

**EAST BAY DISCHARGERS AUTHORITY  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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## **INTRODUCTORY SECTION**

**EAST BAY DISCHARGERS AUTHORITY  
BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

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## **East Bay Dischargers Authority**

**Commission  
June 30, 2021**

<b>Member Agency and Representatives</b>	<b>Office</b>
Castro Valley Sanitary District Ralph Johnson Dave Sadoff	Chair Alternate
City of San Leandro Pauline Russo Cutter Pete Ballew	Commissioner Alternate
City of Hayward Sara Lamnin Angela Andrews	Commissioner Alternate
Union Sanitary District Jennifer Toy Anjali Lathi	Commissioner Alternate
Oro Loma Sanitary District Rita Duncan Shelia Young	Commissioner Alternate

### **Management Team**

Jacqueline T. Zipkin  
General Manager/Treasurer-Controller

Howard Cin  
Operations and Maintenance Manager

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Commission  
East Bay Dischargers Authority  
San Lorenzo, California

We have audited the accompanying financial statements of the business-type activities and each major fund of the East Bay Dischargers Authority (Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the East Bay Dischargers Authority, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Comparative Information**

We did not audit the Authority's 2020 financial statements and we express no opinion on the prior year audit report dated November 11, 2020. The prior year report numbers are included for comparison purposes only.

## **Other Matters**

### *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, presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Bay Dischargers Authority's basic financial statements. The Introductory Section and Supplementary Information section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of 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 Authority's internal control over financial reporting and compliance.

  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California  
December 3, 2021



## **East Bay Dischargers Authority**

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021**

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The management's discussion and analysis of the East Bay Dischargers Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended June 30, 2021. The intent of the management's discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

#### **Key Financial Highlights**

- The Authority had a total net position of \$28,248,914 at June 30, 2021.
- The Authority's total operating revenues were \$5,046,373 at June 30, 2021 and were comprised 83% from Member assessments.
- The Authority's total operating expenses were \$5,260,541 at June 30, 2021 and were comprised 18% from depreciation and 82% from operations and maintenance costs (excluding depreciation expense).

#### **Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities of the Authority as a whole, which presents an aggregate view of the Authority's finances. Proprietary Funds financial statements provide the next level of detail.

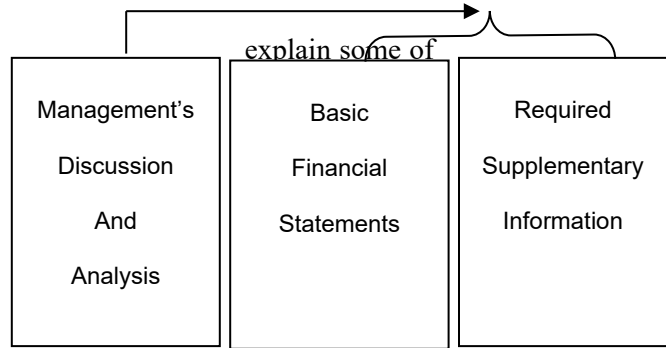
#### **Statement of Net Position and Statement of Activities**

While this report contains the funds used by the Authority to provide programs and activities, the view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies.

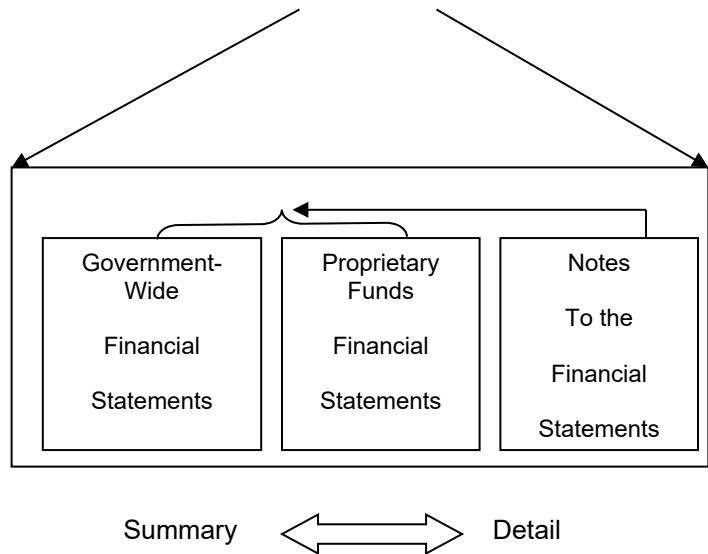
# East Bay Dischargers Authority

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

The financial statements also include notes that the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Authority's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.



The chart summarizes the major features of the Authority's financial statements, including the portion of the Authority's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



## East Bay Dischargers Authority

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

#### Major Features of the Government-Wide Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary	Fiduciary
Scope	Entire Authority activities	N/A	The activities of the Authority that are proprietary in nature	N/A
Required financial statements	Statement of Net Position Statement of Activities		Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position	
Accounting basis and measurement focus	Accrual accounting and economic resources focus		Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term		All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid		All revenues and expenses during the year, regardless of when cash is received or paid	

#### Fund Financial Statements

Fund financial reports provide detailed information about the Authority's funds. The Authority uses Proprietary funds to account for its activities. Proprietary funds utilize the full accrual basis of accounting. The full accrual basis of accounting is similar to accounting utilized by the private sector. The following describes the activities of the funds reported by the Authority:

**Fund 12 - Operation and Maintenance Effluent Disposal** - This fund covers all costs directly associated with the operation, maintenance and repair of the Joint Facilities including labor, materials, supplies, power, chemicals, utilities, professional or contractual services, research and monitoring, tools and equipment, to keep the facilities in proper operating condition and maintain its useful life, plus general administrative expenses, including depreciation, attributable to operation and maintenance activities.

**Fund 13 - Special Projects (Planning and Special Studies Costs)** - This fund covers those costs associated with advanced planning, facilities planning, feasibility studies, research and development, environmental evaluations and studies as related to the overall Joint Facilities or of general interest or benefit to all agencies.

**Fund 14 - Water Recycling (Reclamation/Reuse)** - This fund covers "Reclamation/Reuse" as approved by the Commission, including the Skywest Golf Course.

## East Bay Dischargers Authority

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

Fund 31 - Renewal and Replacement Fund - This fund provides funding for the Capital Costs of rehabilitation and replacement of Authority Facilities. The Authority's asset management plan is maintained and updated annually.

Annual approval by the Commission authorizes replacement of specific items each year. Replacement costs include purchase, taxes, shipping, installation, programming, and design when applicable.

#### Financial Analysis of the Authority as a Whole

The composition of the Authority's net position at June 30, 2021, is presented by category in the following table.

Table 1 - Summary of Net Position				
	2021	2020	Dollar Change	Percent Change
<b>Assets</b>				
Current Assets	4,058,131	3,769,080	289,051	7.7%
Noncurrent Assets	25,697,640	28,856,838	(3,159,198)	-10.9%
Total Assets	29,755,771	32,625,918	(2,870,147)	-8.8%
Deferred outflow of resources:				
Pension related	527,236	894,246	(367,010)	-41.0%
OPEB related	31,928	548,842	(516,914)	-94.2%
<b>Liabilities</b>				
Current Liabilities	1,174,803	1,323,393	(148,590)	-11.2%
Noncurrent Liabilities	389,626	1,417,458	(1,027,832)	-72.5%
Total Liabilities	1,564,429	2,740,851	(1,176,422)	-42.9%
Deferred inflow of resources:				
Pension related	431,576	117,732	313,844	266.6%
OPEB related	70,016	64,113	5,903	9.2%
<b>Net Position</b>				
Net Investment in Capital Assets	25,697,640	28,856,838	(3,159,198)	-10.9%
Unrestricted	2,551,274	2,289,472	261,802	11.4%
Total Net Position	28,248,914	31,146,310	(2,897,396)	-9.3%

## East Bay Dischargers Authority

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

Table 2 shows the changes in net position for fiscal year 2021.

<b>Table 2 - Changes in Net Position</b>				
	2021	2020	Dollar Change	Percent Change
<b>Revenues</b>				
Operating Revenues:				
Charges for Services	5,046,373	5,767,363	(720,990)	-12.5%
Nonoperating Revenues:				
Interest Income	15,683	70,036	(54,353)	-77.6%
City of San Leandro - Capital Reimbursement	-	(114,277)	114,277	-100.0%
Cargill Other Revenue	617,165	-	617,165	
Federal Grant Revenue	90,329	-	90,329	
<b>Total Revenues</b>	<b>5,769,550</b>	<b>5,723,122</b>	<b>46,428</b>	<b>0.8%</b>
<b>Expenses</b>				
Operating Expenses:				
Discharge Services	5,260,541	5,364,073	(103,532)	-1.9%
Nonoperating Expenses:				
Gain (loss) on disposal of fixed assets	2,962,510	-	2,962,510	
Cargill Other Expense	467,843	-	467,843	
Federal Grant Expense	90,329	-	90,329	
<b>Total Expenses</b>	<b>8,781,223</b>	<b>5,364,073</b>	<b>3,417,150</b>	<b>63.7%</b>
<b>Changes in Net Position</b>	<b>(3,011,673)</b>	<b>359,049</b>	<b>(3,370,722)</b>	<b>938.8%</b>

Interest earnings from cash in banks, LAIF and certificates of deposit decreased by 78%. Discharge services decreased by 1.9% in the Proprietary funds.

#### Financial Analysis of the Authority's Funds

The Authority's Proprietary funds statement reports a combined net position of \$28,248,914, which is a decrease from last year's total of \$31,260,587. Table 3 provides an analysis of the Authority's net position by fund and the total change from the prior year.

<b>Table 3 - Summary of Funds Net Position</b>			
Funds	2021	2020	Increase (Decrease)
Operations and Maintenance	25,555,917	28,864,733	(3,308,816)
Water Recycling	194,178	297,550	(103,372)
Renewal and Replacement	2,019,156	1,963,088	56,068
Planning and Special Studies	479,663	135,216	344,447
Capital Projects	-	-	-
<b>Total Proprietary Funds Net Position</b>	<b>28,248,914</b>	<b>31,260,587</b>	<b>(3,011,673)</b>

## East Bay Dischargers Authority

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

#### Capital Assets

Capital assets in Table 4 are reflected at June 30, 2021, net of depreciation. Net capital assets decreased by 11% from 2020. The Authority uses \$10,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

<b>Table 4 - Summary of Capital Assets Net of Depreciation</b>				
Capital Asset	2021	2020	Dollar Change	Percent Change
Land	10,161	10,161	-	0.0%
Permanent Easements	432,177	432,177	-	0.0%
Building and Structures	536,047	532,698	3,349	0.6%
Sewage and Disposal Facilities	18,854,774	20,557,780	(1,703,006)	-8.3%
Data Acquisition System	602,923	578,522	24,401	4.2%
Water Recycling Facilities	766,680	766,680	-	0.0%
Subsurface Lines	36,457,793	40,144,496	(3,686,703)	-9.2%
Office Equipment	214,980	214,580	400	0.2%
Field Equipment	71,054	71,054	-	0.0%
Automotive Equipment	19,718	19,718	-	0.0%
Accumulated Depreciation	(32,268,667)	(34,471,028)	2,202,361	-6.4%
Total Capital Assets Net	25,697,640	28,856,838	(3,159,198)	-10.9%

#### Factors Bearing on the Authority's Future

Significant economic factors affecting the Authority are as follows:

- An Amended and Restated Joint Powers Agreement (JPA) for the Authority was adopted in October 2019 and went into effect on July 1, 2020. The new JPA modified the allocation of costs among the Member Agencies. The new JPA also modified Member Agencies' financial responsibilities in the event of a failure of the transport system, for example as a result of an earthquake. Finally, under the new JPA, ownership of the San Leandro Effluent Pump Station, pipeline, and associated assets has been transferred to the City of San Leandro, and an alternate approach to funding and managing capital projects at the Union Effluent Pump Station (formerly Alvarado Effluent Pump Station) has taken effect.
- The Authority also executed an Amended and Restated Master Agreement with the Livermore-Amador Valley Water Management Agency (LAVWMA). The new agreement, which went into effect on July 1, 2021, extends LAVWMA's authorization to discharge through the Authority's system through June 30, 2040 and increases LAVWMA's share of O&M and certain capital costs. On June 5, 2021, the Authority also signed a related agreement with Dublin-San Ramon Services District permitting and providing the Authority with compensation for the long-term discharge of brine from the Zone 7 Water Agency.
- The increasing age of the Authority's infrastructure will require increased capital spending from its Renewal and Replacement fund. A recent study of EBDA's subsurface lines showed that their useful life is longer than expected, likely another 20-50 years barring an earthquake or other

## **East Bay Dischargers Authority**

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021**

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uncontrollable event. EBDA recently completed an update of its Asset Management Plan, which lays out required investments for the renewal of assets over the next 20 years. The estimated total investment cost over 20 years is approximately \$11.3 million.

- The difficult long-term issues affecting CalPERS' investment performance will impact the Authority's long-term salary and benefit costs. EBDA mitigated some of that risk by making additional discretionary payments to its CERBT and pension funds in FY 2019/2020, but additional payments may be necessary to achieve the Authority's target funding goals, given recent performance.
- The Authority is currently negotiating a long-term agreement with Cargill, Inc. regarding the discharge of mixed sea salt brine from Cargill's solar salt facility in Newark through the Authority's system. The agreement, which would likely take effect in early 2023, would provide terms through which the Authority would be protected from any deleterious effects of the brine on the Authority, and would spell out compensation terms. Per a Term Sheet approved by the Authority and Cargill in July 2020, Cargill would pay the Authority a capacity fee as well as ongoing use fees.
- In July 2022, the Authority anticipates initiating a strategic planning process, which will identify priorities for Authority spending and focus for the subsequent five years.

#### **Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the revenue it receives and the expenses it incurs. If you have any questions regarding this report or need additional financial information, contact:

Jacqueline T. Zipkin, General Manager  
East Bay Dischargers Authority  
2651 Grant Avenue  
San Lorenzo, CA 94580  
(510) 278-5910  
jzipkin@ebda.org

**East Bay Dischargers Authority**  
Statement of Net Position  
June 30, 2021

	Business-type Activities
<b>Assets</b>	
Current Assets:	
Cash and investments (Note 3)	\$ 3,391,760
Interest receivable	1,843
Accounts receivable	308,543
Due from other governments:	
Member agencies	27,381
Other agencies	190,765
Inventory	34,474
Prepaid expenses	103,365
Deposits	-
Total Current Assets	<u>4,058,131</u>
Noncurrent Assets:	
Capital assets (Note 4):	
Land	10,161
Permanent easements	432,178
Buildings and structures	536,047
Sewage disposal facilities	18,854,772
Data acquisition system	602,924
Water recycling facilities	766,680
Subsurface lines	36,457,793
Office equipment	214,980
Field equipment	71,054
Automotive equipment	19,718
Less: accumulated depreciation	<u>(32,268,667)</u>
Total Capital Assets - Net	<u>25,697,640</u>
Total Noncurrent Assets - Net	<u>25,697,640</u>
<b>Total Assets</b>	<u><b>29,755,771</b></u>
<b>Deferred Outflow of Resources:</b>	
Pension related (Note 8)	527,236
OPEB related (Note 9)	<u>31,928</u>
<b>Total Deferred Outflow of Resources</b>	<u><b>559,164</b></u>
<b>Liabilities</b>	
Current Liabilities:	
Accrued claims payable	362,674
Due to other governments:	
Member agencies	730,645
Other agencies	<u>81,484</u>
Total Current Liabilities:	<u>1,174,803</u>
Noncurrent Liabilities:	
Net pension liability (Note 8)	232,381
Net OPEB liability (Note 9)	90,344
Compensated absences (Note 5)	<u>66,901</u>
Total Noncurrent Liabilities	<u>389,626</u>
<b>Total Liabilities</b>	<u><b>1,564,429</b></u>
<b>Deferred Inflow of Resources:</b>	
Pension related (Note 8)	431,576
OPEB related (Note 9)	<u>70,016</u>
<b>Total Deferred Outflow of Resources</b>	<u><b>501,592</b></u>
<b>Net Position</b>	
Net Investment in Capital Assets	25,697,640
Unrestricted	<u>2,551,274</u>
<b>Total Net Position</b>	<u><b>\$ 28,248,914</b></u>

The notes to the financial statements are an integral part of this statement.



**East Bay Dischargers Authority**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

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	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Business-type activities:			
Discharge services	\$ 5,260,541	\$ 5,046,373	\$ (214,168)
Total business-type activities	<u>\$ 5,260,541</u>	<u>\$ 5,046,373</u>	<u>\$ (214,168)</u>
General revenues (expenses):			
Interest and investment earnings			15,683
Gain (loss) on disposal of assets			(2,962,510)
Cargill other revenues, net of expenses			149,322
Federal grant revenue			90,329
Federal grant expense			<u>(90,329)</u>
Total general revenues (expenses)			<u>(2,797,505)</u>
Change in net position			<u>(3,011,673)</u>
Net position beginning, as previously stated			31,146,310
Prior period adjustment (Note 2)			<u>114,277</u>
Net position beginning, as restated			<u>31,260,587</u>
Net position ending			<u>\$ 28,248,914</u>

The notes to the financial statements are an integral part of this statement.

**East Bay Dischargers Authority**

Proprietary Funds

Statements of Net Position

June 30, 2021

With Comparative Totals as of June, 30 2020

	Business-type Activities - Enterprise Funds				Total June 30, 2021	Total June 30, 2020
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies		
<b>Assets</b>						
Current Assets (Note 3):						
Cash and investments	\$ 1,129,873	\$ 28,775	\$ 1,987,357	\$ 245,755	\$ 3,391,760	\$ 3,517,504
Interest receivable	-	-	1,843	-	1,843	9,289
Accounts receivable	429	-	-	308,114	308,543	2,500
Due from other governments:						
Member Agencies	-	\$ 27,000	381	-	27,381	-
Other agencies	65,861	-	34,575	90,329	190,765	45,950
Inventory	34,474	-	-	-	34,474	32,203
Prepaid expenses	39,183	-	-	64,182	103,365	160,910
Deposits	-	-	-	-	-	724
<b>Total Current Assets</b>	<b>1,269,820</b>	<b>55,775</b>	<b>2,024,156</b>	<b>708,380</b>	<b>4,058,131</b>	<b>3,769,080</b>
Noncurrent Assets:						
Capital assets (Note 4):						
Land	10,161	-	-	-	10,161	10,161
Permanent easements	429,458	2,720	-	-	432,178	432,177
Buildings and structures	536,047	-	-	-	536,047	532,698
Sewage disposal facilities	18,854,772	-	-	-	18,854,772	20,557,780
Data acquisition system	602,924	-	-	-	602,924	578,522
Water recycling facilities	-	766,680	-	-	766,680	766,680
Subsurface lines	36,457,793	-	-	-	36,457,793	40,144,496
Office equipment	214,980	-	-	-	214,980	214,580
Field equipment	71,054	-	-	-	71,054	71,054
Automotive equipment	19,718	-	-	-	19,718	19,718
Less: accumulated depreciation	(31,639,273)	(629,394)	-	-	(32,268,667)	(34,471,028)
<b>Total Capital Assets - Net</b>	<b>25,557,634</b>	<b>140,006</b>	<b>-</b>	<b>-</b>	<b>25,697,640</b>	<b>28,856,838</b>
<b>Total Noncurrent Assets - Net</b>	<b>25,557,634</b>	<b>140,006</b>	<b>-</b>	<b>-</b>	<b>25,697,640</b>	<b>28,856,838</b>
<b>Total Assets</b>	<b>26,827,454</b>	<b>195,781</b>	<b>2,024,156</b>	<b>708,380</b>	<b>29,755,771</b>	<b>32,625,918</b>
<b>Deferred Outflow of Resources</b>						
Pension related (Note 8)	527,236	-	-	-	527,236	894,246
OPEB related (Note 9)	31,928	-	-	-	31,928	548,842
<b>Total Deferred Outflow of Resources</b>	<b>559,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>559,164</b>	<b>1,443,088</b>
<b>Liabilities</b>						
Current Liabilities:						
Accrued claims payable	207,267	1,603	5,000	148,804	362,674	552,637
Due to other governments:						
Member agencies	657,293	-	-	73,352	730,645	706,300
Other agencies	74,923	-	-	6,561	81,484	64,456
<b>Total Current Liabilities:</b>	<b>939,483</b>	<b>1,603</b>	<b>5,000</b>	<b>228,717</b>	<b>1,174,803</b>	<b>1,323,393</b>
Noncurrent Liabilities:						
Net pension liability (Note 8)	232,381	-	-	-	232,381	790,191
Net OPEB liability (Note 9)	90,344	-	-	-	90,344	579,518
Compensated absences	66,901	-	-	-	66,901	47,749
<b>Total Noncurrent Liabilities</b>	<b>389,626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>389,626</b>	<b>1,417,458</b>
<b>Total Liabilities</b>	<b>1,329,109</b>	<b>1,603</b>	<b>5,000</b>	<b>228,717</b>	<b>1,564,429</b>	<b>2,740,851</b>
<b>Deferred Inflow of Resources</b>						
Pension related (Note 8)	431,576	-	-	-	431,576	117,732
OPEB related (Note 9)	70,016	-	-	-	70,016	64,113
<b>Total Deferred Inflow of Resources</b>	<b>501,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>501,592</b>	<b>181,845</b>
<b>Net Position</b>						
Net Investment in Capital Assets	25,557,634	140,006	-	-	25,697,640	28,856,838
Unrestricted	(1,717)	54,172	2,019,156	479,663	2,551,274	2,289,472
<b>Total Net Position</b>	<b>\$ 25,555,917</b>	<b>\$ 194,178</b>	<b>\$ 2,019,156</b>	<b>\$ 479,663</b>	<b>\$ 28,248,914</b>	<b>\$ 31,146,310</b>

The notes to the financial statements are an integral part of this statement.

**East Bay Dischargers Authority**  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2021  
With Comparative Totals for the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds					
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Total June 30, 2021	Total June 30, 2020
Operating Revenues:						
Member assessments	\$ 2,331,781	\$ -	\$ 750,381	\$ 1,081,760	\$4,163,922	\$ 4,744,644
LAVWMA assessments	520,016	-	34,574	291,534	846,124	898,250
Sale of reclaimed water	-	27,000	-	-	27,000	100,000
Other operating revenues	9,327	-	-	-	9,327	24,469
Total Operating Revenues	2,861,124	27,000	784,955	1,373,294	5,046,373	5,767,363
Operating Expenses:						
Personnel services	842,426	7,967	-	-	850,393	840,731
Depreciation	928,346	12,912	-	-	941,258	955,671
Professional services	280,258	293	-	92,352	372,903	550,072
Monitoring	164,269	1,295	-	-	165,564	162,344
Contract services	52,285	-	-	6,000	58,285	51,420
Operating supplies	228,937	-	-	-	228,937	245,620
Utilities	619,540	1,012	-	-	620,552	615,041
Insurance	48,526	95,000	-	-	143,526	48,941
Commissioners' compensation	33,840	-	-	-	33,840	34,320
Rent and lease	18,999	-	-	1,054,348	1,073,347	1,030,039
Repairs and maintenance	603,041	11,893	-	-	614,934	668,830
Dues	121,556	-	-	25,469	147,025	150,667
Travel and meetings	2,949	-	-	-	2,949	8,532
Other general administrative	7,028	-	-	-	7,028	1,845
Total Operating Expenses	3,952,000	130,372	-	1,178,169	5,260,541	5,364,073
Operating Income (Loss)	(1,090,876)	(103,372)	784,955	195,125	(214,168)	403,290
Nonoperating Revenues (Expenses)						
Interest income	-	-	15,683	-	15,683	70,036
Gain (loss) on disposal of fixed assets	(2,962,510)	-	-	-	(2,962,510)	-
City of San Leandro - Capital Reimbursement	-	-	-	-	-	(114,277)
Cargill other revenue	-	-	-	617,165	617,165	-
Cargill other expense	-	-	-	(467,843)	(467,843)	-
Federal grant revenue	-	-	-	90,329	90,329	-
Federal grant expense	-	-	-	(90,329)	(90,329)	-
Total Nonoperating Revenues (Expenses)	(2,962,510)	-	15,683	149,322	(2,797,505)	(44,241)
Other Financing Sources (Uses)						
Transfers in (Note 7)	744,570	-	-	-	744,570	1,005,404
Transfers out (Note 7)	-	-	(744,570)	-	(744,570)	(1,005,404)
Total Other Financing Sources (Uses)	744,570	-	(744,570)	-	-	-
Change in Net Position	(3,308,816)	(103,372)	56,068	344,447	(3,011,673)	359,049
Net Position Beginning, as previously stated	28,864,733	297,550	1,848,811	135,216	31,146,310	30,787,261
Prior period adjustment (Note 2)	-	-	114,277	-	114,277	-
Net Position Beginning, as restated	28,864,733	297,550	1,963,088	135,216	31,260,587	30,787,261
Net Position Ending	\$ 25,555,917	\$ 194,178	\$ 2,019,156	\$ 479,663	\$ 28,248,914	\$ 31,146,310

The notes to the financial statements are an integral part of this statement.

**East Bay Dischargers Authority**  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2021  
With Comparative Totals for the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds				Total June 30, 2021	Total June 30, 2020
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies		
Cash Flows from Operating Activities:						
Cash received from members	\$ 2,613,163	\$ -	\$ 750,000	\$ 939,000	\$ 4,302,163	\$4,576,557
Cash received from LAVWMA	543,457	-	45,949	285,121	874,527	840,922
Cash received from others	8,898	-	2,500	-	11,398	131,969
Cash payments for personnel services	(731,724)	(7,967)	-	-	(739,691)	(1,872,250)
Cash payments to members	-	-	(114,277)	-	(114,277)	-
Cash payments to suppliers for goods and services	(2,300,314)	(111,422)	(105,100)	(1,062,795)	(3,579,631)	(3,366,692)
Net Cash Provided (Used) by Operating Activities	133,480	(119,389)	579,072	161,326	754,489	310,506
Cash Flows from Capital and Related						
Financing Activities:						
Acquisition of capital assets	(744,570)	-	-	-	(744,570)	(993,633)
Net Cash Provided (Used) by Capital and Related						
Financing Activities	(744,570)	-	-	-	(744,570)	(993,633)
Cash Flows from Investing Activities:						
Interest on investments	-	-	23,129	-	23,129	84,341
Net Cash Provided (Used) by Investing Activities	-	-	23,129	-	23,129	84,341
Cash Flows from Non Capital and Related						
Financing Activities:						
LAVWMA master agreement interest	-	-	-	-	-	-
Cargill	-	-	-	(158,792)	-	-
City of San Leandro - Capital Reimbursement	-	-	-	-	-	(114,277)
Interfund transfers	744,570	-	(744,570)	-	-	-
Net Cash Provided (Used) by Non Capital and						
Related Financing Activities	744,570	-	(744,570)	(158,792)	-	(114,277)
Net Increase (Decrease) in Cash and Cash Equivalents	133,480	(119,389)	(142,369)	2,534	(125,744)	(713,063)
Cash and Cash Equivalents Beginning	996,393	148,164	2,129,726	243,221	3,517,504	4,230,567
Cash and Cash Equivalents Ending	\$ 1,129,873	\$ 28,775	\$ 1,987,357	\$ 245,755	\$ 3,391,760	\$ 3,517,504

(Continued)

The notes to the financial statements are an integral part of this statement.

**East Bay Dischargers Authority**  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2021  
With Comparative Totals for the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds				Total June 30, 2021	Total June 30, 2020
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies		
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (1,090,876)	\$ (103,372)	\$ 784,955	\$ 195,125	\$ (214,168)	\$ 403,290
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	928,346	12,912	-	-	941,258	955,671
(Increase) decrease in assets and deferred outflows of resources:						
Accounts receivable	(429)	-	2,500	-	2,071	(2,500)
Due from other agencies	(65,861)	-	11,375	(90,329)	(144,815)	(1,212)
Due from member agencies	-	(27,000)	(381)	-	(27,381)	-
Inventory	(2,271)	-	-	-	(2,271)	(76)
Prepaid expenses	(2,499)	-	-	60,044	57,545	23,066
Deposits	724	-	-	-	724	65
Pension related deferred outflows of resources	367,010	-	-	-	367,010	(676,075)
OPEB related deferred outflows of resources	516,914	-	-	-	516,914	(491,745)
Increase (decrease) in liabilities and deferred inflows of resources:						
Accrued claims payable	(114,316)	(1,929)	(219,377)	145,659	(189,963)	177,924
Member agencies	281,382	-	-	(142,760)	138,622	(168,087)
Other agencies	23,441	-	-	(6,413)	17,028	(46,116)
Net pension liability	(557,810)	-	-	-	(557,810)	109,054
Net OPEB liability	(489,174)	-	-	-	(489,174)	(87,765)
Pension related deferred inflows of resources	313,844	-	-	-	313,844	32,255
OPEB related deferred inflows of resources	5,903	-	-	-	5,903	58,834
Compensated absences	19,152	-	-	-	19,152	23,923
Net Cash Provided (Used) by Operating Activities	<u>\$ 133,480</u>	<u>\$ (119,389)</u>	<u>\$ 579,072</u>	<u>\$ 161,326</u>	<u>\$ 754,489</u>	<u>\$ 310,506</u>

The notes to the financial statements are an integral part of this statement.

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**1. SUMMARY OF ORGANIZATION**

East Bay Dischargers Authority (Authority) was formed on February 15, 1974, under a "joint exercise of powers agreement" entered into by the City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, City of Hayward and Union Sanitary District (the Agencies). An Amended and Restated Joint Exercise of Powers Agreement went into effect on July 1, 2020. The Authority operates under a Commission consisting of a representative from each agency.

The purpose of the agreement is to provide for the "more efficient disposal of wastewater produced in each Agency, all to the economic and financial advantage of each Agency and otherwise for the benefit of each Agency; and, each of the Agencies is willing to plan with the other Agencies for joint wastewater facilities which will protect all the Agencies."

Legal title and all pertinent grant documents and conditions for the Authority's facilities remain with the Authority. Each Agency owns an undivided portion of the facilities, equal to the percentage of capacity they use in the system. Percentages are as defined by the Amended and Restated Joint Exercise of Powers Agreement. Operations and maintenance of the facilities is the responsibility of the Authority.

The Authority operates under a National Pollutant Discharge Elimination System (NPDES) Permit No. CA 0037869 from the San Francisco Bay Regional Water Quality Control Board to discharge up to 189.1 million gallons per day (MGD) of secondary treated wastewater to San Francisco Bay. It is the Authority's responsibility to ensure that all treated wastewater discharged is in compliance with the Federal Water Pollution Control Act (P.L. 92-500) and as amended by the Clean Water Act of 1986.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Accounting***

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is defined as an accounting entity with a self-balancing set of accounts recording the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Proprietary fund types distinguish operating revenues and expenses from non-operating items. The operating expenses of the Authority are charged to the member agencies. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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Deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

***Statement of Net Position***

The statement of net position is designed to display the financial position of the Authority. The Authority's net position are classified into three categories as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- Restricted – This component of net position consists of constraints placed on net asset 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. The Authority had no restrictions as of June 30, 2021.
- Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***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. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income (loss). Revenues are reported by major source with operating revenues classified from the Authority's primary operating resources and all other revenue reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

***Budgets and Budgetary Accounting***

The Authority must adopt a budget prior to June 1 of each year for the following fiscal year. The budget for the fiscal year beginning July 1, 2020, was adopted by the Commission on May 21, 2020. Formal budgetary integration is employed as a management control device during the year.

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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***Cash and Cash Equivalents***

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

***Investments***

If the difference between cost and fair value is deemed material and significant, investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income or loss reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Authority participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

***Receivables***

Receivables include amounts due from member agencies and other agency assessments, other assessments and other resources. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2021.

***Funding***

East Bay Dischargers Authority's capital projects and planning and special studies funds were funded by Federal, State, and Local agency grants and/or member agency contributions.

The original eligible project's costs were funded under the Clean Water Grants Program, which was administered by the Environmental Protection Agency (EPA) for the federal government and the State Water Resources Control Board (SWRCB) for the state government. The federal and state governments' share of the eligible projects costs were 75 percent and 12.5 percent, respectively.

The Authority's operations and maintenance is funded by the member agencies and other local agencies on the basis of formulas established in the JPA and other service agreements.

East Bay Dischargers Authority is also funded for the future replacement of certain joint-use facilities by the member agencies and local agencies. Each year the Authority calculates the annual contribution required for Renewal and Replacement based upon the method adopted by the Commission. Contributions for Renewal and Replacement are made in accordance with the Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2020.



**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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***Inventories***

Inventories are valued at cost using a first in, first out (FIFO) method.

***Capital Assets***

Capital assets are defined by the Authority as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Concrete and paving	40 years
Pavement	20 years
Structures	40 to 50 years
Mechanical and pump equipment	25 years
Electrical and plumbing	10 to 20 years
Piping – above ground	20 to 40 years
Subsurface lines	75 years
Motor control units	20 years
Heating, ventilating, and air-conditioning	20 years
Data acquisition system	5 years
Equipment and furnishings	5 to 20 years
Automotive equipment	8 years

***Compensated Absences***

*Vacation Leave* – All full-time employees shall earn vacation leave at the rate of 80 working hours per year from the date of employment. Full-time employees shall earn an additional eight (8) hours vacation leave allowance for each full year on continuous employment thereafter, up to a maximum of 160 working hours per year. All eligible employees shall be permitted to accumulate unused vacation at a rate of 2 ½ times their annual vacation allowance. Part-time employees shall earn vacation leave proportionate to their scheduled work hours.

*Sick Leave* – Employees who work thirty (30) days or more within a year shall receive sick leave in accordance with the Healthy Workplace, Healthy Families Act of 2014. Regular and temporary full-time employees accrue sick leave at the rate of four (4) hours per payroll period, up to 96 hours per calendar year. Part-time employees shall accrue sick leave proportionate to their scheduled work hours, with a minimum of 24 hours per year. Sick leave shall be cumulative without limit.

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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CalPERS' sick leave credit benefit is included in the Authority's pension contract. An employee whose effective date of retirement is within four months of separation from employment shall be credited with 0.004 year of service credit for each unused day of sick leave.

Upon the death of an employee prior to separation from employment, the employee's heir(s) or beneficiary(ies) shall receive compensation for sick leave earned but unused by the employee equal to 0.167% of the number of hours of sick leave, times the number of whole months of continuous employment, times the employee's hourly rate of pay at the time of death.

***Allocation of Costs***

Expenses are allocated to the various member agencies in accordance with the Amended and Restated Joint Exercise of Powers Agreement.

***Comparative Data***

Comparative total data for the prior fiscal year has been presented in order to provide an understanding of the changes in the financial position, operations, and cash flows of the Authority. This information was audited by other auditors, who expressed an unmodified opinion on November 11, 2020.

***Accounting Estimates***

The preparation of the 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 amounts reported in the financial statements and accompanying notes.

***Subsequent Events***

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no subsequent events that require additional adjustment or disclosure.

***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 Authority 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.

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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- 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.

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

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2021.

***GASB 84 – Fiduciary Activities***

This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

***GASB 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 –***

This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of information for certain component units.

***Prior Period Adjustment***

There was a prior period adjustment increasing fund balance/net position by \$114,277. This relates to a fiscal year 2020 audit adjusting journal entry which overstated accounts payable and understated revenue from the City of San Leandro.

Net position, beginning – as previously stated	\$ 31,146,310
Prior period adjustment	114,277
Net position, beginning – as restated	<u><u>\$ 31,260,587</u></u>

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**3. CASH AND INVESTMENTS**

***Policies***

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry system*.

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

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the Authority's case, fair value equals fair market value, since all Authority's investments are readily marketable.

***Classification***

The Authority's cash and investments consist of the following at June 30:

	2021	2020
Cash in banks	\$ 1,134,858	\$ 924,227
Local Agency Investment Fund	2,256,902	2,237,611
Certificates of deposit	-	355,666
Total Cash and Investments	<u>\$ 3,391,760</u>	<u>\$ 3,517,504</u>

***Investments Authorized by the California Government Code and the Authority's Investment Policy***

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Authority's Investment Policy where it is more restrictive that address interest rate risk, credit risk and concentration of credit risk:

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker's Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	5 years	AA	30%	No Limit
			\$40 million	
Local Agency Investment Fund	n/a		per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		20%	10%
Insured savings or money market accounts	n/a		100%	No Limit

***Local Agency Investment Fund***

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2021 and 2020, these investments matured in an average of 291 and 191 days, respectively.

***Interest Rate Risk***

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

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call dates at June 30:

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Type	12 Months or less	2021	2020	Concentration
Cash in bank	\$ 1,134,858	\$ 1,134,858	\$ 924,227	33.45%
Local Agency Investment Fund (LAIF)	2,256,902	2,256,902	2,237,611	66.55%
Certificate of Deposit	-	-	355,666	N/A
Total Cash and Investments	<u>\$ 3,391,760</u>	<u>\$ 3,391,760</u>	<u>\$ 3,517,504</u>	100.00%

***Credit Risk***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Authority's investments were invested in specific securities. All monies in the LAIF and Wells Fargo Advisors are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

Bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). None of the Authority's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts.

***Concentration Risk***

The Authority's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. As of June 30, 2021, 66.55% of the Authority's cash was invested in LAIF and 33.45% was deposited in banks. The Authority held no investments in certificates of deposit at June 30, 2021. LAIF, cash in banks and certificates of deposit do not have maximum portfolio requirements under the California Government code.

***Fair Value Hierarchy***

The Authority 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.

Cash in bank and certificates of deposit are measured at cost. The California Local Agency Investment Fund is an external investment pool measured at fair value, and exempt in the fair value hierarchy under GASB 72.

**EAST BAY DISCHARGERS AUTHORITY**  
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**4. CAPITAL ASSETS**

Capital Assets - Cost	Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	\$ 10,161	\$ -	\$ -	\$ 10,161
Permanent easements	432,177	-	-	432,177
Total capital assets not being depreciated:	442,338	-	-	442,338
Capital assets being depreciated:				
Buildings and structures:				
Operations center	532,698	3,349	-	536,047
Sewage disposal facilities:				
San Leandro pump station	2,356,906	-	(2,356,906)	-
Oro Loma pump station	8,400,870	104,314	-	8,505,184
Marina dechlorination facility	2,838,957	-	-	2,838,957
Hayward pump station	3,929,985	114,206	-	4,044,191
Union pump station	3,031,062	435,380	-	3,466,442
Data acquisition system	578,522	24,401	-	602,923
Water recycling facilities:				
Skywest golf course irrigation facilities	766,680	-	-	766,680
Subsurface lines:				
Bay outfall	19,695,504	62,518	(7,576)	19,750,446
San Leandro to Marina force main	3,707,991	-	(3,707,991)	-
Marina to Oro Loma forcemain	5,515,909	-	(8,611)	5,507,298
Oro Loma to Hayward forcemain	2,748,322	-	-	2,748,322
Hayward to Alvarado forcemain	8,465,123	-	(25,043)	8,440,080
Seismic design	11,647	-	-	11,647
Office equipment	214,580	400	-	214,980
Field equipment	71,054	-	-	71,054
Automotive equipment	19,718	-	-	19,718
Total capital assets being depreciated:	62,885,528	744,568	(6,106,127)	57,523,969
Total cost of capital assets	\$ 63,327,866	\$ 744,568	\$ (6,106,127)	\$ 57,966,307
Accumulated Depreciation	Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021
Buildings and structures:				
Operations center	(465,317)	(11,733)	-	(477,050)
Sewage disposal facilities:				
San Leandro pump station	(1,203,986)	-	1,203,986	-
Oro Loma pump station	(5,490,952)	(164,522)	-	(5,655,474)
Marina dechlorination facility	(2,439,564)	(53,455)	-	(2,493,019)
Hayward pump station	(727,668)	(98,188)	-	(825,856)
Union pump station	(2,046,994)	(62,990)	-	(2,109,984)
Data acquisition system	(441,960)	(27,350)	-	(469,310)
Water recycling facilities:				
Skywest golf course irrigation facilities	(616,482)	(12,912)	-	(629,394)
Subsurface lines:				
Bay outfall	(10,204,415)	(270,696)	-	(10,475,111)
San Leandro to Marina force main	(1,932,038)	-	1,932,038	-
Marina to Oro Loma forcemain	(2,836,486)	(73,618)	809	(2,909,295)
Oro Loma to Hayward forcemain	(1,435,267)	(36,462)	-	(1,471,729)
Hayward to Alvarado forcemain	(4,404,714)	(114,308)	6,786	(4,512,236)
Seismic design	(10,718)	(466)	-	(11,184)
Office equipment	(123,695)	(14,558)	-	(138,253)
Field equipment	(71,054)	-	-	(71,054)
Automotive equipment	(19,718)	-	-	(19,718)
Total accumulated depreciation	(34,471,028)	(941,258)	3,143,619	(32,268,667)
Total capital assets, net of accumulated depreciation	\$ 28,856,838	\$ (196,690)	\$ (2,962,508)	\$ 25,697,640

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**5. COMPENSATED ABSENCES**

The Authority's compensated absences consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 47,749	\$ 23,826
Additions	19,152	58,955
Payments	-	(35,032)
Ending balance	<u>\$ 66,901</u>	<u>\$ 47,749</u>
Current portion	<u>\$ 0</u>	<u>\$ 0</u>
Non Current portion	<u>\$ 66,901</u>	<u>\$ 47,749</u>

**6. OPERATING LEASE COMMITMENTS**

The Authority has a long-term operating lease on land, ending on June 30, 2025, with Oro Loma Sanitary District. Current payments on the lease are \$6,450 per year. Since the lease terms will be modified every 5th year, the future commitments are based on the land lease dated April 12, 1979 as amended on January 1, 2020. The total lease obligation as of June 30, 2021 was as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Obligation</u>
2022	\$ 6,450
2023	6,450
2024	6,450
2025	6,450
Total	<u>\$ 25,800</u>

**7. INTERFUND TRANSACTIONS**

***General***

Interfund transactions are reported as either services provided, reimbursements, or transfers. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.



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***Interfund Transfers***

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2021 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
Operations and Maintenance	Renewal and Replacement	\$ 744,570

**8. DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Authority contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Authority resolution. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report can be found on CalPERS' website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, age at retirement, and final compensation. Members are eligible to retire at an earlier age with statutorily reduced benefits. Disability retirement is available to vested members. The cost of living adjustments for each plan are applied as specified by Public Employees' Retirement Law.

**EAST BAY DISCHARGERS AUTHORITY  
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The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

Plan Information	Tier 1	Tier 2 (PEPRA)
Date of Employment	Before 12/31/2012	On or after 01/01/2013
Benefit formula	2.5% at 55	2.0% at 62
Benefit vesting formula	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 – 67	52 – 67
Monthly benefits as a % of eligible compensation	2.0% to 2.50%	1.0% to 2.50%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	12.361%	7.732%

*Contributions* – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2021, the Authority reported net pension liabilities for its proportionate shares of the net pension liability in the amount of \$232,381.

The Authority's net pension liability for the Plan is measured as the proportionate share of the CalPERS' total pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30 is as follows:

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	<u>2021</u>	<u>2020</u>	<u>Change</u>
Percentage of Risk Pool Net Pension Liability	0.00551%	0.02654%	-0.02103%
Percentage of Plan (PERF C) Net Pension Liability	0.00214%	0.00771%	-0.00557%

For the year ended June 30, 2021, the Authority recognized actuarial pension expense of \$203,607. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,975	\$ -
Changes of assumptions	-	(1,657)
Net differences between projected and actual earnings on plan investments	6,903	-
Change in employer's proportion	28,042	(388,150)
Differences between the employer's contributions and the employer's proportionate share of contributions	399,753	(41,769)
Pension contributions subsequent to measurement date	80,563	-
Total	<u>\$ 527,236</u>	<u>\$ (431,576)</u>

The \$80,563 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<b>Deferred Outflows/(Inflows) of Resources</b>
<b>Fiscal year ending June 30:</b>	
2022	\$ 4,542
2023	1,016
2024	6,228
2025	3,311
2026	-
Thereafter	-

*Actuarial Assumptions* – For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

		Miscellaneous Plan
Valuation Date	June 30, 2019	
Measurement Date	June 30, 2020	

**EAST BAY DISCHARGERS AUTHORITY  
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Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	Varies by entry age and service
Mortality	Derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

*Discount Rate* – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rate of return by asset class.

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<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

6.15% (1% Decrease)	7.15% (Current Discount Rate)	8.15% (1% Increase)
<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ 882,741	\$ 232,381	\$ (304,991)

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

## **9. OTHER POST EMPLOYMENT BENEFITS**

### ***Plan Description***

The Authority’s Retiree Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees. As of June 30, 2021, the Authority has three active plan members, 1 plan member is not participating in the healthcare plan and 6 inactive plan members currently receiving benefits.

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<b>Full Retirement Benefit</b>	
Eligibility Age	50
Service Required	5 years in CalPERS
Benefit Amount	\$473 paid toward monthly premiums or CalPERS minimum if greater. Two retirees are reimbursed for CalPERS health premiums for the retiree and their eligible dependents.
Benefit End	Paid for life
<b>CalPERS Minimum Benefit</b>	
Eligibility Age	50
Service Required	5 years in CalPERS
Benefit Amount	\$139 in 2020, \$143 in 2021. Indexed to the medical component of the Consumer Price Index.
Benefit End	Paid for life

<b>Post-retirement Death Benefit</b>	\$473 paid toward monthly premiums for life of eligible dependent if receiving pension benefit.
<b>Disability Benefit</b>	Same as Full Retirement Benefit shown above, at any age, service requirement must be met.

***Funding Policy***

There is no statutory requirement for the Authority to prefund its OPEB obligation. The Authority has currently chosen to fund the entire Annual Required Contribution (ARC). There are no employee contributions. For fiscal year ending June 30, 2021, the Authority paid \$51,835 for retiree healthcare plan benefits. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

**EAST BAY DISCHARGERS AUTHORITY  
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***Net OPEB Liability***

*Actuarial Methods and Assumptions* – The Authority’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward using standard update procedures to determine the net OPEB liability as of June 30, 2021, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-age normal
Actuarial assumptions	
Discount rate	6.00%
Inflation	2.75%
Payroll growth	3.00%
Investment rate of return	6.00%
Healthcare trend rate	CalPERS medical premiums are assumed to increase 5% per year.
Mortality	2017 CalPERS OPEB Valuation

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Range</u>	<u>Benchmark</u>
Global Equity	59%	± 5%	MSCI AII County World Index IMI (net)
Fixed income	25%	± 5%	Bloomberg Barclays Long Liability Index
TIPS*	5%	± 3%	Bloomberg Barclays US TIPS Index, Series L
REITs	8%	± 5%	FTSE EPRA NAREIT Developed Liquid Index (net)
Commodities	3%	± 3%	S&P GCSI Total Return Index
Total	<u>100%</u>		

\*Treasury Inflation-Protected Securities

**EAST BAY DISCHARGERS AUTHORITY  
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*Discount Rate* – The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that Authority’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Changes in Net OPEB Liability***

The changes in the net OPEB liability follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2019 (Measurement Date)	<u>\$ 799,808</u>	<u>\$ 220,290</u>	<u>\$ 579,518</u>
Changes for the year:			
Service cost	20,233	-	20,233
Interest	46,988	-	46,988
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Benefit changes	-	-	-
Contributions - employer	-	525,666	(525,666)
Net investment income	-	30,864	(30,864)
Benefit payments	(33,335)	(33,335)	-
Administrative expenses	-	(135)	135
Net changes	<u>33,886</u>	<u>523,060</u>	<u>(489,174)</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 833,694</u>	<u>\$ 743,350</u>	<u>\$ 90,344</u>

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report. The benefit payments and refunds include implied subsidy benefit payments.



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***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates***

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current discount rate:

	5.00% (1% Decrease)	6.00% (Current Discount Rate)	7.00% (1% Increase)
Net OPEB Liability (Asset)	\$ 190,636	\$ 90,344	\$ 8,366

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	4.00% (1% Decrease)	5.00% (Current Discount Rate)	6.00% (1% Increase)
Net OPEB Liability (Asset)	\$ 39,271	\$ 90,344	\$ 150,792

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2021, the Authority recognized actuarial OPEB expense of \$42,395. At June 30, 2021, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 48,921
Changes of assumptions	-	4,607
Net difference between projected and actual earnings on OPEB plan investments	-	16,488
Employer contributions subsequent to the measurement date	<u>31,928</u>	<u>-</u>
Total	<u>\$ 31,928</u>	<u>\$ 70,016</u>

The \$31,928 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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	<b>Deferred Outflows/(Inflows) of Resources</b>
<b>Fiscal year ending June 30:</b>	
2022	\$ (11,747)
2023	(10,644)
2024	(10,150)
2025	(10,059)
2026	(6,528)
Thereafter	(20,888)

**10. JOINT POWERS ASSOCIATION**

The Authority participates in a joint venture activity through a formally organized and separate entity, the Bay Area Clean Water Agencies (BACWA) established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, BACWA exercises full power and authority within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entity are not those of the Authority. BACWA was established by Central Contra Costa Sanitary District, East Bay Municipal Utility District, East Bay Dischargers Authority, the City and County of San Francisco, and the City of San Jose for the purpose of coordinating the water quality activities of the members, to jointly contract for consultant services that are of joint benefit and to interpret data collected by BACWA and by others, in order to assess the effects of pollution and other factors on the San Francisco Bay system. A summary of BACWA's June 30, 2021 and 2020 (the most recently available) financial statements is as follows:

	2021	2020
Total assets	\$ 3,409,873	\$ 4,277,411
Total liabilities	198,104	360,991
Total equity	3,211,769	3,916,420
Total revenue	3,380,999	3,440,040
Total expenditures	4,085,650	3,563,521

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**11. SELF INSURANCE**

The Authority has limited pollution legal liability insurance coverage as provided by the California Sanitation Risk Management Authority (CSRMA). As of the audit date, the Authority had no open claims. The possibility of an incurred but not reported claim is remote, as the Authority only discharges disinfected secondarily treated effluent. The Authority is exposed to various other risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. There were no settled claims in any of the past five fiscal years.

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2021:

	Limits	Deductibles
Excess liability	\$ 10,000,000	\$ 100,000
General liability	15,500,000	100,000
Pollution	25,000,000	100,000
Storage tank pollution	1,000,000	5,000

**12. LEASE OF ADDITIONAL CAPACITY**

The Authority signed an agreement with Livermore-Amador Valley Water Management Agency (LAVWMA) dated February 1, 1978, and as amended on March 26, 1981, June 20, 1985, February 18, 1993, and March 18, 1998. The purpose of the agreement is to allow LAVWMA to use the facilities of the Authority to discharge wastewater. The agreement provides for a reasonable method of allocating costs to LAVWMA that are incurred as a result of the discharge rights. The 1998 Agreement also included a capital buy-in fee of \$7,000,00, which LAVWMA paid in full as of August 3, 2018.

On April 26, 2007, the Authority and LAVWMA signed a new Master Agreement that supersedes all previous agreements. The purpose of the Master Agreement was to incorporate all applicable items from the previous agreements into a single document.

The Authority and LAVWMA entered into a new Amended and Restated Master Agreement that supersedes all previous agreements, effective July 1, 2021. The Amended and Restated Master Agreement amends the fixed cost percentage that LAVWMA is responsible for and extends the term to June 30, 2040 so that it expires coincident with the Authority's Amended and Restated Joint Exercise of Powers Agreement.

**EAST BAY DISCHARGERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**13. COMMITMENTS AND CONTINGENCIES**

The Authority's Amended and Restated Joint Exercise of Powers Agreement (JPA) took effect on July 1, 2020. The new JPA has a term of 20 years, with a process for negotiating the next extension or renewal beginning in year 15. Key changes in the Amended and Restated JPA include the following:

- Four of the five Member Agencies reduced their purchased capacity in the Authority's system, and their allocations of fixed O&M and certain capital costs decreased accordingly.
- The cost allocation structure for capital costs associated with the Authority's Transport System has been changed, with costs allocated to users of each segment of pipe after certain thresholds are exceeded.
- San Leandro took ownership of the San Leandro Effluent Pump Station (SLEPS) and the pipeline from SLEPS to Marina Dechlorination Facility, and in exchange, they no longer pay capital or O&M costs for the other pump stations or the Transport System.
- The Authority pays Union Sanitary District (USD) \$420,000 per year through 2030 for capital expenses associated with their pump station (formerly Alvarado, now Union pump station), and in exchange, USD is now responsible for all capital needs at the station. Over the next 5-10 years, USD plans to move the station, at which time the Authority will transfer ownership of it to USD.
- The governance of the Authority changed, with actions now requiring a majority of members and a majority of capacity-weighted votes for approval.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EAST BAY DISCHARGERS AUTHORITY**  
Cost-Sharing Multiple-Employer Defined Pension Plan  
Last 10 Years\*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan's proportionate share of the Net Pension Liability (Asset)	0.00214%	0.00771%	0.70700%	0.00806%	0.007595%	0.007340%	0.00416%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 232,381	\$ 790,191	\$ 681,137	\$ 799,111	\$ 657,244	\$ 503,886	\$ 258,711
Plan's covered payroll	\$ 504,651	492,850	533,854	422,884	377,037	393,451	399,793
Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	46.05%	160.33%	127.59%	188.97%	174.32%	128.07%	64.71%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

**EAST BAY DISCHARGERS AUTHORITY**  
Cost-Sharing Multiple-Employer Defined Pension Plan  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 80,563	\$ 95,632	\$ 76,851	\$ 72,580	\$ 55,390	\$ 43,419	\$ 37,170
Contributions in relation to the actuarially determined contributions	(80,563)	(740,632)	(76,851)	(172,580)	(55,390)	(143,419)	(37,170)
Contribution deficiency (excess)	\$ —	\$ (645,000)	\$ —	\$ (100,000)	\$ —	\$ (100,000)	\$ —
Covered payroll	\$ 539,152	\$ 504,651	\$ 492,850	\$ 533,854	\$ 422,884	\$ 377,037	\$ 393,451
Contributions as a percentage of percentage of covered payroll	14.94%	146.76%	15.59%	32.33%	13.10%	38.04%	9.45%

**Actuarially determined contribution assumptions**

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of pay, direct rate smoothing
Remaining amortization periods	Differs by employer rate plan but not more than 30 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	Varies by entry age and service
Discount rate	7.00% (net of administrative expenses)
Mortality	Derived using CalPERS' membership data for all funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

\*Fiscal year 2015 was the first year of implementation; additional years will be presented until 10 years' worth of information is shown.

**EAST BAY DISCHARGERS AUTHORITY**  
Other Post-Employment Benefits (OPEB) Plan  
Last 10 Years\*

**Schedule of Changes in the Net OPEB Liability and Related Ratios**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 20,233	\$ 16,166	\$ 15,695	\$ 15,238
Interest	46,988	50,242	49,626	48,858
Differences between expected and actual experience	-	(60,853)	-	-
Change in assumptions	-	(5,731)	-	-
Benefit payments, including refunds of employee contributions	(33,335)	(74,777)	(35,331)	(67,246)
Change of benefit terms	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	33,886	(74,953)	29,990	(3,150)
<b>Total OPEB liability - beginning</b>	<u>799,808</u>	<u>874,761</u>	<u>844,771</u>	<u>847,921</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 833,694</u>	<u>\$ 799,808</u>	<u>\$ 874,761</u>	<u>\$ 844,771</u>
<b>OPEB fiduciary net position</b>				
Contributions - employer	\$ 525,666	\$ 74,777	\$ 82,651	\$ 80,635
Contributions - employee	-	-	-	-
Net investment income	30,864	12,914	11,389	12,876
Benefit payments, including refunds of employee contributions	(33,335)	(74,777)	(35,331)	(67,246)
Administrative expense	(135)	(102)	(81)	(64)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	523,060	12,812	58,628	26,201
<b>Fiduciary net position - beginning</b>	<u>220,290</u>	<u>207,478</u>	<u>148,850</u>	<u>122,649</u>
<b>Fiduciary net position - ending (b)</b>	<u>\$ 743,350</u>	<u>\$ 220,290</u>	<u>\$ 207,478</u>	<u>\$ 148,850</u>
<b>Net OPEB Liability - ending (a)-(b)</b>	<u>\$ 90,344</u>	<u>\$ 579,518</u>	<u>\$ 667,283</u>	<u>\$ 695,921</u>
Plan fiduciary net position as a percentage of the total OPEB liability	89.16%	27.54%	23.72%	17.62%
Covered payroll	\$ 504,651	\$ 492,850	\$ 533,854	\$ 422,884
Net OPEB Liability as a percentage of covered payroll	17.90%	117.59%	124.99%	164.57%

\*Fiscal year 2018 was the first year of implementation; additional years will be presented until 10 years' worth of information is shown

**EAST BAY DISCHARGERS AUTHORITY**  
Other Post-Employment Benefits (OPEB) Plan  
Last 10 Years\*

**Schedule of Contributions**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 33,335	\$ 74,777	\$ 66,000	\$ 66,000
Contributions in relation to the actuarially determined contributions	<u>(31,928)</u>	<u>(548,842)</u>	<u>(57,097)</u>	<u>(97,873)</u>
Contribution deficiency (excess)	<u>\$ 1,407</u>	<u>\$ (474,065)</u>	<u>\$ 8,903</u>	<u>\$ (31,873)</u>
Covered payroll	504,651	492,850	533,854	422,884
Contributions as a percentage of percentage of covered payroll	6.33%	111.36%	10.70%	23.14%

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2019
Actuarial assumptions	
Discount rate	6.00%
Inflation	2.75%
Payroll growth	3.00%
Investment rate of return	6.00%
Healthcare trend rate	5.00%

\*Fiscal year 2018 was the first year of implementation; additional years will be presented until 10 years' worth of information is shown.



## **OTHER SUPPLEMENTARY INFORMATION**

**East Bay Dischargers Authority**  
Operations and Maintenance Fund  
Schedule of Expenses  
Budget vs. Actual  
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
<b>Operations and Maintenance Programs:</b>			
General and administration	\$ 1,254,759	\$ 1,116,507	\$ 138,252
Outfall and forcemains	181,336	155,688	25,648
San Leandro pump station	-	9,637	(9,637)
Marina Dechlorination Facility	506,003	365,597	140,406
Oro Loma pump station	463,920	431,891	32,029
Hayward pump station	163,336	136,247	27,089
Alvarado pump station	365,336	320,904	44,432
Bay and effluent monitoring	534,550	487,183	47,367
Subtotal	<u>\$ 3,469,240</u>	<u>3,023,654</u>	<u>\$ 445,586</u>
Depreciation Expense		<u>928,346</u>	
Total Expenses		<u><u>\$ 3,952,000</u></u>	

**East Bay Dischargers Authority**  
Operations and Maintenance Fund  
Schedule of General and Administrative Expenses  
Budget vs. Actual  
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
<b>General and Administrative Expenses:</b>			
Salaries	\$ 503,838	\$ 491,006	\$ 12,832
Employee benefits	267,972	300,728	(32,756)
Commissioners' compensation	45,000	33,840	11,160
Deferred compensation	14,610	14,732	(122)
Insurance	60,000	47,803	12,197
Memberships	27,295	18,174	9,121
Supplies	20,000	4,147	15,853
Contractual services	23,320	23,806	(486)
Professional services	229,944	136,580	93,364
Rental	8,280	6,450	1,830
Maintenance	21,500	17,228	4,272
Travel	18,000	2,949	15,051
Utilities	15,000	12,036	2,964
Other	-	7,028	(7,028)
Total Expenses	<u>\$ 1,254,759</u>	<u>\$ 1,116,507</u>	<u>\$ 138,252</u>

**East Bay Dischargers Authority**  
Water Recycling Fund  
Schedule of Expenses  
Budget vs. Actual  
For the Fiscal Year Ended June 30, 2021

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	Final Budget	Actual	Variance Positive (Negative)
<b>Water Recycling Programs:</b>			
Skywest Golf Course Irrigation	\$ 120,000	\$ 117,460	\$ 2,540
Subtotal	<u>\$ 120,000</u>	<u>117,460</u>	<u>\$ 2,540</u>
Depreciation Expense		<u>12,912</u>	
Total Expense		<u><u>\$ 130,372</u></u>	

**East Bay Dischargers Authority**  
Planning and Special Studies Fund  
Schedule of Expenses  
Budget vs. Actual  
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
<b>Planning and Special Studies Fund:</b>			
NPDES Permit Fees	\$ 555,483	\$ 538,685	\$ 16,798
Regional Monitoring Plan	280,000	246,184	33,816
Nutrient Surcharge	269,479	269,479	-
NPDES Permit Issues	200,000	22,669	177,331
Disinfection Master Plan	40,000	27,560	12,440
Brine Project Development	30,000	467,843	(437,843)
Water Research Foundation (WERF)	25,000	25,469	(469)
Contingent Admin Support	22,245	-	22,245
PFAS Sampling	15,000	-	15,000
Strategic Planning	10,000	-	10,000
NPDES Testing-Member Agencies	6,000	6,000	-
Transport System Evaluation	-	7,210	(7,210)
JPA Legal Support	-	34,913	(34,913)
Total Expenses	<u>\$1,453,207</u>	<u>\$ 1,646,012</u>	<u>(\$192,805)</u>

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

To the Commission  
East Bay Dischargers Authority

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 Dischargers Authority (Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements and have issued our report thereon dated December 3, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the East Bay Dischargers Authority'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 East Bay Dischargers Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Bay Dischargers Authority's internal control.

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

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

**Compliance and Other Matters**

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

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California  
December 3, 2021