EAST BAY MUNICIPAL UTILITY DISTRICT
BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2026 and 2025

PREPARED BY THE
FINANCE DEPARTMENT

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EAST BAY MUNICIPAL UTILITY DISTRICT

Basic Financial Statements

For the Years Ended June 30, 2026 and 2025

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MAZE & ASSOCIATES

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 (District), California, as of and for the year ended June 30, 2026, 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, 2026, and the respective changes in financial position and, where applicable, cash flows thereof 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, 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 for California Special Districts. 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.

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 the 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.

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, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, 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, *Government Auditing Standards,* and the State Controller's Minimum Audit Standards for California Special Districts, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, in 2026, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information 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.

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 Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is 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.

Report on Summarized Comparative Information

The financial statements of the District as of and for the year ended June 30, 2025, were audited by other auditors whose report has been furnished to us, dated November 17, 2025, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
October 9, 2026

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EAST BAY MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Years Ended June 30, 2026 and 2025

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, 2026. 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 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:

- Overview of the Basic Financial Statements
- Financial Summary
- Detailed Analyses
- Significant Capital Asset and Long-term Financing Activity
- Currently Known Facts, Decisions, or Conditions
- Request for Information

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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 1.5 million people in a 332-square-mile service area across twenty cities and fifteen unincorporated areas. The service area extends from Crockett on the north, south to San Lorenzo (encompassing the major cities of Oakland and Berkeley), eastward from San Francisco to Walnut Creek, and south through the San Ramon Valley. The Wastewater System serves approximately 740,000 people in an 88-square-mile area of Alameda and Contra Costa counties along the Bay's east shore, extending from Richmond on the north, southward to Oakland. The District recovers the costs of service primarily through user fees.

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 and amortization) 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.

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 Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District's fiduciary funds consist 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 System in a trustee capacity for vested and retired employees. The custodial fund is used to account for monies held for Dublin San Ramon Services District (DSRSD)/EBMUD Recycled Water Authority (DERWA) and Freeport Regional Water Authority (FRWA), joint power authorities the District provides accounting and investing services for; and monies held in external investment pools. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 29 to 88 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 90 to 99 of this report.

FINANCIAL SUMMARY

Summary - Financial Highlights

In fiscal year 2026, 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 $3.8 billion (*net position*).

Net position increased by $324 million or 9% during the fiscal year.

Capital assets increased by $382 million or 6% to $7.2 billion.

Operating revenue increased by $44 million or 5% to $979 million.

Operating expense decreased by $2 million or less than 1% to $659 million.

Other nonoperating revenue (expense) decreased by $60 million or 832% to ($68) million.

Capital contributions (included in other nonoperating revenue (expense)) decreased by $17 million or 27% to $47 million.

Summary - Financial Position

In the current year, the District's total net position increased by $324 million or 9% during the fiscal year. The Water System's net position increased by $300 million or 10% and the Wastewater System's net position increased by $24 million or 4%. Current and other assets increased by $166 million or 16%. Capital assets, net of accumulated depreciation and amortization, increased by $382 million or 6%. By far the largest portion of the District's net position, 91% or $3.4 billion, represents its investment in capital assets necessary to provide services.

In the previous fiscal year, the District's total net position increased by $338 million or 11% during the fiscal year. The Water System's net position increased by $299 million or 11% and the Wastewater System's net position increased by $39 million or 8%. Current and other assets increased by $69 million or 7%. Capital assets, net of accumulated depreciation and amortization, increased by $414 million or 6%. By far the largest portion of the District's net position, 96% or $3.3 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, 2026, 2025, and 2024:

Table 1
Net Position
Water and Wastewater
June 30, 2026 and 2025, as restated
(In thousands)

	2026	2025	Variance	%
Current and other assets	$ 1,194,278	$ 1,027,784	$ 166,494	16%
Capital assets	7,195,756	6,813,778	381,978	6%
Total assets	8,390,034	7,841,562	548,472	7%
Deferred outflow of resources	239,929	276,624	(36,695)	(13)%
Total assets and deferred outflow	8,629,963	8,118,186	511,777	6%
Current and other liabilities	1,077,290	1,205,820	(128,530)	(11)%
Long-term liabilities	3,562,881	3,313,766	249,115	8%
Total liabilities	4,640,171	4,519,586	120,585	3%
Deferred inflow of resources	212,790	145,752	67,038	46%
Total liabilities and deferred inflow	4,852,961	4,665,338	187,623	4%
Net position:				
Net investment in capital assets	3,436,322	3,305,255	131,067	4%
Restricted	211,566	212,636	(1,070)	(1)%
Unrestricted	129,114	(65,043)	194,157	(299)%
Total net position	$ 3,777,002	$ 3,452,848	$ 324,154	9%

Table 1
Net Position
Water and Wastewater
June 30, 2025 and 2024, as restated
(In thousands)

	2025	2024	Variance	%
Current and other assets	$ 1,027,784	$ 959,236	$ 68,548	7%
Capital assets	6,813,778	6,400,185	413,593	6%
Total assets	7,841,562	7,359,421	482,141	7%
Deferred outflow of resources	276,624	357,308	(80,684)	(23)%
Total assets and deferred outflow	8,118,186	7,716,729	401,457	5%
Current and other liabilities	1,205,820	1,311,561	(105,741)	(8)%
Long-term liabilities	3,313,766	3,197,914	115,852	4%
Total liabilities	4,519,586	4,509,475	10,111	0%
Deferred inflow of resources	145,752	92,708	53,044	57%
Total liabilities and deferred inflow	4,665,338	4,602,183	63,155	1%
Net position:				
Net investment in capital assets	3,305,255	3,025,148	280,107	9%
Restricted	212,636	212,435	201	0%
Unrestricted	(65,043)	(123,037)	57,994	(47)%
Total net position, as restated	$ 3,452,848	$ 3,114,546	$ 338,302	11%

DETAILED ANALYSES

Detailed Analyses - Results of Operations

In the current fiscal year, the District's total operating revenue of $979 million for the year increased by $44 million and total operating expense of $659 million for the year decreased by $2 million. The change in net position (including capital contributions) decreased from $338 million in the previous fiscal year to $324 million in the current fiscal year. The District's total net position increased from $3,453 million to $3,777 million during the current fiscal year.

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

- Water revenue increased by $29 million or 4% due to a 6.5% rate increase at the beginning of fiscal year 2026 offset by a decrease in billed water consumption.
- Wastewater revenue increased by $8 million or 7% primarily due to an 8.5% rate increase at the beginning of fiscal year 2026.
- Power revenue increased by less than $1 million or 1% due to modestly higher hydropower generation sales in the current fiscal year.
- Wet weather facilities charges increased by $3 million or 9% due to an 8.5% rate increase at the beginning of fiscal year 2026.
- Miscellaneous revenue increased by $3 million or 18% primarily due to an increase in other receipts.

- Total operating expense decreased by $2 million, primarily reflecting decreases of $73 million in pension expense and $2 million in financial and risk management expenses offset by increases of $39 million in other post-employment benefits expense, $10 million in sewer treatment plant operations, and $9 million in water treatment and distribution expense. Other major increases in operating expenses were increases of $6 million in depreciation, $3 million in general administration, $2 million in facilities management, and $3 million in sewer lines and pumps. The decrease in pension expense was due to a higher return on the fair value of pension plan assets versus the assumption rate used in the actuarial valuation
- Net other nonoperating (expense) increased by $60 million, primarily due to a $43 million increase in interest and amortization of bond expenses, a $17 million decrease in capital contributions, and a $1 million decrease in other income, offset by a $1 million increase in investment income. Included in other non-operating net expense is investment income (loss) and the net change in the fair value of investments which were $26 million and ($2) million respectively in the current fiscal year, and $25 million and ($2) million respectively in the prior fiscal year. Page 15 contains additional capital contributions information.

In the previous fiscal year, the District's total operating revenue of $935 million for the year increased by $109 million and total operating expense of $661 million for the year increased by $11 million. The change in net position (including capital contributions) increased from $243 million in the fiscal year 2024 to $338 million in the fiscal year 2025. With restatement and prior period adjustments required by GASB Statement No. 100, the District's total net position increased from $3,115 million to $3,453 million during fiscal year 2025.

The major components of the District's results of operations in fiscal year 2025 were:

- Water revenue increased by $84 million or 13% primarily due to an 8.5% rate increase at the beginning of fiscal year 2025 and an increase in billed water consumption.
- Wastewater revenue increased by $8 million or 7% due to an 8.5% rate increase at the beginning of fiscal year 2025.
- Power revenue decreased by $3 million or 19% due to below average runoff leading to lower hydropower generation in fiscal year 2025 but still exceeded the total budgeted amount.
- Wet weather facilities charges increased by $3 million or 9% due to an 8.5% rate increase at the beginning of fiscal year 2025.
- Total operating expense increased by $11 million, primarily reflecting an increase of $13 million in raw water expense. Other major increases in operating expense were increases of $12 million in depreciation, $7 million in water treatment and distribution, $4 million in general administration, $4 million in financial and risk management, $3 million in sewer lines and pumps, and $3 million in sewer treatment plant operations. Offsetting these increases was a decrease of $37 million in pension expense due to a higher return on the fair value of pension plan assets versus the assumption rate used in the actuarial valuation
- Net other nonoperating (expense) decreased by $28 million, primarily due to a $33 million decrease in interest and amortization of bond expenses offset by a $6 million decrease in investment income. Included in non-operating net expense is investment income (loss) and the net change in the fair value of investments which were $25 million and ($2) million respectively in fiscal year 2025, and $22 million and $7 million respectively in fiscal year 2024.
- Capital contributions decreased by $13 million, primarily due to a decrease in earned standard service installments, which were offset by increases of $11 million in System Capacity Charges (SCC) and $2 million in Wastewater Capacity Fees (WCF). Grants and other reimbursements decreased by $2 million due to a decrease in state grants monies received and a decrease in Proposition 1 passthrough grant reimbursements. Page 15 contains additional capital contributions information.

Table 2 shows changes in the District's net position for the fiscal years ended June 30, 2026, 2025, and 2024:

Table 2

Changes in Net Position

Water and Wastewater

June 30, 2026 and 2025

(In thousands)

	2026	2025	Variance	%
Operating revenue:				
Water	$ 780,223	$ 750,957	$ 29,266	4%
Sewer	125,204	116,957	8,247	7%
Power	12,982	12,820	162	1%
Wet weather facilities charges	39,399	36,193	3,206	9%
Miscellaneous revenue	20,875	17,707	3,168	18%
Total operating revenue	978,683	934,634	44,049	5%
Operating expense:				
Raw water	76,377	76,806	(429)	(1)%
Water treatment & distribution	172,093	163,056	9,037	6%
Recreation areas, net	6,501	6,187	314	5%
Sewer lines & pumps	30,033	26,632	3,401	13%
Sewer treatment plant operations	69,660	60,018	9,642	16%
Customer accounting & collecting	27,852	28,194	(342)	(1)%
Financial and risk management	30,232	32,310	(2,078)	(6)%
Facilities management	12,067	10,476	1,591	15%
General administration	65,505	62,152	3,353	5%
Pension expense	(52,745)	20,340	(73,085)	(359)%
OPEB expense	36,008	(3,052)	39,060	(1,280)%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	175,519	169,067	6,452	4%
Amortization	9,775	9,135	640	7%
Total operating expense	658,877	661,321	(2,444)	(0)%
Net operating income (loss)	319,806	273,313	46,493	17%
Noncapital subsidies:				
Taxes & subventions	63,377	61,969	1,408	2%
Intergovernmental revenue	8,728	10,291	(1,563)	(15)%
Total noncapital subsidies	72,105	72,260	(155)	(0)%
Net operating income (loss) and noncapital subsidies	391,911	345,573	46,338	13%
Other nonoperating income (expense):				
Investment income (loss)	23,971	23,013	958	4%
Interest & amortization of bond expenses	(131,995)	(88,510)	(43,485)	49%
Interest income of Leases	-	493	(493)	(100)%
Interest income of SBITAs	-	(1,080)	1,080	(100)%
Increase (decrease) of Equity in JPA partnership fund	(3,931)	(3,969)	38	(1)%
Capital contribution and grant revenue	46,744	64,106	(17,362)	(27)%
Other income	(2,546)	(1,324)	(1,222)	92%
Total other nonoperating income (loss), net	(67,757)	(7,271)	(60,486)	832%
Change in net position	324,154	338,302	(14,148)	(4)%
Total net position – beginning	3,452,848	3,114,546	338,302	11%
Total net position – ending	$ 3,777,002	$ 3,452,848	$ 324,154	9%

Table 2

Changes in Net Position

Water and Wastewater

June 30, 2025 and 2024, as restated

(In thousands)

	2025	2024 [1]	Variance	%
Operating revenue:				
Water	$ 750,957	$ 667,215	$ 83,742	13%
Sewer	116,957	109,268	7,689	7%
Power	12,820	15,839	(3,019)	(19)%
Wet weather facilities charges	36,193	33,312	2,881	9%
Miscellaneous revenue	17,707	-	17,707	N/A
Total operating revenue	934,634	825,634	109,000	13%
Operating expense:				
Raw water	76,806	64,044	12,762	20%
Water treatment & distribution	163,056	156,164	6,892	4%
Recreation areas, net	6,187	5,374	813	15%
Sewer lines & pumps	26,632	23,639	2,993	13%
Sewer treatment plant operations	60,018	57,339	2,679	5%
Customer accounting & collecting	28,194	24,857	3,337	13%
Financial and risk management	32,310	28,180	4,130	15%
Facilities management	10,476	9,425	1,051	11%
General administration	62,152	57,964	4,188	7%
Pension expense	20,340	56,846	(36,506)	(64)%
OPEB expense	(3,052)	(1,921)	(1,131)	59%
Depreciation (excluding amounts reported within the Water and Wastewater operations)	169,067	157,335	11,732	7%
Amortization	9,135	11,096	(1,961)	(18)%
Total operating expense	661,321	650,342	10,979	2%
Net operating income (expense)	273,313	175,292	98,021	56%
Noncapital subsidies:				
Taxes & subventions	61,969	-	61,969	N/A
Intergovernmental revenue	10,291	-	10,291	N/A
Total noncapital subsidies	72,260	-	72,260	N/A
Net operating income (loss) and noncapital subsidies	345,573	175,292	170,281	97%
Other nonoperating income (expense): [2]				
Investment income (loss)	23,013	28,957	(5,944)	(21)%
Taxes & subventions	-	61,529	(61,529)	(100)%
Interest & amortization of bond expenses	(88,510)	(121,516)	33,006	(27)%
Interest income of Leases	493	699	(206)	(29)%
Interest income of SBITAs	(1,080)	1,265	(2,345)	(185)%
Increase (decrease) of Equity in JPA partnership fund	(3,969)	(4,080)	111	(3)%
Capital contribution and grant revenue	64,106	-	64,106	N/A
Other income	(1,324)	24,219	(25,543)	(105)%
Total other nonoperating income (loss), net	(7,271)	(8,927)	1,656	(19)%
Income (loss) before contributions	338,302	166,365	171,937	103%
Capital contribution and grant revenue	-	77,435	(77,435)	(100)%
Passthrough grant reimbursement	-	(665)	665	(100)%
Total capital contribution and grant activity	-	76,770	(76,770)	(100)%
Change in net position	338,302	243,135	95,167	39%
Total net position – beginning	3,114,546	2,874,333	240,213	8%
Restatement – trench soil compliances	-	(2,922)	2,922	(100)%
Total net position – ending, as restated	$ 3,452,848	$ 3,114,546	$ 338,302	11%

(1) The information for fiscal year 2024 is presented using the pre-GASB 103 reporting model. As described in Note 1P the District implemented GASB 103 for its fiscal year 2026 and fiscal year 2025 financial statements. Certain line items are reported as they were reported in fiscal year 2024 and certain categories and subtotals are not reported as they did not exist prior to the implementation of GASB 103.

(2) In fiscal year 2024 this classification included all nonoperating revenues and expenses.

Detailed Analysis - Liquidity

The District had $811 million in combined current and noncurrent District cash and investments as of June 30, 2026, an increase of $174 million compared to $637 million as of June 30, 2025. Components of cash and investments for the year ended June 30, 2026 were:

- Water System total combined current and noncurrent cash and investments increased by $148 million compared to the same date of the previous fiscal year. Cash and cash equivalents decreased by a net $183 million compared to the prior year. This was primarily due to a decrease of $283 million from investing activities, offset by increases of $23 million from operating activities, $74 million from capital and related financing activities, and $3 million from noncapital financing activities. Net increase (decrease) in noncurrent investments increased by $275 million primarily due to reallocation of investments between short-term and long-term.

- Wastewater System total combined current and noncurrent cash and investments increased by $26 million compared to the same date in the previous fiscal year. Cash and cash equivalents decreased by a net $32 million compared to the prior year. This was primarily due to decreases of $40 million from investing activities and $7 million from noncapital financing activities, which were offset by increases of less than $1 million from capital and related financing activities and $15 million from operating activities. Net increase (decrease) in noncurrent investments increased by $34 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, 2026, 2025, and 2024:

Table 3
Cash Flows
Water and Wastewater System
June 30, 2026 and 2025
(In thousands)

	2026	2025	Variance	%
Cash and cash equivalents:				
Beginning of year	$ 277,439	$ 198,046	$ 79,393	40%
Net cash provided by operating activities	505,137	467,619	37,518	8%
Net cash provided by noncapital financing activities	61,746	66,042	(4,296)	(7)%
Net cash provided by (used in) capital and related financing activities	(416,626)	(491,474)	74,848	(15)%
Net cash provided by (used in) investing activities	(285,439)	37,206	(322,645)	(867)%
Net increase (decrease) in cash and cash equivalents	(135,182)	79,393	(214,575)	(270)%
End of period	142,257	277,439	(135,182)	(49)%
Investments:				
Beginning of year	359,629	368,946	(9,317)	(3)%
Net increase (decrease) in investments	309,257	(9,317)	318,574	(3,419)%
End of period	668,886	359,629	309,257	86%
Total District Cash and Investments	$ 811,143	$ 637,068	$ 174,075	27%

Table 3
Cash Flows
Water and Wastewater System
June 30, 2025 and 2024
(In thousands)

	2025	2024	Variance	%
Cash and cash equivalents:				
Beginning of year	$ 198,046	$ 129,506	$ 68,540	53%
Net cash provided by operating activities	467,619	411,668	55,951	14%
Net cash provided by noncapital financing activities	66,042	82,422	(16,380)	(20)%
Net cash provided by (used in) capital and related financing activities	(491,474)	(475,518)	(15,956)	3%
Net cash provided by (used in) investing activities	37,206	49,968	(12,762)	(26)%
Net increase (decrease) in cash and cash equivalents	79,393	68,540	10,853	16%
End of period	277,439	198,046	79,393	40%
Investments:				
Beginning of year	368,946	391,831	(22,885)	(6)%
Net increase (decrease) in investments	(9,317)	(22,885)	13,568	(59)%
End of period	359,629	368,946	(9,317)	(3)%
Total District Cash and Investments	$ 637,068	$ 566,992	$ 70,076	12%

Detailed Analysis - Cash and Investments by Fund

In fiscal years 2026 and 2025, 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 $11 million in working capital and $132 million in capital reserve to fund capital projects. Wastewater System increased $3 million in working capital and $23 million in capital reserves to fund capital projects and equipment replacements.

In the previous fiscal year, significant activities were as follows: Water System increased $4 million in working capital and $39 million in capital reserve to fund capital projects. Wastewater System increased $1 million in working capital and $16 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.

Table 4 shows the District's cash and investment by fund for the fiscal years ended June 30, 2026, 2025, and 2024:

Table 4
Cash and Investment by Fund
Water and Wastewater
June 30, 2026 and 2025
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2026	2025	2026	2025	2026	2025	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	114,100	103,300	29,700	27,100	143,800	130,400	13,400	10%
Self-insurance	10,330	9,994	1,679	1,624	12,009	11,618	391	3%
Workers compensation	8,024	7,669	1,305	1,246	9,329	8,915	414	5%
Total operating reserves	282,454	270,963	64,684	61,970	347,138	332,933	14,205	4%
Capital reserves:								
Reserved for capital projects	301,663	170,068	74,839	49,420	376,502	219,488	157,014	72%
Reserve funded CIP - Wastewater	-	-	17,975	17,233	17,975	17,233	742	4%
Vehicle replacements	28,762	27,924	-	-	28,762	27,924	838	3%
Equipment replacements	-	-	-	3,197	-	3,197	(3,197)	(100)%
Total capital reserves	330,425	197,992	92,814	69,850	423,239	267,842	155,397	58%
Total Unrestricted cash and investment	612,879	468,955	157,498	131,820	770,377	600,775	169,602	28%
Restricted Cash and Investments								
Bond interest and redemption fund	195	36	95	39	290	75	215	287%
Debt service reserve fund	2,396	1,136	-	-	2,396	1,136	1,260	111%
Funds received for construction	34,803	31,771	-	-	34,803	31,771	3,032	10%
FERC partnership fund	2,277	2,197	-	-	2,277	2,197	80	4%
Monetary reserve	-	114	1,000	1,000	1,000	1,114	(114)	(10)%
Total restricted cash and investments	39,671	35,254	1,095	1,039	40,766	36,293	4,473	12%
Total District Cash and Investments	$ 652,550	$ 504,209	$ 158,593	$ 132,859	$ 811,143	$ 637,068	$ 174,075	27%

Table 4
Cash and Investment by Fund
Water and Wastewater
June 30, 2025 and 2024
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2025	2024	2025	2024	2025	2024	Amount	%
Unrestricted cash and investment								
Operating reserves:								
Rate stabilization fund	$ 150,000	$ 150,000	$ 32,000	$ 32,000	$ 182,000	$ 182,000	$ -	0%
Working capital reserve	103,300	99,400	27,100	25,900	130,400	125,300	5,100	4%
Self-insurance	9,994	9,133	1,624	1,259	11,618	10,392	1,226	12%
Workers compensation	7,669	7,432	1,246	1,025	8,915	8,457	458	5%
Total operating reserves	270,963	265,965	61,970	60,184	332,933	326,149	6,784	2%
Capital reserves:								
Reserved for capital projects	170,068	131,642	49,420	32,457	219,488	164,099	55,389	34%
Reserve funded CIP - Wastewater	-	-	17,233	16,453	17,233	16,453	780	5%
Vehicle replacements	27,924	27,591	-	-	27,924	27,591	333	1%
Equipment replacements	-	-	3,197	4,571	3,197	4,571	(1,374)	(30)%
Total capital reserves	197,992	159,233	69,850	53,481	267,842	212,714	55,128	26%
Total Unrestricted cash and investment	468,955	425,198	131,820	113,665	600,775	538,863	61,912	11%
Restricted Cash and Investments								
Bond interest and redemption fund	36	152	39	76	75	228	(153)	(67)%
Debt service reserve fund	1,136	1,136	-	-	1,136	1,136	-	0%
Funds received for construction	31,771	23,492	-	-	31,771	23,492	8,279	35%
FERC partnership fund	2,197	2,164	-	-	2,197	2,164	33	2%
Monetary reserve	114	109	1,000	1,000	1,114	1,109	5	0%
Total restricted cash and investments	35,254	27,053	1,039	1,076	36,293	28,129	8,164	29%
Total District Cash and Investments	$ 504,209	$ 452,251	$ 132,859	$ 114,741	$ 637,068	$ 566,992	$ 70,076	12%

Detailed Analysis - Capital Contributions

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

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

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

Capital contributions decreased by $17 million, primarily due to decreases of $17 million in SCC and $4 million in WCF fees, which were offset by an increase of $3 million in earned standard service installments. The decrease in SCC fees and WCF fees collected in fiscal year 2026 was primarily due to a decrease in large development projects caused by a substantial change in the SCC & WCF methodology which the Board adopted on June 9, 2026. More than seventy applicant projects opted to wait until after the new SCC methodology was adopted rather than to proceed in fiscal year 2026. Grants and other reimbursements increased by more than $1 million due to an increase in state grants monies received, offset by a small increase in Proposition 1 passthrough grant reimbursements.

Table 5 shows the District's capital contributions received for the fiscal years ended June 30, 2026, 2025, and 2024:

Table 5
Capital Contributions
Water and Wastewater
June 30, 2026 and 2025
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2026	2025	2026	2025	2026	2025	Amount	%
System capacity charges	$ 19,260	$ 36,459	$ -	$ -	$ 19,260	$ 36,459	$ (17,199)	(47)%
Wastewater capacity fees	-	-	1,699	5,358	1,699	5,358	(3,659)	(68)%
Earned contributions on construction	22,356	19,682	-	-	22,356	19,682	2,674	14%
Grants and other reimbursements*	3,534	2,025	491	816	4,025	2,841	1,184	42%
Passthrough grant reimbursement	(596)	(234)	-	-	(596)	(234)	(362)	155%
Totals	$ 44,554	$ 57,932	$ 2,190	$ 6,174	$ 46,744	$ 64,106	$ (17,362)	(27)%

Table 5
Capital Contributions
Water and Wastewater
June 30, 2025 and 2024, as restated
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2025	2024	2025	2024	2025	2024	Amount	%
System capacity charges	$ 36,459	$ 25,908	$ -	$ -	$ 36,459	$ 25,908	$ 10,551	41%
Wastewater capacity fees	-	-	5,358	3,534	5,358	3,534	1,824	52%
Earned contributions on construction	19,682	43,082	-	-	19,682	43,082	(23,400)	(54)%
Grants and other reimbursements*	2,025	4,572	816	339	2,841	4,911	(2,070)	(42)%
Passthrough grant reimbursement	(234)	(665)	-	-	(234)	(665)	431	(65)%
Totals	$ 57,932	$ 72,897	$ 6,174	$ 3,873	$ 64,106	$ 76,770	$ (12,664)	(16)%

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

The District had $7.2 billion (net of accumulated depreciation and amortization) invested in a broad range of utility capital assets as of June 30, 2026. Total capital assets were $6.8 billion as of June 30, 2025. 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 $382 million or 6% over the prior fiscal year. In fiscal year 2025, capital assets increased by $414 million or 6% over fiscal year 2024. Annual changes are consistent with the District's capital improvement program.

The Water System had $6.3 billion (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2026. 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 $912 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2026. The investment in capital assets includes land, buildings, improvements, power generation, wastewater and wet weather treatment facilities, machinery, and equipment.

Table 6 shows the District's capital assets for the fiscal years ended June 30, 2026, 2025, and 2024:

Table 6
Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2026 and 2025
(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2026	2025	2026	2025	2026	2025	Amount	%
Structures, buildings, and equipment	$ 4,791,236	$ 4,546,132	$ 754,319	$ 694,508	$ 5,545,555	$ 5,240,640	$ 304,915	6%
Intangible assets	48,741	36,535	5,968	6,526	54,709	43,061	11,648	27%
Lease assets	-	1,449	-	-	-	1,449	(1,449)	(100)%
Subscription assets	-	12,802	-	777	-	13,579	(13,579)	(100)%
Land and rights of way	75,110	74,166	22,107	22,086	97,217	96,252	965	1%
Construction work in progress	1,368,661	1,260,623	129,614	158,174	1,498,275	1,418,797	79,478	6%
Totals	$ 6,283,748	$ 5,931,707	$ 912,008	$ 882,071	$ 7,195,756	$ 6,813,778	$ 381,978	6%

Table 6
Capital Assets, Net of Depreciation
Water and Wastewater
June 30, 2025 and 2024
(In thousands)

	Water System		Wastewater System		Total		Increase/(decrease)	
	2025	2024	2025	2024	2025	2024	Amount	%
Structures, buildings, and equipment	$ 4,546,132	$ 4,260,011	$ 694,508	$ 633,087	$ 5,240,640	$ 4,893,098	$ 347,542	7%
Intangible assets	36,535	37,232	6,526	6,885	43,061	44,117	(1,056)	(2)%
Lease assets	1,449	1,849	-	-	1,449	1,849	(400)	(22)%
Subscription assets	12,802	15,110	777	-	13,579	15,110	(1,531)	(10)%
Land and rights of way	74,166	73,882	22,086	22,086	96,252	95,968	284	0%
Construction work in progress	1,260,623	1,155,107	158,174	194,936	1,418,797	1,350,043	68,754	5%
Totals	$ 5,931,707	$ 5,543,191	$ 882,071	$ 856,994	$ 6,813,778	$ 6,400,185	$ 413,593	6%

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.

Long-term Financing

The District had total long-term debt outstanding of $3.7 billion as of June 30, 2026, an 8% increase from June 30, 2025. Total long-term debt outstanding was $3.4 billion as of June 30, 2025, a 4% increase from June 30, 2024.

Components of the District's long-term debt portfolio as of June 30, 2026 are:

- The Water System had total long-term debt outstanding of $3.3 billion.
- The Wastewater System had total long-term debt outstanding of $398 million.

Table 7 shows the District's long-term debt outstanding for the fiscal years ended June 30, 2026, 2025, and 2024:

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2026 and 2025
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2026	2025	2026	2025	2026	2025	Amount	%
Revenue bonds**	$ 3,029,185	$ 2,773,468	$ 398,413	$ 375,862	$ 3,427,598	$ 3,149,330	$ 278,268	9%
Commercial paper	221,000	241,000	-	-	221,000	241,000	(20,000)	(8)%
Loans	23,550	25,491	-	-	23,550	25,491	(1,941)	(8)%
Totals	$ 3,273,735	$ 3,039,959	$ 398,413	$ 375,862	$ 3,672,148	$ 3,415,821	$ 256,327	8%

Table 7
Long -Term Debt
(Net of Unamortized Costs)
Water and Wastewater
June 30, 2025 and 2024
(In thousands)

	Water System		Wastewater System		Total		Increase (decrease)	
	2025	2024	2025	2024	2025	2024	Amount	%
Revenue bonds**	$ 2,773,468	$ 2,641,187	$ 375,862	$ 368,501	$ 3,149,330	$ 3,009,688	$ 139,642	5%
Commercial paper	241,000	261,000	-	-	241,000	261,000	(20,000)	(8)%
Loans	25,491	27,391	-	-	25,491	27,391	(1,900)	(7)%
Totals	$ 3,039,959	$ 2,929,578	$ 375,862	$ 368,501	$ 3,415,821	$ 3,298,079	$ 117,742	4%

**Includes unamortized bond premium and discount. For Water System, the unamortized bond premium was $271 million, $222 million, and $217 million as of June 30, 2026, 2025 and 2024, respectively. For Wastewater System, the net of unamortized bond premium and discount was $40 million, $20 million, and $20 million as of June 30, 2026, 2025 and 2024, respectively.

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

Debt Service Coverage Ratio: Maintain an annual revenue bond debt service coverage ratio of at least 1.6 times. As of June 30, 2026, the coverage ratio for Water was 2.51 and for Wastewater was 2.27; the overall District ratio was 2.48.

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, 2026, the percentage of debt-funded capital spending for Water was 46% and for Wastewater was 43%; the overall District percentage was 45%.

Extendable Commercial Paper and Un-hedged Variable Rate Debt: Maintain an annual limit of 25% of outstanding long-term debt. As of June 30, 2026, the percentage of extended commercial paper and un-hedged variable rate debt compared to total outstanding long-term debt for Water was 7% and for Wastewater was 0%; the overall District percentage was 7%.

Revenue-supported debt authorization for the District can be approved by the District's Board of Directors, subject to a referendum process. As of June 30, 2026, the Water System had $604 million, and the Wastewater System had $77 million in authorized but unissued revenue bonds.

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

Table 8

Credit Ratings

Water and Wastewater

June 30, 2026

	Rating by		
District debt by type	**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.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

For more than a century, the District has supported the East Bay's health, economy, and environment with high-quality water and award-winning wastewater treatment. The fiscal year 2026 and fiscal year 2027 biennial budget addresses the need to renew aging infrastructure, maintain water quality, protect the environment, and ensure financial sustainability.

Ten-Year Capital Improvement Program

Even with planning and foresight, the District faces many challenges that require increased residential and commercial rates to prepare for the future. Aging infrastructure remains one of the District's most pressing challenges. The District's ten-year capital improvement program reflects significant planned investments for critical water and wastewater infrastructure. These improvements will help the District prepare for earthquakes, droughts and wildfires, and address new challenges brought on by a changing climate, such as intense storms, wildfires, new contaminants, varying water sources, stormwater infiltration, and nutrient loads in San Francisco Bay.

- **Water System Top Projects**

  During fiscal year 2026 through fiscal year 2035, planned Water System capital spending totals $5.6 billion, including capital support. Major projects and projected ten-year capital expenses are:

  - Replacement of more than 290 miles of distribution pipeline over the next ten years;
  - Investment in water treatment remains a focal point of the capital improvement program, which includes comprehensive operational and water quality improvements at Orinda, Upper San Leandro, and Walnut Creek treatment plants, and disinfection modernization at Lafayette treatment plant;
  - Replacement of distribution reservoirs is driven by the $200 million Central Reservoir replacement;
  - Replacement of pumping plants will occur regularly at approximately two per year;
  - Other projects include system-wide technology modernization, improvements to the administrative building and maintenance center, and innovations to support efficient water connections for new homes and businesses.

- **Wastewater System Top Projects**

  During fiscal year 2026 through fiscal year 2035, the planned Wastewater System capital spending totals $1.2 billion, including capital support. Major projects are:

  - Rehabilitation of five interceptor segments;
  - Modernization of the influent pump station, oxygen production plant, and secondary reactors and clarifiers;
  - Embarking on a significant nutrient removal project, and engage with new regulatory requirements being simultaneously developed; and
  - Other initiatives include the inception of a new dewatering building and the seismic retrofit of two buildings on the main wastewater treatment plant property.

Rates and Customer Bill Impacts

Water rates and Wastewater rates support the District's needs to upgrade treatment plants and pumping facilities, pipelines, and sewer interceptors. Customer rate increases are necessary to invest in building resilient and reliable water and wastewater systems of the future. Under the adopted average rate increases, in fiscal year 2026, the typical customers experienced monthly increases of $3.77 in their water bills (or 12 cents per day) and $2.17 in wastewater bills (or 7 cents per day) effective July 1, 2025. The increases for fiscal year 2027 result in an additional increase of $4.30 per month for water (or 14 cents per day) and $2.35 per month for wastewater (or 8 cents per day) for the same typical customers, effective July 1, 2026. For Water, this represents a 6.5 percent average rate increase in each of fiscal year 2026 and fiscal year 2027; for Wastewater, the average rate increases are 8.5 percent in fiscal year 2026 and fiscal year 2027.

The fiscal year 2026 and fiscal year 2027 average rate increases and customer bill impacts are shown below. The median single-family residential (SFR) customer uses 5 Units of water per month (about 123 gallons per day) – meaning half of our SFR customers use more water and half use less. We also provide wastewater treatment services for about half of the same service area, and median usage is 4 Units per month.

Table 9

Summary of Adopted Average Rate Increases and
Average Bill Impacts for SFR Customers

	Water System		Wastewater System	
	FY2026	FY2027	FY2026	FY2027
Typical bill increase*/**	$ 3.77	$ 4.30	$ 2.17	$ 2.35
Overall Average Rate Increase***	6.50%	6.50%	8.50%	8.50%

*For Water, typical bill increases are based on 5 Units of usage, or about 123 gallons per day, which is the median usage for Water SFR customers.

**For Wastewater, typical bill increases are based on 4 Units of water usage, which determines billing for wastewater, and is the median for Wastewater customers.

***Overall average rate increases are based on all customers' average bill increases.

Wastewater customers also pay an annual Wet Weather Facilities Charge collected on the property tax bill. The annual charge is based on lot size and increases 8.5 percent in fiscal year 2026, or $12.52 for the smallest lots to $44.70 for the largest lots. In fiscal year 2027, the charge will increase an additional 8.5 percent, an increase that ranges from $13.58 to $48.50 per year.

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, MS402, Oakland, California 94623-1055 or visit our website at http://www.ebmud.com.

EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Net Position
June 30, 2026 and June 30, 2025
(Dollars in Thousands)

Assets	Water System		Wastewater System		Totals	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Current assets:						
Cash and cash equivalents (Note 2)	$ 63,151	$ 182,366	$ 69,456	$ 78,160	$ 132,607	$ 260,526
Investments (Note 2)	549,728	286,589	88,042	53,660	637,770	340,249
Receivables:						
Customer	89,836	89,398	12,104	11,447	101,940	100,845
Lease (Note 1R)	-	2,083	-	1,544	-	3,627
Interest and other	10,402	14,963	5,369	6,744	15,771	21,707
Materials and supplies	51,304	26,913	9,391	8,509	60,695	35,422
Prepaid Insurance	4,064	3,759	730	674	4,794	4,433
Total current assets	768,485	606,071	185,092	160,738	953,577	766,809
Noncurrent assets:						
Restricted assets (Note 2):						
Cash and cash equivalents	8,555	15,874	1,095	1,039	9,650	16,913
Investments	31,116	19,380	-	-	31,116	19,380
Total restricted cash and investments	39,671	35,254	1,095	1,039	40,766	36,293
Other assets:						
Noncurrent lease receivable (Note 1R)	-	14,354	-	6,738	-	21,092
Equity in JPA partnership fund	199,108	203,039	-	-	199,108	203,039
Other	827	545	-	6	827	551
Total other assets	199,935	217,938	-	6,744	199,935	224,682
Capital assets (Note 1R, 1S, 3):						
Structures, buildings, and equipment	7,626,173	7,262,550	1,416,501	1,331,598	9,042,674	8,594,148
Intangible assets	415,186	388,077	43,953	43,241	459,139	431,318
Lease-right to use assets	-	2,494	-	-	-	2,494
SBITAs-right to use assets	-	23,128	-	883	-	24,011
Less accumulated depreciation and amortization	(3,201,382)	(3,079,331)	(700,167)	(673,911)	(3,901,549)	(3,753,242)
Subtotal	4,839,977	4,596,918	760,287	701,811	5,600,264	5,298,729
Land and rights-of-way	75,110	74,166	22,107	22,086	97,217	96,252
Construction in progress	1,368,661	1,260,623	129,614	158,174	1,498,275	1,418,797
Total capital assets, net	6,283,748	5,931,707	912,008	882,071	7,195,756	6,813,778
Total noncurrent assets	6,523,354	6,184,899	913,103	889,854	7,436,457	7,074,753
Total assets	7,291,839	6,790,970	1,098,195	1,050,592	8,390,034	7,841,562
Deferred outflows of resources:						
Debt refundings related (Note 7)	10,021	11,287	-	-	10,021	11,287
Pension related	177,589	203,455	31,418	35,851	209,007	239,306
OPEB related	17,544	21,868	3,357	4,163	20,901	26,031
Total deferred outflows	205,154	236,610	34,775	40,014	239,929	276,624
Total assets and deferred outflows	$ 7,496,993	$ 7,027,580	$ 1,132,970	$ 1,090,606	$ 8,629,963	$ 8,118,186

See accompanying notes to financial statements

(Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Net Position
June 30, 2026 and 2025
(Dollars in Thousands)

Liabilities and Net Position	Water System		Wastewater System		Totals	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Current liabilities:						
Current maturities of long-term debt and Commercial Paper (Note 6 & 7)	$ 95,687	$ 86,385	$ 13,580	$ 15,670	$ 109,267	$ 102,055
Accounts payable and accrued expenses (Note 4)	96,718	92,289	26,680	20,359	123,398	112,648
Compensated absences (Note 5)	46,204	43,852	7,903	7,199	54,107	51,051
Current reserve for claims (Note 10)	12,393	13,127	2,202	899	14,595	14,026
Current lease payable (Note 1R)	-	374	-	-	-	374
Current SBITAs payable (Note 1S)	-	1,211	-	87	-	1,298.00
Accrued interest	14,385	13,216	1,735	1,580	16,120	14,796
Total current liabilities	265,387	250,454	52,100	45,794	317,487	296,248
Noncurrent liabilities:						
Advances for construction	28,308	26,695	-	-	28,308	26,695
Reserve for claims (Note 10)	43,476	43,243	7,517	3,884	50,993	47,127
Net pension liability (Note 9)	452,342	597,701	75,399	100,416	527,741	698,117
Net OPEB liability (Note 9)	117,311	101,191	19,877	17,269	137,188	118,460
Lease payable (Note 1R)	-	1,187	-	-	-	1,187
SBITAs payable (Note 1S)	-	1,503	-	691	-	2,194
Other liabilities	7,437	7,751	8,136	8,041	15,573	15,792
Total other liabilities	648,874	779,271	110,929	130,301	759,803	909,572
Long-term liabilities, net of current maturities (Note 6 & 7)	3,178,048	2,953,574	384,833	360,192	3,562,881	3,313,766
Total noncurrent liabilities	3,826,922	3,732,845	495,762	490,493	4,322,684	4,223,338
Total liabilities	4,092,309	3,983,299	547,862	536,287	4,640,171	4,519,586
Deferred inflows of resources						
Debt refunding related (Note 7)	17,222	26,795	456	497	17,678	27,292
Lease related (Note 1R)	-	15,404	-	7,428	-	22,832
Pension related (Note 9)	136,213	61,565	23,229	10,545	159,442	72,110
OPEB related (Note 9)	30,437	20,078	5,233	3,440	35,670	23,518
Total deferred inflows	183,872	123,842	28,918	21,910	212,790	145,752
Total liabilities and deferred inflows	4,276,181	4,107,141	576,780	558,197	4,852,961	4,665,338
Net position (Note 8):						
Net investment in capital assets	2,946,379	2,816,612	489,943	488,643	3,436,322	3,305,255
Restricted for construction	6,495	5,076	1,000	1,000	7,495	6,076
Restricted for debt service	2,591	1,171	95	39	2,686	1,210
Restricted for JPA	199,108	203,039	-	-	199,108	203,039
Restricted - other	2,277	2,311	-	-	2,277	2,311
Unrestricted	63,962	(107,770)	65,152	42,727	129,114	(65,043)
Total net position	3,220,812	2,920,439	556,190	532,409	3,777,002	3,452,848
Total liabilities and net position	$ 7,496,993	$ 7,027,580	$ 1,132,970	$ 1,090,606	$ 8,629,963	$ 8,118,186

See accompanying notes to financial statements

See accompanying notes to financial statements

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EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2026 and 2025
(Dollars in Thousands)

	Water System		Wastewater System		Total	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Operating revenue:						
Water	$ 780,223	$ 750,957	$ -	$ -	$ 780,223	$ 750,957
Sewer	-	-	125,204	116,957	125,204	116,957
Power	11,981	12,041	1,001	779	12,982	12,820
Wet weather facilities charges	-	-	39,399	36,193	39,399	36,193
Miscellaneous Revenue	17,636	14,112	3,239	3,595	20,875	17,707
Total operating revenue	809,840	777,110	168,843	157,524	978,683	934,634
Operating expense:						
Raw water	76,377	76,806	-	-	76,377	76,806
Water treatment and distribution	172,093	163,056	-	-	172,093	163,056
Recreation areas, net	6,501	6,187	-	-	6,501	6,187
Sewer lines and pumping	-	-	30,033	26,632	30,033	26,632
Sewer treatment plant operations	-	-	69,660	60,018	69,660	60,018
Customer accounting and collecting	24,002	25,119	3,850	3,075	27,852	28,194
Financial and risk management	28,242	30,432	1,990	1,878	30,232	32,310
Facilities management	12,067	10,476	-	-	12,067	10,476
General administration	52,410	51,655	13,095	6,846	65,505	58,501
Pension expense	(44,845)	17,325	(7,900)	3,015	(52,745)	20,340
OPEB expense	30,801	(2,622)	5,207	(430)	36,008	(3,052)
Depreciation on utility plant and vehicle	145,891	143,480	29,628	29,238	175,519	172,718
Amortization	8,578	7,716	1,197	1,419	9,775	9,135
Total operating expense	512,117	529,630	146,760	131,691	658,877	661,321
Net operating income	297,723	247,480	22,083	25,833	319,806	273,313
Noncapital subsidies:						
Taxes and subventions	54,223	52,963	9,154	9,006	63,377	61,969
Intergovernmental revenue	6,498	7,755	2,230	2,536	8,728	10,291
Total noncapital subsidies	60,721	60,718	11,384	11,542	72,105	72,260
Operating income (loss) and noncapital subsidies	358,444	308,198	33,467	37,375	391,911	345,573
Other nonoperating revenue (expense):						
Investment income	19,225	18,012	4,746	5,001	23,971	23,013
Interest and amortization of bond expenses	(116,078)	(78,672)	(15,917)	(9,838)	(131,995)	(88,510)
Interest income of leases	-	368	-	125	-	493
Interest income of SBITAs	-	(1,080)	-	-	-	(1,080)
Increase (decrease) of equity in JPA partnership fund	(3,931)	(3,969)	-	-	(3,931)	(3,969)
Capital contributions	44,554	57,932	2,190	6,174	46,744	64,106
Other income (expense)	(1,841)	(1,324)	(705)	-	(2,546)	(1,324)
Total other nonoperating revenue (expense), net	(58,071)	(8,733)	(9,686)	1,462	(67,757)	(7,271)
Change in net position	300,373	299,465	23,781	38,837	324,154	338,302
Total net position - beginning	2,920,439	2,620,974	532,409	493,572	3,452,848	3,114,546
Total net position - ending	$ 3,220,812	$ 2,920,439	$ 556,190	$ 532,409	$ 3,777,002	$ 3,452,848

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025
(Dollars in Thousands)

	Water System		Wastewater System		Total	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Cash flows from operating activities:						
Cash received from customers	$ 809,402	$ 766,275	$ 168,186	$ 156,212	$ 977,588	$ 922,487
Cash payments for judgments and claims	(8,806)	(11,646)	(97)	(56)	(8,903)	(11,702)
Cash payments to suppliers for goods and services	(92,144)	(82,514)	(52,044)	(57,842)	(144,188)	(140,356)
Cash payments to employees for services	(272,606)	(258,904)	(46,754)	(43,906)	(319,360)	(302,810)
Net cash provided by operating activities	435,846	413,211	69,291	54,408	505,137	467,619
Cash flows from noncapital financing activities:						
Tax receipts	54,223	52,963	9,154	9,006	63,377	61,969
Cash received (paid) from other income	3,025	1,529	(4,656)	2,544	(1,631)	4,073
Net cash provided by noncapital financing activities	57,248	54,492	4,498	11,550	61,746	66,042
Capital and related financing activities:						
Capital contributions	44,554	57,932	2,190	6,174	46,744	64,106
Proceeds from advances for construction	1,613	3,993	-	-	1,613	3,993
Proceeds from sale of capital assets	507	864	-	-	507	864
Net proceeds and premiums from sale of bonds	782,391	816,024	194,610	85,287	977,001	901,311
Acquisition and construction of capital assets	(520,789)	(538,779)	(62,009)	(54,923)	(582,798)	(593,702)
Principal retirement on long-term debt and commercial paper	(545,990)	(700,413)	(171,436)	(78,814)	(717,426)	(779,227)
Costs and discounts from issuance on long-term debt	(1,359)	(1,368)	(664)	(524)	(2,023)	(1,892)
Interest received on leases	-	368	-	125	-	493
Interest paid on SBITAs	-	(1,080)	-	-	-	(1,080)
Interest paid on long-term debt	(124,482)	(75,544)	(15,762)	(10,796)	(140,244)	(86,340)
Net cash provided by (used in) capital and related financing activities	(363,555)	(438,003)	(53,071)	(53,471)	(416,626)	(491,474)
Cash flows from investing activities:						
Proceeds from securities	290,364	285,087	49,719	49,731	340,083	334,818
Expenditures from purchases of securities	(565,239)	(280,583)	(84,101)	(44,917)	(649,340)	(325,500)
Interest received on investments	18,802	22,258	5,016	5,630	23,818	27,888
Net cash provided by (used in) investing activities	(256,073)	26,762	(29,366)	10,444	(285,439)	37,206
Net increase (decrease) in cash and cash equivalents	(126,534)	56,462	(8,648)	22,931	(135,182)	79,393
Cash and cash equivalents:						
Beginning of year	198,240	141,778	79,199	56,268	277,439	198,046
End of period	$ 71,706	$ 198,240	$ 70,551	$ 79,199	$ 142,257	$ 277,439

See accompanying notes to financial statements

(Continued)

EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025
(Dollars in Thousands)

	Water System		Wastewater System		Total	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Reconciliation of net operating income to net cash provided by operating activities:						
Net operating income (loss)	$ 297,723	$ 247,480	$ 22,083	$ 25,833	$ 319,806	$ 273,313
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Pension expense	(44,845)	17,325	(7,900)	3,015	(52,745)	20,340
OPEB expense	30,801	(2,622)	5,207	(430)	36,008	(3,052)
Depreciation on utility plant and vehicle	145,891	143,480	29,628	29,238	175,519	172,718
Amortization of intangible assets	8,578	7,716	1,197	1,419	9,775	9,135
Changes in assets/liabilities:						
Materials and supplies	(24,391)	4,156	(882)	(283)	(25,273)	3,873
Prepaid insurance	(305)	(86)	(56)	(12)	(361)	(98)
Customer receivables	(438)	(10,835)	(657)	(1,312)	(1,095)	(12,147)
Lease receivable	16,437	1,795	8,282	1,621	24,719	3,416
Other assets	4,702	(2,057)	1,112	(149)	5,814	(2,206)
Reserve for claims	(501)	5,378	4,936	36	4,435	5,414
Accounts payable and accrued expenses	4,117	1,809	6,415	(5,353)	10,532	(3,544)
Accrued compensated absences	2,352	421	704	7	3,056	428
Lease payable	(1,561)	(401)	-	-	(1,561)	(401)
SBITAs payable	(2,714)	(348)	(778)	778	(3,492)	430
Net cash provided by operating activities	$ 435,846	$ 413,211	$ 69,291	$ 54,408	$ 505,137	$ 467,619
Schedule of Non-Cash Activities						
Change in fair value	$ (2,853)	$ (2,644)	$ (755)	$ (437)	$ (3,608)	$ (3,081)
Amortization of bond premiums and discounts	$ 48,982	$ 5,517	$ 20,232	$ 160	$ 69,214	$ 5,677
Debt refunding related	$ (9,573)	$ 2,596	$ (41)	$ (42)	$ (9,614)	$ 2,554
Decrease of JPA investment	$ (3,931)	$ (3,969)	$ -	$ -	$ (3,931)	$ (3,969)
Gain (loss) on sale of capital assets	$ (13,772)	$ (10)	$ (1,247)	$ -	$ (15,019)	$ (10)
Lease related deferred inflow of resources	$ (15,404)	$ (1,990)	$ (7,428)	$ (1,481)	$ (22,832)	$ (3,471)

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Fiduciary Net Position
June 30, 2026 and June 30, 2025
(Dollars in Thousands)

	Retirement System Trust Fund		Custodial Funds	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Assets:				
Cash and investments, at fair value (Note 2)	$ 21,904	$ 33,957	$ 12,616	$ 9,323
Invested securities lending collateral	213,245	134,426	-	-
Prepaid expenses	1,239	-	-	-
Receivables:				
Brokers, securities sold	3,508	4,027	-	-
Employer	5,374	5,051	-	-
Plan members	1,200	1,044	-	-
Custodial fund receivable	-	-	5,325	3,437
Interest, dividends, and recoverable taxes	7,706	5,887	48	51
Due from member agencies	-	-	1,776	406
Total Receivables	**17,788**	**16,009**	**7,149**	**3,894**
Retirement system investments, at fair value (Note 2)				
U.S. government obligations	481,261	383,570	-	-
Domestic corporate bonds	446,311	352,157	-	-
International bonds	25,332	15,521	-	-
Domestic stocks	1,347,801	1,262,757	-	-
International stocks	902,722	719,851	-	-
Real estate	55,563	53,323	-	-
Total Investments	**3,258,990**	**2,787,179**	**-**	**-**
Capital assets:				
Intangible asset in progress - Software	10,047	7,339	-	-
Capital assets not being depreciated	-	-	13,833	14,371
Capital assets, net of accumulated depreciation	-	-	357,926	366,378
Total capital assets, net of accumulated depreciation	10,047	7,339	371,759	380,749
Total Assets	**3,523,213**	**2,978,910**	**391,524**	**393,966**
Liabilities:				
Accounts payable and accrued expenses	5,066	3,845	5,697	2,144
Retirement system liabilities	4,154	14,555	-	-
Securities lending collateral (Note 2)	213,245	134,426	-	-
Long-term liabilities:				
Due in one year	-	-	3,405	452
Due in more than one year	-	-	-	633
Total Liabilities	**222,465**	**152,826**	**9,102**	**3,229**
Net Position:				
Restricted for pension benefits	3,200,264	2,743,096	-	-
Restricted for post-employment healthcare benefits	100,484	82,988	-	-
Restricted for specified purpose	-	-	382,422	390,737
Total Net Position	**$ 3,300,748**	**$ 2,826,084**	**$ 382,422**	**$ 390,737**

See accompanying notes to financial statements

EAST BAY MUNICIPAL UTILITY DISTRICT
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2026 and June 30, 2025
(Dollars in Thousands)

	Retirement System Trust Fund		Custodial Funds	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Additions:				
Contributions				
Employer	$ 130,384	$ 122,754	$ -	$ -
Plan members	27,611	24,737	-	-
Joint Power Authority members	-	-	11,265	13,722
Grants and other receipts	-	-	13,044	6,098
Total Contributions	**157,995**	**147,491**	**24,309**	**19,820**
Investment Income:				
From Investment Activities				
Net appreciation (depreciation) in fair value of investments:				
Traded securities	465,704	300,823	-	-
Real estate	241	(1,883)	-	-
Interest	27,385	26,852	607	820
Dividends	2,221	6,316	-	-
Real estate operating income, net	2,512	2,565	-	-
Total Investment Income	**498,063**	**334,673**	**607**	**820**
Less:				
Investment expense	(3,089)	(3,458)	-	-
Net Income from Investment Activities	**494,974**	**331,215**	**607**	**820**
From Securities Lending Activities				
Securities lending income	7,759	6,817	-	-
Borrowers' rebates and other agent fees on securities lending transactions	(7,518)	(6,617)	-	-
Securities Lending Activities	**241**	**200**	**-**	**-**
Net Investment Income	**495,215**	**331,415**	**607**	**820**
Total Additions, Net	**653,210**	**478,906**	**24,916**	**20,640**
Deductions:				
Benefits paid	175,255	166,830	-	-
Refund of contributions	792	486	-	-
Administrative expenses	2,499	2,537	3,708	5,845
Professional services expense	-	-	4,142	3,524
Operation and maintenance expense	-	-	5,230	6,295
Grants and other expenses	-	-	9,064	654
Interest expense	-	-	16	56
Depreciation expense	-	-	9,560	9,539
Reimbursement of member contributions	-	-	1,511	2,340
Total Deductions	**178,546**	**169,853**	**33,231**	**28,253**
Change in Net Position	**474,664**	**309,053**	**(8,315)**	**(7,613)**
Net Position:				
Net Position - Beginning of the year	2,826,084	2,517,031	390,737	398,350
Net Position - End of the year	**$ 3,300,748**	**$ 2,826,084**	**$ 382,422**	**$ 390,737**

See accompanying notes to financial statements

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, MS402, 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, 2025.

The District reports on 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, El Cerrito, Emeryville, Kensington, Oakland, Piedmont, and part of Richmond.

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.

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.L 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.

As a proprietary fund, the District distinguishes *operating* revenues and expenses from *noncapita*l subsidies and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses include: (1) subsidies received and provided, (2) revenues and expenses related to financing, (3) resources from the disposal of capital assets and inventory, (4) investment income and expenses. Revenue and expenses that do not meet the definition of nonoperating revenues and expenses are classified as operating.

Subsidies are resources received from or provided to another party for which goods and services are not provided in exchange. A subsidy is received when the District obtains resources from another party without providing goods or services exchange and those resources help to keep current or future rates and charges lower than they would otherwise be. A subsidy is provided when the District transfers resources to another party without receiving goods or services in exchange and the transfer is recoverable through the District's current or future rates and charges.

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."

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 and supervision. 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 $2,287), and prepayment of allocated capital costs for CVP storage and conveyance facilities (EBMUD's current estimated allocation is $1,254). 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).

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.

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 and state loans. 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.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of June 30, 2026, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. Contracts with the lending agent require them to indemnify the System under certain circumstances if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers while the securities are on loan. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the agent in performing the duties allocated under the securities lending agreement with respect to collateral. During the year ended June 30, 2026, 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, 2026, had a weighted average maturity of 23 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 86 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, 2026, the fair value of securities on loan was $207,470. The total cash and noncash collateral held by the Plan's custodian to secure these securities on loan was valued at $213,245 (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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GASB Statement No. 103 – *Financial Reporting Model Improvements.* The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

This statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets.* State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class.

This statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

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.

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The lease term includes the non-cancellable 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.

Lessor: The District is a lessor in real estate used for billboard, telecom, and land purposes.

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 non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Effective this fiscal year, total leases, defined as having a net present value greater than one percent (1.0%) of the five-year average of annual total assets, shall be reported in accordance with GASB Statement No. 87 (GASB 87) as appropriate. As of June 30, 2026, the District's total leases do not meet this threshold.

S. Subscription-Based Information Technology Arrangements

The District is a subscriber for a non-cancellable subscription of information technology services.

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

Effective this fiscal year, total SBITAs, defined as having a net present value greater than one percent (1%) of the five-year average of annual total assets, shall be reported in accordance with GASB Statement No. 96 (GASB 96) as appropriate. As of June 30, 2026, the District's total SBITAs do not meet this threshold.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Change in Capitalization Threshold – Leases and Subscription-Based Information Technology Arrangements

Effective at the beginning of the current fiscal year, the District established a capitalization threshold for leases and subscription-based information technology arrangements (SBITAs) equal to 1% of the District's average total assets for the preceding five fiscal years. The District established the threshold to apply materiality considerations to the recognition of lease and SBITA assets and related liabilities and to improve the relevance and efficiency of financial reporting. Accordingly, leases and SBITAs below the established threshold are not recognized in the financial statements. The new threshold has been applied prospectively beginning in the current fiscal year.

NOTE 2: CASH AND INVESTMENTS

A. Classification

Reconciliations of cash and investments reported on the financial statements as of June 30, 2026, are as follows:

District Enterprise Funds:	Water System	Wastewater System	Total
Cash and investments included in current assets	$ 612,879	$ 157,498	$ 770,377
Cash and investments included in restricted investments	39,671	1,095	40,766
Total District cash and investments	652,550	158,593	811,143
Less investments	(580,844)	(88,042)	(668,886)
Cash and cash equivalents	$ 71,706	$ 70,551	$ 142,257

System Pension Trust Funds:	Pension Plan Benefits	Post-employment Healthcare Benefits	Total
Cash and cash equivalents	$ 21,247	$ 657	$ 21,904
Invested securities lending collateral	206,853	6,392	213,245
Retirement system investments	3,161,292	97,698	3,258,990
Total System cash and investments	$ 3,389,392	$ 104,747	$ 3,494,139

Reconciliations of cash and investments reported on the financial statements as of June 30, 2025, are as follows:

District Enterprise Funds:	Water System	Wastewater System	Total
Cash and investments included in current assets	$ 468,955	$ 131,820	$ 600,775
Cash and investments included in restricted investments	35,254	1,039	36,293
Total District cash and investments	504,209	132,859	637,068
Less investments	(305,969)	(53,660)	(359,629)
Cash and cash equivalents	$ 198,240	$ 79,199	$ 277,439

System Pension Trust Funds:	Pension Plan Benefits	Post-employment Healthcare Benefits	Total
Cash and cash equivalents	$ 32,964	$ 993	$ 33,957
Invested securities lending collateral	130,494	3,932	134,426
Retirement system investments	2,705,651	81,528	2,787,179
Total System cash and investments	$ 2,869,109	$ 86,453	$ 2,955,562

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer/Fund
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	up to 100%	N/A
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligation	5 Years	N/A	up to 100%	40% in each Agency
State of California Local Agency Investment Fund (LAIF Pool)	N/A	N/A	$75,000 per Sec. 16429.1	N/A
California Asset Management Program (CAMP)	N/A	AAAm/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.

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 collateralized
Time Certificates of Deposit - Banks or Savings and Loans	FDIC insured or collateralized
Corporate Notes (up to 3 years)	Top Short-Term Rating Category
Corporate Bonds (longer than 3 years)	Not lower than District's bond rating
Variable Rate Obligations	Top Short-Term Rating Category
Cash Sweep Agreements	Top Rating Category
Guaranteed Investment Contract	Not lower than District's bond rating
Shares of Beneficial Interest	Top Rating Category

D. Employees Retirement System Authorized Investment Strategy

The System’s Statement of Investment Policy and Procedures authorize the System to invest in financial instruments in four broad investment categories: equity, fixed income, real estate, and covered calls. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the System’s Investment Policy and Procedures adopted by the System on May 21, 2026.

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

At the May 21, 2026 Retirement Board meeting, the Retirement Board took action to adopt a new investment portfolio asset allocation shown below.

US Equity	35%
Non-US Equity	25%
Core Fixed-Income	20%
Non-Core Fixed-Income	12.5%
Covered Call	5.0%
Real Estate	2.5%

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

The domestic equity allocation target (35% of the total portfolio) will consist of the allocation to securities that correspond to the weight of securities within the Russell 3000 Index.

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

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 (12.5% 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 covered calls target allocation (5% of the total portfolio) consists of actively managed domestic equity strategies that employ covered call options and are benchmarked against the Chicago Board Options Exchange S&P 500 BuyWrite Index (the "BXM Index").

The real estate target allocation (2.5% of the total portfolio) will consist of an equity (ownership) in a core real estate fund.

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

E. Fair Value Hierarchy

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

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, 2026:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	$ -	$ 44,380	$ 44,380
U.S. Treasury Bills	624,506	-	624,506
Total Investments at Fair Value	$ 624,506	$ 44,380	668,886
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			15,865
Investments Measured at Amortized Cost:			
California Local Agency Investment Fund			28,219
Mutual Funds (U.S. Securities)			54,382
Total Investments			767,352
Cash in banks			43,791
Total District Cash and Investments			$ 811,143

In fiscal year 2026, U.S. Treasury Bills totaling $624,506, 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 $44,380 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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2025:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Government-Sponsored Enterprise Agencies:			
Non-callable	$ -	$ 52,349	$ 52,349
Callable	-	-	-
U.S. Treasury Bills	307,280	-	307,280
Total Investments at Fair Value	$ 307,280	$ 52,349	359,629
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			91,244
Investments Measured at Amortized Cost:			
California Local Agency Investment Fund			46,547
Mutual Funds (U.S. Securities)			118,073
Total Investments			615,493
Cash in banks			21,575
Total District Cash and Investments			$ 637,068

In fiscal year 2025, U.S. Treasury Bills totaling $307,280, 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 $52,349 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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

System Pension Trust Fund:

The following is a summary of the fair value hierarchy of investments held by the System as of June 30, 2026:

Investment Type	Level 1	Level 2	Level 3	Total
Investments by Fair Value:				
Asset Backed Securities	$ -	$ 8,924	$ -	$ 8,924
Equity Securities	2,250,523	-	-	2,250,523
Bank Loans	-	4,528	-	4,528
Commercial Mortgage - Backed Securities	-	3,801	-	3,801
Corporate Bonds	-	191,371	-	191,371
Corporate Convertible Bonds	-	234	-	234
Government Agencies	-	14,244	-	14,244
Government Bonds	-	253,696	-	253,696
Government Mortgage Backed Securities	-	214,522	-	214,522
Other Fixed Income	-	261,584	-	261,584
Real Estate-Partnerships	-	-	55,563	55,563
Total Investments at Fair Value	$ 2,250,523	$ 952,904	$ 55,563	3,258,990
Investments Not Subject to Fair Value Hierarchy:				
Invested Securities Lending Collateral				213,245
Cash and Cash Equivalents:				
California Local Agency Investment Fund				40
Cash & Short-term Investments				21,864
Total System Cash and Investments				$ 3,494,139

Investments classified in Level 1 of the fair value hierarchy, valued at $2,250,523, are valued using quoted prices in active markets. $952,904 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 $55,563 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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The following is a summary of the fair value hierarchy of the fair value of investments held by the System as of June 30, 2025:

Investment Type	Level 1	Level 2	Level 3	Total
Investments by Fair Value:				
Asset Backed Securities	$ -	$ 7,918	$ -	$ 7,918
Equity Securities	202,826	-	74	202,900
Bank Loans	-	3,538	-	3,538
Commercial Mortgage - Backed Securities	-	3,271	-	3,271
Corporate Bonds	-	136,696	-	136,696
Corporate Convertible Bonds	-	265	-	265
Government Agencies	-	23,541	-	23,541
Government Bonds	-	166,320	-	166,320
Government Mortgage Backed Securities	-	194,572	-	194,572
Other Fixed Income	-	10,859	204,000	214,859
Real Estate-Partnerships	-	-	53,323	53,323
Total Investments at Fair Value	$ 202,826	$ 546,980	$ 257,397	1,007,203
Investments Not Subject to Fair Value Hierarchy:				
Commingled Funds and Other				1,779,976
Total Investments at Fair Value				2,787,179
Invested Securities Lending Collateral				134,426
Cash and Cash Equivalents:				
California Local Agency Investment Fund				5,829
Cash & Short-term Investments				28,128
Total System Cash and Investments				$ 2,955,562

Investments classified in Level 1 of the fair value hierarchy, valued at $202,826, are valued using quoted prices in active markets. $546,979 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 $257,397 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.

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, 2026:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	$ 44,380	$ -	$ -	$ 44,380
U.S. Treasury Bills	311,261	313,245	-	624,506
Mutual Funds (U.S. Securities)	54,382	-	-	54,382
California Asset Management Program	15,865	-	-	15,865
California Local Agency Investment Fund	28,219	-	-	28,219
Total Investments	$ 454,107	$ 313,245	$ -	767,352
Cash in banks				43,791
Total District Cash and Investments				$ 811,143

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, 2025:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Government-Sponsored Enterprise Agencies				
Non-callable	$ 52,349	$ -	$ -	$ 52,349
U.S. Treasury Bills	287,086	20,194	-	307,280
Mutual Funds (U.S. Securities)	118,073	-	-	118,073
California Asset Management Program	91,244	-	-	91,244
California Local Agency Investment Fund	46,547	-	-	46,547
Total Investments	$ 595,299	$ 20,194	$ -	615,493
Cash in banks				21,575
Total District Cash and Investments				$ 637,068

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 for June 30, 2026:

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	$ -	$ 7,702	$ -	$ 1,222	$ -	$ 8,924
Equity Securities	2,250,523	-	-	-	-	2,250,523
Bank Loans	122	3,715	691	-	-	4,528
Commercial Mortgage-Backed Securities	-	-	526	3,275	-	3,801
Corporate Bonds	4,645	106,108	55,742	24,876	-	191,371
Corporate Convertible Bonds	-	234	-	-	-	234
Government Agencies	-	4,304	7,387	2,553	-	14,244
Government Bonds	-	72,543	87,831	93,322	-	253,696
Government Mortgage Backed Securities	-	-	927	213,595	-	214,522
Other Fixed Income	1,746	13,271	-	-	246,567	261,584
Real Estate - Partnerships	-	-	-	-	55,563	55,563
Total System Investments	**$ 2,257,036**	**$ 207,877**	**$ 153,104**	**$ 338,843**	**$ 302,130**	**$ 3,258,990**

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 for June 30, 2025:

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	$ -	$ 5,396	$ 1,070	$ 1,452	$ -	$ 7,918
Equity Securities	202,900	-	-	-	-	202,900
Bank Loans	-	2,863	675	-	-	3,538
Commercial Mortgage-Backed Securities	303	-	-	2,968	-	3,271
Corporate Bonds	2,075	80,046	34,665	20,180	-	136,966
Corporate Convertible Bonds	166	99	-	-	-	265
Government Agencies	-	7,483	10,496	5,562	-	23,541
Government Bonds	-	34,747	84,958	46,615	-	166,320
Government Mortgage Backed Securities	-	-	-	194,572	-	194,572
Other Fixed Income	-	-	10,859	-	204,000	214,859
Real Estate-Partnerships	-	-	-	-	53,323	53,323
Commingled Funds and Other	-	-	-	-	1,779,706	1,779,706
Total System Investments	**$ 205,444**	**$ 130,634**	**$ 142,723**	**$ 271,349**	**$ 2,037,029**	**$ 2,787,179**

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, 2026 and 2025 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, 2026 and 2025, the District had investments of $28,219 and $46,547, respectively, and System had investments of $40 and $5,829, respectively, invested in LAIF, which invested 3.47% and 3.81% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998872382 and 1.001198310 as of June 30, 2026 and 2025, 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, 2026 and 2025:

Highly Sensitive Investments	Fair Value at Year End June 30, 2026
Government Mortgage - Backed Securities	$ 214,522
Commercial Mortgage - Backed Securities	3,801

Highly Sensitive Investments	Fair Value at Year End June 30, 2025
Government Mortgage - Backed Securities	$ 194,572
Commercial Mortgage - Backed Securities	3,271

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

District Enterprise Funds:

Presented below is the actual rating as of June 30, 2026 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa	Total
U.S. Government-Sponsored Enterprise Agencies			
Non-callable	$ 44,380	$ -	$ 44,380
U.S. Treasury Bills	624,506	-	624,506
Mutual Funds (U.S. Securities)	54,382	-	54,382
Totals	$ 723,268	$ -	723,268
Not rated by Moody's:			
California Asset Management Program			15,865
California Local Agency Investment Fund			28,219
Cash in banks			43,791
Total District Cash and Investments			$ 811,143

Presented below is the actual rating as of June 30, 2025 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa	Total
U.S. Government-Sponsored Enterprise Agencies			
Non-callable	$ 32,372	$ 19,977	$ 52,349
U.S. Treasury Bills	307,280	-	307,280
Mutual Funds (U.S. Securities)	118,073	-	118,073
Totals	$ 457,725	$ 19,977	477,702
Not rated by Moody's:			
California Asset Management Program			91,244
California Local Agency Investment Fund			46,547
Cash in banks			21,575
Total District Cash and Investments			$ 637,068

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

System Pension Trust Fund:

Presented below is the actual rating as of June 30, 2026, 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	Ca	C	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	$ 6,996	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,928	$ 8,924
Equity Securities	-	-	-	-	-	-	-	-	-	-	2,250,523	2,250,523
Bank Loans	-	-	-	157	53	2,731	508	315	-	-	764	4,528
Commercial Mortgage - Backed Securities	483	-	-	-	-	-	-	-	-	-	3,318	3,801
Corporate Bonds	2,224	27,034	44,271	20,286	49,972	38,789	5,738	89	36	-	2,932	191,371
Corporate Convertible Bonds	-	-	-	-	-	-	-	-	-	-	234	234
Government Agencies	-	12,428	-	67	423	-	-	-	-	1,326	-	14,244
Government Bonds	-	252,498	-	1,198	-	-	-	-	-	-	-	253,696
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	-	-	214,488	34	214,522
Other Fixed Income	-	4,337	-	-	-	-	-	-	-	-	257,247	261,584
Real Estate - Partnerships	-	-	-	-	-	-	-	-	-	-	55,563	55,563
Total System Investments	**$ 9,703**	**$ 296,297**	**$ 44,271**	**$ 21,708**	**$ 50,448**	**$ 41,520**	**$ 6,246**	**$ 404**	**$ 36**	**$ 215,814**	**$ 2,572,543**	**$ 3,258,990**

Presented below is the actual rating as of June 30, 2025 for each investment type as provided by Moody's.

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	U.S. Government Guaranteed	Not Rated	Total
Asset Backed Securities	$ 5,114	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,804	$ 7,918
Equity Securities	-	-	-	-	-	-	-	-	-	202,900	202,900
Bank Loans	-	-	-	-	429	2,354	147	-	-	608	3,538
Commercial Mortgage - Backed Securities	2,465	-	-	-	-	-	-	-	-	806	3,271
Corporate Bonds	624	17,448	45,734	14,138	27,047	25,582	5,337	45	-	1,011	136,966
Corporate Convertible Bonds	-	-	-	-	-	-	-	-	-	265	265
Government Agencies	1,201	22,100	-	69	171	-	-	-	-	-	23,541
Government Bonds	-	152,360	-	862	-	-	-	-	13,098	-	166,320
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	-	194,533	39	194,572
Non-Government Backed CMO's	-	-	-	-	-	-	-	-	-	-	-
Other Fixed Income	-	-	-	-	-	-	-	-	-	214,859	214,859
Real Estate - Partnerships	-	-	-	-	-	-	-	-	-	53,323	53,323
Commingled Funds and Other	-	-	-	-	-	-	-	-	-	1,779,706	1,779,706
Total System Investments	**$ 9,404**	**$ 191,908**	**$ 45,734**	**$ 15,069**	**$ 27,647**	**$ 27,936**	**$ 5,484**	**$ 45**	**$ 207,631**	**$ 2,256,321**	**$ 2,787,179**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

H. Concentration Risk

Significant District investments in the securities of any individual issuers, other than U.S. Treasury securities, LAIF, and mutual funds, are set forth below as of June 30, 2026.

District Enterprise Funds:

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide			
	FHLB	Federal Agency Securities	$ 44,380
Major Funds:			
Water System			
	FHLB	Federal Agency Securities	40,432

Significant District investments in the securities of any individual issuers, other than U.S. Treasury securities, LAIF, and mutual funds, are set forth below as of June 30, 2025.

Reporting Unit	Issuer	Investment Type	Reported Amount
District-Wide			
	FHLB	Federal Agency Securities	$ 27,380
Major Funds:			
Water System			
	FHLB	Federal Agency Securities	27,380

System Pension Trust Fund:

As of June 30, 2026, and 2025, respectively, 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 $11,994 and $3,867 on behalf of the System as of June 30, 2026 and 2025, respectively. The financial institution which holds these deposits is required by state law to maintain collateral pools against all public deposits they hold.

I. Foreign Currency Risk

System Pension Trust Fund:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At June 30, 2026 and 2025, respectively, the value of foreign currency investments were not significant to the investments as a whole.

The Fund's investment policy permits investments in Non-US Equity of up to 25%, the Fund's current position is not significant.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

J. Custodial Credit Risk

Custodial credit risk for cash on deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the 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 System'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 System's name and places the System ahead of general creditors of the institution.

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

The System's brokers/dealers held $69 and $0 as of June 30, 2026 and 2025, respectively, 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 CAMP, which is the same as the value of the pool share in accordance with GASB 72 requirements. At June 30, 2026 and 2025, respectively, the fair value was approximate to the District's cost. As of June 30, 2026 and 2025, the District investment in CAMP is $15,865 and $91,244, respectively.

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 Equity in JPA partnership fund 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.

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 useful life of the District leases and subscriptions are based on lease agreements and SBITAs contracts, respectively. The District has assigned the useful lives listed below to capital assets:

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

NOTE 3: CAPITAL ASSETS (CONTINUED)

B. Additions and Retirements

Capital assets activity for all business-type activities for the year ended June 30, 2026 was as follows:

	Balance at June 30, 2025	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2026
Water System:				
Capital assets, not being depreciated:				
Land	$ 71,008	$ 944	$ -	$ 71,952
Rights-of-way	3,158	-	-	3,158
Construction in progress - land/rights of way	178	944	(944)	178
Construction in progress	1,260,445	509,126	(401,088)	1,368,483
Total capital assets, not being depreciated	1,334,789	511,014	(402,032)	1,443,771
Capital assets, being depreciated/amortized:				
Buildings and improvements	284,223	21,542	-	305,765
System and improvements	6,817,936	360,913	(2,090)	7,176,759
Machinery and equipment	160,391	8,593	(25,335)	143,649
Intangible assets	388,077	27,109	-	415,186
Lease assets	2,494	263	(2,757)	-
Subscription assets	23,128	1,476	(24,604)	-
Total capital assets, being depreciated/amortized:	7,676,249	419,896	(54,786)	8,041,359
Less accumulated depreciation/amortization for:				
Buildings and improvements	(150,541)	(6,146)	-	(156,687)
System and improvements	(2,463,191)	(130,074)	2,086	(2,591,179)
Machinery and equipment	(102,686)	(9,670)	25,285	(87,071)
Intangible assets	(351,542)	(14,903)	-	(366,445)
Lease assets	(1,045)	(416)	1,461	-
Subscription assets	(10,326)	(1,349)	11,675	-
Total accumulated depreciation/amortization	(3,079,331)	(162,558)	40,507	(3,201,382)
Total capital assets, being depreciated/amortized, net	4,596,918	257,338	(14,279)	4,839,977
Water System capital assets, net	$ 5,931,707	$ 768,352	$ (416,311)	$ 6,283,748
Wastewater System:				
Capital assets, not being depreciated:				
Land	$ 21,895	$ 21	$ -	$ 21,916
Rights-of-way	191	-	-	191
Construction in progress	158,174	61,054	(89,614)	129,614
Total capital assets, not being depreciated	180,260	61,075	(89,614)	151,721
Capital assets, being depreciated/amortized:				
Buildings and improvements	100,832	11,514	-	112,346
System and improvements	1,209,778	77,771	-	1,287,549
Machinery and equipment	20,988	176	(4,558)	16,606
Intangible assets	43,241	712	-	43,953
Subscription assets	883	447	(1,330)	-
Total capital assets, being depreciated/amortized:	1,375,722	90,620	(5,888)	1,460,454
Less accumulated depreciation/amortization for:				
Buildings and improvements	(51,824)	(2,078)	-	(53,902)
System and improvements	(569,187)	(26,620)	-	(595,807)
Machinery and equipment	(16,079)	(929)	4,535	(12,473)
Intangible assets	(36,715)	(1,270)	-	(37,985)
Subscription assets	(106)	-	106	-
Total accumulated depreciation/amortization	(673,911)	(30,897)	4,641	(700,167)
Total capital assets, being depreciated/amortized, net	701,811	59,723	(1,247)	760,287
Wastewater System capital assets, net	$ 882,071	$ 120,798	$ (90,861)	$ 912,008
Business-type activities capital assets, net	$ 6,813,778	$ 889,150	$ (507,172)	$ 7,195,756

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital assets activity for all business-type activities for the year ended June 30, 2025 was as follows:

	Balance at June 30, 2024	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2025
Water System:				
Capital assets, not being depreciated:				
Land	$ 70,724	$ 284	$ -	$ 71,008
Rights-of-way	3,158	-	-	3,158
Construction in progress - land/rights of way	178	284	(284)	178
Construction in progress	1,154,929	538,486	(432,970)	1,260,445
Total capital assets, not being depreciated	1,228,989	539,054	(433,254)	1,334,789
Capital assets, being depreciated/amortized:				
Buildings and improvements	282,565	1,658	-	284,223
System and improvements	6,413,186	410,159	(5,409)	6,817,936
Machinery and equipment	148,973	15,006	(3,588)	160,391
Intangible assets	381,921	6,156	-	388,077
Lease assets	2,805	-	(311)	2,494
Subscription assets	21,889	1,807	(568)	23,128
Total capital assets, being depreciated/amortized:	7,251,339	434,786	(9,876)	7,676,249
Less accumulated depreciation/amortization for:				
Buildings and improvements	(144,933)	(5,608)	-	(150,541)
System and improvements	(2,342,555)	(125,346)	4,710	(2,463,191)
Machinery and equipment	(97,225)	(8,874)	3,413	(102,686)
Intangible assets	(344,689)	(6,853)	-	(351,542)
Lease assets	(956)	(400)	311	(1,045)
Subscription assets	(6,779)	(4,115)	568	(10,326)
Total accumulated depreciation/amortization	(2,937,137)	(151,196)	9,002	(3,079,331)
Total capital assets, being depreciated/amortized, net	4,314,202	283,590	(874)	4,596,918
Water System capital assets, net	$ 5,543,191	$ 822,644	$ (434,128)	$ 5,931,707
Wastewater System:				
Capital assets, not being depreciated:				
Land	$ 21,895	$ -	$ -	$ 21,895
Rights-of-way	191	-	-	191
Construction in progress	194,936	54,931	(91,693)	158,174
Total capital assets, not being depreciated	217,022	54,931	(91,693)	180,260
Capital assets, being depreciated/amortized:				
Buildings and improvements	100,649	183	-	100,832
System and improvements	1,122,487	87,291	-	1,209,778
Machinery and equipment	17,803	3,185	-	20,988
Intangible assets	42,215	1,026	-	43,241
Subscription assets	-	883	-	883
Total capital assets, being depreciated/amortized:	1,283,154	92,568	-	1,375,722
Less accumulated depreciation/amortization for:				
Buildings and improvements	(49,843)	(1,981)	-	(51,824)
System and improvements	(543,108)	(26,079)	-	(569,187)
Machinery and equipment	(14,901)	(1,178)	-	(16,079)
Intangible assets	(35,330)	(1,385)	-	(36,715)
Subscription assets	-	(106)	-	(106)
Total accumulated depreciation/amortization	(643,182)	(30,729)	-	(673,911)
Total capital assets, being depreciated/amortized, net	639,972	61,839	-	701,811
Wastewater System capital assets, net	$ 856,994	$ 116,770	$ (91,693)	$ 882,071
Business-type activities capital assets, net	$ 6,400,185	$ 939,414	$ (525,821)	$ 6,813,778

NOTE 3: CAPITAL ASSETS (CONTINUED)

C. Construction in Progress

Construction in Progress in fiscal 2025-2026 comprises:

	Expended to Date
Water System:	
Treatment Plant Upgrades	$ 672,283
Service Lateral Replacements	102,731
Pipeline Rebuild	96,775
Pumping Plant Rehabilitation	64,400
Reservoir Rehab / Maintenance	48,275
Pressure Zone Improvements	20,858
Large Diameter Pipelines	20,731
Building Facilities Improve	20,290
Open Cut Reservoir Program	19,900
Water Loss Control	18,139
Dam Operational Upgrades	16,580
Mokelumne Aqueducts Recoating	16,283
Small Capital Improvements	14,211
Raw Water Infrastructure	13,779
Pipeline Relocations	13,402
East Bayshore	11,898
West of Hills Master Plan	11,843
Distribution System Cathodic Protection	10,347
Reservoir Tower Modifications	9,649
Raw Water Aqueduct Improvements	9,470
Other Construction Projects	156,817
	1,368,661
Wastewater System:	
General Wastewater	29,267
Secondary	23,850
Preliminary Treatment	21,811
Interceptors and Pump Stations	19,760
Electricals and Controls	7,843
Wet Weather Facilities	7,354
Digesters	3,503
Dewatering	3,121
Nutrients	1,929
Utilities and Sitework	1,710
Effluent Discharge	743
Power Generation and Biogas	417
Pump Station Master Plan Update	300
Resource Recovery	214
Primary Treatment	161
Other Construction Projects	7,631
	129,614
Total District construction in progress	$ 1,498,275

At June 30, 2026, the District's remaining current major project commitments are estimated to be $260,937 for the Water System and $54,687 for the Wastewater System.

NOTE 3: CAPITAL ASSETS (CONTINUED)

Construction in Progress in fiscal 2024-2025 comprises:

	Expended to Date
Water System:	
Treatment Plant Upgrades	$ 499,972
Pipeline Rebuild	108,454
Service Lateral Replacements	83,655
Pumping Plant Rehabilitation	73,520
Reservoir Rehab/Maintenance	59,388
Mok Aqueduct No 2 & 3 Relining	42,304
Large Diameter Pipelines	29,866
Fuel Facility Improvements	23,102
Pressure Zone Improvements	19,706
Pipeline Relocations	17,158
Building Facilities Improve	16,149
Dam Operational Upgrades	15,834
Upcountry WW Trmt Imprvmts	15,539
Open Cut Reservoir Program	15,373
West of Hills Master Plan	13,497
Small Capital Improvements	13,473
Raw Water Infrastructure	12,544
Water Loss Control	12,392
Mokelumne Aqueducts Recoating	11,173
East Bayshore	11,032
Other Construction Projects	166,492
	1,260,623
Wastewater System:	
Digesters	32,313
General Wastewater	25,565
Secondary	22,164
Utilities and Sitework	12,212
Power Generation and Biogas	12,076
Interceptors and Pump Stations	11,524
Preliminary Treatment	11,309
Wet Weather Facilities	10,053
Electricals and Controls	8,240
Resource Recovery	4,276
Dewatering	1,640
Nutrients	843
Effluent Discharge	843
Pump Sta Master Plan Update	300
Primary Treatment	161
Other Construction Projects	4,655
	158,174
Total District construction in progress	$ 1,418,797

At June 30, 2025, the District's remaining current major project commitments are estimated to be $317,131 for the Water System and $62,560 for the Wastewater System.

NOTE 4: ACCOUNTS PAYABLE & ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2026 and 2025 consist of:

	Water System		Wastewater System		Total	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Accounts payable	$ 56,433	$ 55,354	$ 23,195	$ 16,292	$ 79,628	$ 71,646
Accrued salaries	7,945	7,105	1,408	1,210	9,353	8,315
Other	32,340	29,830	2,077	2,857	34,417	32,687
Total	$ 96,718	$ 92,289	$ 26,680	$ 20,359	$ 123,398	$ 112,648

NOTE 5: COMPENSATED ABSENCES

Compensated absences as of June 30, 2026 and 2025 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, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Beginning Balance	$ 43,852	$ 43,431	$ 7,199	$ 7,192	$ 51,051	$ 50,623
Net change	2,352	421	704	7	3,056	428
Ending Balance	$ 46,204	$ 43,852	$ 7,903	$ 7,199	$ 54,107	$ 51,051

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 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 was last authorized on April 27, 2021.

The District initially established its extendable commercial paper program in March 2009. Under the extendable commercial paper program, no liquidity support agreement with a commercial bank is needed. Instead, the District limits the term of the extendable commercial paper to 120 days, and the investor agrees to extend the maturity of their investment by 150 days at a higher interest rate in the event of a failure to place new commercial paper notes to pay maturing notes, 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.

NOTE 6: COMMERCIAL PAPER NOTES (CONTINUED)

As of June 30, 2026 and 2025, 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, 2026, $221 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 63 to 182 days and interest rates ranging from 2.31% to 2.45% as of June 30, 2026, and the terms of 61 to 182 days and interest rates ranging from 2.65% to 2.90% as of June 30, 2025.

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 $111 million and a revolving credit agreement in the amount of $110 million as of June 30, 2026. 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, 2026. The liquidity support facilities expire on May 4, 2029, and June 28, 2028, respectively, and are subject to extension at the request of the District upon agreement by the issuing bank.

There were no unused proceeds of commercial paper notes as of June 30, 2026. It is the District’s practice to use the commercial paper programs as a portion of the District’s long-term variable rate debt exposure.

NOTE 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 2025-2026 are summarized below.

	Original Issue Amount	Balance June 30, 2025	Additions	Retirements	Balance June 30, 2026	Amount due within one year
Water System Revenue Bonds:						
Subordinated Series 2010 B						
5.87%, due 6/1/40	$ 400,000	$ 400,000	$ -	$ 400,000	$ -	$ -
Series 2014 B						
2.00 - 5.00%, due 6/1/30	242,730	47,845	-	20,175	27,670	8,835
Series 2015 A						
4.00 - 5.00%, due 6/1/37	429,360	18,555	-	18,555	-	-
Series 2017 A						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
Series 2017 B						
3.00 - 5.00%, due 6/1/37	309,665	296,160	-	3,890	292,270	17,745
Series 2019 A						
5.00%, due 6/1/49	161,820	145,400	-	3,270	142,130	3,430
Series 2022 A						
5.00% - 5.25%, due 6/1/52	133,950	133,435	-	2,435	131,000	2,555
Series 2022 B-1						
5.00%, due 6/1/37	72,105	71,915	-	-	71,915	-
Series 2022 B-2						
5.00%, due 6/1/34	103,850	87,915	-	7,350	80,565	2,525
Series 2024 A						
5.00%, due 6/1/54	245,285	245,285	-	-	245,285	-
Series 2024 B						
5.00%, due 6/1/44	180,715	180,715	-	-	180,715	9,790
Series 2025 A						
5.00%, due 6/1/55	259,455	259,455	-	-	259,455	-
Series 2025 B						
5.00%, due 6/1/45	478,995	478,995	-	28,770	450,225	42,985
Series 2026 A						
5.00%, due 6/1/56	329,505	-	329,505	-	329,505	5,840
Series 2026 B						
5.00%, due 6/1/40	361,675	-	361,675	-	361,675	-
Total water long-term bonds		$ 2,551,030	$ 691,180	$ 484,445	$ 2,757,765	$ 93,705

NOTE 7: LONG-TERM DEBT (CONTINUED)

	Original Issue Amount	Balance June 30, 2025	Additions	Retirements	Balance June 30, 2026	Amount due within one year
Wastewater System Revenue Bonds:						
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	$ 150,000	$ 150,000	$ -	$ 150,000	$ -	$ -
Series 2014 A						
5.00%, due 6/1/31	82,150	21,360	-	8,065	13,295	6,485
Series 2015 A-2						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795	1,060	-	200	860	205
Series 2017 A						
4.00 - 5.00%, due 6/1/37	69,420	37,880	-	5,495	32,385	5,020
Series 2022 A						
5.00%, due 6/1/45	18,140	13,000	-	1,910	11,090	-
Series 2022 B						
5.00%, due 6/1/37	17,345	17,345	-	-	17,345	1,050
Series 2024 A						
5.00%, due 6/1/54	24,950	24,950	-	-	24,950	-
Series 2025 A						
5.00%, due 6/1/55	28,580	28,580	-	-	28,580	-
Series 2025 B						
5.00%, due 6/1/37	48,400	48,400	-	-	48,400	820
Series 2026 A						
5.00%, due 6/1/56	37,010	-	37,010	-	37,010	-
Series 2026 B						
5.00%, due 6/1/40	130,980	-	130,980	-	130,980	-
Total wastewater long-term bonds		356,140	167,990	165,670	358,460	13,580
Total long-term bonds		2,907,170	859,170	650,115	3,116,225	107,285
Water Loans:						
State Water Resources Control Board						
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	3,606	-	1,174	2,432	1,202
2018 South Reservoir Replacement Project						
1.70%, due 7/1/48	13,998	11,718	-	420	11,298	428
2018 MacArthur Davenport Pipeline Replacement Project						
1.70%, due 7/1/49	12,045	10,167	-	347	9,820	352
Total water loans		25,491	-	1,941	23,550	1,982
Total long-term loans		25,491	-	1,941	23,550	1,982
Commercial Paper (see Note 6)						
Water System Commercial Paper		241,000	803,950	823,950	221,000	
Total commercial paper		241,000	803,950	823,950	221,000	
Amount due within one year		(102,055)	(7,212)	-	(109,267)	
Add: Unamortized premium, net		242,160	104,108	34,895	311,373	
Total long-term liabilities, net		$ 3,313,766	$ 1,760,016	$ 1,510,901	$ 3,562,881	$ 109,267

NOTE 7: LONG-TERM DEBT (CONTINUED)

The District's debt issues and transactions during fiscal year 2024-2025 are summarized below.

	Original Issue Amount	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Amount due within one year
Water System Revenue Bonds:						
Subordinated Series 2010 B						
5.87%, due 6/1/40	$ 400,000	$ 400,000	$ -	$ -	$ 400,000	$ -
Series 2014 A						
3.00 - 5.00%, due 6/1/35	128,315	-	-	-	-	-
Series 2014 B						
2.00 - 5.00%, due 6/1/30	242,730	98,030	-	50,185	47,845	20,175
Series 2014 C						
5.00%, due 6/1/44	75,000	-	-	-	-	-
Series 2015 A						
4.00 - 5.00%, due 6/1/37	429,360	391,455	-	372,900	18,555	18,555
Series 2015 B						
4.00 - 5.00%, due 6/1/45	74,335	70,065	-	70,065	-	-
Series 2015 C						
4.00 - 5.00%, due 6/1/45	110,715	108,215	-	108,215	-	-
Series 2017 A						
3.00 - 5.00%, due 6/1/45	185,355	185,355	-	-	185,355	-
Series 2017 B						
3.00 - 5.00%, due 6/1/37	309,665	296,160	-	-	296,160	3,890
Series 2019 A						
5.00%, due 6/1/49	161,820	148,510	-	3,110	145,400	3,270
Series 2022 A						
5.00% - 5.25%, due 6/1/52	133,950	133,645	-	210	133,435	2,435
Series 2022 B-1						
5.00%, due 6/1/37	72,105	71,915	-	-	71,915	-
Series 2022 B-2						
5.00%, due 6/1/34	103,850	94,915	-	7,000	87,915	7,350
Series 2024 A						
5.00%, due 6/1/54	245,285	245,285	-	-	245,285	-
Series 2024 B						
5.00%, due 6/1/44	180,715	180,715	-	-	180,715	-
Series 2025 A						
5.00%, due 6/1/55	259,455	-	259,455	-	259,455	-
Series 2025 B						
5.00%, due 6/1/45	478,995	-	478,995	-	478,995	28,770
Total water long-term bonds		$ 2,424,265	$ 738,450	$ 611,685	$ 2,551,030	$ 84,445

NOTE 7: LONG-TERM DEBT (CONTINUED)

	Original Issue Amount	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Amount due within one year
Wastewater System Revenue Bonds:						
Subordinated Series 2010 B						
5.03 - 5.18%, due 6/1/40	$ 150,000	$ 150,000	$ -	$ -	$ 150,000	$ -
Series 2014 A						
5.00%, due 6/1/31	82,150	29,100	-	7,740	21,360	8,065
Series 2015 A-1						
5.00%, due 6/1/37	54,805	54,805	-	54,805	-	-
Series 2015 A-2						
5.00%, due 6/1/38	13,565	13,565	-	-	13,565	-
Series 2015 B						
2.10 - 3.35% , due 6/1/30	2,795	1,255	-	195	1,060	200
Series 2017 A						
4.00 - 5.00%, due 6/1/37	69,420	43,100	-	5,220	37,880	5,495
Series 2022 A						
5.00%, due 6/1/45	18,140	14,820	-	1,820	13,000	1,910
Series 2022 B						
5.00%, due 6/1/37	17,345	17,345	-	-	17,345	-
Series 2024 A						
5.00%, due 6/1/54	24,950	24,950	-	-	24,950	-
Series 2025 A						
5.00%, due 6/1/55	28,580	-	28,580	-	28,580	-
Series 2025 B						
5.00%, due 6/1/37	48,400	-	48,400	-	48,400	-
Total wastewater long-term bonds		348,940	76,980	69,780	356,140	15,670
Total long-term bonds		2,773,205	815,430	681,465	2,907,170	100,115
Water Loans:						
State Water Resources Control Board						
2008 East Bayshore, Recycled Water Project						
2.40%, due 4/1/28	20,100	4,753	-	1,147	3,606	1,174
2018 South Reservoir Replacement Project						
1.70%, due 7/1/48	13,998	12,131	-	413	11,718	420
2018 MacArthur Davenport Pipeline Replacement Project						
1.70%, due 7/1/49	12,045	10,507	-	340	10,167	346
Total water loans		27,391	-	1,900	25,491	1,940
Total long-term loans		27,391	-	1,900	25,491	1,940
Commercial Paper (see Note 6)						
Water System Commercial Paper		261,000	1,092,770	1,112,770	241,000	
Wastewater System Commercial		-	-	-	-	
Total commercial paper		261,000	1,092,770	1,112,770	241,000	
Amount due within one year		(100,165)	(1,890)	-	(102,055)	
Add: Unamortized premium, net		236,483	73,543	67,866	242,160	
Total long-term liabilities, net		$ 3,197,914	$ 1,979,853	$ 1,864,001	$ 3,313,766	$ 102,055

NOTE 7: LONG-TERM DEBT (CONTINUED)

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

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

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

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

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

Water System Revenue Bonds Issuance and Refunding during the Fiscal Year

2026 Water System Revenue Bonds, Series 2026A (Green Bonds) – The District issued $329.51 million principal amount of Water System Revenue Bonds Series 2026A on May 6, 2026, to provide funds to finance and/or reimburse the District for certain costs of various improvements to the District Water System and to pay the costs of issuance in connection with the Series 2026A bonds. The Water System Revenue Bonds Series 2026A are special limited obligations of the District and are payable solely from and secured by a pledge of the Adjusted Net Water Revenues of the District. The Adjusted Net Water Revenues generally consist of the District's Water Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) remaining after the payment of all Water Operation and Maintenance Costs. Principal payments commence on June 1, 2027, and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2026.

2026 Water System Revenue Refunding Bonds, Series 2026B – The District issued $361.68 million principal amount of Water System Revenue Refunding Bonds Series 2026B on May 6, 2026, to refund all the District's Water System Subordinated Revenue Bonds Series 2010B and to pay costs of issuance in connection with the Series 2026B bonds. The Water System Revenue Refunding Bonds Series 2026B are special limited obligations of the District and are payable solely from and secured by a pledge of the Adjusted Net Water Revenues of the District. The Adjusted Net Water Revenues generally consist of the District's Water Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) remaining after the payment of all Water Operation and Maintenance Costs. Principal payments commence on June 1, 2036, and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2026.

NOTE 7: LONG-TERM DEBT (CONTINUED)

Wastewater System Revenue Bonds Issuance during the Fiscal Year

2026 Wastewater System Revenue Bonds, Series 2026A (Green Bonds) – The District issued $37.01 million principal amount of Wastewater System Revenue Bonds, Series 2026A on May 20, 2026, to provide funds to finance and/or reimburse the District for certain costs of improvements to the Wastewater System of the District and to pay costs of issuance in connection with the Series 2026A bonds. The Wastewater System Revenue Bonds Series 2026A are special limited obligations of the District and are payable solely from and secured by a pledge of the Adjusted Net Wastewater Revenues of the District. The Adjusted Net Wastewater Revenues generally consist of the District's Wastewater Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) remaining after the payment of all Wastewater Operation and Maintenance Costs. Principal payments commence on June 1, 2041, and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2026.

2026 Wastewater System Revenue Refunding Bonds, Series 2026B – The District issued $130.98 million principal amount of Wastewater System Revenue Refunding Bonds Series 2026B on May 20, 2026, to refund all the District's Wastewater System Subordinated Revenue Bonds Series 2010B and to pay costs of issuance in connection with the Series 2026B bonds. The Wastewater System Revenue Refunding Bonds Series 2026B are special limited obligations of the District and are payable solely from and secured by a pledge of the Adjusted Net Wastewater Revenues of the District. The Adjusted Net Wastewater Revenues generally consist of the District's Wastewater Revenues (adjusted for deposits to and withdrawals from the Rate Stabilization Fund) remaining after the payment of all Wastewater Operation and Maintenance Costs. Principal payments commence on June 1, 2029, and are payable annually on June 1 thereafter. Interest payments are payable on June 1st and December 1st of each year, commencing December 1, 2026.

Prior-Year Defeasances

In prior years, the District defeased certain debt issues by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. No outstanding bonds are considered defeased as of June 30, 2026.

NOTE 7: LONG-TERM DEBT (CONTINUED)

C. Debt Service Requirements

Annual debt service requirements for fiscal year 2025-2026 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
2027	$ 95,687	$ 137,471	$ 13,580	$ 23,856	$ 109,267	$ 161,327
2028	101,504	132,766	14,255	21,877	115,759	154,643
2029	106,517	127,723	14,130	19,585	120,647	147,308
2030	111,820	122,401	14,820	17,248	126,640	139,649
2031	117,389	116,814	15,550	14,786	132,939	131,600
2032 - 2036	664,281	490,075	90,035	62,023	754,316	552,098
2037 - 2041	620,783	320,533	96,485	37,449	717,268	357,982
2042 - 2046	440,816	188,192	37,380	20,731	478,196	208,923
2047 - 2051	278,318	101,169	30,810	12,498	309,128	113,667
2052 - 2056	244,200	31,403	31,415	4,108	275,615	35,511
Totals	$ 2,781,315	$ 1,768,547	$ 358,460	$ 234,161	$ 3,139,775	$ 2,002,708

Annual debt service requirements for fiscal year 2024-2025 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
2026	$ 86,385	$ 130,699	$ 15,670	$ 17,741	$ 102,055	$ 148,440
2027	89,847	126,433	13,580	16,969	103,427	143,402
2028	94,229	122,025	14,255	16,291	108,484	138,316
2029	98,882	117,347	4,985	15,621	103,867	132,968
2030	103,800	112,409	14,780	15,345	118,580	127,754
2031 - 2035	601,812	478,904	97,555	64,229	699,367	543,133
2036 - 2040	701,093	305,653	98,000	39,497	799,093	345,150
2041 - 2045	420,498	153,946	58,145	15,549	478,643	169,495
2046 - 2050	200,515	73,688	18,315	7,974	218,830	81,662
2051 - 2055	179,460	24,922	20,855	2,904	200,315	27,826
Totals	$ 2,576,521	$ 1,646,026	$ 356,140	$ 212,120	$ 2,932,661	$ 1,858,146

NOTE 8: NET POSITION

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

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

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

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

NOTE 9: EMPLOYEES' RETIREMENT PLAN

A. Description

The Employees' Retirement System is a single-employer, contributory, defined benefit pension plan (the Plan) which provides retirement, disability, survivorship, and post-employment healthcare benefits for eligible directors, officers, and employees of the District. The Plan is administered by a Retirement Board composed of three members appointed by the District's Board of Directors and two members elected by and from the active membership of the Plan, and a nonvoting member elected by the retirees of the Plan. Retirement Ordinance No. 40 assigns the authority to establish Plan benefit provisions to the District's Board of Directors. A stand-alone financial report of the Employees' Retirement System is available. Please send request to the Controller, Accounting Division, P.O. Box 24055, MS 402, 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 percentage are recommended by the Retirement Board; employee contribution rates are established by the Board of Directors pursuant to the Ordinance, considering 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).

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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. Postemployment 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, 2025 (date of latest actuarial valuation), there were 1,957 participants receiving these health care benefits.

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 $10,166 and $9,777 for the years ended June 30, 2026 and 2025, respectively.

Effective January 1, 2026, the District reimbursed up to $605 per month for employees whose first retirement date is on or after July 28, 2025, for any health, dental, or long-term care insurance premiums paid by the retiree for themselves, current spouse, or financially dependent domestic partner, or any health, dental, or long-term care insurance premiums paid by the eligible surviving spouse of a retiree. The monthly benefit is aligned with the premium cost of the District Kaiser Senior Advantage Low Plan for Medicare-eligible couples and is adjusted annually using a Health Insurance Benefit (HIB) adjustment factor, which is based on changes in the Kaiser premium plus any unused increases or decreases carried forward from prior years. Annual adjustments are capped at 3% and will not be less than 0%, and the monthly reimbursement will never be less than $605 for this Tier 3 benefit. In addition, the District introduced a new service-based eligibility structure for PEPRA-tier employees. Under the revised schedule, 1980 Plan members become eligible for 25% of the benefit after 5 years of service, 50% after 10 years, 75% after 15 years, and 100% after 20 or more years, while 2013 (PEPRA) Plan members qualify for 25% after 5 years, 50% after 10 years, and 100% after 15 years of service. To fund these enhanced benefits, employee contributions will be phased in over three years at 0.40% in 2026, 0.70% in 2027, and 1.00% in 2028.

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Membership in the OPEB Plan consisted of the following as of June 30, 2025, the measurement date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,957
Terminated plan members entitled to but not yet receiving benefits	424
Active plan members	2,001
Total	4,382

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, 2026 are as follows:

1980 Plan:	
Pension plan:	
Employer service cost	19.58%
Toward unfunded pension liability	25.85%
Other post-employment benefits:	
Employer normal cost	0.88%
Unfunded actuarial accrued liability	3.55%
2013 Plan:	
Pension plan:	
Employer service cost	10.08%
Toward unfunded pension liability	25.85%
Other post-employment benefits:	
Employer normal cost	0.67%
Unfunded actuarial accrued liability	3.55%

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

District adopted contribution rates for the year ended June 30, 2027 are as follows:

1980 Plan:	
Pension plan:	
Employer service cost	19.51%
Toward unfunded pension liability	24.07%
Other post-employment benefits:	
Employer normal cost	1.34%
Unfunded actuarial accrued liability	4.42%
2013 Plan:	
Pension plan:	
Employer service cost	10.13%
Toward unfunded pension liability	24.07%
Other post-employment benefits:	
Employer normal cost	1.29%
Unfunded actuarial accrued liability	4.42%

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

Valuation date	June 30, 2023
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Prior to July 1, 2011, the UAAL from plan changes, assumption changes, and experience gains/losses were amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, any new UAAL resulting from plan changes are amortized over separate decreasing 15-year periods; assumption and method 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 and method changes are amortized over separate decreasing 20-year periods.
Assets valuation method	The actuarial value of assets is equal to the fair value of assets less unrecognized returns from each of the last five years. The unrecognized return each year is equal to the difference between the actual and expected returns on the fair value of assets, recognized over a five year period. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the fair value of assets.
Actuarial assumptions:	
Net Investment Return	6.75%, net of investment and administrative expenses.
Average projected salary increases*	1955 to 1980 plan: 9.25% to 3.25% 2013 Tier: 9.50% to 3.75%
Inflation rate	2.50%
Cost-of-living adjustments	2.75% per annum For members who have COLA banks, the assumption is they receive up to 3% COLA increases until their COLA banks are exhausted, 2.75% thereafter.
Mortality	*Pre-retirement mortality rates:* Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Post-retirement Mortality rates:* Pub-2010 General Healthy retiree amount-weighted above-median Mortality Table, with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. *After Disability Retirement:* 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.

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

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

E. Contributions Required and Contributions Made

Contributions for the years ended June 30, 2026, and June 30, 2025, based on the June 30, 2025, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

	2026			2025
	Pension	Healthcare Benefit Plan	Totals	
Regular contributions:				
District contributions	$ 117,615	$ 12,769	$ 130,384	$ 122,754
Member contributions	26,912	683	27,595	24,712
	144,527	13,452	157,979	147,466
Other contributions:				
Member buybacks	16	-	16	25
	$ 144,543	$ 13,452	$ 157,995	$ 147,491

Regular District and member contributions in fiscal year 2026 represent an aggregate of 44.57% and 9.44% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.36% of covered payroll. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2026, was $292,532, which was 90.39% of the total District payroll of $323,638.

The total 2026 District contribution of $130,384 is compromised of the normal cost of $51,971 and the unfunded actuarial accrued liability of $78,413.

Regular District and member contributions in fiscal year 2025 represent an aggregate of 44.46% and 8.96% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.30% of covered payroll. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2025, was $276,094, which was 90.69% of the total District payroll of $304,426.

The total 2025 District contribution of $122,754 is compromised of the normal cost of $48,795 and the unfunded actuarial accrued liability of $73,959.

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.

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

F. Net Pension Liability

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

	2026	2025
Total Pension Liability	$ 3,270,837	$ 3,143,728
Plan Fiduciary Net Position	(2,743,096)	(2,445,611)
Employer Net Pension Liability	$ 527,741	$ 698,117
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.87%	77.79%
Covered payroll	$ 275,207	$ 264,426
Liability as a Percentage of Covered payroll	191.76%	264.01%

The actuarial assumptions used in the June 30, 2025 valuation were based on the July 1, 2020 through June 30, 2024 Actuarial Experience Study report dated November 13, 2024. 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, 2025 and 2024, while the total pension liability was determined based upon the results of the actuarial valuations as of June 30, 2025 and 2024, respectively

For the year ended June 30, 2026, the District recognized pension expense as follows:

	Water	Wastewater	Total
Contributions made after measurement date	$ (100,375)	$ (17,240)	$ (117,615)
Current year changes in the net pension liability:			
Service cost	53,961	8,994	62,955
Interest on total pension liability	180,969	30,165	211,134
Member contributions	(20,989)	(3,499)	(24,488)
Projected earning on investments	(140,781)	(23,466)	(164,247)
Difference in expected and actual earnings	(27,063)	(4,511)	(31,574)
Other	9,433	1,657	11,090
Total current year activity	55,530	9,340	64,870
Total pension expense	$ (44,845)	$ (7,900)	$ (52,745)

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

At June 30, 2026, 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	Total	Water	Wastewater	Total
Pension contributions subsequent to measurement date	$ 100,375	$ 17,240	$ 117,615	$ -	$ -	$ -
Differences between expected and actual experience	46,175	7,697	53,872	3,182	530	3,712
Changes of assumptions	30,275	5,046	35,321	-	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	764	1,435	2,199	1,435	764	2,199
Net difference between projected and actual earnings on pension plan investments	-	-	-	131,596	21,935	153,531
Total	$ 177,589	$ 31,418	$ 209,007	$ 136,213	$ 23,229	$ 159,442

A total of $117,615 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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Water	Wastewater	Total
2027	$ 39,003	$ 6,685	$ 45,688
2028	(37,974)	(6,014)	(43,988)
2029	(38,437)	(6,085)	(44,522)
2030	(22,866)	(3,754)	(26,620)
2031	1,275	117	1,392
	$ (58,999)	$ (9,051)	$ (68,050)

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.

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	32.55%	5.80%
Domestic Small Cap Equity	2.45%	6.59%
Developed International Large Cap Equity	18.00%	6.44%
Emerging Markets Equity	7.00%	8.32%
Core Bonds	20.00%	2.27%
High Yield Bonds	7.50%	4.62%
Bank Loans	5.00%	4.43%
Real Estate	2.50%	4.54%
Private Debt	5.00%	6.63%
Total	100.0%	5.26%

The discount rates used to measure the total pension liability was 6.75% as of June 30, 2025 and June 30, 2024, 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 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, 2025 and June 30, 2024, respectively.

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Changes in net pension liability for fiscal year ended June 30, 2026 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (C) = (a) - (b)**
Beginning Balance	$ 3,143,728	$ 2,445,611	$ 698,117
Changes Recognize during the Measurement Period:			
Service cost	62,955	-	62,955
Interest	211,134	-	211,134
Differences between expected and actual experience	10,559	-	10,559
Changes of assumptions	-	-	-
Contributions - employer	-	110,869	(110,869)
Contributions - employee	-	24,488	(24,488)
Net investment income	-	322,117	(322,117)
Benefit payments, including refunds of employee contributions	(157,539)	(157,539)	-
Administrative expense	-	(2,450)	2,450
Net Changes during the Measurement Period	127,109	297,485	(170,376)
Ending Balance	$ 3,270,837	$ 2,743,096	$ 527,741

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, 2025, 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	$ 954,572	$ 527,741	$ 175,026

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

G. Net OPEB Liability

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

	2026	2025
Total OPEB Liability	$ 220,176	$ 189,880
Plan Fiduciary Net Position	(82,988)	(71,420)
Employer Net OPEB Liability	$ 137,188	$ 118,460
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	37.69%	37.61%

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an experience study dated (November 13, 2024) for the period from July 1, 2020 through June 30, 2024 and the Retiree Health assumptions letter (dated January 21, 2026). These are the same as the assumptions used in the June 30, 2025 funding actuarial valuation for EBMUDERS except the discount rate is calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 74, and implicit subsidy benefit payments are valued based on the age-based costs and separate spousal participation assumptions.

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

Valuation date	June 30, 2023
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, through June 30, 2021, plan changes are amortized over separate decreasing 15-year periods; assumptions 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. In addition, the effect of plan provision updates are amortized over 15 years.
Assets valuation method	Fair 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 fair value, and is recognized over a five year period, further adjusted, if necessary to be within 30% of the fair value.
Actuarial assumptions:	
Net Investment Return	6.75%, net of OPEB Plan investment expense, including inflation
Average projected salary increases*	1955 to 1980 Plan: Ranges from 9.25% to 3.75% based on years of service* 2013 Tier Plan: Ranges from 9.50% to 3.75% based on years of service*
Inflation rate	2.50%
Health care trend	Non-Medicare: Actual premium increases for 2023-2024, then 7.375% graded down to 4.50% over 12 years. Medicare: Actual premium increases for 2023-2024, then 6.375% graded down to 4.50% over 8 years.
HIB Subsidy Increase	0% for $450/$550 benefit 3% for indexed benefit
Mortality	*Pre-retirement:* Pub-2010 general employee headcount-weighted above-median Mortality Tables projected generationally with the two-dimensional mortality improvement scale MP-2021. *After Service Retirement and All Beneficiaries:* Pub-2010 general healthy retiree headcount-weighted above-median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional improvement scale MP-2021. *After Disability Retirement:* Pub-2010 non-safety disabled retiree headcount-weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional improvement scale MP-2021.

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

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	32.55%	5.80%
Domestic Small Cap Equity	2.45%	6.59%
Developed International Large Cap Equity	18.00%	6.44%
Emerging Market Equity	7.00%	8.32%
Core Bonds	20.00%	2.27%
High Yield Bonds	7.50%	4.62%
Bank Loans	5.00%	4.43%
Real Estate	2.50%	4.54%
Private Debt	5.00%	6.63%
Total	100.0%	5.26%

The municipal bond rates used to determine the blended discount rate, as discussed above, were 5.20% and 3.93%, which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2025 and June 30, 2024, respectively.

The discount rates used to measure the total OPEB liability were 6.32% and 5.58% as of June 30, 2025 and June 30, 2024, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current and agreed upon contribution rates as specified in the District's bargaining agreements 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 sufficient to make projected future benefit payments for current plan members through June 30, 2064. Payments after that date would be funded by employer assets. 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, 2064, and the 20-year municipal bond rate (5.20%) was applied to periods after June 30, 2064, to determine the total OPEB liability.

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Change in Net OPEB liability for fiscal year ended June 30, 2026 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (c) = (a) - (b)**
Beginning Balance	$ 189,880	$ 71,420	$ 118,460
Changes Recognized for the Measurement Period:			
Service Cost	5,305	-	5,305
Interest on the total OPEB liability	10,531	-	10,531
Changes in benefit terms	47,385	-	47,385
Difference between expected and actual experience	(1,618)	-	(1,618)
Changes of assumptions	(18,230)	-	(18,230)
Contributions from the employer	-	11,885	(11,885)
Contributions from the employee	-	249	(249)
Net investment income	-	9,298	(9,298)
Administrative expenses	-	(87)	87
Benefit payments, including implicit subsidies *	(13,077)	(13,077)	-
Other **	-	3,300	(3,300)
Net Changes	30,296	11,568	18,728
Ending Balance	$ 220,176	$ 82,988	$ 137,188

* Sum of cash benefit payments and estimated implicit subsidy benefit payments

** 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, 2025, calculated using the discount rate of 6.32%, 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 (5.32%) or 1-percentage point higher (7.32%) than the current rate:

	1% Decrease (5.32%)	Current Discount (6.32%)	1% Increase (7.32%)
Net OPEB Liability	$ 163,865	$ 137,188	$ 114,971

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, 2025, 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	$ 119,556	$ 137,188	$ 159,716

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2026, the District recognized OPEB expense as follows:

	Water	Wastewater	Total
Contributions made after the measurement date:	$ 10,874	$ 1,895	$ 12,769
Change in the current year activity			
Service Cost	4,536	768	5,304
Interest on the Total OPEB Liability	9,006	1,526	10,532
Expensed portion of current-period changes in proportion and differences between entity's contributions and proportion share of contributions	19	(19)	-
Benefit Changes	40,519	6,866	47,385
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(227)	(38)	(265)
Expensed portion of current-period changes of assumptions or other inputs	(2,556)	(433)	(2,989)
Member contributions	(213)	(36)	(249)
Projected earnings on plan investments	(4,188)	(710)	(4,898)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(753)	(128)	(881)
Administrative expense	74	13	87
Other	(2,822)	(478)	(3,300)
Recognition of beginning of year deferred outflows of resources as OPEB expense	6,838	1,159	7,997
Recognition of beginning of year deferred inflows of resources as OPEB expense	(8,505)	(1,441)	(9,946)
Net recognition of beginning of year deferred amounts from changes in proportion*	(53)	53	-
Total current year activity	41,675	7,102	48,777
Total OPEB expense	$ 52,549	$ 8,997	$ 61,546

** Includes differences between employer's contributions and proportionate shares of contributions, if any.*

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2026 were as follows:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Water	Wastewater	Total	Water	Wastewater	Total
Employer contributions made subsequent to the measurement date	$ 10,874	$ 1,895	$ 12,769	$ -	$ -	$ -
Change in proportion and differences between employer contributions and proportionate share of contributions	136	356	492	356	136	492
Differences between expected and actual experience	1,512	255	1,767	1,868	316	2,184
Changes of assumptions	5,022	851	5,873	24,479	4,148	28,627
Net excess of projected over actual earnings on OPEB Plan investments (if any)	-	-	-	3,734	633	4,367
Total	$ 17,544	$ 3,357	$ 20,901	$ 30,437	$ 5,233	$ 35,670

NOTE 9: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

$12,769 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, 2027. Amounts reported as deferred outflows and resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

	Water System	Wastewater System
2027	$ (5,397)	$ (845)
2028	(6,785)	(1,067)
2029	(4,176)	(619)
2030	(4,369)	(701)
2031	(2,764)	(490)
2032	(276)	(49)
Total	$ (23,767)	$ (3,771)

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	10.08% of Reportable Compensation
Member Normal Cost Contribution Rate as a Percentage Payroll	10.08% of Reportable Compensation

The employer contribution rate listed above was in effect as of June 30, 2026. 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, 2022. The total normal cost rate for 2013 Plan Members for fiscal year 2026 is 20.16% of payroll.

NOTE 10: RISK MANAGEMENT

The District has purchased commercial insurance for general, property, public officials' liability and workers' compensation. During the fiscal year ended June 30, 2026, the District paid $3,446 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

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, 2026, the amount of these liabilities was $65,588. 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:

	2026	2025
Liability at beginning of year	$ 61,153	$ 55,739
Current year claims and changes in estimates	13,338	17,116
Payments of claims	(8,903)	(11,702)
Liability at end of year	$ 65,588	$ 61,153
Estimated liability:		
Due within one year	$ 14,595	$ 14,026
Due in more than one year	50,993	47,127
	$ 65,588	$ 61,153

NOTE 11: KNOWN ENVIRONMENTAL LIABILITIES

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance on accounting and financial reporting for pollution remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. Pollution remediation activities include: pre-cleanup activities, cleanup activities, external government oversight and enforcement, and operation and maintenance of the remedy. The following is a summary of the District's known environmental liabilities as of August 6, 2026, 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.

  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. It is possible that the CVRWQCB could mandate the District to construct wastewater treatment pond upgrades. At the preliminary planning stage in 2016, it was 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. In September 2023, 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 reviewed the assessment findings and recommendations and will propose a workplan for this site to the CVRWQCB after we receive feedback from them on the outstanding CANS site proposal.

NOTE 11: KNOWN ENVIRONMENTAL LIABILITIES (CONTINUED)

- 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 reviewed the results and recommended further delineation of the groundwater plume. The District produced and submitted a new workplan and ACDEH approved it. The additional delineation work was completed in the fall of 2024. The additional data collected suggested that the groundwater, soil and soil vapor impacts have been adequately delineated, are limited in extent and potentially pose no significant risk to vapor intrusion at the site. ACDEH requested that the data collected in 2023 and 2024 be incorporated into an updated Conceptual Site Model with a Low-Threat Closure Evaluation, which the District completed in November 2025. In response to this most recent submittal, the ACDEH issued a letter on April 20, 2026, declining the District's request for case closure due to two remaining technical data gaps. ACDEH cited concern about a remaining petroleum secondary source at one location and requested on more validation soil vapor sample at a second location. In May 2026, ACDEH indicated they will send a request for an additional vapor characterization study. The District is currently coordinating with its consultant to resolve these final directives and advance the site toward regulatory closure. Remaining costs for completing closure should be less than $200,000.

- 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.

  The District designed a phased embankment repair plan and submitted a workplan to the CVRWQCB for approval in August 2023. Phase I repair work was completed in October 2023. The embankment was routinely monitored and remained stable through the relatively average 2023-24 wet season. The District requested to leave the Phase I repairs in place, cancel Phase II work outlined in the workplan, conduct minor maintenance, and focus on monitoring the site, including water quality data from the pond during the next wet season. The CVRWQCB agreed to this proposal and requested a Completion Report by April 1, 2025. The District performed the minor maintenance issues and submitted the Completion Report to the CVRWQCB on March 27, 2025. The District monitored and collected surface water samples at the site during the 2025-2026 wet season. The embankment remains stable and continues to perform as designed. Ongoing annual reports will be submitted to the CVRWQCB every October per their direction. The District will continue monitoring and sampling at the site and submitting inspection reports to the CVRWQCB during the wet season on a monthly basis.

NOTE 11: KNOWN ENVIRONMENTAL LIABILITIES (CONTINUED)

- 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 sampling and characterization were 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). In August 2023, the District prepared and submitted a UST Removal Report to the San Francisco Bay Regional Water Quality Control Board (SFRWQCB). The Fleet East Facility is currently under regulatory oversight of the SFRWQCB under Leaking Underground Storage Tank Cleanup Site (LUST) Case No. 07-0917. In response to their request, the SFRWQCB was provided with 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. Ongoing sampling, monitoring, and potential remediation work may cost up to $125,000 depending on the agreed upon scope.

- The District is currently managing two upcountry project sites with poly chlorinated biphenyl (PCB) contamination that require prescriptive remediation measures under the Federal Toxic Substances Control Act (TSCA) which is administered by the US Environmental Protection Agency (EPA). The two sites include Pardee Center Chemical Plant (Chemical Plant) and Mokelumne (Moke) Aqueduct Station No. 379 (Station No. 379). The District retained a subject matter expert to facilitate the two remediation projects as the TSCA regulations are complex. PCBs were identified at the Chemical Plant during the facility material characterization study in preparation for the new lime building (Project), construction to commence in 2027. The PCB source was determined to be the window caulking in the old lime slake building that is flagged for demolition. Analytical data show that the PCBs have migrated from the caulking into the adjoining concrete, with impacts to the soil and local storm drainage system. In 2025, 95% of the PCB soil contamination was delineated. The remaining PCB characterization samples, including sections of existing asphalt and a concrete pad, will be collected prior to the start-up of the Project. Total costs incurred to date are $190,000, with anticipated additional costs to complete the clean-up at up to $250,000. Recoating of the pipeline at Station No. 379 is included in the Moke Aqueduct Recoating Project. Characterization of the existing coating detected PCBs, with follow-up soil analysis showing they had leached into the underlying soil. In October 2025, the District submitted its TSCA application to the EPA. Prior to the submittal, the EPA agreed that the District could recoat the pipeline using a means and method that would not disturb the PCB contaminated soil. The pipeline recoating was conducted in parallel with the submittal process. In March 2026, the District received approval of its TSCA application, allowing remediation of the delineated PCB soil contamination. Remediation will occur once Camanche Reservoir elevation is low enough for site access and soil conditions are conducive to the remediation work. Total costs incurred to date are approximately $200,000, with anticipated additional costs to complete the clean-up at up to $300,000.

- 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 12: CONTINGENT LIABILITIES

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

NOTE 13: COMMITMENTS AND CONTINGENCIES

Central Valley Project

In December 1970, the District entered into a contract with the US Bureau of Reclamation for access to up to 150,000 acre feet per year of Central Valley Project (CVP) water from a diversion point on the American River. The successor contract, the Long Term Renewal Contract, was executed in April 2006 with a 40 year term. The Long Term Renewal Contract provides for delivery of up to 133,000 acre feet per year of CVP water in dry years to supplement the District's surface water supplies. Deliveries to the District are limited to a 165,000 acre foot total over any three successive dry years. In years in which the District takes delivery of CVP water, the District's allocated CVP capital cost and the District's operations and maintenance deficit balance will be paid down commensurately with the quantity of water delivered. For example, if the District had to take delivery of 80,000 acre feet in fiscal year 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 14: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 9, 2026, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2026, that required recognition or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(Dollars in thousands)

(1) Pension Plan

Schedule of Changes in Employer's Net Pension Liability:

Reporting Date	**2026**	**2025**	**2024**	**2023**	**2022**
Measurement Date	2025	2024	2023	2022	2021
Total pension liability					
Service cost	$ 62,955	$ 60,312	$ 56,378	$ 51,706	$ 52,212
Interest	211,134	201,159	190,492	181,464	176,878
Differences between expected and actual experience	10,559	11,737	51,869	54,807	(37,465)
Changes of assumptions	-	25,307	-	72,120	-
Benefit payments, including refunds of employee contributions	(157,539)	(149,216)	(140,081)	(129,940)	(121,249)
Net change in total pension liability	127,109	149,299	158,658	230,157	70,376
Total pension liability - beginning	3,143,728	2,994,429	2,835,771	2,605,614	2,535,238
Total pension liability - ending (a)	$ 3,270,837	$ 3,143,728	$ 2,994,429	$ 2,835,771	$ 2,605,614
Plan fiduciary net position					
Contributions - employer	$ 110,869	$ 105,111	$ 95,103	$ 91,393	$ 79,252
Contributions - employee	24,488	23,637	21,865	20,915	19,136
Net investment income	322,117	274,375	214,117	(245,904)	481,909
Benefit payments, including refunds of employee contributions	(157,539)	(149,216)	(140,081)	(129,940)	(121,249)
Administrative expense	(2,450)	(2,438)	(2,214)	(1,875)	(1,876)
Net change in plan fiduciary net position	297,485	251,469	188,790	(265,411)	457,172
Plan fiduciary net position - beginning	2,445,611	2,194,142	2,005,352	2,270,763	1,813,591
Plan fiduciary net position - ending (b)	$ 2,743,096	$ 2,445,611	$ 2,194,142	$ 2,005,352	$ 2,270,763
Plan's net pension liability - ending (a) - (b)	$ 527,741	$ 698,117	$ 800,287	$ 830,419	$ 334,851

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(Dollars in thousands)

(1) Pension Plan

Schedule of Changes in Employer's Net Pension Liability (Continued):

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**
Measurement Date	2020	2019	2018	2017	2016
Total pension liability					
Service cost	$ 46,124	$ 44,710	$ 40,636	$ 41,106	$ 37,828
Interest	163,114	154,896	149,324	144,392	138,135
Differences between expected and actual experience	(6,199)	25,974	48,581	(22,641)	5,278
Changes of assumptions	104,814	-	12,484	-	52,596
Benefit payments, including refunds of employee contributions	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)
Net change in total pension liability	194,465	119,795	152,963	72,152	149,951
Total pension liability - beginning	2,340,773	2,220,978	2,068,015	1,995,863	1,845,912
Total pension liability - ending (a)	$ 2,535,238	$ 2,340,773	$ 2,220,978	$ 2,068,015	$ 1,995,863
Plan fiduciary net position					
Contributions - employer	$ 77,645	$ 74,033	$ 71,221	$ 67,096	$ 65,218
Contributions - employee	18,690	17,681	16,860	15,820	14,741
Net investment income	39,973	91,194	147,424	197,977	13,934
Benefit payments, including refunds of employee contributions	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)
Administrative expense	(1,453)	(1,477)	(1,521)	(1,403)	(1,289)
Net change in plan fiduciary net position	21,467	75,646	135,922	188,785	8,718
Plan fiduciary net position - beginning	1,792,124	1,716,478	1,580,556	1,391,771	1,383,053
Plan fiduciary net position - ending (b)	$ 1,813,591	$ 1,792,124	$ 1,716,478	$ 1,580,556	$ 1,391,771
Plan's net pension liability - ending (a) - (b)	$ 721,647	$ 548,649	$ 504,500	$ 487,459	$ 604,092

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(Dollars in thousands)

(2) Pension Plan

Schedule of Employer's Net Pension Liability:

Reporting Date	**2026**	**2025**	**2024**	**2023**	**2022**
Measurement Date	2025	2024	2023	2022	2021
Total pension liability	$ 3,270,837	$ 3,143,728	$ 2,994,429	$ 2,835,771	$ 2,605,614
Plan fiduciary net position	(2,743,096)	(2,445,611)	(2,194,142)	(2,005,352)	(2,270,763)
Net pension liability	$ 527,741	$ 698,117	$ 800,287	$ 830,419	$ 334,851
Plan fiduciary net position as a percentage of total pension liability	83.87%	77.79%	73.27%	70.72%	87.15%
Covered payroll *	$ 275,207	$ 264,426	$ 246,231	$ 233,940	$ 221,809
Plan net pension liability as percentage of covered employee payroll	191.76%	264.01%	325.01%	354.97%	150.96%

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**
Measurement Date	2020	2019	2018	2017	2016
Total pension liability	$ 2,535,238	$ 2,340,773	$ 2,220,978	$ 2,068,015	$ 1,995,863
Plan fiduciary net position	(1,813,591)	(1,792,124)	(1,716,478)	(1,580,556)	(1,391,771)
Net pension liability	$ 721,647	$ 548,649	$ 504,500	$ 487,459	$ 604,092
Plan fiduciary net position as a percentage of total pension liability	71.54%	76.56%	77.28%	76.43%	69.73%
Covered payroll *	$ 215,110	$ 203,541	$ 193,717	$ 182,032	$ 174,586
Plan net pension liability as percentage of covered employee payroll	335.48%	269.55%	260.43%	267.79%	346.01%

* In accordance with GASB 82, the covered payroll amounts are defined as the payroll on which contributions to a pension plan are based.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(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
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	-	246,231	38.62%
2024	105,111	105,111	-	264,426	39.75%
2025	110,869	110,869	-	276,094	40.16%
2026	117,615	117,615	-	292,532	40.21%

* Derived by dividing the contributions in relation to the actuarially determined contributions by the contributions as a percentage of covered employee payroll. These amounts may therefore be different from the actual payrolls 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, 2025 are based on the reporting date. Years preceding fiscal year ended June 30, 2026 are based on the measurement date.

(4) Pension Plan

Schedule of Investment Returns:

Reporting Date	2026	2025	2024	2023	2022
Annual money weighted rate of return, net of investment expense	17.81%	13.45%	12.74%	10.96%	-10.81%

Reporting Date	2021	2020	2019	2018	2017
Annual money weighted rate of return, net of investment expense	26.85%	2.27%	5.37%	9.29%	14.46%

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(Dollars in thousands)

(5) Post-Employment Healthcare Plan

Schedule of Changes in Employer's Net OPEB Liability:

Reporting Date	**2026**	**2025**	**2024**	**2023**	**2022**
Measurement Date	2025	2024	2023	2022	2021
Total OPEB liability					
Service cost	$ 5,305	$ 5,865	$ 5,088	$ 6,725	$ 5,538
Interest	10,531	10,101	9,646	8,061	8,608
Change of benefit terms	47,385	-	-	-	-
Difference between actual and expected experience	(1,618)	291	(438)	5,102	(4,383)
Change of assumptions	(18,230)	(7,224)	10,206	(28,016)	7,163
Benefit payments - cash*	-	-	-	-	-
Benefit payments - estimated implicit subsidy	(13,077)	(12,699)	(12,185)	(11,778)	(11,644)
Net change in total OPEB liability	30,296	(3,666)	12,317	(19,906)	5,282
Total OPEB liability - beginning	189,880	193,546	181,229	201,135	195,853
Total OPEB liability - ending (a)	$ 220,176	$ 189,880	$ 193,546	$ 181,229	$ 201,135
Plan fiduciary net position					
Employer contributions - cash	$ 11,885	$ 12,231	$ 11,420	$ 10,892	$ 11,372
Employer contributions - estimated implicit subsidy	-	-	-	-	-
Employer contributions - total	11,885	12,231	11,420	10,892	11,372
Employee contributions	249	240	223	212	200
Net investment income	9,298	7,676	5,715	(6,105)	11,638
Benefit payments - cash*	-	-	-	-	-
Benefit payments - estimated implicit subsidy	(13,077)	(12,699)	(12,185)	(11,778)	(11,644)
Administrative expense	(87)	(68)	(59)	(46)	(46)
Other	3,300	2,875	2,480	2,437	2,421
Net change in plan fiduciary net position	11,568	10,255	7,594	(4,388)	13,941
Plan fiduciary net position - beginning	71,420	61,165	53,571	57,959	44,018
Plan fiduciary net position - ending (b)	$ 82,988	$ 71,420	$ 61,165	$ 53,571	$ 57,959
Plan's net OPEB liability - ending (a) - (b)	$ 137,188	$ 118,460	$ 132,381	$ 127,658	$ 143,176

* Benefit Payments and Employer Contributions - cash and estimated implicit subsidy reported together beginning in fiscal year 2018.

(5) Post-Employment Healthcare Plan

Schedule of Changes in Employer's Net OPEB Liability (Continued):

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

* Benefit Payments and Employer Contributions - cash and estimated implicit subsidy reported together beginning in fiscal year 2018.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(Dollars in thousands)

(6) Post-Employment Healthcare Plan

Schedule of Employer's Net OPEB Liability:

Reporting Date	**2026**	**2025**	**2024**	**2023**	**2022**
Measurement Date	2025	2024	2023	2022	2021
Total OPEB liability	$ 220,176	$ 189,880	$ 193,546	$ 181,229	$ 201,135
Plan fiduciary net position	(82,988)	(71,420)	(61,165)	(53,571)	(57,959)
Employer net OPEB liability	$ 137,188	$ 118,460	$ 132,381	$ 127,658	$ 143,176
Plan fiduciary net position as a percentage of total OPEB liability	37.69%	37.61%	31.60%	29.56%	28.82%
Covered payroll	$ 275,207	$ 264,426	$ 246,231	$ 233,940	$ 221,809
Plan net OPEB liability as a percentage of covered payroll	49.85%	44.80%	53.76%	54.57%	64.55%

Reporting Date	**2021**	**2020**	**2019**	**2018**	**2017**
Measurement Date	2020	2019	2018	2017	2016
Total OPEB liability	$ 195,853	$ 173,712	$ 167,770	$ 167,894	$ 171,443
Plan fiduciary net position	(44,018)	(40,841)	(36,762)	(32,088)	(26,358)
Employer net OPEB liability	$ 151,835	$ 132,871	$ 131,008	$ 135,806	$ 145,085
Plan fiduciary net position as a percentage of total OPEB liability	22.48%	23.51%	21.91%	19.11%	15.37%
Covered payroll	$ 215,110	$ 203,541	$ 193,717	$ 182,032	$ 174,586
Plan net OPEB liability as a percentage of covered payroll	70.58%	65.28%	67.63%	74.61%	83.10%

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(Dollars in thousands)

(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 employee payroll
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	-	246,231	4.64%
2024	12,231	12,231	-	264,426	4.63%
2025	11,885	11,885	-	276,426	4.30%
2026	12,769	12,769	-	292,532	4.36%

* Derived by dividing the contributions in relation to the actuarially determined contributions by the contributions as a percentage of covered employee payroll. These amounts may therefore be different from the actual payrolls of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the OPEB 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, 2025 are based on the reporting date. Years preceding fiscal year ended June 30, 2026 are based on the measurement date.

EAST BAY MUNICIPAL UTILITY DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2026
(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, 2023
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Prior to July 1, 2011, the UAAL from plan changes, assumption changes, and experience gains/losses were amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, any new UAAL resulting from plan changes are amortized over separate decreasing 15-year periods; assumption and method 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 and method changes are amortized over separate decreasing 20-year periods.
Assets valuation method	The actuarial value of assets is equal to the fair value of assets less unrecognized returns from each of the last five years. The unrecognized return each year is equal to the difference between the actual and expected returns on the fair value of assets, recognized over a five year period. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the fair value of assets.
Actuarial assumptions:	
Net Investment Return	6.75%, net of investment and administrative expenses.
Average projected salary increases*	1955 to 1980 plan: 9.25% to 3.25% 2013 Tier: 9.50% to 3.75%
Inflation rate	2.50%
Cost-of-living adjustments	2.75% per annum For members who have COLA banks, the assumption is they receive up to 3% COLA increases until their COLA banks are exhausted, 2.75% thereafter.
Mortality	*Pre-retirement mortality rates:* Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. *Post-retirement Mortality rates:* Pub-2010 General Healthy retiree amount-weighted above-median Mortality Table, with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. *After Disability Retirement:* 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.

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

(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, 2023
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, through June 30, 2021, plan changes are amortized over separate decreasing 15-year periods; assumptions 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. In addition, the effect of plan provision updates are amortized over 15 years.
Assets valuation method	Fair 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 fair value, and is recognized over a five year period, further adjusted, if necessary to be within 30% of the fair value.
Actuarial assumptions:	
Net Investment Return	6.75%, net of OPEB Plan investment expense, including inflation
Average projected salary increases*	1955 to 1980 Plan: Ranges from 9.25% to 3.75% based on years of service* 2013 Tier Plan: Ranges from 9.50% to 3.75% based on years of service*
Inflation rate	2.50%
Health care trend	Non-Medicare: Actual premium increases for 2023-2024, then 7.375% graded down to 4.50% over 12 years. Medicare: Actual premium increases for 2023-2024, then 6.375% graded down to 4.50% over 8 years.
HIB Subsidy Increase	0% for $450/$550 benefit 3% for indexed benefit
Mortality	*Pre-retirement:* Pub-2010 general employee headcount-weighted above-median Mortality Tables projected generationally with the two-dimensional mortality improvement scale MP-2021. *After Service Retirement and All Beneficiaries:* Pub-2010 general healthy retiree headcount-weighted above-median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional improvement scale MP-2021. *After Disability Retirement:* Pub-2010 non-safety disabled retiree headcount-weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional improvement scale MP-2021.

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

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SUPPLEMENTARY INFORMATION

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the East Bay Municipal Utility District)

Combining Statement of Fiduciary Net Position
June 30, 2026
(With summarized comparative financial information as of June 30, 2025)
(Dollars in Thousands)

	2026			
	Pension Plan benefits	Post-employment healthcare benefits	Total	2025 Total
Assets:				
Cash and cash equivalents, at fair value	$ 21,247	$ 657	$ 21,904	$ 33,957
Invested securities lending collateral	206,853	6,392	213,245	134,426
Prepaid expenses	-	1,239	1,239	-
Receivables:				
Brokers, securities sold	3,403	105	3,508	4,027
Employer	4,844	530	5,374	5,051
Plan members	1,200	-	1,200	1,044
Interest, dividends, and recoverable taxes	7,475	231	7,706	5,887
Total Receivables	**16,922**	**866**	**17,788**	**16,009**
Investments, at fair value:				
U.S. government obligations	466,834	14,427	481,261	383,570
Domestic corporate bonds	432,931	13,380	446,311	352,157
International bonds	24,573	759	25,332	15,521
Domestic stocks	1,307,397	40,404	1,347,801	1,262,757
International stocks	875,660	27,062	902,722	719,851
Real estate	53,897	1,666	55,563	53,323
Total Investments	**3,161,292**	**97,698**	**3,258,990**	**2,787,179**
Capital assets:				
Intangible Asset in Progress - Software	9,746	301	10,047	7,339
Total Assets	**3,416,060**	**107,153**	**3,523,213**	**2,978,910**
Liabilities:				
Accounts payable and accrued expenses	4,914	152	5,066	3,845
Payables to brokers, securities purchased	4,030	124	4,154	14,555
Securities lending collateral	206,852	6,393	213,245	134,426
Total Liabilities	**215,796**	**6,669**	**222,465**	**152,826**
Net Position:				
Net position restricted for pension benefits and post-employment healthcare benefits	3,200,264	100,484	3,300,748	2,826,084
Total Net Position	**$ 3,200,264**	**$ 100,484**	**$ 3,300,748**	**$ 2,826,084**

EAST BAY MUNICIPAL UTILITY DISTRICT
EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the East Bay Municipal Utility District)

Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2026
(With summarized comparative financial information for the year ended June 30, 2025)
(Dollars in Thousands)

	2026			
	Pension Plan benefits	Post-employment healthcare benefits	Total	2025 Total
Additions:				
Contributions:				
Employer	$ 117,615	$ 12,769	$ 130,384	$ 122,754
Plan members	26,928	683	27,611	24,737
Total Contributions	**144,543**	**13,452**	**157,995**	**147,491**
Investment Income:				
From Investment Activities				
Net appreciation (depreciation) in fair value of investments:				
Traded securities	452,270	13,434	465,704	300,823
Real estate	234	7	241	(1,883)
Interest	26,595	790	27,385	26,852
Dividends	2,157	64	2,221	6,316
Real estate operating income, net	2,440	72	2,512	2,565
Total Investment Income	**483,696**	**14,367**	**498,063**	**334,673**
Less:				
Investment expense	(3,000)	(89)	(3,089)	(3,458)
Net Income from Investment Activities	**480,696**	**14,278**	**494,974**	**331,215**
From Securities Lending Activities				
Securities lending income	7,535	224	7,759	6,817
Borrowers' rebates and other agent fees on securities lending transactions	(7,298)	(220)	(7,518)	(6,617)
Securities Lending Activities	237	4	241	200
Net Investment Income	**480,933**	**14,282**	**495,215**	**331,415**
Total Additions, net	**625,476**	**27,734**	**653,210**	**478,906**
Deductions:				
Benefits paid	165,089	10,166	175,255	166,830
Refund of contributions	792	-	792	486
Administrative expenses	2,427	72	2,499	2,537
Total Deductions	**168,308**	**10,238**	**178,546**	**169,853**
Changes in Net Position	**457,168**	**17,496**	**474,664**	**309,053**
Net Position - Beginning of the year	**2,743,096**	**82,988**	**2,826,084**	**2,517,031**
Net Position - End of the year	**$ 3,200,264**	**$ 100,484**	**$ 3,300,748**	**$ 2,826,084**

East Bay Municipal Utility District
Combining Statement of Net Position - Custodial Funds
June 30, 2026
(With summarized comparative financial information as of June 30, 2025)
(Dollars in Thousands)

	2026					
	Bay Area Clean Water Agencies	Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority	Freeport Regional Water Authority	Upper Mokelumne River Watershed Authority*	Total	2025 Total *
Assets:						
Cash and cash equivalents, at fair value	$ 3,134	$ 4,014	$ 3,795	$ 1,673	$ 12,616	$ 9,323
Accounts receivable:						
Miscellaneous receivables	-	451	31	4,843	5,325	3,437
Interest receivable	25	11	11	1	48	51
Due from member agencies	-	1,510	266	-	1,776	406
Total Receivables	**25**	**1,972**	**308**	**4,844**	**7,149**	**3,894**
Capital assets:						
Capital assets not being depreciated	-	2,124	11,709	-	13,833	14,371
Capital assets, net of accumulated depreciation	-	61,552	296,374	-	357,926	366,378
Total capital assets, net of accumulated depreciation	**-**	**63,676**	**308,083**	**-**	**371,759**	**380,749**
Total Assets	**3,159**	**69,662**	**312,186**	**6,517**	**391,524**	**393,966**
Liabilities:						
Accounts payable and accrued expenses	408	3,054	125	2,110	5,697	2,144
Long-term liabilities:						
Due in one year	-	-	-	3,405	3,405	452
Due in more than one year	-	-	-	-	-	633
Total Liabilities	**408**	**3,054**	**125**	**5,515**	**9,102**	**3,229**
Net Position:						
Restricted for specified purpose	2,751	66,608	312,061	1,002	382,422	390,737
Total Net Position	**$ 2,751**	**$ 66,608**	**$ 312,061**	**$ 1,002**	**$ 382,422**	**$ 390,737**

*Upper Mokelumne River Watershed Authority is presented using the most recent fiscal year end. Therefore, 2026 and 2025 information are as of September 30, 2025 and September 30, 2024, respectively.

East Bay Municipal Utility District
Combining Statement of Changes in Net Position - Custodial Funds
For the Year Ended June 30, 2026
(With summarized comparative financial information for the year ended June 30, 2025)
(Dollars in Thousands)

	2026					
	Bay Area Clean Water Agencies	Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority	Freeport Regional Water Authority	Upper Mokelumne River Watershed Authority*	Total	2025 Total *
Additions:						
Contributions - members	$ 1,935	$ 6,690	$ 2,484	$ 156	$ 11,265	$ 13,722
Grants and other receipts	1,972	1,245	382	9,445	13,044	6,098
Total Contributions	**3,907**	**7,935**	**2,866**	**9,601**	**24,309**	**19,820**
Investment Income:						
Interest	178	171	180	78	607	820
Total Investment Income	**178**	**171**	**180**	**78**	**607**	**820**
Total Additions, net	**4,085**	**8,106**	**3,046**	**9,679**	**24,916**	**20,640**
Deductions:						
General and administrative expenses	508	525	2,487	188	3,708	5,845
Professional services expense	4,134	8	-	-	4,142	3,524
Operation and maintenance expense	-	5,092	-	138	5,230	6,295
Grants and other expenses	-	-	-	9,064	9,064	654
Interest expense	-	16	-	-	16	56
Depreciation expense	-	2,327	7,233	-	9,560	9,539
Reimbursement of member contributions	-	1,511	-	-	1,511	2,340
Total Deductions	**4,642**	**9,479**	**9,720**	**9,390**	**33,231**	**28,253**
Changes in Net Position	**(557)**	**(1,373)**	**(6,674)**	**289**	**(8,315)**	**(7,613)**
Net Position - Beginning of the Year	**3,308**	**67,981**	**318,735**	**713**	**390,737**	**398,350**
Net Position - End of the Year	**$ 2,751**	**$ 66,608**	**$ 312,061**	**$ 1,002**	**$ 382,422**	**$ 390,737**

*Upper Mokelumne River Watershed Authority is presented using the most recent fiscal year end. Therefore, 2026 and 2025 information are as of September 30, 2025 and September 30, 2024, respectively.

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MAZE & ASSOCIATES

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 basic financial statements of the East Bay Municipal Utility District (District), California, as of and for the year ended June 30, 2026, and have issued our report thereon dated October 9, 2026. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated October 9, 2026, which is an integral part of our audit and should be read in conjunction with this report.

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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.



Pleasant Hill, California
October 9, 2026