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 Refundings

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 System 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.

The System presents in the Statements of Changes in Plan 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 and those such changes could materially affect the amounts reported in the Statement of Plan Net Position.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, 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, 2021, 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, 2021, had a weighted average maturity of 30 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 125 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, 2021, the fair value of securities on loan was \$153,705. The total cash and noncash collateral held by the System's custodian to secure these securities on loan was valued at \$157,933 (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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. Interest Rate Swap

The District enters into interest rate swap agreements to modify interest rates on some outstanding debt. The net interest is recorded in the financial statements annually.

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

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

Q. 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 - CASH AND INVESTMENTS

A. Classification

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

	Water System	Wastewater System	Total
<i>District Enterprise Funds:</i>			
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	\$ 338,417	\$ 87,988	\$ 426,405
	Pension Plan Benefits	Post-Employment Healthcare Benefits	Total
<i>System Pension Trust Funds:</i>			
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	\$ 2,424,015	\$ 60,987	\$ 2,485,002

Reconciliations of cash and investments reported on the financial statements as of June 30, 2020, are as follows:

	Water System	Wastewater System	Total
<i>District Enterprise Funds:</i>			
Cash and investments included in current assets	\$ 583,766	\$ 108,029	\$ 691,795
Cash and investments included in restricted investments	40,877	21	40,898
Total District cash and investments	624,643	108,050	732,693
Less investments	(224,592)	(18,378)	(242,970)
Cash and cash equivalents	\$ 400,051	\$ 89,672	\$ 489,723
	Pension Plan Benefits	Post-Employment Healthcare Benefits	Total
<i>System Pension Trust Funds:</i>			
Cash and cash equivalents	\$ 56,506	\$ 1,346	\$ 57,852
Invested securities lending collateral	78,852	1,879	80,731
Retirement system investments	1,764,250	42,039	1,806,289
Total System cash and investments	\$ 1,899,608	\$ 45,264	\$ 1,944,872

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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	\$75,000 per Sec. 16429.1	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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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 three 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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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 and 2020:

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, 2021:

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

In fiscal year 2021, U.S. Treasury Bill 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
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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, 2020:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	\$ -	\$ 109,432	\$ 109,432
Callable	-	35,836	35,836
U.S. Treasury Bill	111,977	-	111,977
Corporate Securities	-	57,510	57,510
Municipal Bonds	-	6,201	6,201
Total Investments at Fair Value	111,977	208,979	320,956
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			136,410
Investment Trust of California			30,015
Investments Measured at Amortized Cost:			
California Local Agency Investment Fund			70,870
Mutual Funds (U.S. Securities)			136,872
Total Investments			695,123
<i>Cash in banks</i>			37,570
Total District Cash and Investments			\$ 732,693

In fiscal year 2020, U.S. Treasury Bill totaling \$111,977, 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 \$145,268, Corporate securities totaled \$57,510, and Municipal Bonds totaled \$6,201, 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
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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, 2021:

Investment Type	Level 1	Level 2	Level 3	Total
Investments by Fair Value:				
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>
Investments Not Subject to Fair Value Hierarchy:				
Comingled Funds and Other				1,107,356
Total System Investments				2,289,474
Invested Securities Lending Collateral				157,933
Cash and Cash Equivalents:				
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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2020:

Investment Type	Level 1	Level 2	Level 3	Total
Investments by Fair Value:				
Asset Backed Securities	\$ -	\$ 13,094	\$ -	\$ 13,094
Equities	637,430	-	74	637,504
Bank Loans	-	6,684	-	6,684
Commercial Mortgage-Backed	-	6,967	-	6,967
Corporate Bonds	-	233,243	-	233,243
Corporate Convertible Bonds	-	400	-	400
Govt Agencies	-	72,856	-	72,856
Govt Bonds	-	10,577	-	10,577
Govt Mortgage Backed Securities	-	41,210	-	41,210
Index Linked Govt Bonds	-	19,551	-	19,551
Municipal/Provincial Bonds	-	705	-	705
Other Fixed Income	-	23,711	-	23,711
Real Estate-Partnerships	-	-	50,541	50,541
Total Investments at Fair Value	\$ 637,430	\$ 428,998	\$ 50,615	1,117,043
Investments Not Subject to Fair Value Hierarchy:				
Comingled Funds and Other				689,246
Total System Investments				1,806,289
Invested Securities Lending Collateral				80,731
Cash and Cash Equivalents:				
California Local Agency Investment Fund				4,518
Cash & Short-term Investments				53,334
Total System Cash and Investments				\$ 1,944,872

During fiscal year 2020, investments classified in Level 1 of the fair value hierarchy, valued at \$637,430, are valued using quoted prices in active markets. \$428,998 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 \$50,615 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
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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, 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 Bill	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	\$ 607,834	\$ 10,638	\$ 503	618,975
<i>Cash in banks</i>				43,324
Total District Cash and Investments				\$ 662,299

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, 2020:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	\$ 107,893	\$ 1,539	\$ -	\$ 109,432
Callable	27,387	-	8,449	35,836
U.S. Treasury Bill	111,977	-	-	111,977
Corporate Securities	24,646	22,404	10,460	57,510
Municipal Bonds	5,694	136	371	6,201
Mutual Funds (U.S. Securities)	136,872	-	-	136,872
California Asset Management Program	136,410	-	-	136,410
Investment Trust of California	30,015	-	-	30,015
California Local Agency Investment Fund	70,870	-	-	70,870
Total Investments	\$ 651,764	\$ 24,079	\$ 19,280	695,123
<i>Cash in banks</i>				37,570
Total District Cash and Investments				\$ 732,693

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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, 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	\$ 727,664	\$ 178,470	\$ 86,501	\$ 137,928	\$ 1,158,911	\$ 2,289,474

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, 2020:

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	\$ -	\$ 10,157	\$ 1,937	\$ 1,000	\$ -	\$ 13,094
Equity Securities	637,504	-	-	-	-	637,504
Bank Loans	-	4,857	1,827	-	-	6,684
Commercial Mortgage-Backed	-	-	300	6,667	-	6,967
Corporate Bonds	1,915	109,039	84,309	37,980	-	233,243
Corporate Convertible Bonds	-	400	-	-	-	400
Govt Agencies	3,769	61,599	2,777	4,711	-	72,856
Govt Bonds	-	2,832	2,369	5,376	-	10,577
Govt Mortgage Backed Securities	-	-	865	40,345	-	41,210
Index Linked Govt Bonds	-	9,176	7,921	2,454	-	19,551
Municipal/Provincial Bonds	-	-	-	705	-	705
Other Fixed Income	1,671	21,079	961	-	-	23,711
Real Estate-Partnerships	-	-	-	-	50,541	50,541
Comingled Funds and Other	-	-	-	-	689,246	689,246
Total System Investments	\$ 644,859	\$ 219,139	\$ 103,266	\$ 99,238	\$ 739,787	\$ 1,806,289

**EAST BAY MUNICIPAL UTILITY DISTRICT
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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, 2021 and 2020 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, 2021 and 2020, the District had investments of \$70,529 and \$70,870, respectively, and System had investments of \$2,289 and \$4,518, respectively, invested in LAIF, which had invested 2.31% and 3.37% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, 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, 2021 and 2020:

Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	\$ 92,679
Commercial Mortgage - Backed Securities	5,987
Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	\$ 41,210
Commercial Mortgage - Backed Securities	6,967

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
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NOTE 2 - CASH AND INVESTMENTS (Continued)

District Enterprise Funds:

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 Bill	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>

Presented below is the actual rating as of June 30, 2020 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Government-Sponsored					
Non-Callable	\$ 109,432	\$ -	\$ -	\$ -	\$ 109,432
Callable	35,836	-	-	-	35,836
U.S. Treasury Bill	111,977	-	-	-	111,977
Corporate Securities	5,174	52,117	-	219	57,510
Mutual Funds (U.S. Securities)	136,872	-	-	-	136,872
Totals	<u>\$ 399,291</u>	<u>\$ 52,117</u>	<u>-</u>	<u>\$ 219</u>	451,627
<i>Not rated by Moody's:</i>					
Municipal Bonds					6,201
California Local Agency Investment Fund					70,870
California Asset Management Program					136,410
Investment Trust of California					30,015
Cash in Banks					<u>37,570</u>
Total District Cash and Investments					<u>\$ 732,693</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

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
Total System Investments	\$158,237	\$ 12,870	\$ 62,811	\$ 27,689	\$ 20,362	\$ 21,001	\$ 2,077	\$ 99,673	\$ 1,884,754	\$ 2,289,474

Presented below is the actual rating as of June 30, 2020 for each investment type as provided by Moody's:

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	C	U.S.		Total
									Government Guaranteed	Not Rated	
Asset Backed Securities	\$ 5,570	\$ 1,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,277	\$ 13,094
Equity Securities	-	-	-	-	-	-	-	-	-	637,504	637,504
Bank Loans	-	-	-	523	2,399	3,003	369	-	-	390	6,684
Commercial Mortgage - Backed Securities	3,624	-	-	527	-	-	-	-	-	2,816	6,967
Corporate Bonds	1,218	13,519	159,451	21,397	16,572	13,747	2,075	50	-	5,214	233,243
Corporate Convertible Bonds	-	-	-	48	-	224	-	-	-	128	400
Government Agencies	43,523	692	-	-	-	-	-	-	26,599	2,042	72,856
Government Bonds	5,612	-	-	1,115	-	-	-	-	3,850	-	10,577
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	-	40,191	1,019	41,210
Index Linked Government Bonds	19,551	-	-	-	-	-	-	-	-	-	19,551
Municipal Bonds	-	705	-	-	-	-	-	-	-	-	705
Other Fixed Income	-	-	-	-	-	-	-	-	-	23,711	23,711
Real Estate - Partnerships	-	-	-	-	-	-	-	-	-	50,541	50,541
Comingled Funds and Other	-	-	-	-	-	-	-	-	-	689,246	689,246
Total System Investments	\$ 79,098	\$ 16,163	\$ 159,451	\$ 23,610	\$ 18,971	\$ 16,974	\$ 2,444	\$ 50	\$ 70,640	\$ 1,418,888	\$ 1,806,289

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Concentration Risk

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

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, 2020:

District Enterprise Funds:

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide	APPLE INC.	Corporate Securities	\$ 52,116
	FHLB	Federal Agency Securities	54,991
Major Funds:			
Water System	APPLE INC.	Corporate Securities	49,533
	FHLB	Federal Agency Securities	54,991
Wastewater System	FFCB	Federal Agency Securities	7,009
	FHLMC	Federal Agency Securities	5,370

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

System Pension Trust Fund:

As of June 30, 2021, and June 30, 2020, 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 \$1,221 and \$2,874 on behalf of the System as of June 30, 2021 and 2020, 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, 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
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NOTE 2 - CASH AND INVESTMENTS (Continued)

Presented below in US dollars is the fair market value of the System's foreign investments at June 30, 2020:

Foreign Currency	Equity Securities Investment Type
Euro	\$ 74,178
British Pound Sterling	22,077
Japanese Yen	46,519
Hong Kong Dollar	16,904
South Korean Won	8,866
Swiss Franc	9,729
Danish Krone	3,263
Canadian Dollar	3,825
Australian Dollar	4,138
Norwegian Krone	3,967
Indonesian Rupiah	1,710
Singapore Dollar	1,272
Total	\$ 196,448

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 10.88%.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2021 and 2020, 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 balance sheet. To increase the District's reserve of water supply during the last drought, the District activated the pumping of water from the Sacramento River via the Freeport facility during Fiscal Year 2015.

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 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, 2021, the fair value was approximate to the District's cost. As of June 30, 2021, the District investment in CAMP is \$121,620.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2021, the District’s investment in CalTRUST is \$20,034.

NOTE 3 – CAPITAL ASSETS

A. Summary

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

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

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

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

Utility plant:	<u>Years</u>
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
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NOTE 3 – CAPITAL ASSETS (Continued)

B. Additions and Retirements

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
Water System:				
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>
Wastewater System:				
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, 2021 AND 2020
(Dollars in Thousands)

NOTE 3 – CAPITAL ASSETS (Continued)

Capital assets activity for all business-type activities for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2020
Water System:				
Capital assets, not being depreciated:				
Land	\$ 67,874	\$ 2,881	\$ (8)	\$ 70,747
Rights-of-way	3,043	-	-	3,043
Construction in progress - land/rights of way	181	3,352	(\$2,880)	653
Construction in progress	522,738	301,899	(327,656)	496,981
Total capital assets, not being depreciated	593,836	308,132	(330,544)	571,424
Capital assets, being depreciated/amortized:				
Buildings and improvements	246,981	1,060	-	248,041
System and improvements	5,293,075	303,049	(3,606)	5,592,518
Machinery and equipment	122,292	9,690	(5,496)	126,486
Intangible assets	359,487	5,854	-	365,341
Total capital assets, being depreciated/amortized:	6,021,835	319,653	(9,102)	6,332,386
Less accumulated depreciation/amortization for:				
Buildings and improvements	(118,031)	(5,295)	-	(123,326)
System and improvements	(1,812,568)	(102,563)	2,886	(1,912,245)
Machinery and equipment	(69,690)	(6,673)	4,797	(71,566)
Intangible assets	(305,250)	(11,575)	-	(316,825)
Total accumulated depreciation/amortization	(2,305,539)	(126,106)	7,683	(2,423,962)
Total capital assets, being depreciated/amortized, net	3,716,296	193,547	(1,419)	3,908,424
Water System capital assets, net	\$ 4,310,132	\$ 501,679	\$ (331,963)	\$ 4,479,848
Wastewater System:				
Capital assets, not being depreciated:				
Land	\$ 21,218	\$ -	\$ -	\$ 21,218
Rights-of-way	191	-	-	191
Construction in progress - land/rights of way	130	59	-	189
Construction in progress	68,062	42,299	(12,084)	98,277
Total capital assets, not being depreciated	89,601	42,358	(12,084)	119,875
Capital assets, being depreciated/amortized:				
Buildings and improvements	90,560	371	-	90,931
System and improvements	1,022,481	9,504	-	1,031,985
Machinery and equipment	15,089	482	-	15,571
Intangible assets	38,496	1,727	-	40,223
Total capital assets, being depreciated/amortized:	1,166,626	12,084	-	1,178,710
Less accumulated depreciation/amortization for:				
Buildings and improvements	(41,426)	(1,636)	-	(43,062)
System and improvements	(435,243)	(20,910)	-	(456,153)
Machinery and equipment	(10,381)	(1,020)	-	(11,401)
Intangible assets	(28,197)	(1,750)	-	(29,947)
Total accumulated depreciation/amortization	(515,247)	(25,316)	-	(540,563)
Total capital assets, being depreciated/amortized, net	651,379	(13,232)	-	638,147
Wastewater System capital assets, net	\$ 740,980	\$ 29,126	\$ (12,084)	\$ 758,022
Business-type activities capital assets, net	\$ 5,051,112	\$ 530,805	\$ (344,047)	\$ 5,237,870

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 3 – CAPITAL ASSETS (Continued)

C. Construction in Progress

Construction in Progress in fiscal 2020-2021 comprises:

	Expended to Date
<i>Water System:</i>	
Treatment Plant Upgrades	\$ 70,320
Pipeline Infrastruct 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 Planing	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 No 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
	<u>\$ 635,447</u>
<i>Wastewater System:</i>	
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)
	<u>\$ 116,492</u>
Total District Construction in Progress	<u>\$ 751,939</u>

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, 2021 AND 2020
(Dollars in Thousands)**

NOTE 3 – CAPITAL ASSETS (Continued)

Construction in Progress in fiscal 2019-2020 comprises:

	Expended to Date
<i>Water System:</i>	
Pipeline Infrastructure Renewals	\$ 51,360
Reservoir Rehab/Maintenance	51,005
Treatment Plant Upgrades	40,884
Pumping Plant Rehabilitation	40,164
Open Cut Reservoir Rehab	31,753
Maloney PZ Improvements	24,553
Trench Soils Storage Sites	23,725
Administration Building Modifications	20,811
Additional Supplemental Supply Projects	15,878
Pipeline Infrastructure Renew Historic	15,053
Service Lateral Replacements	14,324
West of Hills Master Plan	14,167
Large Diameter Pipelines	13,649
Mokelumne Aqueduct No 2 & 3 Relining Project	11,125
Raw Water Studies and Improvements	9,978
SRV Recycled Water Program	9,482
WTIIP Water Treatment Plant Improvements	8,714
Pipeline Relocations	6,086
Water Conservation Project	5,737
Raw Water Aqueduct Operation and Maintenance Improvements	5,379
Other Construction Projects	83,807
	\$ 497,634
<i>Wastewater System:</i>	
General Wastewater	\$ 22,270
Interceptors and Pump Stations	20,208
Primary Treatment	14,193
Digesters	14,091
Preliminary Treatment	6,824
Power Generation and Biogas	3,847
Resource Recovery	3,302
Wet Weather Facilities	3,047
Utilities and Sitework	2,884
Effluent Discharge	2,481
Electricals and Controls	1,977
Nutrients	1,831
Secondary	1,657
Treatment Plant Infrastructure	852
South Interceptor Relocation High Street	540
Other Construction Projects	(1,538)
	\$ 98,466
Total District Construction in Progress	\$ 596,100

At June 30, 2020, the District's remaining current major project commitments are estimated to be \$105,790 for the Water System and \$22,923 for the Wastewater System.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 4 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2021 and 2020 consist of:

	Water System		Wastewater System		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Accounts payable	\$ 29,645	\$ 34,907	\$ 4,488	\$ 4,662	\$ 34,133	\$ 39,569
Accrued salaries	5,791	5,484	983	908	6,774	6,392
Other	23,203	20,402	1,068	885	24,271	21,287
Total	<u>\$ 58,639</u>	<u>\$ 60,793</u>	<u>\$ 6,539</u>	<u>\$ 6,455</u>	<u>\$ 65,178</u>	<u>\$ 67,248</u>

NOTE 5 – COMPENSATED ABSENCES

Compensated absences as of June 30, 2021 and 2020, are included on the balance sheet 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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Beginning Balance	\$ 34,256	\$ 29,282	\$ 5,805	\$ 5,224	\$ 40,061	\$ 34,506
Additions	36,221	35,023	5,723	5,682	41,944	40,705
Payments	<u>(30,800)</u>	<u>(30,049)</u>	<u>(5,104)</u>	<u>(5,101)</u>	<u>(35,904)</u>	<u>(35,150)</u>
Ending Balance	<u>\$ 39,677</u>	<u>\$ 34,256</u>	<u>\$ 6,424</u>	<u>\$ 5,805</u>	<u>\$ 46,101</u>	<u>\$ 40,061</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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 6 – COMMERCIAL PAPER NOTES (Continued)

The District initially established its extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement with a commercial bank is needed. Instead, the District limits the term of the extendable commercial paper to 120 days, and the investor agrees to extend the maturity of their investment by 150 days at a higher interest rate in the event of a failure to place new commercial paper notes to pay maturing notes, 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 2021, the District paid down \$0.7 million in extendable commercial paper for the Wastewater System. As of June 30, 2021, \$9.3 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 91 days and an interest rate of 0.11% as of June 30, 2021, and the term of 79 days and an interest rate of 0.30% as of June 30, 2020.

The District established its current traditional commercial paper program in December 2015. In June 2021, the District paid down \$23 million in commercial paper for the Water System. As of June 30, 2021, \$312.8 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 34 to 92 days and interest rates ranging from 0.07% to 0.11% as of June 30, 2021, and the terms of 33 to 93 days and interest rates ranging from 0.12% to 0.40% as of June 30, 2020.

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 \$176 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, 2021. 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, 2021. 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, 2021 AND 2020
(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 2020-2021 are summarized below.

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

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
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NOTE 7 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
<i>Wastewater System Revenue Bonds:</i>						
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	20,000	20,000	-	-	20,000	-
Series 2014 A						
2.00 - 5.00%, due 6/1/31	82,150	56,835	-	6,420	50,415	6,805
Series 2015 A-1						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
Series 2015 A-2						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795	1,975	-	175	1,800	180
Series 2017 A						
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
Total long-term bonds		2,755,035	-	78,340	2,676,695	81,760
<i>Water Loans:</i>						
<i>State Water Resources Control Board</i>						
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	2,188	464	-	464	-	-
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	9,075	-	1,043	8,032	1,067
2018 South Reservoir Replacement Project						
1.70%, due 7/1/48	13,998	13,716	-	386	13,330	393
2018 MacArthur Davenport Pipeline Replacement Project						
1.7%, due 7/1/49	12,045	11,813	-	318	11,495	324
Total water loans		35,068	-	2,211	32,857	1,784
Total long-term loans		35,068	-	2,211	32,857	1,784
<i>Commercial Paper (see Note 6)</i>						
Water System Commercial Paper		335,800	1,816,115	1,839,115	312,800	
Wastewater System Commercial 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	
Total long-term liabilities, net		<u>\$ 3,324,076</u>	<u>\$ 1,862,086</u>	<u>\$ 1,999,166</u>	<u>\$ 3,186,996</u>	<u>\$ 83,544</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 7 - LONG TERM DEBT (Continued)

The District's debt issues and transactions during fiscal year 2019-2020 are summarized below.

	Original Issue Amount	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amount due within one year
<i>Water System Revenue Bonds:</i>						
Subordinated Series 2008 A						
0.10% variable rate, due 6/1/38	\$ 322,525	\$ 105,250	\$ -	\$ -	\$ 105,250	\$ -
Subordinated Series 2010 A						
3.00 - 5.00%, due 6/1/36	192,830	2,090	-	2,090	-	-
Subordinated Series 2010 B						
5.87%, due 6/1/40	400,000	400,000	-	-	400,000	-
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	191,750	81,750	-	-	81,750	-
Series 2012 B						
1.00 -5.00%, due 6/1/26	358,620	178,740	-	45,160	133,580	47,190
Series 2013 A						
5.00%, due 6/1/21	48,670	14,780	-	7,195	7,585	7,585
Series 2014 A						
3.00-5.00%, due 6/1/35	128,315	128,315	-	-	128,315	-
Series 2014 B						
2.00-5.00%, due 6/1/30	242,730	216,985	-	8,720	208,265	9,080
Series 2014 C						
5.00%, due 6/1/44	75,000	75,000	-	-	75,000	-
Series 2015 A						
4.00-5.00%, due 6/1/37	429,360	429,360	-	-	429,360	-
Series 2015 B						
4.00-5.00%, due 6/1/45	74,335	74,335	-	-	74,335	-
Series 2015C						
4.00-5.00%, due 6/1/45	110,715	110,715	-	-	110,715	-
Series 2017 A						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
Series 2017 B						
3.00 - 5.00%, due 6/1/37	309,665	297,130	-	-	297,130	970
Series 2019 A						
5.00%, due 6/1/49	161,820	161,820	-	2,270	159,550	2,560
Total water long-term bonds		2,461,625	-	65,435	2,396,190	67,385

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)**

NOTE 7 - LONG TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amount due within one year
<i>Wastewater System Revenue Bonds:</i>						
Subordinated Series 2010 A						
2.00 - 5.00%, due 6/1/29	\$ 58,095	\$ 2,680	\$ -	\$ 2,680	\$ -	\$ -
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	150,000	150,000	-	-	150,000	-
Series 2012 A (Private Placement)						
5.00% , due 6/1/37	20,000	20,000	-	-	20,000	-
Series 2014 A						
2.00 - 5.00%, due 6/1/31	82,150	62,935	-	6,100	56,835	6,420
Series 2015 A-1						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
Series 2015 A-2						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795	2,145	-	170	1,975	175
Series 2017 A						
4.00 - 5.00%, due 6/1/45	69,420	63,575	-	1,910	61,665	4,360
Total wastewater long-term bonds		369,705	-	10,860	358,845	10,955
Total long-term bonds		2,831,330	-	76,295	2,755,035	78,340
<i>Water Loans:</i>						
<i>State Water Resources Control Board</i>						
2004 Upper San Leandro Reservoir Project						
2.51%, due 1/1/24	2,188	590	-	126	464	129
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	10,093	-	1,018	9,075	1,042
2018 South Reservoir Replacement Project						
1.70%, due 7/1/28	2,260	2,202	11,738	224	13,716	386
2018 MacArthur Davenport Pipeline Replacement Project						
1.7%, due 7/1/49	12,045	-	12,045	232	11,813	318
Total water loans		12,885	23,783	1,600	35,068	1,875
Total long-term loans		12,885	23,783	1,600	35,068	1,875
<i>Commercial Paper (see Note 6)</i>						
Water System Commercial Paper		359,800	2,187,610	2,211,610	335,800	
Wastewater System Commercial Paper		15,000	100,000	105,000	10,000	
Total commercial paper		374,800	2,287,610	2,316,610	345,800	
Amount due within one year		(77,498)	(2,717)	-	(80,215)	
Add: Unamortized premium, net		301,140	-	32,752	268,388	
Total long-term liabilities, net		\$ 3,442,657	\$ 2,308,676	\$ 2,427,257	\$ 3,324,076	\$ 80,215

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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.

2004 Upper San Leandro Reservoir Project State Loan – the District paid off this state loan in April 2021 for interest savings. This loan was originally scheduled to be paid by the end of fiscal year 2024.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 7 - LONG TERM DEBT (Continued)

C. Debt Service Requirements

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	\$ 2,361,662	\$ 1,462,587	\$ 347,890	\$ 208,189	\$ 2,709,552	\$ 1,670,776

Annual debt service requirements for fiscal year 2019-2020, 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
2021	\$ 69,260	\$ 118,772	\$ 10,955	\$ 17,875	\$ 80,215	\$ 136,647
2022	72,196	115,563	11,480	17,329	83,676	132,892
2023	75,666	112,128	12,010	16,757	87,676	128,885
2024	78,935	108,477	12,575	16,158	91,510	124,635
2025	82,735	104,699	13,155	15,531	95,890	120,230
2026 - 2030	466,012	459,800	64,105	67,780	530,117	527,580
2031 - 2035	590,647	333,383	101,840	49,227	692,487	382,610
2036 - 2040	657,418	175,240	100,030	23,486	757,448	198,726
2041 - 2045	297,228	49,070	32,695	1,919	329,923	50,989
2046 - 2049	41,161	4,760	-	-	41,161	4,760
Totals	\$ 2,431,258	\$ 1,581,892	\$ 358,845	\$ 226,062	\$ 2,790,103	\$ 1,807,954

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NOTE 7 - LONG TERM DEBT (Continued)

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

D. Prior-Year 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 and 2020, \$110 million of the bonds outstanding are considered defeased.

E. Variable Rate Debt

The District has a number of bond issues with variable interest rates. The Water Series 2008A Bonds are subject to purchase on the demand of the holder with seven days prior notice at a price equal to the principal plus accrued interest. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. In the event that they are not sold, under Standby Bond Purchase Agreements (SBPAs) issued by banks for the above variable rate debt issues, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of delivered bonds. The District's obligation to repay the banks for any draws on the respective SBPAs (to the extent such repayment is not thereafter provided from remarketing proceeds of the related bonds) is payable from net revenues of the Water System and secured on parity with the District's Water Revenue Bonds. The District is required to pay an annual commitment fee to the banks issuing SBPAs. Expiration dates of these SBPAs are presented below by debt issue. In addition, the remarketing agent receives an annual fee of seven basis points of the outstanding principal amount of the bonds.

Issue	Standby Purchase Agreement Terms		
	Expiration Date	Interest Rate	Interest Rate Swap
Water System Revenue			
Subordinated Bonds:			
Series 2008A-1	12/9/2022	Reset Weekly	See below
Series 2008A-2	12/27/2024	Reset Weekly	See below
Series 2008A-3	12/27/2024	Reset Weekly	See below
Series 2008A-4	12/9/2022	Reset Weekly	See below

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7 - LONG TERM DEBT (Continued)

F. Interest Rate Swap Agreements

The District has entered into a number of matched interest rate swap contracts with providers in which the District contracted to pay a fixed rate on the nominal amount of outstanding bonds, in exchange for a floating rate payment, set monthly on the first day of each calendar month for its LIBOR based swaps. The combination of variable rate bonds and a floating-rate swap creates synthetic fixed-rate debt for the District. The synthetic fixed rate on the bonds provides a hedge against increases in short-term interest rates. The terms, fair values, and credit risk of each of the swap agreements are discussed below.

Term and credit risks. The terms and credit ratings of the outstanding swaps, as of June 30, 2021, are included below. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Counterparty Credit Ratings (Moody's/ S&P)	Issuer Pays	Issuer Receives	Maturity/ Termination Date
2008A Water System Refunding Bonds	37,240	6/2/2005	JP Morgan Chase & Co.	Aa2/A+	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	37,240	6/1/2011	Bank of America National Assoc.	Aa2/A+	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	16,195	6/1/2012	Merrill Lynch Capital Services	A2/A-	3.115%	62.3% of 30-day LIBOR	6/1/2038
2008A Water System Refunding Bonds	14,575	9/25/2008	The Bank of New York Mellon	Aa2/AA-	3.115%	62.3% of 30-day LIBOR	6/1/2038

The effect of these transactions is structured to result in the approximate equivalent of the District paying a fixed rate on the bonds, since the inflow of payments from the LIBOR based swaps are anticipated to approximate the outflow of payments on the variable rate bonds. Only the net difference in the amount owed to and received from the swap providers is paid under the swap contracts.

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 that 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 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, 2021 and 2020, are included below:

Related Bond Issuance	Fair Value	
	2021	2020
2008A Water System Refunding Bonds	(\$29,400)	(\$40,513)

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NOTE 7 - LONG TERM DEBT (Continued)

Credit risk. As of June 30, 2021, the District was not exposed to credit risk on its outstanding swaps because the swaps had a negative fair value of \$29.4 million. The District faces a maximum possible loss equivalent to the swaps' fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the District would be exposed to credit risk.

The District will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated. The swap agreements contain provisions that determine if and when the District or the counterparty must provide collateral. The agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below a certain threshold. As of June 30, 2021, the District was not required to provide collateral to any swap counterparty.

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. The District is exposed to basis risk as the District receives payments based on LIBOR rates to offset the actual variable interest rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary. For the year ended June 30, 2021, the District has a cumulative average basis difference on its swaps of a positive 3 basis points (the District received more from its swap floating rate payment than it paid out on its variable rate debt).

Termination risk. The District or the counterparty may terminate if the other party fails to perform under the terms of the swap contract. The District will be exposed to variable rates if the providers to the swap contracts default or if the swap contracts are terminated as it will lose the hedge provided by the swap. A termination of the swap contracts may also result in the District's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2021, debt service requirements of the District's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at Note 7C:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest	Interest	
2022	\$ -	\$ 21	\$ 3,213	\$ 3,234
2023	-	21	3,213	3,234
2024	-	21	3,213	3,234
2025	-	21	3,213	3,234
2026	-	22	3,212	3,234
2027 - 2031	11,675	103	15,709	27,487
2032 - 2036	64,575	55	8,501	73,131
2037 - 2041	29,000	3	450	29,453
Totals	\$ 105,250	\$ 267	\$ 40,724	\$ 146,241

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 8 – 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 9 – 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 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

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, 2020 (date of latest actuarial valuation), there were 1,701 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 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

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

an actuarially determined basis. Cash reimbursement of these benefits totaled \$9,223 in the year ended June 30, 2021. 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, 2021 are as follows:

1980 Plan:

Pension plan:

Employer service cost	15.92%
Toward unfunded pension liability	21.94%

Other post-employment benefits:

Employer normal cost	1.00%
Unfunded actuarial accrued liability	4.32%

2013 Plan:

Pension plan:

Employer service cost	9.15%
Toward unfunded pension liability	22.09%

Other post-employment benefits:

Employer normal cost	0.74%
Unfunded actuarial accrued liability	4.18%

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

District adopted contribution rates for fiscal year 2021-2022 are as follows:

1980 Plan:

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%

2013 Plan:

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%

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

Valuation date	June 30, 2020
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	3.00% 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.

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

E. Contributions Required and Contributions Made

Contributions for the years ended June 30, 2021, and June 30, 2020, based on the June 30, 2020, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

	2021		2020	
	Healthcare			
	Pension	Benefit Plan	Totals	
Regular contributions:				
District contributions	\$ 79,252	\$ 11,372	\$ 90,624	\$ 88,734
Member contributions	19,112	200	19,312	18,856
	98,364	11,572	109,936	107,590
Other contributions:				
Member buybacks	24	-	24	29
	\$ 98,388	\$ 11,572	\$ 109,960	\$ 107,619

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.

Regular District and member contributions in fiscal year 2020 represent an aggregate of 40.98% and 8.72% of covered payroll, respectively. The District’s contributions include amounts for post-employment healthcare benefits at a rate of 5.12% of covered payroll, determined by the actuarial dated June 30, 2019. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2020, was \$216,549 which was 91.06% of the total District payroll of \$237,803.

The total District Contributions of \$88,734 is comprised of the normal cost of \$31,740 and the unfunded actuarial accrued liability of \$56,994.

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
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NOTE 9 – 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:

	2021	2020
Total Pension Liability	\$ 2,535,238	\$ 2,340,773
Plan Fiduciary Net Position	(1,813,591)	(1,792,124)
Employer Net Pension Liability	\$ 721,647	\$ 548,649
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.54%	76.56%
Covered Payroll	\$ 215,110	\$ 203,541
Liability as a Percentage of Covered Payroll	335.48%	269.55%

The actuarial assumptions used in the June 30, 2020 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 liabilities presented for reporting dates June 30, 2021 and June 30, 2020 are based on the values measured as of June 30, 2020 and June 30, 2019, respectively (the measurement dates). No adjustments were made to the net pension liabilities between the measurement dates and reporting dates for reporting purposes.

Health Insurance Benefit Plan:

For the year ended June 30, 2021, the District recognized pension expense as follows:

	Water	Wastewater	Total
Contributions made after measurement date	\$ (68,048)	\$ (11,204)	\$ (79,252)
Current year changes in the net pension liability:			
Service cost	39,576	6,549	46,125
Interest on total pension liability	139,955	23,159	163,114
Member contributions	(16,036)	(2,654)	(18,690)
Projected earnings on investments	(107,082)	(17,719)	(124,801)
Difference in expected and actual earnings	14,557	2,409	16,966
Other	35,713	4,955	40,668
Total current year activity	106,683	16,699	123,382
Total pension expense	\$ 38,635	\$ 5,495	\$ 44,130

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Water</u>	<u>Wastewater</u>	<u>Water</u>	<u>Wastewater</u>
Pension contributions subsequent to measurement date	\$ 68,048	\$ 11,204	\$ -	\$ -
Differences between expected and actual experiences	32,100	5,312	8,969	1,484
Changes of assumption	79,820	13,208	-	-
Change in proportion and difference between employer contributions and proportionate share of contributions	1,767	8	8	1,767
Net difference between projected and actual earnings on pension plan investments	44,728	7,402	-	-
Total	\$ 226,463	\$ 37,134	\$ 8,977	\$ 3,251

A total of \$79,252 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, 2022. 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	<u>Water</u>	<u>Wastewater</u>
2022	\$ 26,474	\$ 3,672
2023	43,296	6,656
2024	42,781	6,613
2025	32,039	5,003
Thereafter	4,849	734
	<u>\$ 149,439</u>	<u>\$ 22,678</u>

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
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NOTE 9 – 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, 2020 and 7.00% as of June 30, 2019. 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, 2020 and June 30, 2019.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Changes in the net pension liability for fiscal year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
	Beginning Balance	\$ 2,340,773	\$ 1,792,124
Changes Recognized during the Measurement Period:			
Service cost	46,124	-	46,124
Interest on total pension liability	163,114	-	163,114
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(6,199)	-	(6,199)
Changes of assumptions	104,814	-	104,814
Contributions from the employer	-	77,645	(77,645)
Contributions from the employee	-	18,690	(18,690)
Net investment income	-	39,973	(39,973)
Benefit payments, including refunds of employee contributions	(113,388)	(113,388)	-
Administrative expenses	-	(1,453)	1,453
Net Changes during the Measurement Period	194,465	21,467	172,998
Ending Balance	\$ 2,535,238	\$ 1,813,591	\$ 721,647

In accordance with GASB 67 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, 2021, 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	\$ 1,053,520	\$ 721,647	\$ 446,814

H. Net OPEB Liability

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

	2021	2020
Total OPEB Liability	\$ 195,853	\$ 173,712
Plan Fiduciary Net Position	(44,018)	(40,841)
Employer Net OPEB Liability	\$ 151,835	\$ 132,871
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	22.48%	23.51%

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

The actuarial assumptions used in the June 30, 2020 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 December 14, 2020. They are the same as the assumptions used in the June 30, 2020 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 74, and implicit subsidy benefit payments are based on the age-based costs. The net OPEB liability is measured as of June 30, 2020 and 2019 and is not adjusted or rolled forward to the June 30, 2021 and 2020 reporting dates.

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

Valuation date	June 30, 2020
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	4.40%, 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: 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- 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 MP-2020.</i>

*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
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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

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 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 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 municipal bond rates used to determine the blended discount rate, as discussed below, were 2.21% and 3.50% which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2020 and June 30, 2019, respectively.

The discount rates used to measure the total OPEB liability were 4.40% and 5.23% as of June 30, 2020 and June 30, 2019, 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
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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Change in Net OPEB liability for fiscal year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
	Beginning Balance	\$ 173,712	\$ 40,841
Changes Recognized during the Measurement Period:			
Service cost	4,864	-	4,864
Interest on total OPEB liability	9,041	-	9,041
Changes in benefit terms	-	-	-
Difference between expected and actual experience	705	-	705
Changes of assumptions	18,913	-	18,913
Contributions from the employer	-	11,089	(11,089)
Contributions from the employee	-	195	(195)
Net investment income	-	890	(890)
Administrative expenses	-	(34)	34
Benefit payments, including implicit subsidies*	(11,382)	(11,382)	-
Other**	-	2,419	(2,419)
Net Changes during the Measurement Period	22,141	3,177	18,964
Ending Balance	\$ 195,853	\$ 44,018	\$ 151,835

* Sum of cash benefit payments (\$8,963) and estimated implicit subsidy benefit payments (\$2,419)

** The total employer contributions for estimated implicit subsidy

In accordance with GASB 74 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, 2021, calculated using the discount rate of 4.40% 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 (3.40%) or 1-percentage-point higher (5.40%) than the current rate:

	1% Decrease (3.40%)	Current Discount (4.40%)	1% Increase (5.40%)
Net OPEB Liability	\$ 173,821	\$ 151,835	\$ 133,296

Additionally, in accordance with GASB 74 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, 2021, 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	\$ 148,852	\$ 151,835	\$ 155,228

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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

For the year ended June 30, 2021, the District recognized OPEB expense as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions made after measurement date	\$ (9,757)	\$ (1,615)	\$ (11,372)
Current year changes in the net OPEB liability:			
Service cost	4,172	693	4,865
Interest on total OPEB liability	7,754	1,288	9,042
Member contributions	(167)	(28)	(195)
Projected earnings on investments	(1,883)	(313)	(2,196)
Difference in expected and actual earnings	224	37	261
Other	(820)	(299)	(1,119)
Total current year activity	<u>9,280</u>	<u>1,378</u>	<u>10,658</u>
Total OPEB Expense	<u>\$ (477)</u>	<u>\$ (237)</u>	<u>\$ (714)</u>

Components of deferred outflows and resources and deferred inflows of resources related to OPEB at June 30, 2021 were as follows:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Water</u>	<u>Wastewater</u>	<u>Water</u>	<u>Wastewater</u>
OPEB contributions subsequent to measurement date	\$ 9,757	\$ 1,615	\$ -	\$ -
Differences between expected and actual experiences	495	82	3,220	535
Changes of assumption	16,470	2,735	1,627	270
Change in proportion and difference between employer contributions and proportionate share of contributions	453	-	-	453
Net difference between projected and actual earnings on OPEB plan investments	149	25	-	-
Total	<u>\$ 27,324</u>	<u>\$ 4,457</u>	<u>\$ 4,847</u>	<u>\$ 1,258</u>

\$11,372 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, 2021. 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	<u>Water</u>	<u>Wastewater</u>
2022	\$ 1,450	\$ 78
2023	2,448	267
2024	3,499	467
2025	3,577	510
Thereafter	1,745	263
	<u>\$ 12,719</u>	<u>\$ 1,585</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

I. 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 a 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	9.04% of Reportable Compensation
Member Normal Cost Contribution Rate as a percentage of payroll	8.75% of Reportable Compensation

The employer contribution rate listed above was in effect as of June 30, 2020. 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 17.79% 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 10 – RISK MANAGEMENT

The District has purchased commercial insurance for general, property, public officials’ liability and workers’ compensation. During the fiscal year ended June 30, 2021, the District paid \$2,278 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 10 – RISK MANAGEMENT (Continued)

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

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, 2021, the amount of these liabilities was \$53,912. 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:

	2021	2020
Liability at beginning of year	\$47,331	\$49,391
Current year claims and changes in estimates	14,251	9,252
Payments of claims	(7,670)	(11,312)
Liability at end of year	\$53,912	\$47,331
Estimated liability:		
Due within one year	\$10,808	\$10,838
Due in more than one year	43,104	36,493
	\$53,912	\$47,331

**EAST BAY MUNICIPAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 11 – 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 July 29, 2021, 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, at which time discharges will have ceased. The District's cost to meet the requirements in the Consent Decree is approximately \$5,000 /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 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 CVRWQCB has not yet responded to the District's May 2018 submittal of an updated work plan for installation of additional groundwater wells at CANS. 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 \$6,600 to upgrade the existing facilities or, alternatively, approximately \$7,800 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 March 2021, the County

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 11 – KNOWN ENVIRONMENTAL LIABILITIES (Continued)

requested a Site Conceptual Model to help determine data gaps for the site. The Site Conceptual model was submitted to the County in June 2021 and the County has not yet responded to the submittal.

- The District operates many facilities throughout Northern California that have NPDES permits, waste discharge requirements, and air permits. The potential liability for violations, excluding items detailed above, is not known at this time.

NOTE 12 - CONTINGENT LIABILITIES

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

NOTE 13 – 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 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.

COVID-19 Pandemic

The District is assessing the effects of the ongoing pandemic (known as the COVID-19 pandemic) caused by a novel strain of coronavirus and the disease it causes on the District and its business and operations.

Current and potential economic and fiscal impacts to the District related to the COVID-19 pandemic include, but are not limited to, a slowdown in development activity in the District's service areas and decline in the collection of capacity fees; reduced operating revenues due to lower-water sales and associated reductions in wastewater service revenue and/or increases in delinquencies or non-payment of utility bills; increased operating costs to support modified working arrangements and other COVID-19 related activities; reductions in property tax receipts of the District as a result of declines in assessed valuations in the District's service area or increases in property tax delinquencies or non-payment; and/or reductions in investment income or increases in required pension and other

**EAST BAY MUNICIPAL UTILITY DISTRICT
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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

post-employment benefit plan contributions as a result of ongoing volatility in the financial markets or a sustained decline in the value of plan assets.

The degree of impact to the District's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic. The ultimate duration and severity of the pandemic, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the pandemic, and the severity of an associated economic recession and extent to which a recovery may be prolonged, are not yet known. In light of the uncertainties surrounding the COVID-19 pandemic and its impacts, management is unable to reasonably quantify the effect on future finances of the District at this time.

NOTE 14 - RECLASSIFICATION OF PRIOR YEAR EXPENSES

Reclassification within operating expenses

The District reclassified certain expenses within operating expenses for the fiscal year ended June 30, 2020. During fiscal year 2020 facilities management and depreciation expenses were reclassified Statements of Revenues, Expenses and Changes in Net Position for consistency with current year presentation. This reclassification had no effect on the reported results of operations. The facilities management and depreciation expenses were reclassified from \$5,980 and \$113,065 to \$4,514 and \$114,531, respectively.

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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, 2021
(Dollars in thousands)**

(1) Pension Plan

Schedule of Changes in Employer's Net Pension Liability:

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

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

Unaudited

**EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(Dollars in thousands)**

(2) Pension Plan

Schedule of Employer's Net Pension Liability:

Reporting Date	2021	2020	2019	2018	2017	2016	2015	2014
Measurement Date	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability	\$ 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	(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>\$ 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	71.54%	76.56%	77.28%	76.43%	69.73%	74.93%	75.45%	67.27%
Covered payroll*	\$ 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	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.

**EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(Dollars in thousands)**

(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	-	222,419	35.63%

*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, 2021 are based on the reporting date. Years preceding fiscal year ended June 30, 2021 are based on the measurement date.

Unaudited

**EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(Dollars in thousands)**

(4) Pension Plan

Schedule of Investment Returns:

Reporting Date	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	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	2021	2020	2019	2018	2017	2016
Measurement Date	2020	2019	2018	2017	2016	2015
Total OPEB Liability						
Service cost	\$ 4,864	\$ 4,692	\$ 4,827	\$ 5,276	\$ 4,514	\$ 4,460
Interest	9,042	9,332	9,265	8,797	9,374	9,159
Differences between expected and actual experience	704	(2,783)	(3,299)	(1,711)	(3,286)	(309)
Changes of assumptions	18,913	5,753	(527)	(6,107)	12,471	-
Benefity payments - cash*	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Net change in total OPEB liability	22,141	5,942	(124)	(3,549)	13,224	3,675
Total OPEB liability - beginning	173,712	167,770	167,894	171,443	158,219	154,544
Total OPEB liability - ending (a)	\$ 195,853	\$ 173,712	\$ 167,770	\$ 167,894	\$ 171,443	\$ 158,219
Plan fiduciary net position						
Employer Contributions - cash	\$ 11,089	\$ 10,518	\$ 9,875	\$ 9,764	\$ 9,454	\$ 8,964
Employer Contributions - estimated implicit subsidy	-	-	-	-	2,164	2,241
Employee Contributions - total	11,089	10,518	9,875	9,764	11,618	11,205
Employee Contributions	195	184	219	198	184	167
Net investment income	890	2,060	2,925	3,706	271	938
Benefity payments - cash*	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Administrative expense	(34)	(33)	(30)	(26)	(22)	(20)
Other	2,419	2,402	2,075	1,892	-	-
Net change in plan fiduciary net position	3,177	4,079	4,674	5,730	2,202	2,655
Plan fiduciary net position - beginning	40,841	36,762	32,088	26,358	24,156	21,501
Plan fiduciary net position - ending (b)	\$ 44,018	\$ 40,841	\$ 36,762	\$ 32,088	\$ 26,358	\$ 24,156
Plan's net OPEB liability - ending (a) - (b)	\$ 151,835	\$ 132,871	\$ 131,008	\$ 135,806	\$ 145,085	\$ 134,063

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.

Unaudited

**EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(Dollars in thousands)**

(6) Post-Employment Healthcare Plan

Schedule of Employer's Net OPEB Liability:

Reporting Date	2021	2020	2019	2018	2017	2016
Measurement Date	2020	2019	2018	2017	2016	2015
Total OPEB Liability	\$ 195,853	\$ 173,712	\$ 167,770	\$ 167,894	\$ 171,443	\$ 158,219
Plan fiduciary net position	(44,018)	(40,841)	(36,762)	(32,088)	(26,358)	(24,156)
Net OPEB liability	<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	22.48%	23.51%	21.91%	19.11%	15.37%	15.27%
Covered-employee payroll	\$ 215,110	\$ 203,541	\$ 193,717	\$ 182,032	\$ 174,586	\$ 166,886
Plan net OPEB liability as a percentage of covered-employee payroll	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	-	222,419	5.11%

*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, 2021 are based on the reporting date. Years preceding fiscal year ended June 30, 2021 are based on the measurement date.

Unaudited

**EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(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, 2018
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.*

Unaudited.

**EAST BAY MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
(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, 2018
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.*

Unaudited.

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SUPPLEMENTAL INFORMATION

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**EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
COMBINING BALANCE SHEET**

June 30, 2021

(With summarized comparative financial information as of June 30, 2020)
(DOLLARS IN THOUSANDS)

	2021			2020 Total
	Pension plan benefits	Post- employment healthcare benefits	Total	
Assets:				
Cash and cash equivalents, at fair value (Note 2)	\$ 36,672	\$ 923	\$ 37,595	\$ 57,852
Invested securities lending collateral	154,057	3,876	157,933	80,731
Prepaid expenses	-	578	578	575
Receivables:				
Brokers, securities sold	184	5	189	475
Employer	2,160	317	2,477	2,246
Plan members	538	-	538	484
Interest, dividends and recoverable taxes	4,219	106	4,325	4,707
Total Receivables	7,101	428	7,529	7,912
Investments, at fair value (Note 2):				
U.S. government obligations	247,902	6,237	254,139	143,915
Municipal bonds	648	16	664	705
Domestic corporate bonds	180,422	4,539	184,961	298,975
International bonds	19,747	497	20,244	19,793
Domestic stocks	1,080,371	27,181	1,107,552	849,826
International stocks	593,079	14,922	608,001	397,426
Real estate	111,117	2,796	113,913	95,649
Total Investments	2,233,286	56,188	2,289,474	1,806,289
Total Assets	2,431,116	61,993	2,493,109	1,953,359
Liabilities:				
Accounts payable and accrued expenses	2,545	64	2,609	2,396
Payables to brokers, securities purchased	3,751	94	3,845	12,623
Securities lending collateral (Note 2)	154,057	3,876	157,933	80,731
Total Liabilities	160,353	4,034	164,387	95,750
Net position restricted for pension benefits and post-employment healthcare benefits	2,270,763	57,959	2,328,722	1,857,609
Total Net Position	\$ 2,270,763	\$ 57,959	\$ 2,328,722	\$ 1,857,609

See Accompanying Notes to Financial Statements

**EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM TRUST FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION**

For the Year Ended June 30, 2021

(With summarized comparative financial information for the year ended June 30, 2020)

(DOLLARS IN THOUSANDS)

	2021			2020 Total
	Pension plan benefits	Post- employment healthcare benefits	Total	
Additions:				
Contributions:				
Employers	\$ 79,252	\$ 11,372	\$ 90,624	\$ 88,734
Plan members	19,136	200	19,336	18,885
Total Contributions	98,388	11,572	109,960	107,619
Investment Income:				
From Investment Activities				
Net appreciation (depreciation) in fair value investments:				
Traded securities	461,099	11,137	472,236	13,251
Real estate	(454)	(11)	(465)	688
Interest	11,333	274	11,607	13,263
Dividends	12,305	297	12,602	16,360
Real estate operating income, net	1,955	47	2,002	1,990
Total Investment Income	486,238	11,744	497,982	45,552
Less:				
Investment expense	(4,499)	(110)	(4,609)	(4,864)
Net Income from Investment Activities	481,739	11,634	493,373	40,688
From Security Lending Activities				
Security lending income	286	7	293	1,078
Borrowers' rebates and other agent fees on securities lending transactions	(116)	(3)	(119)	(903)
Security Lending Activities	170	4	174	175
Net Investment Income	481,909	11,638	493,547	40,863
Total Additions, net	580,297	23,210	603,507	148,482
Deductions:				
Benefits paid	120,975	9,223	130,198	121,889
Refunds of contributions	274	-	274	462
Administrative expenses	1,876	46	1,922	1,487
Total Deductions	123,125	9,269	132,394	123,838
Changes in Net Position	457,172	13,941	471,113	24,644
Net Position - Beginning of the Year	1,813,591	44,018	1,857,609	1,832,965
Net Position - End of the Year	\$ 2,270,763	\$ 57,959	\$ 2,328,722	\$ 1,857,609

See Accompanying Notes to Financial Statements



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 basic financial statements of the East Bay Municipal Utility District, as of and for the year ended June 30, 2021, 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 23, 2021.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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 & Lingham, LLP

Sacramento, California
September 23, 2021