



# EAST BAY MUNICIPAL UTILITY DISTRICT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022    BASIC FINANCIAL STATEMENTS

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on YOU



EAST BAY MUNICIPAL UTILITY DISTRICT

Basic Financial Statements

For the Years Ended June 30, 2023 and 2022

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EAST BAY MUNICIPAL UTILITY DISTRICT

Basic Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, as listed in the table of contents, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the 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 financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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 opinions. 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 generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards, we:

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

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

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

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

***Supplementary Information***

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

***Summarized Comparative Information***

We have previously audited the financial statements of the District for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated September 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the District's internal control over the 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 the 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 the financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Solt &amp; Loughard, LLP".

Sacramento, California  
October 25, 2023

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# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

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, 2023. 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, El Cerrito, Emeryville, Kensington, Oakland, Piedmont, and parts of Richmond serving a population of about 740,000. The District recovers costs 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.

The District's proprietary fund statements include:

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



# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

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

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

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

**Notes to Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 31 to 89 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 92 to 98 of this report.

## FINANCIAL ANALYSIS

### *Financial Highlights*

In fiscal year 2023, 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 \$2.9 billion (*net position*).

Net position increased by \$222 million or 8% during the fiscal year.

Capital assets increased by \$332 million or 6% to \$6.0 billion.

Operating revenue increased by \$11 million or 1% to \$780 million.

Operating expense increased by \$105 million or 21% to \$600 million.

Non-operating net expense decreased by \$17 million or 34% to (\$33) million.

Capital contributions increased by \$14 million or 24% from the prior fiscal year.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

### **Financial Position**

In the current year, the District's total net position increased by \$222 million or 8% during the fiscal year. The Water System's net position increased by \$208 million or 9% and the Wastewater System's net position increased by \$14 million or 3%. Current and other assets decreased by \$243 million or 21%. Capital assets increased by \$332 million or 6%. By far the largest portion of the District's net position, 107% or \$3.1 billion, represents its investment in capital assets necessary to provide services.

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

Table 1 shows the District's net position for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 1**  
Net Position  
Water and Wastewater  
June 30, 2023 and 2022  
(In thousands)

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>%</u>
Current and other assets	\$ 914,597	\$ 1,157,740	\$ (243,143)	(21)%
Capital assets	5,999,925	5,667,819	332,106	6%
Total assets	<u>6,914,522</u>	<u>6,825,559</u>	<u>88,963</u>	1%
Deferred outflow of resources	453,008	231,655	221,353	96%
Total assets and deferred outflow	<u>7,367,530</u>	<u>7,057,214</u>	<u>310,316</u>	4%
Current and other liabilities	1,322,960	841,853	481,107	57%
Long-term liabilities	<u>3,061,677</u>	<u>3,223,739</u>	<u>(162,062)</u>	(5)%
Total liabilities	<u>4,384,637</u>	<u>4,065,592</u>	<u>319,045</u>	8%
Deferred inflow of resources	101,019	331,947	(230,928)	(70)%
Total liabilities and deferred inflow	<u>4,485,656</u>	<u>4,397,539</u>	<u>88,117</u>	2%
Net position:				
Net investment in capital assets	3,076,094	2,365,584	710,510	30%
Restricted	217,654	219,473	(1,819)	(1)%
Unrestricted	<u>(411,874)</u>	<u>74,618</u>	<u>(486,492)</u>	(652)%
Total net position	<u>\$ 2,881,874</u>	<u>\$ 2,659,675</u>	<u>\$ 222,199</u>	8%

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

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

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

### **Results of Operations**

In the current fiscal year, the District's total operating revenue of \$780 million for the year increased by \$11 million and total operating expense of \$600 million for the year increased by \$105 million. The change in net position (including capital contributions) decreased from \$285 million in the previous fiscal year to \$222 million in the current fiscal year. The District's total net position increased from \$2,660 million to \$2,882 million during the current fiscal year.

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

- Water revenue decreased by \$10 million or 2% due to a 7% decrease in billed water consumption offset by a 4% water rate increase and an imposed drought surcharge at the beginning of fiscal year 2023.
- Wastewater revenue increased by \$6 million or 6% due to a 4% wastewater rate increase at the beginning of fiscal year 2023 and higher resource recovery revenues.
- Power revenue increased by \$13 million or 171% due to higher hydropower prices and sales in the current year.
- Wet weather facilities charges increased by \$1 million or 4% due to a 4% rate increase at the beginning of fiscal year 2023.
- Total operating expense increased by \$105 million, primarily reflecting increases of \$90 million in pension expense due to a lower return on the market value of pension plan assets versus the assumption rate used in the actuarial valuation. Other major increases in operating expense were increases of \$18 million in raw water, \$8 million in water treatment and distribution, and \$7 million in sewer treatment plant operations. Offsetting these increases was decrease of \$35 million in general and administration due to higher overhead recovery.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

- Net nonoperating expense decreased by \$17 million, primarily due to \$27 million increase in investment income resulting from higher interest rates earned offset by a \$11 million decrease in other income. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were \$16 million and \$6 million respectively in the current fiscal year, and \$3 million and (\$8) million respectively in the prior fiscal year.
- Capital contributions increased by \$14 million, primarily due to an increase in earned standard service installments. Grants and other reimbursements decreased by \$1 million due to a Proposition 1 passthrough grant to be reimbursed from the State. Page 17 contains additional capital contributions information.

In the previous fiscal year, the District's total operating revenue of \$769 million for the year increased by \$22 million and total operating expense of \$495 million for the year decreased by \$47 million. The change in net position (including capital contributions) increased from \$242 million in fiscal year 2021 to \$285 million in the fiscal year 2022. The District's total net position increased from \$2,375 million to \$2,660 million during the fiscal year 2022.

The major components of the District's results of operations in fiscal year 2022 were:

- Water revenue increased by \$13 million or 2% due to a 4% water rate increase at the beginning of fiscal year 2022, offset by reduced water consumption.
- Wastewater revenue increased by \$5 million or 5% due to a 4% wastewater rate increase at the beginning of fiscal year 2022.
- Power revenue increased by \$3 million or 51% due to more hydropower generated during fiscal year 2022.
- Wet weather facilities charges increased by \$1 million or 4% due to a 4% rate increase at the beginning of fiscal year 2022.
- Total operating expense decreased by \$47 million, primarily reflecting decreases of \$98 million in pension expense mainly due to a higher return on the market value of pension plan assets versus the assumption rate used in the actuarial valuation. Offsetting this decrease were increases of \$34 million in general administration, \$6 million in water treatment and distribution, \$5 million in raw water, and \$4 million in sewer treatment plant operations.
- Net nonoperating expense increased by \$4 million, primarily due to \$7 million increase in bond interest expense and amortization and \$3 million increase in investment loss resulting from the fair market value fluctuation of investments offset by a \$5 million increase in taxes and subventions income. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were \$3 million and (\$8) million respectively in fiscal year 2022, and \$2 million and (\$4) million respectively in fiscal year 2021.
- Capital contributions decreased by \$21 million primarily reflecting a \$11 million decrease in System Capacity Charges (SCC) and a \$1 million decrease in Wastewater Capacity Fees (WCF) reflecting changes made from a SCC study in fiscal year 2021 and adoption of reduced SCC & WCF rates in fiscal year 2022. Construction service installments decreased by \$11 million due to the cyclical nature of construction phases throughout the service area. Grants and other reimbursements increased by \$1 million due to additional monies received from Federal and State grants in fiscal year 2022. Page 17 contains additional capital contributions information.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 2**

Changes in Net Position

Water and Wastewater

June 30, 2023 and 2022

(In thousands)

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Water	\$ 623,929	\$ 633,840	\$ (9,911)	(2)%
Sewer	104,385	98,345	6,040	6%
Power	21,368	7,898	13,470	171%
Wet weather facilities charges	30,745	29,435	1,310	4%
Total operating revenue	<u>780,427</u>	<u>769,518</u>	<u>10,909</u>	<u>1%</u>
Operating Expense:				
Raw water	80,046	62,214	17,832	29%
Water treatment & distribution	147,854	140,309	7,545	5%
Recreation areas, net	5,170	5,268	(98)	(2)%
Sewer lines & pumps	22,877	18,273	4,604	25%
Sewer treatment plant operations	53,714	47,053	6,661	14%
Customer accounting & collecting	24,031	21,906	2,125	10%
Financial and risk management	26,100	22,700	3,400	15%
Facilities management	6,400	4,146	2,254	54%
General administration	38,398	72,902	(34,504)	(47)%
Pension expense	36,874	(53,417)	90,291	(169)%
OPEB expense	(4,005)	(1,234)	(2,771)	225%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	150,705	145,723	4,982	3%
Amortization	11,022	8,710	2,312	27%
Total operating expense	<u>599,186</u>	<u>494,553</u>	<u>104,633</u>	<u>21%</u>
Net operating income (expense)	<u>181,241</u>	<u>274,965</u>	<u>(93,724)</u>	<u>(34)%</u>
Nonoperating income (expense):				
Investment income (loss)	22,226	(5,006)	27,232	(544)%
Taxes & subventions	54,837	52,881	1,956	4%
Interest & amortization of bond expenses	(115,567)	(113,075)	(2,492)	2%
Interest income of Leases	175	-	175	
Interest income of SBITAs	780	-	780	
Increase (decrease) of Equity in JPA partnership fund	(4,011)	(4,125)	114	(3)%
Other income	8,573	19,648	(11,075)	(56)%
Total nonoperating income (expense), net	<u>(32,987)</u>	<u>(49,677)</u>	<u>16,690</u>	<u>(34)%</u>
Income (loss) before contributions	148,254	225,288	(77,034)	(34)%
Capital contributions and grant activity	<u>73,945</u>	<u>59,455</u>	<u>14,490</u>	<u>24%</u>
Change in net position	222,199	284,743	(62,544)	(22)%
Total net position – beginning	<u>2,659,675</u>	<u>2,374,932</u>	<u>284,743</u>	<u>12%</u>
Total net position – ending	<u>\$ 2,881,874</u>	<u>\$ 2,659,675</u>	<u>\$ 222,199</u>	<u>8%</u>

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

**Table 2**

Changes in Net Position

Water and Wastewater

June 30, 2022 and 2021

(In thousands)

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

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

### **Liquidity**

The District had \$521 million in combined current and noncurrent District Cash and Investments as of June 30, 2023, a decrease of \$255 million compared to \$776 million as of June 30, 2022. Components of cash and investments for the year ended June 30, 2023 were:

- Water System total combined current and noncurrent cash and investments decreased by \$214 million compared to the same date of the previous fiscal year. Cash and cash equivalents increased by a net \$173 million compared to the prior year. This was primarily due to an increase of \$493 million from the net proceeds of securities in investing activities and an increase of \$16 million in noncapital financing activities, offset by an increase of \$297 million spending from capital and related financing activities and a decrease of \$39 million from operating activities. Noncurrent investments decreased by a net \$179 million primarily due to reallocation of investments between short-term and long-term.
- Wastewater System total combined current and noncurrent cash and investments decreased by \$41 million compared to the same date in the previous fiscal year. Cash and cash equivalents increased by a net \$30 million compared to the prior year. This was primarily due to an increase of \$99 million from the net proceeds of securities in investing activities offset by an increase of \$43 million spending from capital and related financing activities, a decrease of \$14 million in noncapital financing activities, a decrease of \$12 million from operating activities. Noncurrent investments decreased by a net \$29 million also primarily due to reallocation of investments between short-term and long-term.

Table 3 shows the District's cash flow for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 3**  
Cash Flows  
Water and Wastewater System  
June 30, 2023 and 2022  
(In thousands)

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>%</u>
<b>Cash and cash equivalents:</b>				
Beginning of year	\$ 176,824	\$ 426,405	\$ (249,581)	(59)%
Net cash provided by operating activities	353,009	404,496	(51,487)	(13)%
Net cash provided by noncapital financing activities	74,839	73,593	1,246	2%
Net cash provided by (used in) capital and related financing activities	(697,995)	(358,524)	(339,471)	95%
Net cash provided by (used in) investing activities	<u>222,829</u>	<u>(369,146)</u>	<u>591,975</u>	(160)%
Net increase (decrease) in cash and cash equivalents	<u>(47,318)</u>	<u>(249,581)</u>	<u>202,263</u>	(81)%
End of period	<u>129,506</u>	<u>176,824</u>	<u>(47,318)</u>	(27)%
<b>Investments:</b>				
Beginning of year	599,706	235,894	363,812	154%
Net increase (decrease) in investments	<u>(207,875)</u>	<u>363,812</u>	<u>(571,687)</u>	(157)%
End of period	<u>391,831</u>	<u>599,706</u>	<u>(207,875)</u>	(35)%
<b>Total District Cash and Investments</b>	<u><u>\$ 521,337</u></u>	<u><u>\$ 776,530</u></u>	<u><u>\$ (255,193)</u></u>	(33)%

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

**Table 3**  
Cash Flows  
Water and Wastewater System  
June 30, 2022 and 2021  
(In thousands)

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>%</u>
<b>Cash and cash equivalents:</b>				
Beginning of year	\$ 426,405	\$ 489,723	\$ (63,318)	(13)%
Net cash provided by operating activities	404,496	399,256	5,240	1%
Net cash provided by noncapital financing activities	73,593	65,380	8,213	13%
Net cash provided by (used in) capital and related financing activities	(358,524)	(535,939)	177,415	(33)%
Net cash provided by (used in) investing activities	<u>(369,146)</u>	<u>7,985</u>	<u>(377,131)</u>	(4,723)%
Net increase (decrease) in cash and cash equivalents	<u>(249,581)</u>	<u>(63,318)</u>	<u>(186,263)</u>	294%
End of period	<u><u>176,824</u></u>	<u><u>426,405</u></u>	<u><u>(249,581)</u></u>	(59)%
<b>Investments:</b>				
Beginning of year	235,894	242,970	(7,076)	(3)%
Net increase (decrease) in investments	<u>363,812</u>	<u>(7,076)</u>	<u>370,888</u>	(5,241)%
End of period	<u><u>599,706</u></u>	<u><u>235,894</u></u>	<u><u>363,812</u></u>	154%
Total District Cash and Investments	<u><u>\$ 776,530</u></u>	<u><u>\$ 662,299</u></u>	<u><u>\$ 114,231</u></u>	17%

### ***Cash and Investments by Fund***

In fiscal years 2023 and 2022, total cash and investments available for operating and capital activities are reported in current and noncurrent assets as unrestricted and restricted funds. Significant activities in the current fiscal year were as follows: Water System increased \$4 million in working capital and spent \$232 million in capital reserve to maintain infrastructures. Wastewater System increased \$1 million in working capital and spent \$42 million in capital reserves to maintain capital projects and equipment replacements.

In the previous fiscal year, significant activities were as follows: Water System increased \$102 million in capital reserves to fund capital projects. Wastewater System increased \$24 million in capital reserves to fund capital projects and equipment replacements.

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, 2023

Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 4**  
Cash and Investment by Fund  
Water and Wastewater  
June 30, 2023 and 2022  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2023	2022	2023	2022	2023	2022	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	\$ 150,000	\$150,000	\$ 32,000	\$ 32,000	\$182,000	\$182,000	\$ -	0%
Working capital reserve	82,200	78,700	22,400	21,300	104,600	100,000	4,600	5%
Self-insurance	8,271	7,822	1,141	1,036	9,412	8,858	554	6%
Workers compensation	7,192	6,631	992	879	8,184	7,510	674	9%
Total operating reserves	<u>247,663</u>	<u>243,153</u>	<u>56,533</u>	<u>55,215</u>	<u>304,196</u>	<u>298,368</u>	<u>5,828</u>	<u>2%</u>
Capital reserves:								
Reserved for capital projects	109,571	351,614	(1,533)	41,110	108,038	392,724	(284,686)	(72)%
Reserve funded CIP - Wastewater	-	-	15,480	15,397	15,480	15,397	83	1%
Vehicle replacements	27,011	17,251	-	-	27,011	17,251	9,760	57%
Equipment replacements	-	-	24,693	24,174	24,693	24,174	519	2%
Total capital reserves	<u>136,582</u>	<u>368,865</u>	<u>38,640</u>	<u>80,681</u>	<u>175,222</u>	<u>449,546</u>	<u>(274,324)</u>	<u>(61)%</u>
Total Unrestricted cash and investment	<u>384,245</u>	<u>612,018</u>	<u>95,173</u>	<u>135,896</u>	<u>479,418</u>	<u>747,914</u>	<u>(268,496)</u>	<u>(36)%</u>
Restricted Cash and Investments								
Bond interest and redemption fund	-	886	-	261	-	1,147	(1,147)	N/A
Debt service reserve fund	1,136	2	-	-	1,136	2	1,134	56,700%
Funds received for construction	37,493	24,242	-	-	37,493	24,242	13,251	55%
FERC partnership fund	2,186	2,163	-	-	2,186	2,163	23	1%
Monetary reserve	104	396	1,000	666	1,104	1,062	42	4%
Total restricted cash and investments	<u>40,919</u>	<u>27,689</u>	<u>1,000</u>	<u>927</u>	<u>41,919</u>	<u>28,616</u>	<u>13,303</u>	<u>46%</u>
Total District Cash and Investments	<u>\$ 425,164</u>	<u>\$639,707</u>	<u>\$ 96,173</u>	<u>\$136,823</u>	<u>\$521,337</u>	<u>\$776,530</u>	<u>\$ (255,193)</u>	<u>(33)%</u>

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

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

	Water System		Wastewater System		Total		Increase (decrease)	
	2022	2021	2022	2021	2022	2021	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	\$ 150,000	\$ 150,000	\$ 32,000	\$ 32,000	\$ 182,000	\$ 182,000	\$ -	0%
Working capital reserve	78,700	78,800	21,300	19,600	100,000	98,400	1,600	2%
Self-insurance	7,822	7,818	1,036	1,227	8,858	9,045	(187)	(2)%
Workers compensation	6,631	6,032	879	947	7,510	6,979	531	8%
Total operating reserves	<u>243,153</u>	<u>242,650</u>	<u>55,215</u>	<u>53,774</u>	<u>298,368</u>	<u>296,424</u>	<u>1,944</u>	<u>1%</u>
Capital reserves:								
Reserved for capital projects	351,614	250,091	41,110	23,862	392,724	273,953	118,771	43%
Reserve funded CIP - Wastewater	-	-	15,397	15,377	15,397	15,377	20	0%
Vehicle replacements	17,251	16,334	-	-	17,251	16,334	917	6%
Equipment replacements	-	-	24,174	17,816	24,174	17,816	6,358	36%
Total capital reserves	<u>368,865</u>	<u>266,425</u>	<u>80,681</u>	<u>57,055</u>	<u>449,546</u>	<u>323,480</u>	<u>126,066</u>	<u>39%</u>
Total Unrestricted cash and investment	<u>612,018</u>	<u>509,075</u>	<u>135,896</u>	<u>110,829</u>	<u>747,914</u>	<u>619,904</u>	<u>128,010</u>	<u>21%</u>
Restricted Cash and Investments								
Bond interest and redemption fund	886	-	261	-	1,147	-	1,147	N/A
Debt service reserve fund	2	3,763	-	-	2	3,763	(3,761)	(100)%
Funds received for construction	24,242	35,715	-	-	24,242	35,715	(11,473)	(32)%
FERC partnership fund	2,163	2,188	-	-	2,163	2,188	(25)	(1)%
Monetary reserve	396	396	666	333	1,062	729	333	46%
Total restricted cash and investments	<u>27,689</u>	<u>42,062</u>	<u>927</u>	<u>333</u>	<u>28,616</u>	<u>42,395</u>	<u>(13,779)</u>	<u>(33)%</u>
Total District Cash and Investments	<u>\$ 639,707</u>	<u>\$ 551,137</u>	<u>\$ 136,823</u>	<u>\$ 111,162</u>	<u>\$ 776,530</u>	<u>\$ 662,299</u>	<u>\$ 114,231</u>	<u>17%</u>

### Capital Contributions

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

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

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

Capital contributions increased by \$14 million, primarily due to an increase in earned standard service installments. Grants and other reimbursements decreased by \$1 million due to a Proposition 1 passthrough grant to be reimbursed from the State.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 5**

Capital Contributions  
Water and Wastewater  
June 30, 2023 and 2022  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2023	2022	2023	2022	2023	2022	Amount	%
System capacity charges	\$ 40,760	\$ 39,690	\$ -	\$ -	\$ 40,760	\$ 39,690	\$ 1,070	3%
Wastewater capacity fees	-	-	7,066	6,443	7,066	6,443	623	10%
Earned contributions on construction	23,986	9,836	-	-	23,986	9,836	14,150	144%
Grants and other reimbursements*	3,783	3,486	-	-	3,783	3,486	297	9%
Passthrough grant reimbursement	(1,650)	-	-	-	(1,650)	-	(1,650)	100%
Totals	<u>\$ 66,879</u>	<u>\$ 53,012</u>	<u>\$ 7,066</u>	<u>\$ 6,443</u>	<u>\$ 73,945</u>	<u>\$ 59,455</u>	<u>\$ 14,490</u>	24%

**Table 5**

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

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

\* The District also received a total of \$14 million for the California Water and Wastewater Arrearage Payment Program (CWWAPP) from the State Water Resources Control Board in fiscal year 2022 and included in the current liabilities on the statements of net position.

### CAPITAL ASSETS

The District had \$6.0 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2023. Total capital assets were \$5.7 billion as of June 30, 2022. The investment in capital assets includes land, buildings, improvements, water treatment plants, filter plants, aqueducts, water transmission and distribution mains, water storage facilities, pump stations, water reclamation facilities, wastewater and wet weather treatment facilities, machinery and equipment. In the current fiscal year, capital assets increased by \$332 million or 6% over the prior fiscal year. In fiscal year 2022, capital assets increased by \$201 million or 4% over fiscal year 2021. Annual changes are consistent with the District's capital improvement program.

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

The Wastewater System had \$821 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2023. The investment in capital assets includes land, buildings, improvements, power generation, wastewater and wet weather treatment facilities, machinery and equipment.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

Table 6 shows the District's capital assets for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 6**

Capital Assets, Net of Depreciation  
Water and Wastewater  
June 30, 2023 and 2022  
(In thousands)

	<b>Water System</b>		<b>Wastewater System</b>		<b>Total</b>		<b>Increase/(decrease)</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>Amount</b>	<b>%</b>
Structures, buildings, and equipment	\$4,102,878	\$4,022,726	\$ 640,920	\$ 635,637	\$4,743,798	\$4,658,363	\$ 85,435	1.8%
Intangible assets	38,895	55,914	7,006	7,720	45,901	63,634	(17,733)	(27.9)%
Lease-right to use assets	741	1,993	-	-	741	1,993	(1,252)	(62.8)%
SBITAs-right to use assets	18,653	-	-	-	18,653	-	18,653	
Land and rights of way	73,767	73,790	21,552	21,409	95,319	95,199	120	0.1%
Construction work in progress	943,573	722,935	151,940	125,695	1,095,513	848,630	246,883	29.1%
<b>Totals</b>	<b>\$5,178,507</b>	<b>\$4,877,358</b>	<b>\$ 821,418</b>	<b>\$ 790,461</b>	<b>\$5,999,925</b>	<b>\$5,667,819</b>	<b>\$ 332,106</b>	<b>5.9%</b>

**Table 6**

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

	<b>Water System</b>		<b>Wastewater System</b>		<b>Total</b>		<b>Increase/(decrease)</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>Amount</b>	<b>%</b>
Structures, buildings, and equipment	\$4,022,726	\$3,935,701	\$ 635,637	\$ 626,111	\$4,658,363	\$4,561,812	\$ 96,551	2.1%
Intangible assets	55,914	48,371	7,720	8,942	63,634	57,313	6,321	11.0%
Lease-right to use assets	1,993	-	-	-	1,993	-	1,993	100.0%
Land and rights of way	73,790	73,790	21,409	21,409	95,199	95,199	-	0.0%
Construction work in progress	722,935	635,447	125,695	116,492	848,630	751,939	96,691	12.9%
<b>Totals</b>	<b>\$4,877,358</b>	<b>\$4,693,309</b>	<b>\$ 790,461</b>	<b>\$ 772,954</b>	<b>\$5,667,819</b>	<b>\$5,466,263</b>	<b>\$ 201,556</b>	<b>3.7%</b>

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.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

This year's major capital expenditures included:

### **Water System:**

Treatment plant upgrades	\$	170,640
Pipeline rebuild		81,682
Open cut reservoir program		70,327
Large diameter pipelines		67,625
Maloney pumping plant & water treatment plant improvements		60,579
Reservoir rehab/maintenance		49,099
Service lateral replacements		48,349
Trench soils management		47,852
Pumping plant rehabilitation		30,031
Mokelumne aqueduct 2 & 3 relining		24,218
Reservoir tower modifications		16,339
Dam operational upgrades		15,923
Pressure zone improvements		15,224
Fuel facility improvements		14,352
Pipeline system improvements		13,386
Raw water infrastructure		12,766
West of hills master plan		12,025
Pipeline relocations		9,844
Water loss control		8,970
Building facilities improvements		8,688

### **Wastewater System:**

Interceptors and pump stations	\$	42,957
Digesters		29,824
General wastewater		25,037
Utilities and sitework		10,139
Power generation and biogas		9,808
Effluent discharge		7,165
Wet weather facilities		5,046
Resource recovery		4,357
Electricals and controls		3,922
Secondary		2,753
Preliminary treatment		2,335
Digester upgrades phase 2		784
Dewatering		475
Nutrients		344

## **DEBT ADMINISTRATION**

The District had total long-term debt outstanding of \$3.2 billion as of June 30, 2023, a 5% decrease from June 30, 2022. Total long-term debt outstanding was \$3.3 billion as of June 30, 2022, a 1% increase from June 30, 2021. Components of the District's long-term debt portfolio as of June 30, 2022 are:

- The Water System had total long-term debt outstanding of \$2.8 billion.
- The Wastewater System had total long-term debt outstanding of \$358 million.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2023, 2022, and 2021:

**Table 7**  
Long -Term Debt  
(Net of Unamortized Costs)  
Water and Wastewater  
June 30, 2023 and 2022  
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2023	2022	2023	2022	2023	2022	Amount	%
Revenue bonds**	\$ 2,489,158	\$ 2,606,497	\$ 357,837	\$ 374,755	\$ 2,846,995	\$ 2,981,252	\$ (134,257)	(5)%
Commercial paper	281,000	295,000	-	8,000	281,000	303,000	(22,000)	(7)%
Loans	29,252	31,073	-	-	29,252	31,073	(1,821)	(6)%
Totals	<u>\$ 2,799,410</u>	<u>\$ 2,932,570</u>	<u>\$ 357,837</u>	<u>\$ 382,755</u>	<u>\$ 3,157,247</u>	<u>\$ 3,315,325</u>	<u>\$ (158,078)</u>	<u>(5)%</u>

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

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

\*\*Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was \$198 million, \$225 million, and \$217 million as of June 30, 2023, 2022 and 2021, respectively. For Wastewater System, the net of unamortized bond premium and discount was \$20 million, \$23 million, and \$22 million as of June 30, 2023, 2022 and 2021, respectively.

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

*Debt Service Coverage Ratio:* Maintain an annual revenue bond debt service coverage ratio of at least 1.6 times. As of June 30, 2023, the coverage ratio for Water was 2.25 and for Wastewater was 1.92; the overall District ratio was 2.21.

*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, 2023, the percentage of debt-funded capital spending for Water was 21% and for Wastewater was 9%; the overall District percentage was 19%.

*Extendable Commercial Paper and Un-hedged Variable Rate Debt:* Maintain an annual limit of 25% of outstanding long-term debt. As of June 30, 2023, the percentage of extended commercial paper and un-hedged variable rate debt compared to total outstanding long-term debt for Water was 11% and for Wastewater was 0%; 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, 2023, the Water System had \$468 million and the Wastewater System had \$168 million in authorized but unissued revenue bonds.

# EAST BAY MUNICIPAL UTILITY DISTRICT

## Management's Discussion and Analysis

June 30, 2023

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

**Table 8**  
Credit Ratings  
Water and Wastewater  
June 30, 2023

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

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

Additional information on the District's long-term debt can be found in Note 7 to the financial statements.

### REQUEST FOR INFORMATION

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

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**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2023 and 2022**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets						
Current assets:						
Cash and cash equivalents (Note 2)	\$ 82,716	\$ 121,818	\$ 34,256	\$ 45,826	\$ 116,972	\$ 167,644
Investments	301,529	490,200	60,917	90,070	362,446	580,270
Receivables:						
Customer	75,488	70,463	10,184	10,166	85,672	80,629
Lease	25,075	29,483	12,693	13,924	37,768	43,407
Interest and other	12,915	4,228	5,300	3,781	18,215	8,009
Materials and supplies	25,890	22,241	7,397	7,094	33,287	29,335
Prepaid insurance	6,612	3,945	519	472	7,131	4,417
<b>Total current assets</b>	<b>530,225</b>	<b>742,378</b>	<b>131,266</b>	<b>171,333</b>	<b>661,491</b>	<b>913,711</b>
Noncurrent assets:						
Restricted assets (Note 2):						
Cash and cash equivalents	11,534	8,253	1,000	927	12,534	9,180
Investments	29,385	19,436	-	-	29,385	19,436
<b>Total restricted cash and investments</b>	<b>40,919</b>	<b>27,689</b>	<b>1,000</b>	<b>927</b>	<b>41,919</b>	<b>28,616</b>
Other assets:						
Equity in JPA partnership fund	211,088	215,099	-	-	211,088	215,099
Other	94	46	5	268	99	314
<b>Total other assets</b>	<b>211,182</b>	<b>215,145</b>	<b>5</b>	<b>268</b>	<b>211,187</b>	<b>215,413</b>
Capital assets (Note 3):						
Structures, buildings, and equipment	6,559,169	6,361,919	1,223,488	1,193,659	7,782,657	7,555,578
Intangible Assets	377,448	389,174	40,719	40,223	418,167	429,397
Lease assets	1,543	2,370	-	-	1,543	2,370
Subscription assets	21,894	-	-	-	21,894	-
Less accumulated depreciation/amortization	(2,798,887)	(2,672,830)	(616,281)	(590,525)	(3,415,168)	(3,283,355)
<b>Subtotal</b>	<b>4,161,167</b>	<b>4,080,633</b>	<b>647,926</b>	<b>643,357</b>	<b>4,809,093</b>	<b>4,723,990</b>
Land and rights-of-way	73,767	73,790	21,552	21,409	95,319	95,199
Construction in progress	943,573	722,935	151,940	125,695	1,095,513	848,630
<b>Total capital assets, net</b>	<b>5,178,507</b>	<b>4,877,358</b>	<b>821,418</b>	<b>790,461</b>	<b>5,999,925</b>	<b>5,667,819</b>
<b>Total noncurrent assets</b>	<b>5,430,608</b>	<b>5,120,192</b>	<b>822,423</b>	<b>791,656</b>	<b>6,253,031</b>	<b>5,911,848</b>
<b>Total assets</b>	<b>5,960,833</b>	<b>5,862,570</b>	<b>953,689</b>	<b>962,989</b>	<b>6,914,522</b>	<b>6,825,559</b>
Deferred outflow of resources						
Debt refundings related (Note 7)	13,818	15,084	-	-	13,818	15,084
Pension related	348,457	158,471	56,475	25,691	404,932	184,162
OPEB related	29,447	27,866	4,811	4,543	34,258	32,409
Total deferred outflows	391,722	201,421	61,286	30,234	453,008	231,655
<b>Total assets and deferred outflows</b>	<b>\$ 6,352,555</b>	<b>\$ 6,063,991</b>	<b>\$ 1,014,975</b>	<b>\$ 993,223</b>	<b>\$ 7,367,530</b>	<b>\$ 7,057,214</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF NET POSITION (Continued)**  
**JUNE 30, 2023 and 2022**  
**(DOLLARS IN THOUSANDS)**

Liabilities and Net Position	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Current liabilities:</b>						
Current maturities of long-term debt and commercial paper (Note 6 and 7)	\$ 81,260	\$ 77,992	\$ 14,310	\$ 13,595	\$ 95,570	\$ 91,587
Accounts payable and accrued expenses (Note 4)	81,409	87,328	14,843	16,233	96,252	103,561
Compensated absences (Note 5)	42,858	41,839	6,881	6,671	49,739	48,510
Current reserve for claims	11,161	10,388	831	707	11,992	11,095
Accrued interest	10,685	10,304	1,409	1,472	12,094	11,776
<b>Total current liabilities</b>	<b>227,373</b>	<b>227,851</b>	<b>38,274</b>	<b>38,678</b>	<b>265,647</b>	<b>266,529</b>
<b>Noncurrent liabilities:</b>						
<b>Other liabilities:</b>						
Advances for construction	35,352	25,788	-	-	35,352	25,788
Reserve for claims (Note 12)	36,745	48,716	3,670	3,307	40,415	52,023
Net pension liability (Note 11)	714,351	287,513	116,068	47,338	830,419	334,851
Net OPEB liability (Note 11)	109,632	122,843	18,026	20,333	127,658	143,176
Lease payable (Note 8)	1,581	1,993	-	-	1,581	1,993
SBITAs payable (Note 9)	4,333	-	-	-	4,333	-
Other liabilities	9,984	9,797	7,571	7,696	17,555	17,493
<b>Total other liabilities</b>	<b>911,978</b>	<b>496,650</b>	<b>145,335</b>	<b>78,674</b>	<b>1,057,313</b>	<b>575,324</b>
Long-term liabilities, net of current maturities (Note 7)	2,718,150	2,854,579	343,527	369,160	3,061,677	3,223,739
<b>Total noncurrent liabilities</b>	<b>3,630,128</b>	<b>3,351,229</b>	<b>488,862</b>	<b>447,834</b>	<b>4,118,990</b>	<b>3,799,063</b>
<b>Total liabilities</b>	<b>3,857,501</b>	<b>3,579,080</b>	<b>527,136</b>	<b>486,512</b>	<b>4,384,637</b>	<b>4,065,592</b>
<b>Deferred inflow of resources:</b>						
Debt refunding related (Note 7)	7,076	7,585	581	623	7,657	8,208
Lease related (Note 1R & 8)	24,945	29,483	12,648	13,924	37,593	43,407
Pension related (Note 11)	22,930	227,318	5,319	38,855	28,249	266,173
OPEB related (Note 11)	23,360	11,843	4,160	2,316	27,520	14,159
<b>Total deferred inflows</b>	<b>78,311</b>	<b>276,229</b>	<b>22,708</b>	<b>55,718</b>	<b>101,019</b>	<b>331,947</b>
<b>Total liabilities and deferred inflows</b>	<b>3,935,812</b>	<b>3,855,309</b>	<b>549,844</b>	<b>542,230</b>	<b>4,485,656</b>	<b>4,397,539</b>
<b>Net position (Note 10):</b>						
Net investment in capital assets	2,623,736	1,957,878	452,358	407,706	3,076,094	2,365,584
Restricted for construction	2,141	-	1,000	667	3,141	667
Restricted for debt service	1,135	887	-	261	1,135	1,148
Restricted for JPA	211,088	215,099	-	-	211,088	215,099
Restricted - other	2,290	2,559	-	-	2,290	2,559
Unrestricted	(423,647)	32,259	11,773	42,359	(411,874)	74,618
<b>Total net position</b>	<b>2,416,743</b>	<b>2,208,682</b>	<b>465,131</b>	<b>450,993</b>	<b>2,881,874</b>	<b>2,659,675</b>
<b>Total liabilities and net position</b>	<b>\$ 6,352,555</b>	<b>\$ 6,063,991</b>	<b>\$ 1,014,975</b>	<b>\$ 993,223</b>	<b>\$ 7,367,530</b>	<b>\$ 7,057,214</b>

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

	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Operating revenue:						
Water	\$ 623,929	\$ 633,840	\$ -	\$ -	\$ 623,929	\$ 633,840
Sewer	-	-	104,385	98,345	104,385	98,345
Power	20,403	7,232	965	666	21,368	7,898
Wet weather facilities charges	-	-	30,745	29,435	30,745	29,435
<b>Total operating revenue</b>	<b>644,332</b>	<b>641,072</b>	<b>136,095</b>	<b>128,446</b>	<b>780,427</b>	<b>769,518</b>
Operating expense:						
Raw water	80,046	62,214	-	-	80,046	62,214
Water treatment and distribution	147,854	140,309	-	-	147,854	140,309
Recreation areas, net	5,170	5,268	-	-	5,170	5,268
Sewer lines and pumping	-	-	22,877	18,273	22,877	18,273
Sewer treatment plant operations	-	-	53,714	47,053	53,714	47,053
Customer accounting and collecting	21,461	19,554	2,570	2,352	24,031	21,906
Financial and risk management	24,578	21,368	1,522	1,332	26,100	22,700
Facilities management	6,400	4,146	-	-	6,400	4,146
General administration	31,414	66,274	6,984	6,628	38,398	72,902
Pension expense	32,465	(45,343)	4,409	(6,074)	36,874	(53,417)
OPER expense (credit)	(3,274)	(919)	(731)	(315)	(4,005)	(1,234)
Depreciation on utility plant and vehicle	126,159	121,809	24,546	23,914	150,705	145,723
Amortization	9,885	7,561	1,137	1,149	11,022	8,710
<b>Total operating expense</b>	<b>482,158</b>	<b>402,241</b>	<b>117,028</b>	<b>92,312</b>	<b>599,186</b>	<b>494,553</b>
<b>Net operating income (loss)</b>	<b>162,174</b>	<b>238,831</b>	<b>19,067</b>	<b>36,134</b>	<b>181,241</b>	<b>274,965</b>
Other income (expense):						
Investment income	18,689	(4,254)	3,537	(752)	22,226	(5,006)
Taxes and subventions	46,758	45,499	8,079	7,382	54,837	52,881
Interest and amortization of bond expenses	(101,146)	(98,432)	(14,421)	(14,643)	(115,567)	(113,075)
Interest income (expense) of leases	130	-	45	-	175	-
Interest income (expense) of SBITAs	780	-	-	-	780	-
Increase (decrease) of equity in JPA partnership fund	(4,011)	(4,125)	-	-	(4,011)	(4,125)
Other income (expense)	17,808	13,841	(9,235)	5,807	8,573	19,648
<b>Total other income (expense), net</b>	<b>(20,992)</b>	<b>(47,471)</b>	<b>(11,995)</b>	<b>(2,206)</b>	<b>(32,987)</b>	<b>(49,677)</b>
<b>Income before capital contributions</b>	<b>141,182</b>	<b>191,360</b>	<b>7,072</b>	<b>33,928</b>	<b>148,254</b>	<b>225,288</b>
Capital contributions and grant revenue	68,530	53,012	7,066	6,443	75,596	59,455
Passthrough grant reimbursement	(1,651)	-	-	-	(1,651)	-
<b>Total capital contributions and grant activity</b>	<b>66,879</b>	<b>53,012</b>	<b>7,066</b>	<b>6,443</b>	<b>73,945</b>	<b>59,455</b>
<b>Change in net position</b>	<b>208,061</b>	<b>244,372</b>	<b>14,138</b>	<b>40,371</b>	<b>222,199</b>	<b>284,743</b>
<b>Total net position - beginning</b>	<b>2,208,682</b>	<b>1,964,310</b>	<b>450,993</b>	<b>410,622</b>	<b>2,659,675</b>	<b>2,374,932</b>
<b>Total net position - ending</b>	<b>\$ 2,416,743</b>	<b>\$ 2,208,682</b>	<b>\$ 465,131</b>	<b>\$ 450,993</b>	<b>\$ 2,881,874</b>	<b>\$ 2,659,675</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**  
**(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cash flows from operating activities						
Cash received from customers	\$ 639,307	\$ 636,434	\$ 136,077	\$ 126,347	\$ 775,384	\$ 762,781
Cash payments for judgments and claims	(7,808)	(8,009)	(167)	(162)	(7,975)	(8,171)
Cash payments to suppliers for goods and services	(92,837)	(61,295)	(49,632)	(30,089)	(142,469)	(91,384)
Cash payments to employees for services	(232,856)	(221,883)	(39,075)	(36,847)	(271,931)	(258,730)
<b>Net cash provided by (used for) operating activities</b>	<b>305,806</b>	<b>345,247</b>	<b>47,203</b>	<b>59,249</b>	<b>353,009</b>	<b>404,496</b>
Cash flows from noncapital financing activities:						
Tax receipts	46,758	45,499	8,079	7,382	54,837	52,881
Cash received (paid) from other income	29,166	14,905	(9,164)	5,807	20,002	20,712
<b>Net cash provided by (used for) financing activities</b>	<b>75,924</b>	<b>60,404</b>	<b>(1,085)</b>	<b>13,189</b>	<b>74,839</b>	<b>73,593</b>
Capital and related financing activities:						
Capital contributions	66,879	53,012	7,066	6,443	73,945	59,455
Proceeds from advances for construction	9,564	10,426	-	-	9,564	10,426
Proceeds from sale of capital assets	4,250	642	-	-	4,250	642
Net proceeds and premiums from sale of bonds	-	369,749	-	40,858	-	410,607
Acquisition and construction of capital assets	(456,832)	(315,491)	(56,713)	(42,570)	(513,545)	(358,061)
Principal retirement on long-term debt and commercial paper	(132,404)	(324,494)	(24,960)	(36,450)	(157,364)	(360,944)
Amount paid to refunding bond escrow agent	-	(15,417)	-	-	-	(15,417)
Costs and discounts from issuance on long-term debt	-	(958)	-	(408)	-	(1,366)
Interest received (paid) on Leases	130	-	45	-	175	-
Interest received (paid) on SBITAs	780	-	-	-	780	-
Interest paid on long-term debt	(101,274)	(89,869)	(14,526)	(13,997)	(115,800)	(103,866)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(608,907)</b>	<b>(312,400)</b>	<b>(89,088)</b>	<b>(46,124)</b>	<b>(697,995)</b>	<b>(358,524)</b>
Cash flows from investing activities:						
Proceeds from securities	285,781	342,562	54,139	51,524	339,920	394,086
Expenditures from purchases of securities	(107,059)	(639,477)	(24,986)	(118,420)	(132,045)	(757,897)
Interest received on investments	12,634	(4,682)	2,320	(653)	14,954	(5,335)
<b>Net cash provided by (used for) investing activities</b>	<b>191,356</b>	<b>(301,597)</b>	<b>31,473</b>	<b>(67,549)</b>	<b>222,829</b>	<b>(369,146)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(35,821)</b>	<b>(208,346)</b>	<b>(11,497)</b>	<b>(41,235)</b>	<b>(47,318)</b>	<b>(249,581)</b>
Cash and cash equivalents:						
<b>Beginning of year</b>	<b>130,071</b>	<b>338,417</b>	<b>46,753</b>	<b>87,988</b>	<b>176,824</b>	<b>426,405</b>
<b>End of year</b>	<b>\$ 94,250</b>	<b>\$ 130,071</b>	<b>\$ 35,256</b>	<b>\$ 46,753</b>	<b>\$ 129,506</b>	<b>\$ 176,824</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
(DOLLARS IN THOUSANDS)**

	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Reconciliation of net operating (loss) income to net cash provided by operating activities:						
Net operating income (loss)	\$ 162,174	\$ 238,831	\$ 19,067	\$ 36,134	\$ 181,241	\$ 274,965
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Pension expense	32,465	(45,343)	4,409	(8,074)	36,874	(53,417)
OPEB expense	(3,274)	(919)	(731)	(315)	(4,005)	(1,234)
Depreciation on utility plant and vehicle	126,159	121,323	24,546	23,914	150,705	145,237
Depreciation within Recreation Area	-	486	-	-	-	486
Amortization on intangible assets	9,885	7,561	1,137	1,149	11,022	8,710
Changes in assets/liabilities:						
Materials and supplies	(3,649)	(7,356)	(303)	(993)	(3,952)	(8,349)
Prepaid insurance	(2,667)	(1,691)	(47)	(65)	(2,714)	(1,756)
Customer receivables	(5,025)	(4,638)	(18)	(2,099)	(5,043)	(6,737)
Lease receivable	4,408	-	-	4,408	4,408	-
Other assets	(2,680)	(3,089)	(39)	78	(2,719)	(3,011)
Reserve for claims	(11,198)	10,152	487	(946)	(10,711)	9,206
Accounts payable and accrued expenses	(5,732)	25,775	(1,515)	10,219	(7,247)	35,994
Accrued compensated absences	1,019	2,162	210	247	1,229	2,409
Lease payable	(412)	1,993	-	-	(412)	1,993
SBITAs payable	4,333	-	-	-	4,333	-
Net cash provided by operating activities	\$ 305,806	\$ 345,247	\$ 47,203	\$ 59,249	\$ 353,009	\$ 404,496
Schedule of Non-cash Activities						
Change in Fair Market Value	\$ (2,687)	\$ (7,636)	\$ (343)	\$ (1,134)	\$ (3,030)	\$ (8,770)
Amortization of bond premiums and discounts	(26,894)	7,745	(3,323)	1,295	(30,217)	9,040
Debt refunding related	(509)	(4,321)	(42)	623	(551)	(3,698)
Decrease of JPA investment	(4,011)	(4,125)	-	-	(4,011)	(4,125)
Gain (loss) on sale of capital assets	(11,358)	(1,064)	-	-	(11,358)	(1,064)

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**  
**(DOLLARS IN THOUSANDS)**

	Retirement System Trust Funds		Custodial Funds		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Assets:</b>						
Cash and cash equivalents, at fair value (Note 2)	\$ 27,677	\$ 25,336	\$ 8,536	\$ 8,015	\$ 36,213	\$ 33,351
Invested securities lending collateral	77,906	101,249	-	-	77,906	101,249
Prepaid expenses	575	568	-	-	575	568
Receivables:						
Brokers, securities sold	2,854	923	-	-	2,854	923
Employer	3,705	3,176	-	-	3,705	3,176
Plan members	788	664	-	-	788	664
Custodial fund receivables	-	-	3,004	3,152	3,004	3,152
Interest, dividends, and recoverable taxes	4,833	4,700	32	8	4,865	4,708
<b>Total Receivables</b>	<b>12,180</b>	<b>9,463</b>	<b>3,036</b>	<b>3,160</b>	<b>15,216</b>	<b>12,623</b>
Investments, at fair value (Note 2):						
U.S. government obligations	316,624	268,062	-	-	316,624	268,062
Domestic corporate bonds	180,262	197,497	-	-	180,262	197,497
International bonds	18,808	21,677	-	-	18,808	21,677
Domestic stocks	1,033,791	930,723	-	-	1,033,791	930,723
International stocks	547,519	483,198	-	-	547,519	483,198
Real estate	122,000	125,557	-	-	122,000	125,557
<b>Total Investments</b>	<b>2,219,004</b>	<b>2,026,714</b>	<b>-</b>	<b>-</b>	<b>2,219,004</b>	<b>2,026,714</b>
Capital assets:						
Subscription Asset In-Progress	1,692	-	-	-	1,692	-
Capital assets not being depreciated	-	-	13,743	13,690	13,743	13,690
Capital assets, net of accumulated depreciation	-	-	384,586	393,745	384,586	393,745
<b>Total capital assets, net of accumulated depreciation</b>	<b>1,692</b>	<b>-</b>	<b>398,329</b>	<b>407,435</b>	<b>400,021</b>	<b>407,435</b>
<b>Total Assets</b>	<b>2,339,034</b>	<b>2,163,330</b>	<b>409,901</b>	<b>418,610</b>	<b>2,748,935</b>	<b>2,581,940</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	3,224	2,447	1,055	1,339	4,279	3,786
Accrued liabilities	-	-	-	-	-	-
Payables to brokers, securities purchased	2,597	711	-	-	2,597	711
Securities lending collateral (Note 2B)	77,906	101,249	-	-	77,906	101,249
Long-term liabilities:						
Due in one year	-	-	2,223	1,513	2,223	1,513
Due in more than one year	-	-	1,551	3,774	1,551	3,774
<b>Total Liabilities</b>	<b>83,727</b>	<b>104,407</b>	<b>4,829</b>	<b>6,626</b>	<b>88,556</b>	<b>111,033</b>
<b>Net Position:</b>						
Restricted for pension benefits	2,194,142	2,005,352	-	-	2,194,142	2,005,352
Restricted for post-employment healthcare benefits	61,165	53,571	-	-	61,165	53,571
Net investment in capital assets	-	-	394,555	66,146	394,555	66,146
Restricted for specified purpose	-	-	10,517	345,838	10,517	345,838
<b>Total Net Position</b>	<b>\$ 2,255,307</b>	<b>\$ 2,058,923</b>	<b>\$ 405,072</b>	<b>\$ 411,984</b>	<b>\$ 2,660,379</b>	<b>\$ 2,470,907</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**  
(DOLLARS IN THOUSANDS)

	Retirement System Trust Funds		Custodial Funds		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Additions:</b>						
Contributions:						
Plan members	\$ 106,523	\$ 102,285	\$ -	\$ -	\$ 106,523	\$ 102,285
Employers	22,088	21,127	-	-	22,088	21,127
Joint Power Authority members	-	-	9,432	9,823	9,432	9,823
Grants and other receipts	-	-	3,701	4,814	3,701	4,814
<b>Total Contributions</b>	<b>128,611</b>	<b>123,412</b>	<b>13,133</b>	<b>14,637</b>	<b>141,744</b>	<b>138,049</b>
<b>Investment Income:</b>						
From Investment Activities						
Net appreciation (depreciation)						
in fair value investments:						
Traded securities	193,008	(289,735)	-	-	193,008	(289,735)
Real estate	(5,111)	13,051	-	-	(5,111)	13,051
Interest	21,206	14,434	101	15	21,307	14,449
Dividends	11,243	11,282	-	-	11,243	11,282
Real estate operating income, net	2,909	2,322	-	-	2,909	2,322
<b>Total Investment Income</b>	<b>223,255</b>	<b>(248,646)</b>	<b>101</b>	<b>15</b>	<b>223,356</b>	<b>(248,631)</b>
Less:						
Investment expense	(3,549)	(3,533)	-	-	(3,549)	(3,533)
<b>Net Income from Investment Activities</b>	<b>219,706</b>	<b>(252,179)</b>	<b>101</b>	<b>15</b>	<b>219,807</b>	<b>(252,164)</b>
From Security Lending Activities						
Security lending income	3,195	348	-	-	3,195	348
Borrowers' rebates and other agent fees	(3,069)	(178)	-	-	(3,069)	(178)
<b>Security Lending Activities</b>	<b>126</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>126</b>	<b>170</b>
<b>Net Investment Income</b>	<b>219,832</b>	<b>(252,009)</b>	<b>101</b>	<b>15</b>	<b>219,933</b>	<b>(251,994)</b>
<b>Total Additions, net</b>	<b>348,443</b>	<b>(128,597)</b>	<b>13,234</b>	<b>14,652</b>	<b>361,677</b>	<b>(113,945)</b>
<b>Deductions:</b>						
Benefits paid (Notes 1C & 1D)	149,102	138,582	-	-	149,102	138,582
Refunds of contributions (Note 4)	684	699	-	-	684	699
General and administrative expenses	2,273	1,921	3,825	6,549	6,098	8,470
Professional services expense	-	-	2,653	2,783	2,653	2,783
Operation and maintenance expense	-	-	3,285	3,567	3,285	3,567
Grants and other expenses	-	-	654	1,004	654	1,004
Interest expense	-	-	132	169	132	169
Depreciation expense	-	-	9,597	9,514	9,597	9,514
<b>Total Deductions</b>	<b>152,059</b>	<b>141,202</b>	<b>20,146</b>	<b>23,586</b>	<b>172,205</b>	<b>164,788</b>
<b>Changes in Net Position</b>	<b>196,384</b>	<b>(269,799)</b>	<b>(6,912)</b>	<b>(8,934)</b>	<b>189,472</b>	<b>(278,733)</b>
<b>Net Position - Beginning of the Year</b>	<b>2,058,923</b>	<b>2,328,722</b>	<b>411,984</b>	<b>420,918</b>	<b>2,470,907</b>	<b>2,749,640</b>
<b>Net Position - End of the Year</b>	<b>\$ 2,255,307</b>	<b>\$ 2,058,923</b>	<b>\$ 405,072</b>	<b>\$ 411,984</b>	<b>\$ 2,660,379</b>	<b>\$ 2,470,907</b>

See accompanying notes to basic financial statements.



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**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(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. 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 who determines such matters as rates and charges for services, approval of contracts, and District policies. The Water System provides administrative and other support services to the Wastewater System. These costs are charged to the Wastewater System.

**B. Description of the Component Unit**

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

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

**C. Basis of Presentation**

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

The basic financial statements include prior year comparative information. A complete presentation of the prior year information can be found in the District's financial statements for the year ended June 30, 2022.

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

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

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

Additionally, the District reports the following fiduciary fund:

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**E. Use of Estimates and Assumptions**

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

**F. Capital Assets**

**Utility Plant – at Original Cost**

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

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

**Water Supply Management Program**

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

**Preliminary Survey and Investigation Costs**

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

**Contract Water Rights**

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

**G. Depreciation and Amortization**

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Restricted Assets**

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

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

*Operating Reserves:*

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

*Capital Reserves:*

- Reserve for Capital Projects comprises the resources available for cash funding of the District’s capital improvement program as projected in conjunction with the biennial budget.
- Reserve Funded CIP (Wastewater) balance is a specific designation [Board Motion No. 029-94] used to fund wet and dry weather eligible construction projects.
- 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted funds include the following:

- Debt funded construction funds are the proceeds of bond or commercial paper issues that are restricted for use on eligible projects in the District's capital program.
- Capitalized Interest fund is restricted by the District's bond indenture for the purpose of defraying that bond issue's debt service payments for a specified period.
- Bond Interest and Redemption fund is utilized, in order for the District to transfer funds to the Trustee for the payment of principal and interest on the outstanding bonds one business day prior to the date such payment is due as required under the District's bond indentures. The District uses the Bond Interest and Redemption Fund to segregate funds accumulated for such payments. In addition, under certain of the interest rate swap agreements related to the District's outstanding bonds, the District is required to post collateral to the swap counterparty to the extent that the District's total exposure for termination payments under the swap agreement exceeds the threshold amount specified in the applicable swap agreement. The District also uses the Bond Interest and Redemption Fund to segregate District funds held by the applicable custodian to satisfy this collateral posting obligation.
- Debt Service Reserve fund is created and required to be maintained at a specified level in connection with certain series of the District's outstanding bonds. Amounts in a Bond Reserve Fund may only be used (a) for the payment of principal and interest on the related series of bonds in the event the District fails to transfer the required payment from the related system Revenue Fund (the respective designated part of the General Fund) (b) for the payment or redemption of all of the related series of bonds then outstanding or (c) for the payment of the final principal and interest payments on the related series of bonds.
- Funds received for construction reflect advances received from applicants for work to be performed by the District and the unspent future water supply component of system capacity charges. This fund is used for the construction of major facilities, applicant requested services, and the design and construction of water supply improvement program projects.
- FERC partnership fund of \$2 million was established January 11, 1999, in compliance with Federal Energy Regulatory Commission (FERC) order which brought resolution to its Mokelumne River Proceeding. The District manages the fund and income derived from investing the funds to provide operating support to the Joint Settlement Agreement with US Fish and Wildlife and California Fish and Game to protect the Mokelumne River Ecosystem from Pardee Reservoir to the Delta. The principal and any unused earnings shall remain the property of the District and will revert to the District upon expiration of the agreement in March 2031 or upon withdrawal of any party to the agreement.

Monetary Reserve represents money on deposit in the name of the District with the Automated Power Exchange Inc. (APX) in accordance with the terms and conditions of the Automated Power Exchange Inc. California Master Service Agreement of July 15, 1999, entered between the District and APX for the sale and purchase of electric power. The funds held on deposit shall be withdrawn by the Depository and Clearing Agent in the event that sufficient funds are not deposited in the District settlement account to cover power exchange transactions.

**I. Deferred Amount on Bond Refunding**

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Cash and Cash Equivalents**

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

**K. District Investments**

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

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

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

**L. Retirement System Investments**

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

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

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

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

Retirement Board policies permit the System to use investments of the Plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return collateral for the same securities in the future. The Plan'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, 2023, 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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2023, 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, 2023, had a weighted average maturity of 13 days. The relationship between the maturities of the investment pool and the Plan'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 74 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, 2023, the fair value of securities on loan was \$76,592. The total cash and noncash collateral held by the Plan's custodian to secure these securities on loan was valued at \$77,906 (all cash collateral).

**M. Material and Supplies**

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

**N. Revenue**

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

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

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

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

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

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

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

**GASB Statement No. 94** – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an



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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

**GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. See additional information in Note 9.

**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.

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.

**R. Leases**

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

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently,

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the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

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

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

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

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

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

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

**S. Subscription-Based Information Technology Arrangements**

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

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

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

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

**NOTE 2: CASH AND INVESTMENTS**

**A. Classification**

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

<b><i>District Enterprise Funds:</i></b>	Water System	Wastewater System	Total
Cash and investments included in current assets	\$ 384,245	\$ 95,173	\$ 479,418
Cash and investments included in restricted investments	40,919	1,000	41,919
Total District cash and investments	425,164	96,173	521,337
Less investments	(330,914)	(60,917)	(391,831)
Cash and cash equivalents	\$ 94,250	\$ 35,256	\$ 129,506
<b><i>System Pension Trust Funds:</i></b>	Pension Plan Benefits	Post-employment Healthcare Benefits	Total
Cash and cash equivalents	\$ 26,937	\$ 740	\$ 27,677
Invested securities lending collateral	75,822	2,084	77,906
Retirement system investments	2,159,656	59,348	2,219,004
Total System cash and investments	\$ 2,262,415	\$ 62,172	\$ 2,324,587

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

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

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

**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	per Sec. 16429.1 \$75,000	N/A
California Asset Management Program (CAMP)	N/A	AAAm/AA-f	40%	20%
Investment Trust of California (CalTRUST)	N/A	AAAm/AA-f	40%	20%
Money Market Mutual Funds	N/A	AAAm	20%	5%
Certificates of Time Deposit	1 Year	AA-	20%	\$250
Negotiable Certificates of Deposit	5 Years	AA-	20%	\$250
Commercial Paper	270 Days	A-1+ and A	20%	5% of portfolio or 10%
Medium Term Corporate Notes	5 Years	AA- and A	20%	5%
Repurchase Agreements	270 Days	N/A	20%	N/A
Municipal Bonds	5 Years	AA- and A	20%	5%
Municipal Notes	N/A	SP-1+	20%	5%

The District does not enter into reverse repurchase agreements.

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

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

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

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

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

The Director of Finance is authorized to transfer assets as provided in the Plan'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.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2023 and 2022:

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

***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, 2023:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value Level:</b>			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	\$ -	\$ 7,843	\$ 7,843
Callable	-	5,748	5,748
U.S. Treasury Bills	<u>378,239</u>	<u>-</u>	<u>378,239</u>
Total Investments at Fair Value	<u>\$ 378,239</u>	<u>\$ 13,591</u>	391,830
<b>Investments Measured at Net Asset Value Per Share:</b>			
California Asset Management Program			38,609
<b>Investments Measured at Amortized Cost:</b>			
California Local Agency Investment Fund			23,773
Mutual Funds (U.S. Securities)			<u>23,890</u>
Total Investments			478,102
Cash in banks			<u>43,235</u>
Total District Cash and Investments			<u>\$ 521,337</u>

In fiscal year 2023, U.S. Treasury Bills totaling \$378,239, 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 \$13,591 is classified in Level 2 of the fair value hierarchy, and is 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.

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

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

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

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

**System Pension Trust Fund:**

The following is a summary of the fair value hierarchy of investments held by the System as of June 30, 2023:

Investment Type	Level 1	Level 2	Level 3	Total
<b>Investments by Fair Value:</b>				
Asset Backed Securities	\$ -	\$ 8,799	\$ -	\$ 8,799
Equities	503,545	37	74	503,656
Bank Loans	-	7,729	-	7,729
Commercial Mortgage-Backed	-	8,260	-	8,260
Corporate Bonds	-	125,061	-	125,061
Corporate Convertible Bonds	-	614	-	614
Govt Agencies	-	68,331	-	68,331
Govt Bonds	-	84,199	-	84,199
Govt Mortgage Backed Securities	-	166,356	-	166,356
Non-Govt Backed CMO's	-	610	-	610
Other Fixed Income	-	11,281	-	11,281
Real Estate-Partnerships	-	-	63,224	63,224
Total Investments at Fair Value	\$ 503,545	\$ 481,277	\$ 63,298	1,048,120
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Comingled Funds and Other				1,170,884
Total Investments at Fair Value				2,219,004
Invested Securities Lending Collateral				77,906
<b>Cash and Cash Equivalents:</b>				
California Local Agency Investment Fund				4,302
Cash & Short-term Investments				23,375
Total System Cash and Investments				\$ 2,324,587

Investments classified in Level 1 of the fair value hierarchy, valued at \$503,545 are valued using quoted prices in active markets. \$481,277 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 \$63,298 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.



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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, 2022:

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

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

**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.

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.

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

***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, 2023:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	\$ 7,843	\$ -	\$ -	\$ 7,843
Callable	5,748	-	-	5,748
U.S. Treasury Bills	238,324	131,522	8,393	378,239
Mutual Funds (U.S. Securities)	23,890	-	-	23,890
California Asset Management Program	38,609	-	-	38,609
California Local Agency Investment Fund	23,773	-	-	23,773
	<u>\$ 338,187</u>	<u>\$ 131,522</u>	<u>\$ 8,393</u>	478,102
<i>Cash in banks</i>				<u>43,235</u>
Total District Cash and Investments				<u>\$ 521,337</u>

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

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

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

***System Pension Trust Fund:***

Information about the sensitivity of the fair values of the Plan'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 Plan's investments by maturity or earliest call date:

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	\$ 146	\$ 6,273	\$ 624	\$ 1,756	\$ -	\$ 8,799
Equity Securities	503,656	-	-	-	-	503,656
Bank Loans	-	6,659	1,070	-	-	7,729
Commercial Mortgage-Backed	240	744	-	7,276	-	8,260
Corporate Bonds	3,061	74,522	26,921	20,557	-	125,061
Corporate Convertible Bonds	532	82	-	-	-	614
Govt Agencies	-	16,644	11,870	39,817	-	68,331
Govt Bonds	-	10,032	42,844	31,323	-	84,199
Govt Mortgage Backed Securities	-	417	1,033	164,906	-	166,356
Non-Government Backed C.M.O.	-	-	-	610	-	610
Other Fixed Income	2,070	9,211	-	-	-	11,281
Real Estate-Partnerships	-	-	-	-	63,224	63,224
Comingled Funds and Other	-	-	-	-	1,170,884	1,170,884
<b>Total System Investments</b>	<b>\$ 509,705</b>	<b>\$ 124,584</b>	<b>\$ 84,362</b>	<b>\$ 266,245</b>	<b>\$ 1,234,108</b>	<b>\$ 2,219,004</b>

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

The District and System are participants in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. The District and System's investments with LAIF at June 30, 2023 and 2022 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, 2023 and 2022, the District had investments of \$23,773 and \$38,498, respectively, and System had investments of \$4,302 and \$6,596, respectively, invested in LAIF, which had invested 2.78% and 1.88% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.984828499 and 0.987125414 as of June 30, 2023 and 2022, respectively was used to calculate the fair value of the investments in LAIF.

The Plan'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, 2023 and 2022:

Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	\$ 166,356
Commercial Mortgage - Backed Securities	8,260
Highly Sensitive Investments	Fair Value at Year End
Government Mortgage - Backed Securities	\$ 81,467
Commercial Mortgage - Backed Securities	9,289

**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**  
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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

***District Enterprise Funds:***

Presented below is the actual rating as of June 30, 2023 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa1	Aa2	Aa3	Total
U.S. Government-Sponsored					
Non-Callable	\$ 7,843	\$ -	\$ -	\$ -	\$ 7,843
Callable	5,748	-	-	-	5,748
U.S. Treasury Bills	378,239	-	-	-	378,239
Mutual Funds (U.S. Securities)	23,890	-	-	-	23,890
California Local Agency Investment Fund	23,773	-	-	-	23,773
Totals	<u>\$ 439,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	439,493
<i>Not rated by Moody's:</i>					
California Asset Management Program					38,609
Cash in Banks					<u>43,235</u>
Total District Cash and Investments					<u>\$ 521,337</u>

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

***System Pension Trust Fund:***

Presented below is the actual rating as of June 30, 2023, for each investment type as provided by Moody's or Standard and Poor's, displayed by using Moody's ratings scale.

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	U.S. Government		Total
								Guaranteed	Not Rated	
Asset Backed Securities	\$ 4,081	\$ -	\$ -	\$ 242	\$ -	\$ -	\$ -	\$ -	\$ 4,476	\$ 8,799
Equity Securities	-	-	-	-	-	-	-	-	503,656	503,656
Bank Loans	-	-	-	633	3,294	3,661	-	-	141	7,729
Commercial Mortgage - Backed Securities	3,899	-	-	371	-	-	-	-	3,990	8,260
Corporate Bonds	1,575	9,056	53,322	18,050	19,214	20,168	2,181	-	1,495	125,061
Corporate Convertible Bonds	-	-	-	-	-	532	-	-	82	614
Government Agencies	67,190	-	-	-	-	-	-	1,141	-	68,331
Government Bonds	84,199	-	-	-	-	-	-	-	-	84,199
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	166,238	118	166,356
Non-Government Backed CMO's	-	-	-	-	-	-	-	-	610	610
Other Fixed Income	-	-	-	-	-	-	-	-	11,281	11,281
Real Estate - Partnerships	-	-	-	-	-	-	-	-	63,224	63,224
Comingled Funds and Other	-	-	-	-	-	-	-	-	1,170,884	1,170,884
<b>Total System Investments</b>	<b>\$ 160,944</b>	<b>\$ 9,056</b>	<b>\$ 53,322</b>	<b>\$ 19,296</b>	<b>\$ 22,508</b>	<b>\$ 24,361</b>	<b>\$ 2,181</b>	<b>\$ 167,379</b>	<b>\$ 1,759,957</b>	<b>\$ 2,219,004</b>

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

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

**H. Concentration Risk**

The District has no significant investments in the securities of any individual issuers, other than U.S. Treasury securities and California Asset Management Program as of June 30, 2023.

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

***System Pension Trust Fund:***

As of June 30, 2023, and June 30, 2023, 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 \$3,681 and \$2,456 on behalf of the System as of June 30, 2023 and 2022, respectively. The financial institution which holds these deposits is required by state law to maintain collateral pools against all public deposits they hold.

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**Notes to Basic Financial Statements**  
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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**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, 2023:

Foreign Currency	Market Value
Euro	\$ 1

The Fund's investment policy permits investments in Non-US Equity of up to 25%. The Fund's current position is 0.00005%.

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

Foreign Currency	Market Value
Euro	\$ 5

The Fund's investment policy permits investments in Non-US Equity up to 25%. The Fund's current position is 0.0005%.

**J. Custodial Credit Risk**

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

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

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

As of June 30, 2023 and 2022, the Plan's brokers/dealers held \$0 in cash exposed to custodial credit risk.

**K. Partnership Funds**

**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

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**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

CAMP, which is the same as the value of the pool share in accordance with GASB 72 requirements. At June 30, 2023, the fair value was approximate to the District's cost. As of June 30, 2023, the District investment in CAMP is \$38,609.

**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, 2023, the District investment in CalTRUST is \$0.

**L. Joint Powers Authority**

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

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

**NOTE 3: CAPITAL ASSETS**

**A. Summary**

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

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

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



**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 3: CAPITAL ASSETS (CONTINUED)**

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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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, 2023 was as follows:

	Balance at June 30, 2022	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2023
<b>Water System:</b>				
Capital assets, not being depreciated:				
Land	\$ 70,747	\$ -	\$ (23)	\$ 70,724
Rights-of-way	3,043	-	-	3,043
Construction in progress - land/rights of way	216	-	-	216
Construction in progress	722,719	434,959	(214,321)	943,357
Total capital assets, not being depreciated	796,725	434,959	(214,344)	1,017,340
Capital assets, being depreciated/amortized:				
Buildings and improvements	281,261	459	(30)	281,690
System and improvements	5,943,162	201,694	(9,324)	6,135,532
Machinery and equipment	137,496	6,247	(1,796)	141,947
Intangible assets	389,174	5,923	(17,649)	377,448
Lease assets	2,370	-	(827)	1,543
Subscription assets	-	21,894	-	21,894
Total capital assets, being depreciated/amortized:	6,753,463	236,217	(29,626)	6,960,054
Less accumulated depreciation/amortization for:				
Buildings and improvements	(133,913)	(5,522)	29	(139,406)
System and improvements	(2,121,306)	(111,872)	6,963	(2,226,215)
Machinery and equipment	(83,974)	(8,409)	1,713	(90,670)
Intangible assets	(333,260)	(6,161)	868	(338,553)
Lease assets	(377)	(425)	-	(802)
Subscription assets	-	(3,241)	-	(3,241)
Total accumulated depreciation/amortization	(2,672,830)	(135,630)	9,573	(2,798,887)
Total capital assets, being depreciated/amortized, net	4,080,633	100,587	(20,053)	4,161,167
Water System capital assets, net	<u>\$ 4,877,358</u>	<u>\$ 535,546</u>	<u>\$ (234,397)</u>	<u>\$ 5,178,507</u>
<b>Wastewater System:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,218	\$ 143	\$ -	\$ 21,361
Rights-of-way	191	-	-	191
Construction in progress - land/rights of way	329	-	(139)	190
Construction in progress	125,366	56,712	(30,328)	151,750
Total capital assets, not being depreciated	147,104	56,855	(30,467)	173,492
Capital assets, being depreciated/amortized:				
Buildings and improvements	91,194	1,835	-	93,029
System and improvements	1,084,828	27,789	-	1,112,617
Machinery and equipment	17,637	205	-	17,842
Intangible assets	40,223	496	-	40,719
Total capital assets, being depreciated/amortized:	1,233,882	30,325	-	1,264,207
Less accumulated depreciation/amortization for:				
Buildings and improvements	(46,293)	(1,665)	-	(47,958)
System and improvements	(498,388)	(22,047)	-	(520,435)
Machinery and equipment	(13,341)	(834)	-	(14,175)
Intangible assets	(32,503)	(1,210)	-	(33,713)
Total accumulated depreciation/amortization	(590,525)	(25,756)	-	(616,281)
Total capital assets, being depreciated/amortized, net	643,357	4,569	-	647,926
Wastewater System capital assets, net	<u>\$ 790,461</u>	<u>\$ 61,424</u>	<u>\$ (30,467)</u>	<u>\$ 821,418</u>
Business-type activities capital assets, net	<u>\$ 5,667,819</u>	<u>\$ 596,970</u>	<u>\$ (264,864)</u>	<u>\$ 5,999,925</u>

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**NOTE 3: CAPITAL ASSETS (CONTINUED)**

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
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**NOTE 3: CAPITAL ASSETS (CONTINUED)**

**C. Construction in Progress**

Construction in Progress in fiscal 2022-2023 comprises:

	Expended to Date
<b>Water System:</b>	
Treatment plant upgrades	\$ 170,640
Pipeline rebuild	81,682
Open cut reservoir program	70,327
Large diameter pipelines	67,625
Maloney pumping plant & water treatment plant improvements	60,579
Reservoir rehab/maintenance	49,099
Service lateral replacements	48,349
Trench soils management	47,852
Pumping plant rehabilitation	30,031
Mokelumne aqueduct 2 & 3 relining	24,218
Reservoir tower modifications	16,339
Dam operational upgrades	15,923
Pressure zone improvements	15,224
Fuel facility improvements	14,352
Pipeline system improvements	13,386
Raw water infrastructure	12,766
West of hills master plan	12,025
Pipeline relocations	9,844
Water loss control	8,970
Building facilities improvements	8,688
Other construction projects	165,654
	943,573
<b>Wastewater System:</b>	
Interceptors and pump stations	42,957
Digesters	29,824
General wastewater	25,037
Utilities and sitework	10,139
Power generation and biogas	9,808
Effluent discharge	7,165
Wet weather facilities	5,046
Resource recovery	4,357
Electricals and controls	3,922
Secondary	2,753
Preliminary treatment	2,335
Digester upgrades phase 2	784
Dewatering	475
Nutrients	344
Pump station master plan update	300
Other construction projects	6,694
	151,940
Total District construction in progress	\$ 1,095,513

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
(Dollars in Thousands)

**NOTE 3: CAPITAL ASSETS (CONTINUED)**

At June 30, 2023, the District's remaining current major project commitments are estimated to be \$598,240 for the Water System and \$45,874 for the Wastewater System.

Construction in Progress in fiscal 2021-2022 comprises:

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
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**NOTE 3: CAPITAL ASSETS (CONTINUED)**

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

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

Accounts payable and accrued expenses at June 30, 2023 and 2022 consist of:

	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Accounts payable	\$ 44,266	\$ 51,853	\$ 11,223	\$ 9,891	\$ 55,489	\$ 61,744
Accrued salaries	958	6,687	1,411	1,065	2,369	7,752
Other	36,185	28,788	2,209	5,277	38,394	34,065
Total	<u>\$ 81,409</u>	<u>\$ 87,328</u>	<u>\$ 14,843</u>	<u>\$ 16,233</u>	<u>\$ 96,252</u>	<u>\$ 103,561</u>

**NOTE 5: COMPENSATED ABSENCES**

Compensated absences as of June 30, 2023 and 2022, are included on the statement of net position separately from accounts payable and accrued expenses. In previous years, trends have shown that the District employees utilize the accruals annually, therefore, amounts payable are accrued and reported as a current liability on the financial statements.

The changes in compensated absences were as follows:

	Water System		Wastewater System		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Beginning Balance	\$ 41,839	\$ 39,677	\$ 6,671	\$ 6,424	\$ 48,510	\$ 46,101
Additions	40,757	39,607	6,575	6,003	47,332	45,610
Payments	<u>(39,738)</u>	<u>(37,445)</u>	<u>(6,365)</u>	<u>(5,756)</u>	<u>(46,103)</u>	<u>(43,201)</u>
Ending Balance	<u>\$ 42,858</u>	<u>\$ 41,839</u>	<u>\$ 6,881</u>	<u>\$ 6,671</u>	<u>\$ 49,739</u>	<u>\$ 48,510</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 program were last authorized on April 27, 2021.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
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**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 December 2022, the District paid off \$8.0 million in extendable commercial paper for the Wastewater System. As of June 30, 2023, there are no outstanding balances in Water and Wastewater Series extendable commercial paper notes under this program.

The District established its current traditional commercial paper program in December 2015. As of June 30, 2023, \$281 million in Water Series and \$0 in Wastewater Series commercial paper notes were outstanding under this program. The Water Series commercial paper notes included the terms of 58 to 96 days and interest rates ranging from 2.80% to 3.25% as of June 30, 2023, and the terms of 28 to 93 days and interest rates ranging from 0.80% to 1.29% as of June 30, 2022.

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
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**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 2022-2023 are summarized below.

	Original Issue Amount	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year
<b>Water System Revenue Bonds:</b>						
<b>Subordinated Series 2010 B</b>						
5.87%, due 6/1/40	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ 400,000	\$ -
<b>Series 2012 B</b>						
1.00 - 5.00%, due 6/1/26	358,620	41,160	-	41,160	-	-
<b>Series 2014 A</b>						
3.00 - 5.00%, due 6/1/35	128,315	128,315	-	-	128,315	-
<b>Series 2014 B</b>						
2.00 - 5.00%, due 6/1/30	242,730	176,825	-	23,160	153,665	45,630
<b>Series 2014 C</b>						
5.00%, due 6/1/44	75,000	75,000	-	-	75,000	-
<b>Series 2015 A</b>						
4.00 - 5.00%, due 6/1/37	429,360	429,360	-	18,515	410,845	19,390
<b>Series 2015 B</b>						
4.00 - 5.00%, due 6/1/45	74,335	74,335	-	2,325	72,010	1,945
<b>Series 2015 C</b>						
4.00 - 5.00%, due 6/1/45	110,715	110,715	-	-	110,715	2,500
<b>Series 2017 A</b>						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
<b>Series 2017 B</b>						
3.00 - 5.00%, due 6/1/37	309,665	296,160	-	-	296,160	-
<b>Series 2019 A</b>						
5.00%, due 6/1/49	161,820	154,300	-	2,825	151,475	2,965
<b>Series 2022 A</b>						
5.00% - 5.25%, due 6/1/52	133,950	133,950	-	-	133,950	305
<b>Series 2022 B-1</b>						
5.00%, due 6/1/37	72,105	72,105	-	190	71,915	-
<b>Series 2022 B-2</b>						
5.00%, due 6/1/34	103,850	103,850	-	2,270	101,580	6,665
Total water long-term bonds		<u>\$ 2,381,430</u>	<u>\$ -</u>	<u>\$ 90,445</u>	<u>\$ 2,290,985</u>	<u>\$ 79,400</u>



**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 7: LONG-TERM DEBT (CONTINUED)**

	Original Issue Amount	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year
<b>Wastewater System Revenue Bonds:</b>						
<b>Subordinated Series 2010 B</b>						
5.03 - 5.18%, due 6/1/40	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
<b>Series 2014 A</b>						
2.00 - 5.00%, due 6/1/31	82,150	43,610	-	7,095	36,515	7,415
<b>Series 2015 A-1</b>						
5.00%, due 6/1/37	54,805	54,805	-	-	54,805	-
<b>Series 2015 A-2</b>						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
<b>Series 2015 B</b>						
2.10 - 3.35% , due 6/1/30	2,795	1,620	-	180	1,440	185
<b>Series 2017 A</b>						
4.00 - 5.00%, due 6/1/45	69,420	52,810	-	4,735	48,075	4,975
<b>Series 2022 A</b>						
5.00%, due 6/1/45	18,140	18,140	-	1,585	16,555	1,735
<b>Series 2022 B</b>						
5.00%, due 6/1/37	17,345	17,345	-	-	17,345	-
Total wastewater long-term bonds		351,895	-	13,595	338,300	14,310
<b>Total long-term bonds</b>		<b>2,733,325</b>	<b>-</b>	<b>104,040</b>	<b>2,629,285</b>	<b>93,710</b>
<b>Water Loans:</b>						
<b>State Water Resources Control Board</b>						
<b>2008 East Bayshore, Recycled</b>						
<b>Water Project</b>						
2.40%, due 4/1/28	20,100	6,965	-	1,093	5,872	1,119
<b>2018 South Reservoir</b>						
<b>Replacement Project</b>						
1.70%, due 7/1/48	13,998	12,937	-	400	12,537	406
<b>2018 MacArthur Davenport</b>						
<b>Pipeline Replacement Project</b>						
1.70%, due 7/1/49	12,045	11,171	-	329	10,842	335
Total water loans		31,073	-	1,822	29,251	1,860
<b>Total long-term loans</b>		<b>31,073</b>	<b>-</b>	<b>1,822</b>	<b>29,251</b>	<b>1,860</b>
<b>Commercial Paper (see Note 6)</b>						
Water System Commercial Paper		295,000	1,798,220	1,812,220	281,000	
Wastewater System Commercial		8,000	16,000	24,000	-	
Total commercial paper		303,000	1,814,220	1,836,220	281,000	
Amount due within one year		(91,587)	(3,983)	-	(95,570)	
Add: Unamortized premium, net		247,928	-	30,217	217,711	
<b>Total long-term liabilities, net</b>		<b>\$ 3,223,739</b>	<b>\$ 1,810,237</b>	<b>\$ 1,972,299</b>	<b>\$ 3,061,677</b>	<b>\$ 95,570</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
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(Dollars in Thousands)

**NOTE 7: LONG-TERM DEBT (CONTINUED)**

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
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**NOTE 7: LONG-TERM DEBT (CONTINUED)**

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
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**(Dollars in Thousands)**

**NOTE 7: LONG-TERM DEBT (CONTINUED)**

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

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

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

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

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

In December 2022, the District refunded \$14.3 million of the District's Water System Subordinated Revenue Bond Series 2012B maturing on and after June 1, 2024.

**C. Debt Service Requirements**

Annual debt service requirements for fiscal year 2022-2023 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
2024	\$ 81,260	\$ 115,892	\$ 14,310	\$ 16,853	\$ 95,570	\$ 132,745
2025	85,190	111,950	14,975	16,140	100,165	128,090
2026	89,320	107,806	15,670	15,392	104,990	123,198
2027	93,722	103,369	14,030	14,616	107,752	117,985
2028	98,304	98,768	14,730	13,915	113,034	112,683
2029 - 2033	569,607	415,778	72,685	60,120	642,292	475,898
2034 - 2038	723,762	261,017	100,725	35,972	824,487	296,989
2039 - 2043	415,962	87,583	84,255	11,135	500,217	98,718
2044 - 2048	149,088	16,605	6,920	483	156,008	17,088
2049 - 2052	14,021	934	-	-	14,021	934
Totals	<u>\$ 2,320,236</u>	<u>\$ 1,319,703</u>	<u>\$ 338,300</u>	<u>\$ 184,626</u>	<u>\$ 2,658,536</u>	<u>\$ 1,504,329</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**(Dollars in Thousands)**

**NOTE 7: LONG-TERM DEBT (CONTINUED)**

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

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

**NOTE 8: LEASES**

The District implemented GASB Statement No. 87 in the fiscal year ended June 30, 2023, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

Lessee

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

The District is a lessee primarily in three general categories: land, office, and wells. All of these leases are on the Water System. The District recognizes its obligations for various agreements in accordance within GASB Statement No. 87, which measures right to use leased assets, associated accumulated amortization, and the result of which are leases payable. The District is reporting lease right of use assets of \$1,543, accumulated amortization \$802, and leases payable \$1,581 at June 30, 2023.

Right-to-Use Leased Assets:

Land and building leases - The District has seventeen real property lease agreements with various lessors with lease terms ranging from 1 year to 32 years including options for renewal. There are multiple purposes for these leases including:

- Operations of monitoring wells and a pumping station
- Access and installation of utilities service equipment
- Laboratory research to conduct biological tests
- Warehousing equipment

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**  
**(Dollars in Thousands)**

**NOTE 8: LEASES (CONTINUED)**

- Office space for administration and operations
- Maintenance of groundwater monitoring wells
- Water sampling and testing

The District makes monthly payments for the respective leases with ending term dates ranging from year 2024 to 2055.

Right-to-use leased assets include the following as of June 30, 2023:

Lease Type	Major Class of Underlying Assets	Amount of Leased Capital Assets	Accumulated Amortization
Real Estate	Land and buildings	\$ 1,543	\$ 802

Principal and Interest Payment Requirements:

Future principal and interest requirements to maturity for each lease liability as of June 30, 2023 are as follows:

Fiscal Year	Land and Building Leases		
	Principal	Interest	Total
2024	\$ 420	\$ 13	\$ 433
2025	354	16	370
2026	349	20	369
2027	70	7	77
2028	52	6	58
2029-2033	178	26	204
2034-2038	34	8	42
2039-2043	44	12	56
2044-2048	28	9	37
2049-2053	10	4	14
2054-2058	4	2	6
Total	\$ 1,543	\$ 123	\$ 1,666

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

Lessor

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

The District functions as a landlord or lessor to tenants for the right-to-use real estate for the varied purposes including farming, parking, parks and recreation, and for the right to place cellular towers for communications. The District is reporting leases receivable of \$37,768 and deferred inflow of resources of \$37,593 at June 30, 2023.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 8: LEASES (CONTINUED)**

**Inflows of Resources**

Inflows of resources recognized as of June 30, 2023 consisted of the following:

Inflows of Resources	Water System	Wastewater System	Total
Lease Revenue	\$ 3,086	\$ 1,424	\$ 4,510
Interest Revenue	92	23	115
Total	<u>\$ 3,178</u>	<u>\$ 1,447</u>	<u>\$ 4,625</u>

A description of the general types of lessor leases follows:

*Land Leases* – the District oversees and manages thirty properties ranging from 1 year to 25-year agreements with each lease entered with different lessees. The purpose of these leases include granting rights for the purposes of parking, parks and recreation, livestock grazing, access to limited septic systems, storage of shipping containers, and creation of a vehicle refueling station. Based on these agreements, the District is receiving annual or monthly payments from the respective leases with ending term dates ranging from 2024 through 2043. Renewal options are present for several, but not all, of the leases typically ranging in increments of 5 years either once or twice for respective leases.

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

*Telecom Leases* – the District oversees and manages 43 telecom leases, with all but one residing on the Water Side. The leases range from 1 year to 10-year agreements, with most of them being 5-year terms with 5-year renewal options. There are various lessees, all of which are for the purpose of communications and include AT&T, Verizon, T-Mobile, Sprint, and related sector entities. Based on these agreements, the District is receiving monthly payments through 2033.

The tables below summarize the total remaining lease receivables/deferred lease receivables/deferred lease inflows and lease interest receivable at estimated discount rates, based on generic credit spreads for AA rated tax-exempt entities for each respective lease as of June 30, 2023:

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

Fiscal Year	Land		Total
	Principal	Interest	
2024	\$ 830	\$ 39	\$ 869
2025	839	53	892
2026	868	71	939
2027	706	78	784
2028	661	87	748
2029-2033	822	122	944
2034-2038	258	59	317
2039-2043	125	32	157
Total	<u>\$ 5,109</u>	<u>\$ 541</u>	<u>\$ 5,650</u>

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**NOTE 8: LEASES (CONTINUED)**

Telecom			
Fiscal Year	Principal	Interest	Total
2024	\$ 2,194	\$ 100	\$ 2,294
2025	2,071	133	2,204
2026	1,862	161	2,023
2027	1,709	188	1,897
2028	1,665	219	1,884
2029-2033	8,180	1,256	9,436
2034-2038	2,285	423	2,708
Total	<u>\$ 19,966</u>	<u>\$ 2,480</u>	<u>\$ 22,446</u>

Water System Total			
Fiscal Year	Principal	Interest	Total
2024	\$ 3,025	\$ 139	\$ 3,164
2025	2,909	187	3,096
2026	2,730	232	2,962
2027	2,415	265	2,680
2028	2,326	306	2,632
2029-2033	9,002	1,379	10,381
2034-2038	2,543	481	3,024
2039-2043	125	32	157
Total	<u>\$ 25,075</u>	<u>\$ 3,021</u>	<u>\$ 28,096</u>

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

Billboard			
Fiscal Year	Principal	Interest	Total
2024	\$ 358	\$ 5	\$ 363
2025	358	5	363
2026	378	6	384
2027	393	6	399
2028	393	6	399
2029-2033	950	15	965
Total	<u>\$ 2,830</u>	<u>\$ 43</u>	<u>\$ 2,873</u>

Land			
Fiscal Year	Principal	Interest	Total
2024	\$ 1,041	\$ 17	\$ 1,058
2025	1,107	18	1,125
2026	1,139	20	1,159
2027	1,138	19	1,157
2028	1,148	18	1,166
2029-2033	2,469	44	2,513
2034-2038	1,217	23	1,240
Total	<u>\$ 9,259</u>	<u>\$ 159</u>	<u>\$ 9,418</u>



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**NOTE 8: LEASES (CONTINUED)**

Telecom			
Fiscal Year	Principal	Interest	Total
2024	\$ 65	\$ 3	\$ 68
2025	66	4	70
2026	67	6	73
2027	74	7	81
2028	77	9	86
2029-2033	255	35	290
Total	<u>\$ 604</u>	<u>\$ 64</u>	<u>\$ 668</u>

Wastewater System Total			
Fiscal Year	Principal	Interest	Total
2024	\$ 1,464	\$ 26	\$ 1,490
2025	1,530	28	1,558
2026	1,584	31	1,615
2027	1,606	32	1,638
2028	1,618	33	1,651
2029-2033	3,674	93	3,767
2034-2038	1,217	23	1,240
Total	<u>\$ 12,693</u>	<u>\$ 266</u>	<u>\$ 12,959</u>

In addition to the leases, the District has some operating agreements that are defined as leases due to the nature of the agreements. These are contracts with vendors that provide a service to the public in exchange for consideration to the District, including maintenance and capital improvements to the leased EBMUD owned facilities. The consideration received by the District is primarily variable based on a percentage of gross receipts by the lessees. Further detail is described herein:

*Concession Contracts/Leases* - The District oversees and manages four concessionaire leases on the Water Side. The leases operate at the Camanche, Pardee, and San Pablo reservoirs. The use of the EBMUD premises conveys rights and privileges for the following activities:

**Camanche Area (2 concessionaires)**

- a. Marinas Moorage, Docks, Slips and Service Stations
- b. Food Service and Store Facilities
- c. Entrance Gates, Parking Lots, Picnic Areas, Staging Areas, and Trails.
- d. Hunting for waterfowl and upland game birds (Separate Concessionaire)

**Pardee Area**

- e. Marinas Moorage, Docks, Slips and Service Station
- f. Food Service and Store Facilities
- g. Entrance Gates, Parking Lots, Day Use Picnic Areas, and Trails.
- h. Overnight Camping and Recreational Vehicle (RV) Facilities

**San Pablo Area**

- i. Boating and Fishing
- j. Boat Rental Marina
- k. Visitor Center Building and Café/Retail Facilities
- l. Alcoholic Beverages
- m. Entrance Gates, Parking, Picnic Areas, and Trails
- n. Miscellaneous facilities

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 8: LEASES (CONTINUED)**

In addition to these three recreational areas, the Lafayette Area, is managed by the District itself and does not rely upon a concessionaire. The Lafayette Recreation Area is a year-round, day-use park used for hiking, jogging, fishing, boating, and picnicking.

The concession agreements for Camanche, Pardee, and San Pablo areas vary in length and have been in existence for years. Currently the various agreements have expiration dates ranging from years 2026 to 2031. The agreements have had amendments in the past, typically with options to extend the leases an additional five to ten years and it is probable that these amendments will continue to be in place with further options to extend in multi-year increments. Based on these current agreements, the District is receiving monthly payments through 2031. Each of the concession agreements have variable inflows often depending on gross receipts by the concessionaire. The only fixed portion relates to the Camanche Area concessionaire, who starting in FY2023 agreed to pay the District \$250,000 per annum through the remaining term of the contract in addition to its variable portion.

Camanche and Pardee have contract agreements have franchise fees that are paid to the District, which are variable based on gross receipts.

Camanche, Pardee, and San Pablo also pay into Fishing Access Funds and Maintenance Capital Improvement Funds, which are held in custodianship by the District and audited regularly by the District's internal audit function to ensure compliance with contract agreements. These funds are funded by the concessionaires to ensure that infrastructure at recreational areas will continue at an acceptable level. Funding is not estimable for future years as it is variable depending on gross receipts.

**NOTE 9: SBITAS**

The District implemented GASB Statement No. 96 in the fiscal year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District recognizes its obligations for various agreements in accordance within GASB Statement No. 96, which measures SBITAs – right of use assets of \$21,894, accumulated amortization – SBITAs of \$3,241, and SBITAs payable of \$4,333 at June 30, 2023.

On August 13, 2019, the District entered into an information technology subscription agreement with DLT Solutions to obtain Oracle Fusion Cloud Financial, Procurement, Inventory and Budgeting services for 5 years with an option to renewal for an addition five-year period. The total cost of the initial 5 years plus the 1 five-year extension is \$3,568. The agreement with the extension option ends on August 12, 2029. The remaining summarized debt service schedule on the subscription agreement as of June 30, 2023, is as follows (in thousand):

DLT Solutions			
Fiscal Year	Principal	Interest	Total
2024	\$ 306	\$ 47	\$ 353
2025	328	40	368
2026	339	32	371
2027	347	23	370
2028	356	15	371
2029-2033	427	6	433
Total	<u>\$ 2,103</u>	<u>\$ 163</u>	<u>\$ 2,266</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 9: SBITAS (CONTINUED)**

On March 13, 2018, the District commenced services in an information technology subscription agreement entered with ConvergeOne to obtain Cloud based data-voice hosting, application and support services for 5 years with an option to renewal for 2 additions one-year period. The total cost of the initial 5 years plus the 2 one-year extensions is \$385. The agreement with the extension options ends on March 12, 2025. The remaining summarized debt service schedule on the subscription agreement as of June 30, 2023, is as follows (in thousand):

Converge One			
Fiscal Year	Principal	Interest	Total
2024	\$ 202	\$ 6	\$ 208
2025	155	2	157
Total	\$ 357	\$ 8	\$ 365

On January 24, 2023, the District commenced services in an information technology subscription agreement entered with Crayon Software Experts LLC for supplying Microsoft Enterprise Agreement for Microsoft Office 365, Enterprise Mobility and Security, Endpoint Operating Systems, and management software required to manage the District's workstation fleet for three years, beginning on February 1, 2023 for a total cost, after the addition of taxes, not to exceed \$2,235. The agreement ends on January 31, 2026. The remaining summarized debt service schedule on the subscription agreement as of June 30, 2023, is as follows (in thousand):

Crayon Software Experts, LLC			
Fiscal Year	Principal	Interest	Total
2024	\$ 698	\$ 37	\$ 735
2025	737	20	757
2026	438	4	442
Total	\$ 1,873	\$ 61	\$ 1,934

**NOTE 10: 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.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 11: 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.

**B. Retirement Benefits and Allowances**

Within the Pension Plan, 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, 2022 (date of latest actuarial valuation), there were 1,806 participants receiving these health care benefits.

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Eligible participants are reimbursed up to \$450 per month for service members and up to \$550 for members with a spouse or registered domestic partner for any combined health, dental, or long-term care insurance premiums paid by the participant or his/her surviving spouse. Effective July 1, 1999, retirees may be reimbursed up to the designated maximum for the combined health insurance premiums for themselves, their current spouses, or registered domestic partners. The benefits were funded entirely by the District on an actuarial basis up until June 17, 2002. Effective June 18, 2002, a portion of the post-employment healthcare benefit costs is recovered through employee contributions. The actual benefits paid in cash to retirees were \$9,705 and \$9,341 for the years ended June 30, 2023 and 2022, respectively.

Membership in the OPEB Plan consisted of the following as of June 30, 2022, the measurement date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,806
Terminated plan members entitled to but not yet receiving benefits	360
Active plan members	1,895
Total	<u>4,061</u>

**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, 2023 are as follows:

1980 Plan:

Pension plan:	
Employer service cost	18.42%
Toward unfunded pension liability	23.95%

Other post-employment benefits:

Employer normal cost	1.05%
Unfunded actuarial accrued liability	3.74%

2013 Plan:

Pension plan:	
Employer service cost	9.72%
Toward unfunded pension liability	23.60%

Other post-employment benefits:

Employer normal cost	0.75%
Unfunded actuarial accrued liability	3.77%

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

District adopted contribution rates for fiscal year 2023-2024 are as follows:

1980 Plan:

Pension plan:	
Employer service cost	19.24%
Toward unfunded pension liability	24.49%
Other post-employment benefits:	
Employer normal cost	0.99%
Unfunded actuarial accrued liability	3.76%

2013 Plan:

Pension plan:	
Employer service cost	10.20%
Toward unfunded pension liability	24.49%
Other post-employment benefits:	
Employer normal cost	0.76%
Unfunded actuarial accrued liability	3.76%

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

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

Valuation date	June 30, 2022
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; experience gains/losses are amortized over separate decreasing 20 year periods. On or after July 1, 2021, assumption or method 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.
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Actuarial assumptions:	
Net Investment Return	6.75%, net of Pension Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.25% based on years of service
Inflation rate	2.50%
Cost-of-living adjustments	2.75% per annum
Mortality	Pre-retirement: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020.
	Post-retirement:
	<i>Healthy Members</i> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.
	<i>Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.
	<i>Beneficiaries</i> - Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

\*Includes inflation of 2.50% plus across the board salary increase of 0.50% plus merit and promotional increases.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

**E. Contributions Required and Contributions Made**

Contributions for the years ended June 30, 2023, and June 30, 2022, based on the June 30, 2022, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

	2023			2022
	Pension	Healthcare Benefit Plan	Total	
Regular contributions:				
District contributions	\$ 95,103	\$ 11,420	\$ 106,523	\$ 102,285
Member contributions	21,794	223	22,017	21,014
	116,897	11,643	128,540	123,299
Other contributions:				
Member buybacks	71	-	71	113
	\$ 116,968	\$ 11,643	\$ 128,611	\$ 123,412

Regular District and member contributions in fiscal year 2023 represent an aggregate of 43.03% and 8.89% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.70% of covered payroll. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2023, was \$247,569 which was 89.73% of the total District payroll of \$275,899.

The total District contributions of \$106,523 is comprised of the normal cost of \$40,734 and the unfunded actuarial accrued liability of \$65,789.

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

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

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 11: 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:

	2023	2022
Total Pension Liability	\$ 2,835,771	\$ 2,605,614
Plan Fiduciary Net Position	(2,005,352)	(2,270,763)
Employer Net Pension Liability	<u>\$ 830,419</u>	<u>\$ 334,851</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.72%	87.15%
Covered Payroll	\$ 233,940	\$ 221,809
Liability as a Percentage of Covered Payroll	354.97%	150.96%

The actuarial assumptions used in the June 30, 2022 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020 and the June 30, 2022 Economic Assumptions Review report dated November 8, 2022. Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers' net pension liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The net pension liability was measured as of June 30, 2022 and 2021, while the total pension liability was determined based upon the results of the actuarial valuations as of June 30, 2022 and 2021, respectively.

For the year ended June 30, 2023, the District recognized pension expense as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions made after measurement date	\$ (81,712)	\$ (13,392)	\$ (95,104)
Current year changes in the net pension liability:			
Service cost	44,479	7,227	51,706
Interest on total pension liability	156,101	25,363	181,464
Member contributions	(17,992)	(2,923)	(20,915)
Projected earnings on investments	(136,149)	(22,121)	(158,270)
Difference in expected and actual earnings	69,537	11,298	80,835
Other	(1,799)	(1,043)	(2,842)
Total current year activity	<u>114,177</u>	<u>17,801</u>	<u>131,978</u>
<b>Total pension expense</b>	<u>\$ 32,465</u>	<u>\$ 4,409</u>	<u>\$ 36,874</u>

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Water	Wastewater	Water	Wastewater
Pension contributions subsequent to measurement date	\$ 81,712	\$ 13,392	\$ -	\$ -
Differences between expected and actual experiences	46,209	7,508	22,929	-
Changes of assumption	90,374	14,684	-	-
Change in proportion and difference between employer contributions and proportionate share of contributions	1,593	1	1	1,593
Net difference between projected and actual earnings on pension plan investments	128,569	20,890	-	3,726
<b>Total</b>	<b>\$ 348,457</b>	<b>\$ 56,475</b>	<b>\$ 22,930</b>	<b>\$ 5,319</b>

A total of \$95,103 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, 2024. 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	Water	Wastewater
June 30		
2024	\$ 65,609	\$ 9,952
2025	54,839	8,370
2026	27,578	4,170
2027	86,523	13,846
Thereafter	9,266	1,426
	<u>\$ 243,815</u>	<u>\$ 37,764</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.

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**NOTE 11: 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Real Rate of Return</u>
Domestic Large Cap Equity	21.75%	5.60%
Domestic Small Cap Equity	3.25%	6.63%
Developed International Large Cap Equity	17.50%	6.39%
Emerging Market Equity	7.50%	8.34%
Core Bond	20.00%	0.59%
High-Yield Bond	2.50%	3.22%
Bank Loan	2.50%	2.76%
Real Estate	5.00%	5.00%
Covered Calls	20.00%	5.07%
Total	<u>100.00%</u>	

The discount rates used to measure the total pension liability was 6.75% and 7.00% as of June 30, 2022, and June 30, 2021 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 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, 2022 and June 30, 2021.

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

Changes in net pension liability for fiscal year ended June 30, 2023 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning Balance	\$ 2,605,614	\$ 2,270,763	\$ 334,851
Changes Recognized during the Measurement Period:			
Service cost	51,706	-	51,706
Interest on total pension liability	181,464	-	181,464
Difference between expected and actual experience	54,808	-	54,808
Changes of assumptions	72,119	-	72,119
Contributions from the employer	-	91,393	(91,393)
Contributions from the employee	-	20,915	(20,915)
Net investment income	-	(245,904)	245,904
Benefit payments, including refunds of employee contributions	(129,940)	(129,940)	-
Administrative expenses	-	(1,875)	1,875
Net Changes during the Measurement Period	230,157	(265,411)	495,568
Ending Balance	\$ 2,835,771	\$ 2,005,352	\$ 830,419

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, 2022, calculated using the discount rate of 6.75% 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 (5.75%) or 1- percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 1,202,025	\$ 830,419	\$ 523,303

**G. Net OPEB Liability**

The net OPEB liability (The Plan's liability determined according to GASB 74) as of June 30, is shown below:

	2022	2021
Total OPEB Liability	\$ 181,229	\$ 201,135
Plan Fiduciary Net Position	(53,571)	(57,959)
Employer Net OPEB Liability	\$ 127,658	\$ 143,176

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	29.56%	28.82%
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The actuarial assumptions used in the June 30, 2022 valuation were based on the July 1, 2016 through June 30, 2020 Actuarial Experience Study report dated November 12, 2020, the June 30, 2022 Economic Assumptions Review report dated November 8, 2022, and the Retiree Health assumptions letter dated January 12, 2023. They are the same as the assumptions used in the June 30, 2022, funding actuarial valuation except the discount rate is calculated as a blend of the investment return on plan assets and municipal bond rate in

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

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, 2022 and 2021 and is not adjusted or rolled forward to the June 30, 2023 and 2022 reporting dates.

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

Valuation date	June 30, 2022
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 and retiree health assumption changes are amortized over separate decreasing 20-year periods. The amortization methodology described above correspond to that used in the June 30, 2020 valuation, which determined the ADC for the fiscal year ending June 30, 2022.
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	5.35%, 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	2.50%
Health Care Trend	Non-Medicare: 7.125% graded down to 4.50% over 11 years Medicare: 6.125% graded down to 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 2.50% plus across the board salary increase of 0.50% plus merit and promotional increases.

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**NOTE 11: 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	21.75%	5.60%
Domestic Small Cap Equity	3.25%	6.63%
Developed International Large Cap Equity	17.50%	6.39%
Emerging Market Equity	7.50%	8.34%
Core Bond	20.00%	0.59%
High-Yield Bonds	2.50%	3.22%
Bank Loans	2.50%	2.76%
Real Estate	5.00%	5.00%
Covered Calls	20.00%	5.07%
Total	<u>100.00%</u>	

The municipal bond rates used to determine the blended discount rate, as discussed below, were 3.54% and 2.16% which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2022 and June 30, 2021, respectively.

The discount rates used to measure the total OPEB liability were 5.35% and 3.99% as of June 30, 2022 and June 30, 2021, 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. Only the implicit subsidies for current members were included as employer contributions since the employer is funding the implicit subsidy on a pay-as-you-go basis.

Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make projected future benefit payments for current plan members through June 30, 2049. Therefore, the long-term expected rate of return on OPEB Plan investments (6.75%) was applied to periods of projected benefit payments through June 30, 2049, and the 20-year municipal bond rate (3.54%) was applied to periods after June 30, 2049, to determine the total OPEB liability.

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

Change in Net OPEB liability for fiscal year ended June 30, 2023 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Beginning Balance	\$ 201,135	\$ 57,959	\$ 143,176
Changes Recognized during the Measurement Period:			
Service cost	6,725	-	6,725
Interest on total OPEB liability	8,061	-	8,061
Changes in benefit terms	-	-	-
Difference between expected and actual experience	5,102	-	5,102
Changes of assumptions	(28,016)	-	(28,016)
Contributions from the employer	-	10,892	(10,892)
Contributions from the employee	-	212	(212)
Net investment income	-	(6,105)	6,105
Administrative expenses	-	(46)	46
Benefit payments, including implicit subsidies*	(11,778)	(11,778)	-
Other**	-	2,437	(2,437)
Net Changes during the Measurement Period	(19,906)	(4,388)	(15,518)
Ending Balance	\$ 181,229	\$ 53,571	\$ 127,658

\* Sum of cash benefit payments (\$9,341) and estimated implicit subsidy benefit payments (\$2,436) for 2022.  
Sum of cash benefit payments (\$9,223) and estimated implicit subsidy benefit payments (\$2,421) for 2021.

\*\* 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, 2022, calculated using the discount rate of 5.35% 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 (4.35%) or 1-percentage-point higher (6.35%) than the current rate:

	1% Decrease (4.35%)	Current Discount (5.35%)	1% Increase (6.35%)
Net OPEB Liability	\$ 146,500	\$ 127,658	\$ 111,603

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, 2022, calculated using the current trend rates as well as what the Plan's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 124,586	\$ 127,658	\$ 131,129

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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2023, the District recognized OPEB expense as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions made after measurement date	\$ (9,789)	\$ (1,631)	\$ (11,420)
Current year changes in the net OPEB liability:			
Service cost	5,775	950	6,725
Interest on total OPEB liability	6,923	1,138	8,061
Member contributions	(182)	(30)	(212)
Projected earnings on investments	(3,536)	(581)	(4,117)
Difference in expected and actual earnings	1,756	289	2,045
Other	(4,221)	(866)	(5,087)
Total current year activity	<u>6,515</u>	<u>900</u>	<u>7,415</u>
<b>Total OPEB Expense</b>	<u>\$ (3,274)</u>	<u>\$ (731)</u>	<u>\$ (4,005)</u>

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 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	\$ 9,789	\$ 1,631	\$ -	\$ -
Differences between expected and actual experiences	3,903	642	3,413	561
Changes of assumption	12,928	2,126	19,947	3,280
Change in proportion and difference between employer contributions and proportionate share of contributions	319	-	-	319
Net difference between projected and actual earnings on OPEB plan investments	2,508	412	-	-
<b>Total</b>	<u>\$ 29,447</u>	<u>\$ 4,811</u>	<u>\$ 23,360</u>	<u>\$ 4,160</u>

\$11,420 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, 2024. 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>
2024	\$ 641	\$ (41)
2025	719	1
2026	(1,116)	(243)
2027	(1,276)	(241)
Thereafter	(2,670)	(456)
	<u>\$ (3,702)</u>	<u>\$ (980)</u>



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**NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

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

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods. PEPRA also implemented new contribution requirements for 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	9.72% of Reportable Compensation
Member Normal Cost Contribution Rate as a percentage of payroll	9.41% of Reportable Compensation

The employer contribution rate listed above was in effect as of June 30, 2023. In accordance with the provisions of PEPRA, the member contribution rate shown above was originally set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. Under PEPRA, the member contributions rate is adjusted when the normal cost deviates by 1% or more from the original PEPRA valuation in 2013. The member contribution rate was last adjusted on July 1, 2021. The total normal cost rate for 2013 Plan Members for fiscal year 2023 is 19.13% of payroll.

**NOTE 12: RISK MANAGEMENT**

The District has purchased commercial insurance for general, property, public officials' liability and workers' compensation. During the fiscal year ended June 30, 2023, the District paid \$2,916 for current year coverage.

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

Selected other coverages are:

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

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**NOTE 12: RISK MANAGEMENT (CONTINUED)**

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

Claim expenses and liabilities are recorded when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. As of June 30, 2023, the amount of these liabilities was \$52,407. 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:

	<u>2023</u>	<u>2022</u>
Liability at beginning of year	\$ 63,118	\$ 53,912
Current year claims and changes in estimates	(2,736)	17,377
Payments of claims	<u>(7,975)</u>	<u>(8,171)</u>
Liability at end of year	<u>\$ 52,407</u>	<u>\$ 63,118</u>
Estimated liability:		
Due within one year	\$ 11,992	\$ 11,095
Due in more than one year	40,415	52,023
	<u>\$ 52,407</u>	<u>\$ 63,118</u>

**NOTE 13: KNOWN ENVIRONMENTAL LIABILITIES**

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, provides guidance on accounting and financial reporting for pollution remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. Pollution remediation activities include: pre-cleanup activities, cleanup activities, external government oversight and enforcement, and operation and maintenance of the remedy. The following is a summary of the District's known environmental liabilities as of August 17, 2023, that may meet the requirements of GASB Statement No. 49:

- Under a National Pollutant Discharge Elimination System (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. In 2022, the District achieved interim compliance by exceeding the required benchmarks for reductions in discharge volumes from the wet weather facilities. The Consent Decree is expected to be in place until 2036. The District's cost to meet the requirements in the Consent Decree is approximately \$5 million/year.
- In summer 2016, the Central Valley Regional Water Quality Control Board (CVRWQCB) requested that the District produce a technical report to reexamine the groundwater network at the Camanche North Shore (CANS) and Camanche South Shore (CASS) Wastewater Treatment Plants including the effectiveness of existing monitoring wells and hydraulic connections between the wastewater ponds and the aquifers. The technical report for CANS was provided in March 2017. The CVRWQCB stated in its winter 2018 response that it agreed with the CANS recommendations in the technical report and subsequently required the District to submit a work plan for new well installations as well as conduct additional monitoring. In May 2018, the District submitted its response to the CVRWQCB, including the work plan for the new CANS wells.

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**NOTE 13: KNOWN ENVIRONMENTAL LIABILITIES (CONTINUED)**

The District never received formal approval on the CANS workplan. In March 2022, the District submitted a proposal to the CVRWQCB for an updated CANS groundwater monitoring well network that would enhance the groundwater quality monitoring. The proposal requests that the CVRWQCB's review of the on-file 2018 workplan for new well installations be put on hold until the new network was considered. Once the new proposal is approved, it will result in the installation of five new wells better strategically located, in addition to reducing the network from the current nine wells to a total of six. The District is awaiting a response from CVRWQCB. In August 2018, the District submitted a required technical memorandum for CASS. In September 2018, the District submitted an assessment report for the cap on the closed CASS landfill also required by the CVRWQCB. The CVRWQCB has not responded to either submittal. The CVRWQCB requested additional analysis for the CASS facility which is ongoing. It is possible that the CVRWQCB could mandate the District to construct wastewater treatment pond upgrades. At this preliminary planning stage, it is estimated that the cost would be approximately \$6.6 million to upgrade the existing facilities or, alternatively, approximately \$7.8 million to construct a joint wastewater project with Amador County. Earlier this year, the District conducted a condition assessment of the CASS wastewater treatment plant's groundwater monitoring well network. The existing wells are ending their life span, so the District took a proactive approach to determine if network improvements are available for better groundwater quality monitoring. The District is reviewing the assessment findings and respective recommendations to determine next steps.

- The Alameda County Department of Environmental Health (ACDEH) 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 ACDEH 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 (SWRCB) Low Threat Closure Policy. The ACDEH met with the District in July 2018 to discuss next steps towards site closure. In 2021, the ACDEH requested a Site Conceptual Model and Workplan to help address data gaps for the site. Both were delivered to the ACDEH. The work was conducted, and sampling results delivered to the ACDEH in the summer of 2023. The ACDEH will review the results and potentially recommend further site characterization based on the results that indicate the groundwater plume has not been completely delineated.
- In April 2023 the CVRWQCB requested that the District submit a workplan to address potential non-compliant discharges from watershed lands into Camanche Reservoir. The Lancha Plana Historic Area (Lancha Plana) is located in the north-east portion of Camanche Reservoir. The Lancha Plana pond, which has formed behind an earthen embankment, holds low-pH water from presumed historic mine workings upstream from the site. It is unknown who originally constructed the historic embankment or when. The pond is approximately a half-acre in size and has an average depth of approximately 6 to 8 feet which fluctuates based on precipitation. The earthen embankment has a spillway and has been observed to spill periodically during extreme rainfall events but, dries up relatively quickly after rainfall ceases. The earthen embankment was flagged as a watch area by the District when it incurred minor damage that was discovered during extreme rainfall events in 2017 and in 2023. Actions have been taken to protect the embankment including installation of exclusion fencing to keep cattle away from the embankment to prevent any further degradation.

A plan for temporary repairs was submitted to the CVRWQCB and will be implemented over several months. Once the site is stable, the CVRWQCB may require a permanent remediation solution for the site. Ongoing work at the location may cost up to \$1 million.

- In November 2022 the District removed a 12,000-gallon diesel Underground Storage Tank (UST) from its Fleet East Facility located in the City of Walnut Creek in accordance with regulatory requirements. The tank removal was part of an upgrade project at the vehicle maintenance facility. Required soils monitoring was performed in association with the UST removal and results indicated that in a few locations the soil exceeded Environmental Screening Levels for Total Extractable Petroleum Hydrocarbons (TPH-d). At their request,

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**NOTE 13: KNOWN ENVIRONMENTAL LIABILITIES (CONTINUED)**

the San Francisco Regional Water Quality Control Board (SFRWQCB) has provided a detailed history of tank removals at the site. After review they may require additional monitoring and/or remediation at the facility to obtain site closure under their SWRCB Low Threat Closure Policy. Ongoing sampling, monitoring and potential remediation work may cost up to \$100,000 depending on the agreed upon scope.

- The District operates many facilities throughout Northern California that have NPDES permits, waste discharge requirements, and air permits. The total estimated liability for all known violations, excluding the items detailed above, is less than \$350,000.

**NOTE 14: 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 15: 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 2015, the District's CVP capital and deficit balances would each be reduced by approximately 20%. The balances must be paid off by 2030.

**NOTE 16: SETTLEMENT PAYMENT**

Pursuant to Board Resolution No. 35337-23, the Board of Directors approved an agreement to settle the matter of Waste Management of Alameda County, Inc. versus EBMUD, Alameda County Superior Court, Case No. RG21094336, for \$15 million to be paid to the plaintiff from the Wastewater System fund. The payment was made on March 20, 2023, and is included in other income (expense) in the statements of revenues, expenses, and changes in net position.

**NOTE 17: SUBSEQUENT EVENTS**

The District evaluated subsequent events for recognition and disclosure through October 25, 2023, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

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**REQUIRED SUPPLEMENTAL INFORMATION**

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**  
**(Dollars in thousands)**

**(1) Pension Plan**

Schedule of Changes in Employer's Net Pension Liability:

Reporting Date Measurement Date	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
<b>Total Pension Liability</b>									
Service cost	\$ 51,706	\$ 52,212	\$ 46,124	\$ 44,710	\$ 40,636	\$ 41,106	\$ 37,828	\$ 36,791	\$ 34,987
Interest	181,464	176,878	163,114	154,896	149,324	144,392	138,135	131,595	127,558
Differences between expected and actual experience	54,807	(37,465)	(6,199)	25,974	48,581	(22,641)	5,278	(1,390)	438
Changes of assumptions	72,120	-	104,814	-	12,484	-	52,596	-	18,421
Benefit payments, including refunds of employee contributions	(129,940)	(121,249)	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)	(71,232)
<b>Net change in total pension liability</b>	<b>230,157</b>	<b>70,376</b>	<b>194,465</b>	<b>119,795</b>	<b>152,963</b>	<b>72,152</b>	<b>149,951</b>	<b>89,206</b>	<b>110,172</b>
<b>Total pension liability - beginning</b>	<b>2,605,614</b>	<b>2,535,238</b>	<b>2,340,773</b>	<b>2,220,978</b>	<b>2,068,015</b>	<b>1,995,863</b>	<b>1,845,912</b>	<b>1,756,706</b>	<b>1,646,534</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,835,771</b>	<b>\$ 2,605,614</b>	<b>\$ 2,535,238</b>	<b>\$ 2,340,773</b>	<b>\$ 2,220,978</b>	<b>\$ 2,068,015</b>	<b>\$ 1,995,863</b>	<b>\$ 1,845,912</b>	<b>\$ 1,756,706</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 91,393	\$ 79,252	\$ 77,645	\$ 74,033	\$ 71,221	\$ 67,096	\$ 65,218	\$ 64,177	\$ 61,660
Contributions - employee	20,915	19,136	18,690	17,681	16,860	15,820	14,741	13,260	11,963
Net investment income	(245,904)	481,909	39,973	91,194	147,424	197,977	13,934	59,288	216,601
Benefit payments, including refunds of employee contributions	(129,940)	(121,249)	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)	(71,232)
Administrative expense	(1,875)	(1,876)	(1,453)	(1,477)	(1,521)	(1,403)	(1,289)	(1,269)	(1,233)
<b>Net change in plan fiduciary net position</b>	<b>(265,411)</b>	<b>457,172</b>	<b>21,467</b>	<b>75,646</b>	<b>135,922</b>	<b>188,785</b>	<b>8,718</b>	<b>57,666</b>	<b>217,759</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,270,763</b>	<b>1,813,591</b>	<b>1,792,124</b>	<b>1,716,478</b>	<b>1,580,556</b>	<b>1,391,771</b>	<b>1,383,053</b>	<b>1,325,387</b>	<b>1,107,628</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,005,352</b>	<b>\$ 2,270,763</b>	<b>\$ 1,813,591</b>	<b>\$ 1,792,124</b>	<b>\$ 1,716,478</b>	<b>\$ 1,580,556</b>	<b>\$ 1,391,771</b>	<b>\$ 1,383,053</b>	<b>\$ 1,325,387</b>
<b>Plan's net pension liability - ending (a) - (b)</b>	<b>\$ 830,419</b>	<b>\$ 334,851</b>	<b>\$ 721,647</b>	<b>\$ 548,649</b>	<b>\$ 504,500</b>	<b>\$ 487,459</b>	<b>\$ 604,092</b>	<b>\$ 462,859</b>	<b>\$ 431,319</b>

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**  
(Dollars in thousands)

**(2) Pension Plan**

Schedule of Employer's Net Pension Liability:

<b>Reporting Date</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>Measurement Date</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
Total Pension Liability	\$ 2,835,771	\$ 2,605,614	\$ 2,535,238	\$ 2,340,773	\$ 2,220,978
Plan fiduciary net position	<u>(2,005,352)</u>	<u>(2,270,763)</u>	<u>(1,813,591)</u>	<u>(1,792,124)</u>	<u>(1,716,478)</u>
Net pension liability	<u>\$ 830,419</u>	<u>\$ 334,851</u>	<u>\$ 721,647</u>	<u>\$ 548,649</u>	<u>\$ 504,500</u>
Plan fiduciary net position as a percentage of total pension liability	70.72%	87.15%	71.54%	76.56%	77.28%
Covered payroll*	\$ 233,940	\$ 221,809	\$ 215,110	\$ 203,541	\$ 193,717
Plan net pension liability as a percentage of covered payroll	354.97%	150.96%	335.48%	269.55%	260.43%
<b>Reporting Date</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<i>Measurement Date</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Total Pension Liability	\$ 2,068,015	\$ 1,995,863	\$ 1,845,912	\$ 1,756,706	\$ 1,646,534
Plan fiduciary net position	<u>(1,580,556)</u>	<u>(1,391,771)</u>	<u>(1,383,053)</u>	<u>(1,325,387)</u>	<u>(1,107,628)</u>
Net pension liability	<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	76.43%	69.73%	74.93%	75.45%	67.27%
Covered payroll*	\$ 182,032	\$ 174,586	\$ 166,886	\$ 159,513	\$ 153,707
Plan net pension liability as a percentage of covered payroll	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, 2023**  
(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
2014	\$ 61,600	\$ 61,600	-	\$ 159,513	38.66%
2015	64,177	64,177	-	166,886	38.46%
2016	65,218	65,218	-	174,586	37.36%
2017	67,096	67,096	-	182,032	36.86%
2018	71,221	71,221	-	193,717	36.77%
2019	74,033	74,033	-	203,541	36.37%
2020	77,645	77,645	-	215,110	36.10%
2021	79,252	79,252	-	221,809	35.73%
2022	91,393	91,393	-	233,940	39.07%
2023	95,103	95,103	-	247,569	38.41%

\*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, 2023 are based on the reporting date. Years preceding fiscal year ended June 30, 2023 are based on the measurement date.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**  
(Dollars in thousands)

**(4) Pension Plan**

Schedule of Investment Returns:

Reporting Date	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	10.96%	-10.81%	26.85%	2.27%	5.37%	9.29%	14.46%	0.91%	4.40%	19.42%

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

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

Schedule of Changes in Employer's Net OPEB Liability:

Reporting Date	2023	2022	2021	2020	2019	2018	2017	2016
Measurement Date	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total OPEB Liability</b>								
Service cost	\$ 6,725	\$ 5,538	\$ 4,864	\$ 4,692	\$ 4,827	\$ 5,276	\$ 4,514	\$ 4,460
Interest	8,061	8,608	9,042	9,332	9,265	8,797	9,374	9,159
Differences between expected and actual experience	5,102	(4,383)	704	(2,783)	(3,299)	(1,711)	(3,286)	(309)
Changes of assumptions	(28,016)	7,163	18,913	5,753	(527)	(6,107)	12,471	-
Benefity payments - cash*	-	-	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(11,778)	(11,644)	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
<b>Net change in total OPEB liability</b>	<b>(19,906)</b>	<b>5,282</b>	<b>22,141</b>	<b>5,942</b>	<b>(124)</b>	<b>(3,549)</b>	<b>13,224</b>	<b>3,675</b>
<b>Total OPEB liability - beginning</b>	<b>201,135</b>	<b>195,853</b>	<b>173,712</b>	<b>167,770</b>	<b>167,894</b>	<b>171,443</b>	<b>158,219</b>	<b>154,544</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 181,229</b>	<b>\$ 201,135</b>	<b>\$ 195,853</b>	<b>\$ 173,712</b>	<b>\$ 167,770</b>	<b>\$ 167,894</b>	<b>\$ 171,443</b>	<b>\$ 158,219</b>
<b>Plan fiduciary net position</b>								
Employer Contributions - cash	\$ 10,892	\$ 11,372	\$ 11,089	\$ 10,518	\$ 9,875	\$ 9,764	\$ 9,454	\$ 8,964
Employer Contributions - estimated implicit subsidy	-	-	-	-	-	-	2,164	2,241
Employee Contributions - total	10,892	11,372	11,089	10,518	9,875	9,764	11,618	11,205
Employee Contributions	212	200	195	184	219	198	184	167
Net investment income	(6,105)	11,638	890	2,060	2,925	3,706	271	938
Benefity payments - cash*	-	-	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(11,778)	(11,644)	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Administrative expense	(46)	(46)	(34)	(33)	(30)	(26)	(22)	(20)
Other	2,437	2,421	2,419	2,402	2,075	1,892	-	-
<b>Net change in plan fiduciary net position</b>	<b>(4,388)</b>	<b>13,941</b>	<b>3,177</b>	<b>4,079</b>	<b>4,674</b>	<b>5,730</b>	<b>2,202</b>	<b>2,655</b>
<b>Plan fiduciary net position - beginning</b>	<b>57,959</b>	<b>44,018</b>	<b>40,841</b>	<b>36,762</b>	<b>32,088</b>	<b>26,358</b>	<b>24,156</b>	<b>21,501</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 53,571</b>	<b>\$ 57,959</b>	<b>\$ 44,018</b>	<b>\$ 40,841</b>	<b>\$ 36,762</b>	<b>\$ 32,088</b>	<b>\$ 26,358</b>	<b>\$ 24,156</b>
<b>Plan's net OPEB liability - ending (a) - (b)</b>	<b>\$ 127,658</b>	<b>\$ 143,176</b>	<b>\$ 151,835</b>	<b>\$ 132,871</b>	<b>\$ 131,008</b>	<b>\$ 135,806</b>	<b>\$ 145,085</b>	<b>\$ 134,063</b>

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

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

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**  
**(Dollars in thousands)**

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

Schedule of Employer's Net OPEB Liability:

Reporting Date <i>Measurement Date</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Total OPEB Liability	\$ 181,229	\$ 201,135	\$ 195,853	\$ 173,712	\$ 167,770	\$ 167,894	\$ 171,443	\$ 158,219
Plan fiduciary net position	(53,571)	(57,959)	(44,018)	(40,841)	(36,762)	(32,088)	(26,358)	(24,156)
Net OPEB liability	<u>\$ 127,658</u>	<u>\$ 143,176</u>	<u>\$ 151,835</u>	<u>\$ 132,871</u>	<u>\$ 131,008</u>	<u>\$ 135,806</u>	<u>\$ 145,085</u>	<u>\$ 134,063</u>
Plan fiduciary net position as a percentage of total OPEB liability	29.56%	28.82%	22.48%	23.51%	21.91%	19.11%	15.37%	15.27%
Covered-employee payroll	\$ 233,940	\$ 221,809	\$ 215,110	\$ 203,541	\$ 193,717	\$ 182,032	\$ 174,586	\$ 166,886
Plan net OPEB liability as a percentage of covered-employee payroll	54.57%	64.55%	70.58%	65.28%	67.63%	74.61%	83.10%	80.33%

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

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

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2014	\$ 8,457	\$ 8,457	\$ -	\$ 159,513	5.30%
2015	8,964	8,964	-	166,886	5.37%
2016	9,454	9,454	-	174,586	5.42%
2017	9,764	9,764	-	182,032	5.36%
2018	9,875	9,875	-	193,717	5.10%
2019	10,518	10,518	-	203,541	5.17%
2020	11,089	11,089	-	215,110	5.16%
2021	11,372	11,372	-	221,809	5.13%
2022	10,892	10,892	-	233,940	4.66%
2023	11,420	11,420	-	247,569	4.61%

\*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, 2023 are based on the reporting date. Years preceding fiscal year ended June 30, 2023 are based on the measurement date.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**  
**(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, 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 (prior to July 1, 2021); and experience gains/losses are amortized over separate decreasing 20 year periods. On or after July 1, 2021, assumption or method 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 Pension Plan investment expense, including inflation
Average projected salary increases*	Ranges from 4.00% to 9.50% based on years of service
Inflation rate	2.75%
Cost-of-living adjustments	2.75% per annum
Mortality	<i>Pre-retirement:</i> Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-retirement:</i> <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 increases of 0.50% plus merit and promotional increases.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**  
**(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, 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 and retiree health assumption changes are amortized over separate decreasing 20-year periods. The amortization methodology described above corresponds to that used in the June 30, 2020 valuation, which determined the ADC for the fiscal year ending June 30, 2022.
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:	
Investment Rate of Return	7.00%, net of OPEB Plan investment expense, including inflation
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 down to 4.50% over 9 years Medicare: 6.125% graded down to 4.50% over 7 years
HIB increases	0.00%
Mortality	<i>Pre-retirement</i> : Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-Retirement Healthy Members</i> - 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>Post-Retirement Disabled Members</i> - 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>Beneficiaries</i> - 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.

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

**SUPPLEMENTAL INFORMATION**

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**COMBINING STATEMENT OF NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
(With summarized comparative financial information as of June 30, 2022)  
(DOLLARS IN THOUSANDS)

	2023			2022	
	Pension plan benefits	Post- employment healthcare benefits		Total	Total
<b>Assets:</b>					
Cash and cash equivalents, at fair value (Note 5)	\$ 26,937	\$ 740	\$ 27,677	\$ 25,336	101,249
Invested securities lending collateral	75,822	2,084	77,906	568	923
Prepaid expenses	-	575	575	3,176	664
Receivables:					
Brokers, securities sold	2,777	77	2,854	4,700	9,463
Employer	3,299	406	3,705	-	-
Plan members	788	-	788	-	-
Interest, dividends, and recoverable taxes	4,704	129	4,833	-	-
<b>Total Receivables</b>	<b>11,568</b>	<b>612</b>	<b>12,180</b>	<b>12,180</b>	<b>9,463</b>
Investments, at fair value (Note 5):					
U.S. government obligations	308,156	8,468	316,624	268,062	197,497
Domestic corporate bonds	175,441	4,821	180,262	18,808	21,677
International bonds	18,305	503	18,808	1,033,791	930,723
Domestic stocks	1,006,142	27,649	1,033,791	547,519	483,198
International stocks	532,875	14,644	547,519	122,000	125,557
Real estate	118,737	3,263	122,000	-	-
<b>Total Investments</b>	<b>2,159,656</b>	<b>59,348</b>	<b>2,219,004</b>	<b>2,219,004</b>	<b>2,026,714</b>
Capital assets:					
Subscription Asset In-Progress	1,647	45	1,692	-	-
<b>Total Assets</b>	<b>2,275,630</b>	<b>63,404</b>	<b>2,339,034</b>	<b>2,339,034</b>	<b>2,163,330</b>
<b>Liabilities:</b>					
Accounts payable and accrued expenses	3,138	86	3,224	2,447	711
Payables to brokers, securities purchased	2,528	69	2,597	77,906	101,249
Securities lending collateral (Note 2B)	75,822	2,084	77,906	-	-
<b>Total Liabilities</b>	<b>81,488</b>	<b>2,239</b>	<b>83,727</b>	<b>83,727</b>	<b>104,407</b>
Net position restricted for pension benefits and post-employment healthcare benefits					
		61,165	2,255,307	2,058,923	-
<b>Total Net Position</b>	<b>\$ 2,194,142</b>	<b>\$ 61,165</b>	<b>\$ 2,255,307</b>	<b>\$ 2,058,923</b>	<b>\$ 2,058,923</b>

See accompanying notes to basic financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
(With summarized comparative financial information as of June 30, 2022)  
(DOLLARS IN THOUSANDS)

	2023		2022	
	Pension plan benefits	Post-employment healthcare benefits	Total	Total
<b>Additions:</b>				
Contributions:				
Employers	95,103	11,420	\$ 106,523	\$ 102,285
Plan members	21,865	223	22,088	21,127
<b>Total Contributions</b>	<b>116,968</b>	<b>11,643</b>	<b>128,611</b>	<b>123,412</b>
<b>Investment Income:</b>				
From Investment Activities				
Net appreciation (depreciation) in fair value investments:				
Traded securities	187,991	5,017	193,008	(289,735)
Real estate	(4,979)	(132)	(5,111)	13,051
Interest	20,665	551	21,206	14,434
Dividends	10,951	292	11,243	11,282
Real estate operating income, net	2,833	76	2,909	2,322
<b>Total Investment Income</b>	<b>217,451</b>	<b>5,804</b>	<b>223,255</b>	<b>(248,646)</b>
Less:				
Investment expense	(3,457)	(92)	(3,549)	(3,533)
<b>Net Income from Investment Activities</b>	<b>213,994</b>	<b>5,712</b>	<b>219,706</b>	<b>(252,179)</b>
From Security Lending Activities				
Security lending income	3,112	83	3,195	348
Borrowers' rebates and other agent fees on securities lending transactions	(2,989)	(80)	(3,069)	(178)
<b>Security Lending Activities</b>	<b>123</b>	<b>3</b>	<b>126</b>	<b>170</b>
<b>Net Investment Income</b>	<b>214,117</b>	<b>5,715</b>	<b>219,832</b>	<b>(252,009)</b>
<b>Total Additions, net</b>	<b>331,085</b>	<b>17,358</b>	<b>348,443</b>	<b>(128,597)</b>
<b>Deductions:</b>				
Benefits paid (Notes 1C & 1D)	139,397	9,705	149,102	138,582
Refunds of contributions (Note 4)	684	-	684	699
Administrative expenses	2,214	59	2,273	1,921
<b>Total Deductions</b>	<b>142,295</b>	<b>9,764</b>	<b>152,059</b>	<b>141,202</b>
<b>Changes in Net Position</b>	<b>188,790</b>	<b>7,594</b>	<b>196,384</b>	<b>(269,799)</b>
<b>Net Position - Beginning of the Year</b>	<b>2,005,352</b>	<b>53,571</b>	<b>2,058,923</b>	<b>2,328,722</b>
<b>Net Position - End of the Year</b>	<b>\$ 2,194,142</b>	<b>\$ 61,165</b>	<b>\$ 2,255,307</b>	<b>\$ 2,058,923</b>

See accompanying notes to basic financial statements.



**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**COMBINING STATEMENT OF NET POSITION - CUSTODIAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
(With summarized comparative financial information as of June 30, 2022)  
(DOLLARS IN THOUSANDS)

	2023					
	Dublin San					
	Bay Area Clean Water Agencies	Municipal Utility District/Recycled Water Authority	Freeport Regional Water Authority	Mokelumne River Watershed Authority*	Upper Watershed Authority*	Total
	\$	\$	\$	\$	\$	\$
<b>Assets:</b>						
Cash and cash equivalents, at fair value (Note 2)	3,375	1,393	2,983	785	8,536	8,015
Accounts receivable:						
Miscellaneous receivables	2	2,379	411	212	3,004	3,152
Interest receivable	17	8	7	-	32	8
<b>Total Receivables</b>	<b>19</b>	<b>2,387</b>	<b>418</b>	<b>212</b>	<b>3,036</b>	<b>3,160</b>
Capital assets:						
Capital assets not being depreciated	-	2,041	11,702	-	13,743	13,690
Capital assets, net of accumulated depreciation	-	67,298	317,288	-	384,586	393,745
<b>Total capital assets, net of accumulated depreciation</b>	<b>-</b>	<b>69,339</b>	<b>328,990</b>	<b>-</b>	<b>398,329</b>	<b>407,435</b>
<b>Total Assets</b>	<b>3,394</b>	<b>73,119</b>	<b>332,391</b>	<b>997</b>	<b>409,901</b>	<b>418,610</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	97	615	79	264	1,055	1,339
Long-term liabilities:						
Due in one year	-	2,223	-	-	2,223	1,513
Due in more than one year	-	1,551	-	-	1,551	3,774
<b>Total Liabilities</b>	<b>97</b>	<b>4,389</b>	<b>79</b>	<b>264</b>	<b>4,829</b>	<b>6,626</b>
<b>Net Position:</b>						
Net investment in capital assets	-	65,565	328,990	-	394,555	66,146
Restricted for specified purpose	3,297	3,165	3,322	733	10,517	345,838
<b>Total Net Position</b>	<b>\$ 3,297</b>	<b>\$ 68,730</b>	<b>\$ 332,312</b>	<b>\$ 733</b>	<b>\$ 405,072</b>	<b>\$ 411,984</b>

\* Upper Mokelumne River Watershed Authority is presented using the most recent fiscal year-end. Therefore, 2023 and 2022 information are as of September 30, 2022 and September 30, 2021, respectively.

**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - EMPLOYEES' RETIREMENT SYSTEM TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
 (With summarized comparative financial information as of June 30, 2022)  
 (DOLLARS IN THOUSANDS)

	2023					
	Bay Area Clean Water Agencies	Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority	Freepoint Regional Water Authority	Mokelumne River Watershed Authority*	Total	2022 Total*
<b>Additions:</b>						
Contributions - members	\$ 1,456	\$ 5,949	\$ 1,789	\$ 238	\$ 9,432	\$ 9,823
Grants and other receipts	1,624	-	1,269	808	3,701	4,814
<b>Total Contributions</b>	<b>3,080</b>	<b>5,949</b>	<b>3,058</b>	<b>1,046</b>	<b>13,133</b>	<b>14,637</b>
<b>Investment Income:</b>						
Interest	53	23	24	1	101	15
<b>Total Investment Income</b>	<b>53</b>	<b>23</b>	<b>24</b>	<b>1</b>	<b>101</b>	<b>15</b>
<b>Total Additions, net</b>	<b>3,133</b>	<b>5,972</b>	<b>3,082</b>	<b>1,047</b>	<b>13,234</b>	<b>14,652</b>
<b>Deductions:</b>						
General and administrative expenses	491	430	2,776	128	3,825	6,549
Professional services expense	2,648	5	-	-	2,653	2,783
Operation and maintenance expense	-	3,158	-	127	3,285	3,567
Grants and other expenses	-	-	-	654	654	1,004
Interest expense	-	132	-	-	132	169
Depreciation expense	-	2,301	7,296	-	9,597	9,514
<b>Total Deductions</b>	<b>3,139</b>	<b>6,026</b>	<b>10,072</b>	<b>909</b>	<b>20,146</b>	<b>23,586</b>
<b>Changes in Net Position</b>	<b>(6)</b>	<b>(54)</b>	<b>(6,990)</b>	<b>138</b>	<b>(6,912)</b>	<b>(8,934)</b>
<b>Net Position - Beginning of the Year</b>	<b>3,303</b>	<b>68,784</b>	<b>339,302</b>	<b>595</b>	<b>411,984</b>	<b>420,918</b>
<b>Net Position - End of the Year</b>	<b>\$ 3,297</b>	<b>\$ 68,730</b>	<b>\$ 332,312</b>	<b>\$ 733</b>	<b>\$ 405,072</b>	<b>\$ 411,984</b>

\* Upper Mokelumne River Watershed Authority is presented using the most recent fiscal yearend. Therefore, 2023 and 2022 information are as of September 30, 2022 and September 30, 2021, respectively.

See accompanying notes to basic financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and the aggregate remaining fund information of East Bay Municipal Utility District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2023.

### Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-002 to be a significant deficiency.

### Report on Compliance and Other Matters

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



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

### **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*Lance, Solt & Loughard, LLP*

Sacramento, California  
October 25, 2023



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

## SCHEDULE OF FINDINGS AND RESPONSES

### **Reference Number**

2023-001

### **Evaluation of Finding**

Material Weakness over Financial Reporting

### **Condition**

The District improperly excluded construction payments from accounts payable and construction-in-progress amounting to \$18 million in total activity that occurred during the 2023 fiscal year, from the Water System and Wastewater funds.

### **Criteria**

Per Generally Accepted Accounting Principles, an expense must be recognized as soon as a liability is incurred within the applicable accounting period, for services rendered or goods received. Additionally, activity related to construction-in-progress should be capitalized in the year an associated expense and liability are recognized.

### **Cause of Condition**

During audit test work performed to ensure the completeness of accounts payable, we identified activity that was improperly excluded from accounts payable at June 30, 2023. Through discussions with the District, this was excluded in error, and was not identified during the yearend closing review process over accounts payable and capital asset activity.

### **Effect or Potential Effect of Condition**

If uncorrected, this misstatement would have resulted in a material understatement of accounts payable and capital assets for construction-in-progress activity.

### **Recommendation**

We recommend the District perform a thorough review of invoices that are received subsequent to yearend, including beyond the District's internal cutoff date, in conjunction with their year-end closing, to ensure that items are properly accrued and reflected in the correct fiscal year.

### **Client Response**

The District will enhance its pre-audit review of invoices that are received subsequent to year-end closing to ensure that activity is properly accrued and reflected in the correct fiscal year. The District is also implementing other process improvements in accounts payable to increase efficiency and accuracy.



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

SCHEDULE OF FINDINGS AND RESPONSES  
(continued)

**Reference Number**

2023-002

**Evaluation of Finding**

Significant Deficiency over Inventory Valuation

**Condition**

The inventory balance reported within the inventory module does not reconcile to the inventory balance reported within the general ledger.

**Criteria**

Per Generally Accepted Accounting Principles, financial accounting and reporting should be consistent from one period to the next to ensure financial comparability between periods, which includes a current valuation of assets.

**Cause of Condition**

During audit test work of the reported inventory balance, we identified a variance between the inventory module and the general ledger detail. Through discussions with the District, this variance is a combination of data entry errors, timing differences and system integration issues.

**Effect or Potential Effect of Condition**

A variance between the inventory module, a sub-ledger of the general ledger, can result in an overstatement or understatement of the inventory balance, causing inaccurate representation of the inventory balance.

**Recommendation**

We recommend the District complete a detailed review of the physical inventory count reports and monitoring process. Additionally, we recommend a reconciliation between the physical inventory count reports, inventory module and the general ledger, at minimum twice a year, to ensure the accounting for inventory is accurate.

**Client Response**

The District will conduct a detailed analysis of all inventory transactions recorded in both the inventory subledger and general ledger through fiscal year 2024 to identify specific discrepancies. Additionally, the District will perform a physical inventory count to verify the actual quantities of items on hand. Based on the findings from the analysis and physical inventory count, the District will make necessary adjustments to both the inventory subledger and the general ledger to align the records.