



Alameda County Water District  
Fremont, California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended ~ June 30, 2016 and June 30, 2015

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**ALAMEDA COUNTY WATER DISTRICT**

**FOR THE YEARS ENDED**

**JUNE 30, 2016 and JUNE 30, 2015**

**P.O. Box 5110  
43885 South Grimmer Boulevard  
Fremont, California 94537**

**PREPARED BY THE FINANCE DEPARTMENT**

**Alameda County Water District  
 Comprehensive Annual Financial Report  
 For the Years Ended June 30, 2016 and 2015**

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# INTRODUCTORY SECTION

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**DIRECTORS**

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**MANAGEMENT**

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ED STEVENSON  
Engineering and Technology Services

October 12, 2016

To the Alameda County Water District Board of Directors and Customers:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Alameda County Water District (District) for the years ended June 30, 2016 and June 30, 2015.

We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position and the cash flows of the District, and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial position and activity have been included. Additionally, the financial section of the report includes a detailed discussion and analysis by management of the District's financial performance for fiscal years ended June 30, 2016 and June 30, 2015. Responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the District.

The CAFR follows the financial reporting guidelines recommended by the Government Finance Officers Association of the United States and Canada.

**THE REPORTING ENTITY**

The District was established as a special district in 1913 by a vote of the people to ensure a continuous supply of high quality water within its service area. The District was the first agency formed under the State of California's County Water District Act. Since its founding, the District has been a water conservation agency. It is responsible for managing the groundwater supply in the Niles Cone Groundwater Basin, which underlies southern Alameda County, including the Cities of Fremont, Newark, Union City and the southern portion of the City of Hayward.

Since 1930, the District has also been a water distribution agency. From the purchase of a small water distribution system in Alvarado (now part of Union City), the District has expanded to serve almost all of the area covered by its conservation activities. The District provides, stores, treats, and distributes water for a population of approximately 347,000 people in southern Alameda County. The District covers approximately 105 square miles and, as of June 2016, provided water service through over 82,500 connections.

The District's current water production is approximately 36,300 acre-feet per year. Water is typically provided to the District's customers from four sources: 1) groundwater from the Niles Cone Groundwater Basin (including fresh groundwater from two wellfields and desalination of brackish groundwater); 2) surface water from the Del Valle Reservoir; 3) water imported from the State of California's State Water Project; and 4) water imported from the San Francisco Regional Water System. The amount of water available from each of these sources is highly variable in any given year due to hydrologic conditions and other factors. Assuming abundant local precipitation and full deliveries of imported water supplies, these four sources may provide up to a maximum of approximately 90,000 acre-feet in any given year.

The District is governed by a five-member Board of Directors elected at-large from within the District's service area. The Board of Directors appoints the General Manager who is responsible for the



administration of the District through its five departments - Office of the General Manager, Engineering & Technology Services, Finance, Operations & Maintenance, and Water Resources. The General Manager's Office organizes and directs District activities in accordance with the Board's policies. The District currently has an authorized staff of 230 full-time positions.

The Alameda County Water District Public Facilities Financing Corporation (PFFC), a component unit of the District, was established in 1992 to issue debt for the benefit of the District. This debt has been refunded with the issuance of the 2012 Water System Revenue bonds. Accordingly, the District dissolved the PFFC on January 20, 2015. In addition, the Alameda County Water District Financing Authority, a joint powers authority in partnership with the Union Sanitary District, was formed on November 14, 2011 to enable the issuance of the 2012 and 2015 Water System Revenue Bonds to take advantage of historic low borrowing rates, and to enable the District to accomplish a number of desired capital projects. The Board of Directors of the Alameda County Water District Financing Authority is comprised of the Board of the Alameda County Water District and one Board Member from the Union Sanitary District.

### **Alameda County Water District Mission Statement**

It is the mission of the District to provide a reliable supply of high quality water at a reasonable price to our customers. To fulfill this mission, the District will:

- Provide prompt, courteous and responsive customer service.
- Ensure that sound, responsible financial management practices are observed in the conduct of District business.
- Plan, design and operate facilities efficiently, effectively and safely, bearing in mind the District's responsibility to be a good neighbor and a good steward of the environment.
- Promote ethical behavior in the conduct of District affairs, and facilitate the public's involvement in the planning and development of District policy.
- Recruit and retain a qualified, productive workforce and maintain a workplace environment where diversity and excellence are valued and where creativity, teamwork, and open communication are actively encouraged.

### **SIGNIFICANT EVENTS AND ACCOMPLISHMENTS**

#### ***Current Drought and Water Supply Conditions***

The State of California has been experiencing record drought conditions over the past several years. As a result, Governor Brown proclaimed a State of Emergency in January 2014 and ordered, among other things, a conservation campaign with the goal of reducing statewide water use by 20%. The District responded to this water supply emergency by declaring a local water supply emergency, adopting a Drought Ordinance to prohibit and restrict certain water uses, implementing drought surcharges, expanding its community outreach and conservation programs, maximizing water supplies by utilizing State Water Project carryover and securing water transfers, reducing operating and capital costs, and issuing revenue bonds at a very low interest rate to fund critical capital projects.

The District's customers responded favorably to the District's actions and reduced consumption by 20% in Calendar Year 2014 compared to Calendar Year 2013 (base year). Further, in Calendar Year 2015, consumption decreased over 30% compared to the base year.

The combined actions of the District acting swiftly and customers significantly reducing water consumption have resulted in improved water supply conditions at the end of the fiscal year ended June 30, 2016, even with continued below average to average rainfall and runoff from snowpack. In fact, most of the actions taken during the drought by the District were already included in the District's water supply contingency

plans. For example, the District transferred water from its water banking program with Semitropic Water Storage District in Southern California to supplement available water supplies.

Financially, the District performed several actions:

- The District reduced costs by decommissioning the Mission San Jose Water Treatment Plant as a result of anticipated reduced water demands for the foreseeable future, maximizing the use of the District's least expensive water supplies, reducing authorized staffing levels and strategically not filling vacant positions, and deferring less urgent capital projects and other discretionary expenditures. Staff also has been implementing several of the cost cutting and revenue generating initiatives that have been identified by the District's "Future of ACWD" program that was put in place to encourage employee ideas to reduce costs and create "non-water" sources of revenue. Financial results have been encouraging with approximately \$1.3 million in new revenue and savings realized so far with employee award monies totaling \$6,900. Over a 10-year period, the combined new revenue and savings from just these ideas alone are estimated to exceed \$8 million dollars.
- Drought surcharges were developed and implemented on July 21, 2014 after a rigorous cost of service evaluation of the drought's effects on revenue. The estimated reduction in revenue and increase in water supply expense totaled approximately \$16 million per year. The District's drought surcharges were anticipated to recover approximately \$6 million per year and the remaining \$10 million would come from District cash reserves.
- The District issued the 2015 Water Revenue Bonds, at an average interest rate of 3.4%, and has used the \$30 million of bond proceeds to execute critical capital projects including, seismic hardening of major water mains and storage facilities, and to address aging infrastructure.

On May 9, 2016, Governor Brown issued an Executive Order that continued prohibitions on certain wasteful practices of water use, but recognized that there are varying water supply conditions across the State, thus allowing for more local control of conservation targets. Because of the District's overall improved water supply conditions, the District's Board of Directors rescinded the Drought Ordinance and some water use restrictions. However, the District continues to encourage customers to reduce water use. The District's Board of Directors also ended Drought Surcharges on July 1, 2016 after careful consideration of the District's current water supply, financial condition, and previous commitment to its customers to end the Drought Surcharges when no longer needed.

### *Customer Service*

The District continues to strive to improve and modernize its customer service practices by leveraging the use of technology, in the office and in the field. Although the 2015 American Water Works Association Utility Benchmarking Program ranked the District's Customer Service Call Center above average in two of three telephone performance key indicators, the District is using telephone statistics to analyze call trends and to identify areas for improvement.

Like many water utilities, the District is facing several challenges, such as declining revenues and aging infrastructure that continue to put upward pressure on water rates. Accordingly, in addition to maximizing productivity and efficiency, maintaining water service affordability for low income customers is a key concern for the District. The District is in the planning stages of a customer assistance program for low income customers called *Help On Tap*. The District is currently determining the level of potential customer participation in the program by conducting a customer survey. It is anticipated that this program will be launched in 2017.

The District's website is an integral part of customer communication and features interactive elements and enables customers to access District information and provides links to the Customer Information System with self-service options such as enrolling for paperless billing and viewing bills on-line. The District has

Facebook and Twitter accounts and monitors several on-line community groups and blogs, using this technology to regularly disseminate information and communicate with customers.

The District continues to offer a program to residential customers provided by Home Emergency Insurance Solutions (HEIS) for exterior service line insurance. HEIS is responsible for all aspects the program including marketing, billing, claims and conflict resolution. As of June 2016, there were 9,800 customers signed up for the program and 611 repairs/replacements had been completed since the start of the program in 2012, with a customer overall satisfaction rating of 100%.

### ***Water Supply and Service Reliability***

During the fiscal year ended June 30, 2016, the District produced 36,300 acre feet of water for use by the residents and businesses in Fremont, Newark, and Union City.

As previously mentioned, much of the District's water infrastructure is aging and susceptible to damage as a result of ground shaking and ground failure due to earthquakes. Accordingly, in 2013 the District embarked on a Main Replacement and Seismic Upgrade Program (MRSUP) which 1) improves the overall seismic reliability of the District's distribution system by strategically making improvements in areas of potential seismic induced-earth movement; 2) improves fire flows in the older portions of the service area that are currently served by mains that do not meet current District standards; and 3) improves the seismic reliability of its distribution storage and production facilities. As part of the MRSUP, the District, over the past year, has completed the seismic retrofit of 15 large diameter pipelines planned for seismic strengthening along 8.5 miles of the Hayward Fault. The District also completed the replacement of its Appian water storage tank and pipeline to increase service reliability after an earthquake.

The District improved the reliability of Water Treatment Plant No. 2 by completing the first of three phases of a project to replace and upgrade the Plant's Programmable Logic Control systems. When the project is completed in two years, the Plant's operations will be more efficient, secure and reliable.

The District responded quickly when an existing inflatable rubber dam, a critical component of the District's groundwater recharge operations, was vandalized and made non-operational. Given the drought, this event received national media coverage. As part of its corrective actions, the inflatable dam was replaced, the dam foundation was upgraded to current design standards, and the District implemented improved security measures. The facility has now resumed normal operations.

Given the growing population in the District's service area, the uncertain viability of the State's California WaterFix project, and the potential impacts of climate change to the District's exiting water supplies, the District is actively looking ahead and evaluating potential future water supply initiatives to maintain and improve water supply reliability. Options include: 1) the reoperation or expansion of regional surface water storage (Los Vaqueros Reservoir and Lake Del Valle); 2) indirect potable water reuse in partnership with Union Sanitary District; and 3) desalination of water from the San Francisco Bay. It is anticipated that over the course of the next year or so, the District may pursue one or more of these alternatives, based on a comprehensive evaluation of the overall business case (and other factors) for each alternative.

In addition, in 2014, the District along with seven other Bay Area water agencies, is developing a Bay Area Regional Reliability Plan (BARR Plan) to evaluate how regionally focused water supply, water exchange, water treatment, and intertie projects can build drought resiliency for the Bay Area. The BARR Plan will identify projects that provide water supply benefits to the region, considering how new projects might leverage capacity in existing facilities.

### ***Water Quality***

The topic of water quality is at the national forefront following a public health crisis involving excess lead in the drinking water in Flint, Michigan. The District's State-certified water quality laboratory conducts approximately 43,000 water quality analyses for more than 180 substances annually. In fiscal years ended

in 2015 and 2016, the District continued to meet and exceed all Federal and State all drinking water quality and treatment regulations, including those for lead.

Locally, several agencies have been experiencing customer complaints as a result of the presence of musty odors as a result of algae in source water, especially water from the Sacramento-San Joaquin Delta. Although the District is supplied water from the delta, advanced treatment processes employed by the District, such as ozone as the primary disinfectant at Water Treatment Plant No. 2, are very effective in addressing algae-related water quality issues.

The District actively cleans approximately over 200 miles of water mains and several water storage facilities each year, which greatly contribute to maintaining high quality drinking water in the distribution system.

Local groundwater, on average, accounts for approximately 40% of the District's water supply. To ensure the high quality of this important source of supply, the District maintains one of the most comprehensive groundwater protection programs in the State.

During the fiscal year ended June 30, 2016, the District accomplished the following groundwater quality initiatives:

- Closed 10 cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Conducted 944 inspections of drilling operations to ensure compliance with the District's Ordinance "to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City."
- Completed the final report for the Niles Cone Saltwater Intrusion and Aquifer Characterization Project that was approved as part of the California Department of Water Resources Local Groundwater Management Assistance Grant awarded to the District for \$225,000. The project provides a better understanding of the hydrogeology in the southwestern and western portion of the Niles Cone Groundwater Basin.
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 18<sup>th</sup> year in a row.

### ***Productivity and Efficiency***

The District completed the implementation of SharePoint as the District's new content management and collaboration platform. Through the new department, division and project intranet sites, electronic workflows, document classification and enhanced search capabilities, this system will help improve the dissemination and sharing of information between various work units across the District and help in the move towards paperless workflow processes. This project will continue into the next fiscal year and the focus will be on migration of content from legacy document management systems, electronic records management, and creation of electronic forms and workflows.

The District completed the design and configuration of a new Geographical Information System (GIS) based Enterprise Asset Management System for managing horizontal assets (i.e., pipelines, valves and other water distribution system facilities). The system is integrated with Cayenta, the District's Customer Information and JD Edwards, the Enterprise Resource Planning (ERP) system. The software is expected to be available for appropriate field staff in the fiscal year ending June 30, 2017. When fully implemented, the system will eliminate paper work orders, enhance mobile dispatching of field resources, allow for real-time mapping of water leaks and other incidents and help enhance response to customer calls and water leaks.

During the fiscal year ended June 30, 2016, the Advanced Metering Infrastructure (AMI) pilot, consisting of almost 400 meter transmitter units (MTU), was successfully tested to start transmitting data to the Customer Information System. The pilot is still in the testing phase, and currently undergoing evaluation

for future applicability. Subsequent AMI upgrades have been put on hold by the Board of Directors as part of the capital project deferral portion of the Drought Response Plan.

### ***Public Awareness of Water Issues and Conservation***

The drought has required additional emphasis on keeping the public informed about water supply issues, the importance of conservation, and other issues related to the District as a service provider. Specific District actions included the following:

- The District continued its contract with WaterSmart Software for an additional year to distribute home water reports to the top 20% of single family residential high water users up to 14,400 plus over 5,800 customers who are registered with the District's online web portal.
- The District actively issued press releases to Bay Area media outlets which resulted in 39 newspaper articles/letters to the editor/columns, 11 television reports, and 3 radio reports.
- The District hosted and attended several community meetings and events.
- The District continued its annual publication of the Water Quality Report and three issues of The Aqueduct, the District's newsletter.
- Water conservation literature was distributed to all customers as requested.
- Water efficient landscape planning and conversion workshops and classes were held in partnership with other agencies.

The District's School Education Program provides local school classrooms with educational resources that stress the various facets of water science and water management, with the objective of producing citizens capable of making informed decisions regarding state and local water resources. During the fiscal year ended June 30, 2016, the District continued its educational outreach within its service area by:

- Promoting Groundwater Awareness Week by giving a presentation to five Advanced Placement Environmental Science classes at two local high schools.
- Distributing more than 43,000 pieces of printed educational material to teachers and students.
- Sponsoring 59 performances of a water conservation theater program which was attended by over 17,000 students at 30 schools.

Water Conservation extends water supplies, benefits the environment, helps keep water rates down, and allows the District to "bank" water for dry years. To encourage customers to save water, the District continued the following water conservation programs during the fiscal year ended June 30, 2016:

- On-site indoor and outdoor water use efficiency surveys were offered to residential, business, and industrial customers.
- Rebates for the installation of rain barrels, replacement of turf grass with water efficient landscaping.
- Purchase of water conserving clothes washers, purchase of High Efficiency Toilets (HETs) and Urinals (HEUs), and purchase of weather-based irrigation controllers were offered to customers.
- Water conserving devices and measures (showerheads, faucet aerators, flappers and leak detection tablets) were distributed to customers in the District's service area.
- Water saving tips and other conservation-related information were distributed to customers through the District's customer newsletter, the ACWD *Aqueduct*, the website and through the new, redesigned customer water bill.
- Through the Designated Landscape Program, which provides landscape water use reports and on-site landscape surveys, District staff worked with large landscape accounts to improve irrigation efficiency. Awards were offered to participants that demonstrated water use efficiency.
- Renovations to the District's Drought Tolerant Demonstration Garden continued, but planting was put on hold due to the drought, now scheduled to be completed the fall of 2016, and the employee composting program continued. These activities were promoted to customers to encourage water efficient landscaping.

- Leak detection through meter reader alerts was performed.
- A Home Water Use reporting program through WaterSmart Software was launched in the late summer of 2014, and continued through fiscal year ended June 30, 2015 and 2016.

### ***Environmental Stewardship***

The District recognizes that water agencies must balance the needs of people and the environment in order to be sustainable. To ensure the reliability of the water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies, including the Alameda County Flood Control District, have worked for more than a decade to make the creek a more fish-friendly waterway. To date, several facilities have been constructed or are being designed towards this goal: the removal of one rubber dam; construction of fish ladders at two rubber dams; and the installation of fish screens at off-stream diversions. The District currently anticipates that this work will be completed in 2021.

### ***Transparency***

It is the District's goal to be transparent and operate in the most prudent and ethical manner on behalf of our customers. In fiscal year ended June 30, 2015, the District met all requirements to receive a Certificate of Transparency from the Special District Leadership Foundation in recognition of its outstanding efforts to promote transparency in its operations and governance to the public and other stakeholders. In order to receive this award, a special district must demonstrate the completion of eight essential governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

In addition, effective with the May 2016 Board Meeting, the District initiated the video recording of Regular Board Meeting proceedings with the installation of a fixed camera in the Board Room and provisioning of recording software. The recorded meetings are accessible via the District website.

## **FINANCIAL INFORMATION**

### ***Local Economy***

The local economy of the District service area has been a reflection of the nearby Silicon Valley and of the greater Bay Area. Economic activity has continued to recover from the downturn of a few years ago. The composite unemployment rate for the Tri-Valley was 3.8% (Fremont: 3.7%, Newark: 4.0%, Union City: 4.2%), which is lower than both Alameda County (4.7%) and the Silicon Valley area (4.3%). Assessed property values within the District also increased by 16.8%. Population in the Tri-Valley grew a modest 0.8%, and robust development activity in the area is anticipated for the next few years.

Fremont is growing, both with new developments, and improvements in existing commercial and industrial areas. Tesla Motors continues to increase production and has expanded their portfolio of electric car models. Development is underway on portions of 850 acres around the South Fremont/Warm Springs area that is adjacent to a new BART station, currently scheduled to open in 2016. It is projected that development of this area could create approximately 12,300 jobs and 3,900 residential units. Lennar Corporation recently completed an agreement to purchase 111 acres of land in this area and develop a mix of 2,200 apartments and houses, as well as research-and-development space and offices. Another major initiative has been the development of a Fremont downtown area with approximately 5.2 million square feet of new mixed-use buildings. In addition, the Pacific Commons area continues to be active and growing with new shops and restaurants.

In Union City, there are plans to develop a 200-acre Intermodal Station District which would include high-density housing, retail shopping, commercial business, open space, and a major transportation station.

Similarly, in Newark, a new \$40 million remodel of the NewPark Mall is underway that includes a new 12-screen movie complex with an IMAX screen and a new expansive glass-walled restaurant pavilion.

Additionally, Newark is planning a transit-oriented development consisting of up to 2,500 new residential units, a new train station, and other amenities to serve both the greater region as well as neighboring residents.

### ***Rates and Charges***

Water rates and charges are reviewed annually and reflect the District's overall cost-of-service requirements. The District's water rates are in the lower half of the 30 Bay Area retail water purveyors surveyed each year. Additionally, because of the on-going state-wide and local drought and corresponding water supply emergency, the Board adopted a drought surcharge structure effective July 2014 to help mitigate the negative cash effects of both decreased consumption revenue from conservation efforts and increased cost for water supplies and conservation administrative costs. As mentioned previously, the Board approved the rescission of drought surcharges, effective July 1, 2016.

The Board of Directors convened five public financial workshops since December 2015 to explore all aspects of the District's financial plan, operating costs, capital plan, miscellaneous fees, all sources of revenue, and rate structure. An additional public workshop on financial matters and potential rate structures will be scheduled in December 2016 before any revenue proposals will be considered.

### ***Internal Control***

The District's financial reporting system and business processes have been designed with an emphasis on the importance of strong internal financial controls, including the proper recording of revenues and expenditures and maintenance of budgetary control for the allocation of available resources. Existing internal controls are monitored and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use and (2) the District's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. The District implemented several new internal controls this past year in the areas of cash and investment handling. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### ***Budgetary Control***

The District has a two-year budget cycle, which is a detailed operating plan that identifies estimated costs in relation to estimated revenues over the span of two fiscal years. The budget includes the projects, services and activities to be carried out during the two fiscal years and the estimated revenue available to finance these operating and capital costs. The District's operating and capital budgets are approved by the Board of Directors. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained by monitoring budget activity on a monthly basis and adjusting activities, if needed, to ensure that the annual budgeted amounts are not exceeded. The District has also implemented a new budget software system that will enable improved end-user reporting capabilities.

### ***Long-Term Financial Planning***

The District utilizes three main comprehensive long range integrated planning models: the Integrated Resources Plan (IRP), Capital Improvement Program (CIP) and the Financial Planning Model (FPM). The IRP process evaluates a wide range of water supply and water conservation options as well as land use projections in the District's service area to develop the District's long range water supply strategy necessary to meet projected demands. The CIP includes project schedules and projected costs for production facilities and other projects identified in the IRP needed to support and maintain water supply and system reliability, public health and water quality, and environmental compliance over a 25-year planning horizon. The FPM includes short and long range projections of the District's revenues, operating and maintenance

expenses, capital expenditures, and reserves over a 25-year planning horizon. The District has implemented a financial planning cycle that typically includes:

- Overall review of the operating and capital plan in the first quarter of the calendar year;
- Budget development during late spring;
- Adoption of the budget in June;
- Rate design and processing through the fall; and
- Rate adoption, if necessary, usually in the first quarter of the next calendar year.

## **OTHER INFORMATION**

### ***Independent Audit***

An independent audit by certified public accountants is important in determining the reliability of the District's financial statements. The importance of such verification has been recognized by the federal and state governments, the District's bond holders and the general public. The District contracted with the accounting firm of Macias Gini and O'Connell LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

### ***Certificate of Achievement for Excellence in Financial Reporting Award***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 17<sup>th</sup> consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

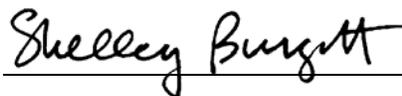
### ***Acknowledgments***

The preparation of this report has been accomplished due to the dedicated and professional efforts of the staff of the Finance Department along with the cooperation of staff from the District's other departments, and guidance from the accounting firm of Macias Gini and O'Connell LLP. We would also like to thank the Board of Directors for their continued support in planning and conducting the District's financial affairs in a responsible and progressive manner.

Respectfully submitted,



Robert Shaver  
General Manager



Shelley Burgett  
Manager of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Alameda County Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

*Alameda County Water District*

*Board of Directors*

*Judy C. Huang*  
President

*John H. Weed*  
Vice President

*James G. Gunther*  
Director

*Martin L. Koller*  
Director

*Paul Sethy*  
Director

*Principal Management Personnel*

*Robert Shaver*  
General Manager

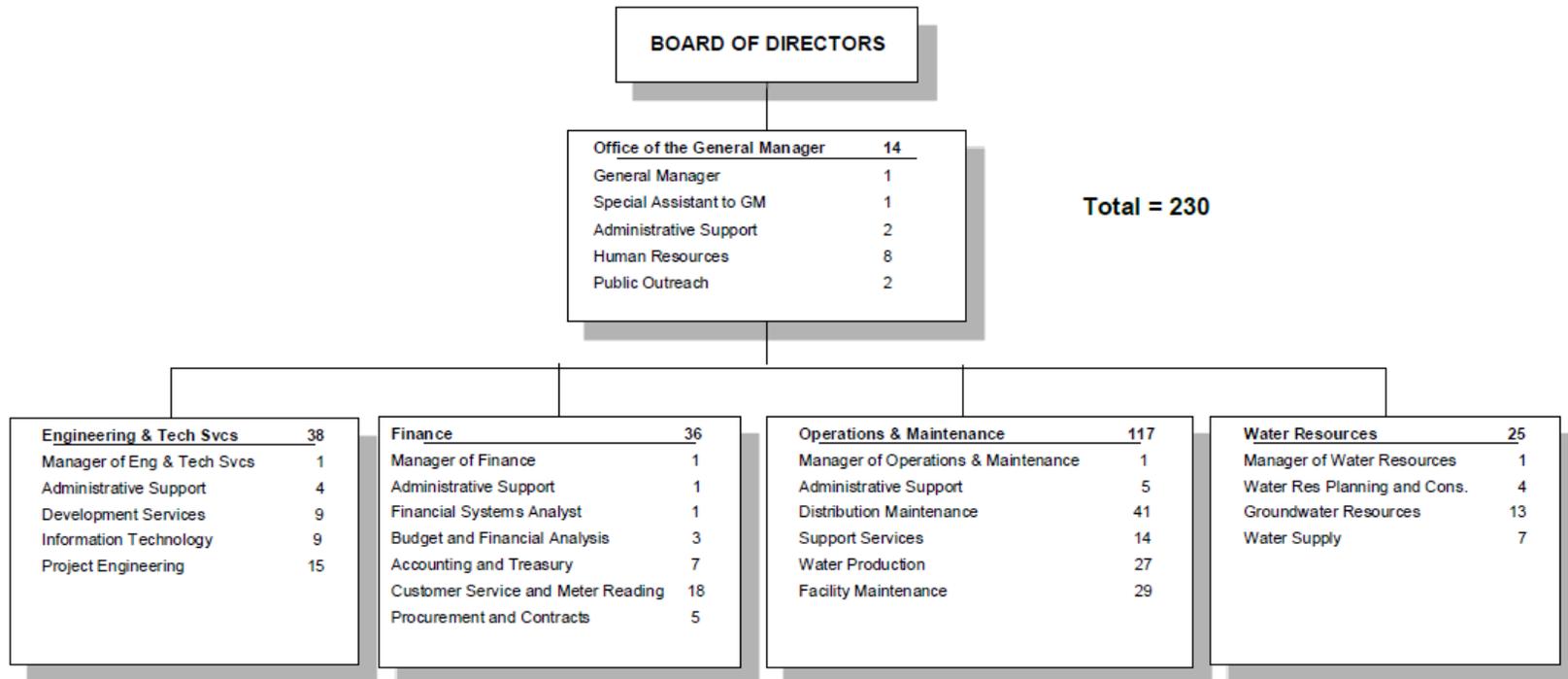
*Shelley Burgett*  
Manager of Finance

*Steven D. Inn*  
Manager of Water Resources

*Steve Peterson*  
Manager of Operations & Maintenance

*Ed Stevenson*  
Manager of Engineering & Technology Services

**ALAMEDA COUNTY WATER DISTRICT  
FUNCTIONAL ORGANIZATIONAL CHART  
FY 16/17**



# FINANCIAL SECTION

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## Independent Auditor's Report

The Board of Directors of the  
Alameda County Water District  
Fremont, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Water District (District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District'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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditor's 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 opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of employer pension contributions, and the schedules of funding progress and contributions – other postemployment benefits identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Walnut Creek, California  
October 12, 2016

# **Alameda County Water District**

## **Management's Discussion and Analysis (Unaudited)**

### **For the Years Ended June 30, 2016 and 2015**

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This section of the Alameda County Water District's (District) comprehensive annual financial report presents an analysis of the District's financial performance during the years ended June 30, 2016 and 2015. This information is presented in conjunction with the audited basic financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED JUNE 30, 2016**

- The District's net position increased by \$12.5 million or 3.5 percent from \$359.6 million to \$372.1 million because of a combination of increased revenues from developer fees, customer capital contributions, water rates and investment income.
- Operating revenues increased by \$5.0 million or 6.0 percent from \$82.8 million to \$87.8 million primarily due to a large increase in developer fee revenue caused by increased construction activity in the service area.
- Operating expenses increased by \$1.6 million or 1.8 percent from \$88.7 million to \$90.3 million due to slight increases in source of supply costs, administrative and general expenses and depreciation.
- Capital contributions to the District increased by \$2.2 million or 73.3 percent from \$3.0 million to \$5.2 million because of increased construction activity in the service area.
- The District did not propose a rate increase during this fiscal year so that the Board could convene a series of five public financial workshops between December 2015 and May 2016 to analyze the District's overall financial situation and to develop strategies to best position the District moving forward. More specifically, during this time period, the Board evaluated rate design options (e.g., tiered or water budget-based rate structures), considered the implementation of multi-year rate adjustments, and evaluated potential low-income assistance program options and the implementation of late bill payment fees.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

#### **BASIC FINANCIAL STATEMENTS**

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2016 and 2015. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

## FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position (pages 11-12) and the Statements of Revenues, Expenses and Changes in Net Position (page 13) provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

A summary of the District's Statements of Net Position is presented below.

Table 1  
Condensed Statements of Net Position  
(In millions of dollars)

	2016	2015	2016 vs. 2015		2014	2015 vs. 2014	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 140.5	\$ 139.9	\$ 0.6	0.4%	\$ 115.5	\$ 24.4	21.1%
Capital assets	407.0	396.8	10.2	2.6%	386.3	10.5	2.7%
<b>Total assets</b>	<b>547.5</b>	<b>536.7</b>	<b>10.8</b>	<b>2.0%</b>	<b>501.8</b>	<b>34.9</b>	<b>7.0%</b>
<b>Deferred outflows of resources</b>	<b>8.6</b>	<b>8.6</b>	<b>-</b>	<b>0.0%</b>	<b>2.7</b>	<b>5.9</b>	<b>218.5%</b>
Long-term debt	87.7	91.2	(3.5)	-3.8%	63.5	27.7	43.6%
Net pension liability	69.5	64.6	4.9	7.6%	-	64.6	n/a
Other liabilities	22.1	19.4	2.7	13.9%	16.1	3.3	20.5%
<b>Total liabilities</b>	<b>179.3</b>	<b>175.2</b>	<b>4.1</b>	<b>2.3%</b>	<b>79.6</b>	<b>95.6</b>	<b>120.1%</b>
<b>Deferred inflows of resources</b>	<b>4.7</b>	<b>10.5</b>	<b>(5.8)</b>	<b>-55.2%</b>	<b>-</b>	<b>10.5</b>	<b>n/a</b>
Net investment in capital assets	325.0	329.1	(4.1)	-1.2%	325.5	3.6	1.1%
Restricted for debt service	2.7	2.6	0.1	3.8%	2.7	(0.1)	-3.7%
Unrestricted	44.4	27.9	16.5	59.1%	96.7	(68.8)	-71.1%
<b>Total net position</b>	<b>\$ 372.1</b>	<b>\$ 359.6</b>	<b>\$ 12.5</b>	<b>3.5%</b>	<b>\$ 424.9</b>	<b>\$ (65.3)</b>	<b>-15.4%</b>

As the above table indicates, total assets increased by \$10.8 million from \$536.7 million to \$547.5 million during the fiscal year ended June 30, 2016. This increase is due to a \$0.6 million increase in current assets due to increases in customer account receivable and accrued unbilled revenue at the end of the fiscal year and a \$10.2 million increase in capital assets due to capital construction activity to upgrade and seismically harden aging District facilities funded primarily from the bond proceeds from the 2015 Water System Revenue Bonds. For the fiscal year ended June 30, 2015, total assets increased by \$34.9 million from \$501.8 million to \$536.7 million. This increase has several components. There was an increase of \$21.0 million in unspent restricted investments from the proceeds from the 2015 Water System Revenue Bonds issued in March 2015. There was also a \$10.5 million increase in capital assets due to capital construction activity to upgrade and seismically harden aging District facilities funded primarily from the bond proceeds. A smaller part of the overall increase is a \$1.4 million increase in accounts receivable mainly due to repair of District facilities damaged by third parties and engineering fees for new construction and developments.

Deferred outflows of resources is the amount of the unamortized deferred charge on debt refunding and the effect of the GASB Statement No. 68 that defers the CalPERS pension contributions after the measurement date until the next fiscal year as a subsequent offset to the net pension liability. The deferred outflow of resources due to unamortized charge on refunding at June 30, 2016 and 2015 were \$2.1 million and \$2.4 million, respectively. The deferred outflow of resources due to GASB Statement No. 68 at June 30, 2016 and 2015 were \$6.5 million and \$6.2 million, respectively.

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

For fiscal year ended June 30, 2016, total liabilities reflect an increase of \$4.1 million mainly due to an increase of \$2.9 million in contractor and customer deposits, because of increased construction activity in the service area, offset by a small reduction in other liabilities of \$0.2 million, and a \$1.4 million increase in noncurrent liabilities due to scheduled debt service payments of \$3.5 million and an increase in net pension liability of \$4.9 million. For fiscal year ended June 30, 2015, total liabilities reflect an increase of \$95.6 million due to several factors including the implementation of GASB Statement No. 68 resulting in an initial net pension liability recognition of \$64.6 million, an increase of \$27.7 million in long term debt because of the issuance of 2015 Water Revenue Bonds, and a \$2.1 million increase in contractor and customer deposits because of increased construction activity in the service area.

Deferred inflows of resources is the result of GASB Statement No. 68 and is comprised of changes in assumptions, the difference between expected and actual experiences, and the difference between expected and actual investment returns in the CalPERS pension plan, which will be amortized as a component of pension expense over the remaining 4 years. The deferred inflows of resources for June 30, 2016 and 2015 were \$4.7 million and \$10.5 million, respectively.

Total net position increased by \$12.5 million from \$359.6 million to \$372.1 million, mainly due to the combination of increased revenues from developer fees, customer capital contributions, water rates and investment interest for the fiscal year ended June 30, 2016. Total net position decreased by \$65.3 million from \$424.9 million to \$359.6 million, mainly due to the recognition of the net pension liability pursuant to GASB Statement No. 68 at June 30, 2015.

Table 2  
Condensed Statements of Revenues, Expenses  
and Changes in Net Position  
(In millions of dollars)

	2016	2015	2016 vs. 2015		2014	2015 vs. 2014	
			\$ Change	% Change		\$ Change	% Change
<b>Operating revenues</b>							
Water sales	\$ 81.8	\$ 80.1	\$ 1.7	2.1%	\$ 81.1	\$ (1.0)	-1.2%
Other operating revenues	6.0	2.7	3.3	122.2%	5.6	(2.9)	-51.8%
<b>Total operating revenues</b>	<u>87.8</u>	<u>82.8</u>	<u>5.0</u>	<u>6.0%</u>	<u>86.7</u>	<u>(3.9)</u>	<u>-4.5%</u>
<b>Nonoperating revenues</b>							
Property taxes	9.3	9.5	(0.2)	-2.1%	7.7	1.8	23.4%
Other nonoperating revenues	2.8	1.1	1.7	154.5%	1.3	(0.2)	-15.4%
<b>Total nonoperating revenues</b>	<u>12.1</u>	<u>10.6</u>	<u>1.5</u>	<u>14.2%</u>	<u>9.0</u>	<u>1.6</u>	<u>17.8%</u>
<b>TOTAL REVENUES</b>	<u>99.9</u>	<u>93.4</u>	<u>6.5</u>	<u>7.0%</u>	<u>95.7</u>	<u>(2.3)</u>	<u>-2.4%</u>
<b>Depreciation and amortization expense</b>	14.0	13.4	0.6	4.5%	12.6	0.8	6.3%
<b>Other operating expenses</b>	76.3	75.3	1.0	1.3%	74.9	0.4	0.5%
<b>Nonoperating expenses</b>	<u>2.3</u>	<u>2.6</u>	<u>(0.3)</u>	<u>-11.5%</u>	<u>1.7</u>	<u>0.9</u>	<u>52.9%</u>
<b>TOTAL EXPENSES</b>	<u>92.6</u>	<u>91.3</u>	<u>1.3</u>	<u>1.4%</u>	<u>89.2</u>	<u>2.1</u>	<u>2.4%</u>
<b>Income before capital contributions</b>	7.3	2.1	5.2	247.6%	6.5	(4.4)	-67.7%
<b>Capital contributions</b>	5.2	3.0	2.2	73.3%	2.8	0.2	7.1%
<b>Changes in net position</b>	<u>12.5</u>	<u>5.1</u>	<u>7.4</u>	<u>145.1%</u>	<u>9.3</u>	<u>(4.2)</u>	<u>-45.2%</u>
<b>Beginning net position, as restated</b>	359.6	354.5	5.1	1.4%	415.6	(61.1)	-14.7%
<b>Ending net position</b>	<u>\$ 372.1</u>	<u>\$ 359.6</u>	<u>\$ 12.5</u>	<u>3.5%</u>	<u>\$ 424.9</u>	<u>\$ (65.3)</u>	<u>-15.4%</u>

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. As the information in Table 2 indicates, income before capital contributions of \$7.3 million and capital contributions of \$5.2 million resulted in an overall increase of \$12.5 million in net position for the end of the fiscal year ended June 30, 2016.

In fiscal year ended June 30, 2015, income before capital contributions of \$2.1 million and capital contributions of \$3.0 million resulted in an overall increase of \$5.1 million in net position.

For fiscal year ended June 30, 2016, Table 2 indicates that the District's total revenues increased by \$6.5 million or 7.0 percent to \$99.9 million from \$93.4 million in the prior year. Operating revenues increased by \$5.0 million or 6.0 percent to \$87.8 million from \$82.8 million. This was due to the combination of several factors. On May 1, 2015, the District implemented a 30% increase to service charges (there was no increase on the commodity rates) resulting in a net rate increase of about 8% to single family residential customers. However, the revenue increase was partially offset by a further reduction in water demand of approximately 11%, as compared to the previous fiscal year, due to increased customer conservation during the ongoing drought. The net impact to water revenue was an increase of \$1.7 million. Other operating revenues increased \$3.3 million mainly due to increased facilities connection charges because of the growth in development and construction activity in the service area. Non-operating revenues increased by \$1.5 million or 14.2 percent which was mainly due to an increase in investment income.

Total expenses increased by \$1.3 million or 1.4 percent partially due to an increase in depreciation and amortization expense of \$0.6 million combined with an increase of \$1.0 million in other operating expenses which was a combination of slight increases in source of supply and administration and general costs. Water treatment expense decreased as compared to the previous fiscal year because of the temporary closure of one of the District's treatment plants as a result of lowered demand due to conservation efforts of the District's customers because of the drought conditions. However this was almost equally offset by an increase in transmission and distribution relative to the previous fiscal year, because some of the labor force was relocated to perform maintenance activities in transmission and distribution. In addition there was a \$0.3 million reduction in non-operating expenses due to the net effect of interest expense going up and cost of issuance going down.

For fiscal year ended June 30, 2015, Table 2 indicates that the District's total revenues decreased by \$2.3 million or 2.4 percent to \$93.4 million from \$95.7 million in the prior year. Operating revenues decreased by \$3.9 million or 4.5 percent to \$82.8 million from \$86.7 million. This was due to the combination of several factors. There was a reduction in water demand of 20%, because of conservation efforts due to the severe drought conditions, which was offset by an overall water revenue rate increase of 8%, plus a drought surcharge was adopted that resulted in about \$6.0 million in revenue. Also there was a reduction in facilities connection charges collected this year. Construction by developers did increase but deposit monies remain unearned until the job is completed and at that point they are recognized as revenue. Many of the developer jobs are still in progress as of the end of the year. Other operating revenues decreased due to reclassifications of internal overhead credits to more appropriate accounts. Non-operating revenues increased by \$1.6 million or 17.8 percent which was mainly due to an increase in override property tax revenue which helped pay for the groundwater portion of State water purchases.

Total expenses increased by \$2.1 million or 2.4 percent partially due to an increase in depreciation and amortization expense of \$0.8 million because of a significant completion of capital improvement projects, funded by a bond issue, that contributed to seismically hardening and upgrading aging District infrastructure. Purchased water increased only slightly, \$0.2 million, because of the District's ability to minimize the purchases of higher priced water from the San Francisco Public Utilities Commission (SFPUC) by utilizing lower cost water from other sources. Employee cost increases contributed to the remaining \$1.0 million increase in total expense. With the completion of the financial software application upgrade project during 2015, the District adopted a new chart of accounts and made improvements in its operating expense line item classifications. For example, the District moved laboratory expenses from Source of Supply - Other to Water Treatment expense, directly charged electric expenses to Pumping Costs from other expense categories, and directly charged certain costs for Transmission and Distribution in lieu of General Administration expenses.

## CAPITAL ASSETS

As of June 30, 2016, the District's investment in capital assets totaled \$407.0 million, which is an increase of \$10.2 million or 2.6 percent over the capital asset balance of \$396.8 million at June 30, 2015. The increase in capital assets was primarily the result of the completion of several capital projects during the year.

As of June 30, 2015, the District's investment in capital assets totaled \$396.8 million, which is an increase of \$10.5 million or 2.7 percent over the capital asset balance of \$386.3 million at June 30, 2014. The increase in capital assets was primarily the result of the completion of several capital projects during the year. A comparison of the District's capital assets over the past three fiscal years is presented in Table 3.

Table 3  
Capital Assets  
(In millions of dollars)

	2016	2015	2016 vs. 2015		2014	2015 vs. 2014	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.6	\$ -	0.0%	\$ 9.6	\$ -	0.0%
Construction in progress	16.3	18.9	(2.6)	-13.8%	31.9	(13.0)	-40.8%
Source of supply	69.0	64.2	4.8	7.5%	57.8	6.4	11.1%
Pumping plant	24.5	24.2	0.3	1.2%	24.2	-	0.0%
Water treatment	160.6	160.2	0.4	0.2%	157.3	2.9	1.8%
Transmission and distribution	320.8	300.8	20.0	6.6%	275.0	25.8	9.4%
General	50.8	49.7	1.1	2.2%	48.2	1.5	3.1%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.9	-	0.0%
Subtotal	672.5	648.5	24.0	3.7%	624.9	23.6	3.8%
Less accumulated depreciation/amortization	(265.5)	(251.7)	(13.8)	5.5%	(238.6)	(13.1)	5.5%
Capital assets, net	<u>\$ 407.0</u>	<u>\$ 396.8</u>	<u>\$ 10.2</u>	<u>2.6%</u>	<u>\$ 386.3</u>	<u>\$ 10.5</u>	<u>2.7%</u>

There were several capital projects completed during the fiscal year ended June 30, 2016. These include the Appian Tank Seismic Upgrade Phase 2, Rubber Dam No. 1 Replacement, Phase 1 of the Hayward Fault Crossing, and various other capital projects related water main and meter replacements. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2016. These projects include CMMS Software Implementation, Iron Horse Lane Main Replacements, Rubber Dam #1 Fish Ladder, Rubber Dam #3 Fish Ladder, Vallecitos Channel Betterments, Shinn Pond Fish Screen and various other capital projects related to water main and meter replacements.

There were several capital projects completed during the fiscal year ended June 30, 2015. These include the Water Treatment Plant 2 Power Facility Turbine Upgrade, Main Relocation For SFPUC, Hayward Fault Crossing Seismic Project and Repair of Stevenson Pond - Lagos Los Osos and various other capital projects related to water main and meter replacements. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2015. These projects included Rubber Dam Improvements, Vallecitos Channel Betterments, Appian Tank Seismic Upgrade, and various other capital projects related to water main and meter replacements.

Additional information on the District's capital assets and construction commitments is provided in Note 5 starting on page 30 of the financial statements.

## **LONG-TERM DEBT**

As of June 30, 2016, the District had \$87.7 million in outstanding debt compared to \$91.2 million on June 30, 2015 and \$63.5 million on June 30, 2014. The decrease in fiscal year ended June 30, 2016 was a result of payments made for all the outstanding bonds during the fiscal year. The increase in fiscal year ended June 30, 2015 was due to the issuance of the 2015 Water System Revenue Bonds.

Additional information on the District's long-term debt is provided in Note 7 starting on page 34 of the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors adopted the District's two-year budget on June 24, 2015. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years ending June 30, 2016 and 2017. The District updated the second year of the two-year budget at the end of fiscal year ended June 30, 2016 to reflect current financial conditions, and the Board of Directors adopted the amended budget for fiscal year ending June 30, 2017 on June 30, 2016.

The District's water rates are periodically reviewed by the Board of Directors and typically adjusted annually. Even with rate adjustments over the past five years, the District's rates are just above the lower one-third of thirty other water agencies surveyed in the Bay Area. The District did not propose a rate increase during this fiscal year so that the Board could convene a series of five public financial workshops between December 2015 and May 2016 to analyze the District's overall financial situation and to develop strategies to best position the District moving forward. More specifically, during this time period, the Board evaluated rate design options (e.g. tiered or water budget-based rate structures), considered the implementation of multi-year rate adjustments, and evaluated potential low-income assistance program options and the implementation of late bill payment fees. Another financial workshop is planned for December 2016.

Since January 2014, the worst drought in 150 years has resulted in reduced revenues and increased water supply costs as well as conservation and public information program costs. The District responded financially to these challenges by the implementation of drought surcharges, decommissioning a water treatment plan, deferring less urgent capital projects,, issuing bonds, reducing staffing levels, reducing discretionary expenditures, and utilizing cash reserves. Water supply conditions have improved, however the District has decided to review and evaluate current and future financial conditions before making further rate decisions.

## **ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Alameda County Water District's Manager of Finance at 43885 South Grimmer Boulevard, Fremont, CA 94538.

## **BASIC FINANCIAL STATEMENTS**

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Alameda County Water District  
 Statements of Net Position  
 Business-Type Activity - Enterprise Fund  
 June 30, 2016 and 2015  
 (In thousands)

	2016	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 112,971	\$ 96,494
Customer and other accounts receivable, net (Note 4)	7,975	7,296
Accrued unbilled revenue	8,131	7,452
Taxes receivable	100	105
Grants receivable	-	225
Interest receivable	413	325
Material and supplies	2,274	2,365
Prepaid items	333	5
Total unrestricted assets	132,197	114,267
Restricted investments (Note 3)	6,601	23,862
Total current assets	138,798	138,129
<b>Noncurrent assets:</b>		
Net other postemployment benefits asset (Note 11)	1,706	1,771
Capital assets: (Note 5)		
Nondepreciable	25,930	28,548
Depreciable, net	381,046	368,277
Total capital assets	406,976	396,825
Total noncurrent assets	408,682	398,596
<b>Total assets</b>	547,480	536,725
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	2,101	2,408
Deferred items related to pensions (Note 10)	6,526	6,213
<b>Total deferred outflows of resources</b>	8,627	8,621

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Net Position  
 Business-Type Activity - Enterprise Fund  
 June 30, 2016 and 2015  
 (In thousands)

	2016	2015
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (Note 6)	8,120	8,234
Accrued payroll and related liabilities (Note 6)	3,399	3,193
Contractor and customer deposits	8,731	5,811
Interest payable	259	267
Unearned revenue	-	11
Long-term debt - due within one year (Note 7)	3,585	3,480
<b>Total current liabilities</b>	<b>24,094</b>	<b>20,996</b>
<b>Noncurrent liabilities:</b>		
Accrued payroll and related liabilities (Note 6)	196	162
Long-term debt - due in more than one year (Note 7)	84,095	87,680
Net pension liability (Note 10)	69,452	64,636
Other postemployment benefits - MCP program (Note 12)	1,486	1,753
<b>Total noncurrent liabilities</b>	<b>155,229</b>	<b>154,231</b>
<b>Total liabilities</b>	<b>179,323</b>	<b>175,227</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred items related to pensions (Note 10)	4,669	10,505
<b>NET POSITION</b>		
Net investment in capital assets	325,051	329,084
Restricted for debt service	2,688	2,585
Unrestricted	44,376	27,945
<b>Total net position</b>	<b>\$ 372,115</b>	<b>\$ 359,614</b>

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Revenues, Expenses and Changes in Net Position  
 Business-Type Activity - Enterprise Fund  
 For the Years Ended June 30, 2016 and 2015  
 (In thousands)

	2016	2015
<b>OPERATING REVENUES:</b>		
Water sales	\$ 81,776	\$ 80,135
Facilities connection charges	5,186	1,920
Fees and rental	447	520
Other	393	229
<b>Total operating revenues</b>	<b>87,802</b>	<b>82,804</b>
<b>OPERATING EXPENSES:</b>		
Sources of supply:		
Water purchases	24,659	23,659
Pumping	1,588	1,876
Other	8,304	8,189
<b>Total sources of supply</b>	<b>34,551</b>	<b>33,724</b>
Water treatment	13,884	15,646
Transmission and distribution	15,365	13,552
Administration of customer accounts	1,473	1,793
Administration and general	11,063	10,551
Depreciation and amortization	13,974	13,417
<b>Total operating expenses</b>	<b>90,310</b>	<b>88,683</b>
<b>Operating loss</b>	<b>(2,508)</b>	<b>(5,879)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	2,521	1,098
Property taxes	9,295	9,547
Other nonoperating revenues	138	11
Other settlements	144	-
Gain (loss) on disposal of capital assets	28	(66)
Cost of issuance expense	-	(543)
Interest expense	(2,311)	(2,073)
<b>Total nonoperating revenues (expenses)</b>	<b>9,815</b>	<b>7,974</b>
Income before capital contributions	7,307	2,095
Capital contributions	5,194	3,023
<b>Changes in net position</b>	<b>12,501</b>	<b>5,118</b>
<b>NET POSITION</b>		
Beginning of year	359,614	354,496
End of year	<b>\$ 372,115</b>	<b>\$ 359,614</b>

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Cash Flows  
 Business-Type Activity - Enterprise Fund  
 For the Years Ended June 30, 2016 and 2015  
 (In thousands)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 89,364	\$ 83,738
Cash receipts from others	282	11
Cash payments to suppliers for goods and services	(37,336)	(36,411)
Cash payments for employees pension benefits	(6,526)	(6,213)
Cash payments to employees for salaries and other benefits	(35,837)	(34,807)
<b>Net cash provided by operating activities</b>	<b>9,947</b>	<b>6,318</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	9,300	9,536
<b>Net cash provided by noncapital financing activities</b>	<b>9,300</b>	<b>9,536</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisitions of capital assets	(16,335)	(19,064)
Capital grants received restricted for capital purposes	214	39
Proceeds from sale of capital assets	38	-
Revenue bonds proceeds	-	30,000
Principal paid on debt	(3,175)	(2,650)
Interest paid on debt	(3,206)	(2,350)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(22,464)</b>	<b>5,975</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	39,576	52,408
Purchases of investments	(56,200)	(51,294)
Investment income received	1,352	1,089
<b>Net cash provided by (used in) investing activities</b>	<b>(15,272)</b>	<b>2,203</b>
<b>Net change in cash and cash equivalents</b>	<b>(18,489)</b>	<b>24,032</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	40,936	16,904
End of year	<b>\$ 22,447</b>	<b>\$ 40,936</b>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION:</b>		
Cash and investments	\$ 112,971	\$ 96,494
Restricted cash and investments	6,601	23,862
Less investments not meeting the definition of cash equivalents	(97,125)	(79,420)
<b>Total cash, restricted cash and investments</b>	<b>\$ 22,447</b>	<b>\$ 40,936</b>

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Cash Flows  
 Business-Type Activity - Enterprise Fund  
 For the Years Ended June 30, 2016 and 2015  
 (In thousands)

	2016	2015
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (2,508)	\$ (5,879)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	13,974	13,417
Other nonoperating revenues	282	11
Other items	-	16
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer and other accounts receivable	(679)	(1,379)
Accrued unbilled receivable	(679)	183
Materials and supplies	91	(91)
Prepaid items	(328)	3
Net other postemployment benefit asset	65	55
Accounts payable and accrued expenses	(1,831)	(826)
Accrued payroll and related liabilities	(27)	179
Contractor and customer deposits	2,920	2,114
Net pension liability and related pension deferred outflows and inflows of resources	(1,333)	(1,485)
Net cash provided by operating activities	<u>\$ 9,947</u>	<u>\$ 6,318</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Amortization of premiums and loss on debt refunding	\$ 2	\$ 62
Payment for bond issuance cost from bond proceeds	-	551
Capital contributions	5,194	2,798
Capitalized interest	889	430
Changes in capital related assets and liabilities:		
Grants receivable	(225)	197
Accounts payable and retention payable	1,717	1,730
Unearned revenues	11	(11)
<b>NONCASH INVESTING ACTIVITIES:</b>		
Change in fair value of investments	(1,081)	106

See accompanying notes to basic financial statements.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**1. DESCRIPTION OF THE REPORTING ENTITY**

*A. Description of Operations*

The Alameda County Water District (the District) was organized under the California Water Act of 1913 and is governed by a five-person Board of Directors. Principal functions of the District include the importation, conservation, and distribution of water. District operations are conducted under the State Water Code of California.

*B. Reporting Entity*

The financial reporting entity consists of the District (the primary government) and its component unit, which is discussed below. A component unit is a legally separate organization for which the Board of Directors is financially accountable, or an organization whose nature and significant relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States (GAAP), these basic financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. A blended component unit, although a legally separate entity is, in substance, part of the District's operations and data from this unit is combined with data of the District. The following entity is reported as a blended component unit:

- The Alameda County Water District Financing Authority (the Authority) is a joint powers authority with Union Sanitary District established in 2011 for the sole purpose of issuing debt for the benefit of the District. The 2012 and 2015 Water System Revenue Bonds were enabled by the formation of this entity.

Additional financial data for the Authority may be obtained from the District office at 43885 South Grimmer Boulevard, Fremont, California, 94538.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*A. Basis of Presentation and Measurement Focus*

The basic financial statements provide information about the District's enterprise fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations were provided; revenues from property taxes are recognized in the fiscal year for which the taxes are levied and revenue from investments is recognized when earned, while expenses are recognized in the period in which the liability is incurred.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**A. Basis of Presentation and Measurement Focus, Continued**

The accounts of the District are reported in a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

**B. Cash and Investments**

The District's cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturity of three months or less from the date of acquisition.

The District considers highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Restricted investments, which consist of U.S. government securities designated for specific projects and required to be segregated pursuant to debt covenants, and restricted cash, which consists of money market accounts and CAMP funds, are presented as restricted cash and investments.

The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Refer to Note 3 for more information on the fair value measurements.

**C. Accrued Unbilled Revenue**

During the year, customer water meters are read and billed on monthly or bi-monthly periods. Because not every meter is read on the same date, revenue for water distributed but not yet billed is accrued at fiscal year-end to match revenues with related expenses.

**D. Materials and Supplies**

Materials and supplies inventory consisted principally of spare parts that are recorded when purchased and expensed when used and is recorded at weighted average cost.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*E. Capital Assets*

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5 and an estimated useful life of more than one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits and overhead. In 2016 and 2015, the District funded certain capital projects and interest in the amount of \$889 and \$430 was capitalized, respectively, in relation to these tax-exempt bond funded capital expenditures. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Structures, reservoirs, pumps and other improvements	5-50 years
Office furniture, tools, shop furniture, lab furniture and equipment	10 years
Motor vehicles	5 years

*F. Customer Deposits*

Customer deposits for new customer installation jobs are retained by the District and are reported as a current liability. The customer deposit is applied to the cost of the job when the job is complete.

*G. Long-Term Debt and Related Costs*

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflows of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

*H. Operating Revenues and Expenses*

Operating revenues and expenses consisted of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consisted primarily of charges for services. Nonoperating revenues and expenses consisted of those revenues and expenses that are related to financing and investing type of activities and resulted from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Property Tax Revenue**

Assessed values are determined annually by the Alameda County Assessor (the County) as of January 1, and become a lien on real property as of the January 1. Taxes are due November 1, and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The District receives two different types of property tax revenue from the County.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. For the years ended June 30, 2016 and 2015, the District recognized \$4,807 and \$4,678 of this 1% property tax allocation levy.

The District also receives an override property tax amount that helps pay for the groundwater portion of both the fixed and variable costs of State water purchased by the District. The District projects such costs annually and requests that the County collect that amount, approximately \$4 to \$5 million. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year's State water purchase cost. For the years ended June 30, 2016 and 2015, the District received \$4,488 and \$4,869 of this State water property tax allocated amount.

**J. Capital Contributions**

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which approximated fair value at the time of the District's acquisition, and recorded as capital contributions when received. Customers also provide funds for capital projects to install and repair service lines to their premises. In addition, the District, at various times, receives federal and State grants and other funds from external sources for construction and/or rehabilitation of its facilities. These contributed assets and cash funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

**K. Net Position**

In the statements of net position, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted - This amount is all remaining amounts in net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's Pension Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**M. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**N. New GASB Pronouncements Adopted**

During the year ended June 30, 2016, the District implemented the following accounting standards:

- Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement requires additional disclosures and did not have a significant impact to the District's financial statements. Please refer to Note 3 for more information.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB Statement No. 73), establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, as well as for the assets accumulated for the purposes of providing those pensions. GASB Statement No. 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. GASB Statement No. 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB Statement No. 68. This statement did not have a significant impact to the District's financial statements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB Statement No. 76), clarifies the hierarchy of generally accepted accounting principles (GAAP), and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. This statement did not have a significant impact to the District's financial statements.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*N. New GASB Pronouncements Adopted, Continued*

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. The statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It also establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. This statement did not have a significant impact to the District's financial statements.

*O. Implementation of New GASB Pronouncements*

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB Statement No. 74), which establishes new accounting and financial reporting requirements for OPEB plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB Statement No. 74 is effective for the District's fiscal year ending June 30, 2017.
- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the District's fiscal year ending June 30, 2018.
- In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB Statement No. 77), which requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB Statement No. 77 is effective for the District's fiscal year ending June 30, 2017.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*O. Implementation of New GASB Pronouncements, Continued*

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. GASB Statement No. 78 is effective for the District's fiscal year ending June 30, 2017.
- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB Statement No. 80 is effective for the District's fiscal year ending June 30, 2017.
- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the District's fiscal year ending June 30, 2018.
- In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 is effective for the District's fiscal year ending June 30, 2017.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**3. CASH AND INVESTMENTS**

The District maintains an internal cash and investment pool in a single enterprise fund. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as restricted investments. Restricted investments are the reserve funds required by the District's debt issuance holders in order to secure the District's obligation to pay the principal and interest due for one year and the unspent bond proceeds from the 2015 Water System Revenue Bonds restricted for capital projects.

*A. Summary of Cash and Investments*

	2016	2015
Unrestricted cash and bank deposits	\$ 4,432	\$ 5,834
Unrestricted investments	108,539	90,660
Unrestricted cash and investments	112,971	96,494
Restricted investments	6,601	23,862
Total	<u>\$ 119,572</u>	<u>\$ 120,356</u>

*B. Authorized Investments*

The District's investment policy is adopted by the District's Board, in accordance with California Government Code Section 53601. The latest investment policy, which was adopted in July 2013, is reviewed for changes annually by the Board. The investment policy has the following objectives (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification by issuer and type and maturity of securities will be made to avoid or minimize loss on individual securities.
- **Liquidity:** The portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements, which might be reasonably anticipated.
- **Yield:** The portfolio shall be designed with the objective of providing a market rate of return while conforming to the safety and liquidity criteria above.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**3. CASH AND INVESTMENTS, Continued**

***B. Authorized Investments, Continued***

Under provisions of the District's investment policy, the District may invest in the following types of investments:

- Certificates of deposit that are FDIC-insured or fully collateralized time certificates of deposit in a financial institution issued by federally chartered or state-chartered banks or associations.
- United States Treasury notes, bonds, bills or other obligations for which full faith and credit of the United States are pledged for payment of principal and interest.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Obligations issued by State of California or any agency within the State.
- Registered treasury notes or bonds of any of the other 49 United States in addition to California.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation, on the date of purchase.
- Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or a federally licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated with one of the three highest ratings categories of a NRSRO.
- Medium-term notes issued by corporations organized and operating in the United States.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- The California Asset Management Program (CAMP).
- Shares of beneficial interest issued by diversified management companies that are money market fund registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

A five year maximum maturity for each investment is allowed. In addition, the investment policy requires that no more than 5% of the District's surplus funds may be deposited with or invested in securities issued by any one corporate, financial, or municipal issuer with the exception of the U.S. Treasury, federal agency institutions, and government sponsored enterprises.

In accordance with Section 53651 of the California Government Code, the District cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

***C. Deposits***

The carrying amount of the District's demand deposits balances were \$2,921 and \$4,703 and the bank balances were \$3,514 and \$5,709 at June 30, 2016 and 2015, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The District's bank balances (demand deposits and non-negotiable certificates of deposit) were insured by the Federal Deposit Insurance Corporation (FDIC) and if over the FDIC limit collateralized by the pledging financial institutions as required by California Government Code at June 30, 2016 and 2015.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**3. CASH AND INVESTMENTS, Continued**

*C. Deposits, Continued*

The California Government Code requires California banks and savings and loans associations to secure the District's deposits not covered by federal depository insurance by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits or 150% of mortgage-backed collateral. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

*D. Investments*

The District's cash and investments are invested pursuant to investment policy guidelines established by the Board of Directors. The policy addresses the soundness of financial institutions in which the District deposits funds and the types of investments instruments as permitted by the California Government Code.

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) which is regulated by California Government Code and is under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. The District's investments with LAIF at June 30, 2016 and 2015 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- **Structured Notes** are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities, the bulk of which are mortgage-backed securities**, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2016 and 2015, the District had unrestricted cash and investments of \$15,716 and \$15,701, respectively, invested in LAIF, which had invested 2.81% and 2.08% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of \$75.4 billion and \$69.6 billion in its investment portfolio as of June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, the District had restricted cash and investments of \$3,654 and \$21,011, respectively, invested in LAIF which related to the 2015 Water System Revenue Bonds issued in March 2015. The District had a total of \$19,370 and \$36,082 invested in LAIF as of June 30, 2016 and 2015, respectively. The District valued its investments in LAIF as of June 30, 2016 and 2015, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.000621222 and 1.000375979 as of June 30, 2016 and 2015, respectively.

**Alameda County Water District**  
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**3. CASH AND INVESTMENTS, Continued**

**D. Investments, Continued**

As of June 30, 2016 and 2015, the District had unrestricted cash and investments in the CAMP pool of \$10 and \$10, respectively. The total amount invested by all public agencies in CAMP at June 30, 2016 and 2015 was \$1,791,536 and \$1,589,396, respectively. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District does not have any of its investments using level 1 and 3 inputs.

The following is a summary of the fair value hierarchy of investments held by District as of June 30, 2016 and 2015:

Investments by Fair Value Level	June 30, 2016	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)		June 30, 2015	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	
U.S. Government securities	\$ 45,736	\$ 45,736		\$ 21,701	\$ 21,701	
U.S. Government agency obligations	13,672	13,672		20,308	20,308	
Corporate notes	19,835	19,835		22,176	22,176	
Municipal bond	3,537	3,537		5,178	5,178	
Short term investments	14,491	14,491		10,198	10,198	
Total investments by fair value level	97,271	\$ 97,271		79,561	\$ 79,561	
Investments not subject to fair value hierarchy:						
Local Agency Investment Funds	19,370			36,082		
California Asset Management Program	10			10		
Total investments not subject to fair value hierarchy	19,380			36,092		
Total investment measured at fair value	\$ 116,651			\$ 115,653		

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
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**3. CASH AND INVESTMENTS, Continued**

**E. Investment Risks**

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2016 and 2015, the District's investment pool had a weighted average maturity of 2.78 years and 2.65 years, respectively. The District invested \$3,583 and \$2,312 in callable bonds, which was comprised of corporate medium-term notes, at June 30, 2016 and 2015, respectively. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

*Credit Risk.* Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. According to the District's investment policy, no more than 25% of the total portfolio may be invested in commercial paper, no more than 30% of the total portfolio may be invested in medium term corporate notes and no more than 40% of the total portfolio may be invested in bankers' acceptances other than the U.S. Government, its agencies and instrumentalities and LAIF. If a security is downgraded by either Moody's or S&P to a level below the minimum quality required by the District, the District will determine whether to retain or liquidate the security based upon criteria set forth in the District's Investment Policy.

*Concentration of Credit Risk.* The District's Investment Policy does not contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. Government are not subject to single issuer limitation. As of June 30, 2016 and 2015, the District has investments in U.S. government agencies that represent 5% or more of the District's unrestricted and restricted investment portfolios (see Note 3.F).

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments, with the exception of the money market funds, LAIF and CAMP, are held by two third-party custodians in the District's name, which are Bank of the West and U.S. Bank.

**Alameda County Water District**  
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**3. CASH AND INVESTMENTS, Continued**

**F. Cash and Investments Composition**

As of June 30, 2016, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
<b>Unrestricted cash and investments:</b>							
Non-negotiable certificates of deposit with:							
Bank of the West	n/a	\$ 141	\$ 141	\$ -	\$ -	\$ -	\$ -
Fremont Bank	n/a	1,370	1,370	-	-	-	-
Demand deposits	n/a	2,921	2,921	-	-	-	-
Total unrestricted cash and bank deposits		<u>4,432</u>	<u>4,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Negotiable certificates of deposit:							
Canadian Imperial Bank NY YCD	P-1 / A-1	1,525	1,525	-	-	-	-
Rabobank Nederland NY Cert Depos	P-1 / A-1	1,800	1,800	-	-	-	-
Nordea Bank Finland NY CD	Aa3 / AA-	1,526	1,526	-	-	-	-
Toronto Dominion Bank NY YCD	Aa1 / AA-	1,554	1,554	-	-	-	-
Bank of Nova Scotia Houston YCD	P-1 / A-1	1,583	-	1,583	-	-	-
Skandinaviska Enskilda Banken NY CD	P-1 / A-1	1,577	-	1,577	-	-	-
HSBC Bank USA NA CD	P-1 / A-1+	1,576	-	1,576	-	-	-
Royal Bank of Canada NY CD	Aa3 / AA-	1,839	-	1,839	-	-	-
Municipal Bonds:							
CA State Earthquake Authority Taxable Rev Bonds	A3 / NR	413	-	413	-	-	-
CA State Taxable Go Bonds	Aa3 / AA-	1,477	-	1,477	-	-	-
CT State Taxable Go Bonds	Aa3 / AA-	439	-	-	439	-	-
Univ of CA Taxable Rev Bonds	Aa2 / AA	1,208	-	1,208	-	-	-
U.S. Government agencies securities:							
Federal Home Loan Bank	Aaa / AA+	1,362	-	-	1,362	-	-
Fannie Mae Global Notes*	Aaa / AA+	8,738	-	3,495	4,510	733	-
Freddie Mac Global Notes	Aaa / AA+	3,426	1,386	1,090	950	-	-
U.S. Treasury Securities	Aaa / AA+	42,935	-	1,282	10,766	14,242	16,645
Medium-term notes:							
American Express Credit Corp Notes	A2 / A-	460	-	-	-	-	460
American Honda Finance Global Notes	A1 / A+	1,574	-	-	-	1,574	-
Apple Inc. Corp.	Aa1 / AA+	797	-	797	-	-	-
Bank of New York Mellon	A1 / A	1,545	-	631	-	-	914
Branch Banking & Trust Corp Note	A2 / A-	457	-	-	-	-	457
Berkshire Hathaway Finance Corp.	Aa2 / AA	658	-	658	-	-	-
Burlington North Corp	A3 / A	470	-	-	-	470	-
Caterpillar Financial SE	A2 / A	837	-	837	-	-	-
Chevron Corp Global	Aa2 / AA-	1,594	-	1,594	-	-	-
Cisco Systems Inc. Global Notes	A1 / AA-	1,500	-	-	1,500	-	-
Citigroup Inc Corp Notes	Baa1 / BBB+	352	-	-	352	-	-
Exxon Mobil Corp. Notes	Aaa / AA+	1,537	-	1,537	-	-	-
General Electric Capital Corp.	A1 / AA+	2,059	-	-	-	2,059	-
Goldman Sachs Group Inc Corp	A3 / BBB+	904	-	-	904	-	-
HSBC Finance Corp Global	A2 / A	479	479	-	-	-	-
IBM Corp	Aa3 / AA-	614	-	614	-	-	-
JP Morgan Chase & Co.	A3 / A-	1,607	-	-	-	1,607	-
State Street Corp.	A1 / A	243	-	-	-	-	243
Toyota Motor Credit Corp.	Aa3 / AA-	488	-	-	-	488	-
Wells Fargo & Co	A2 / A	1,660	-	-	-	941	719
Local Agency Investment Funds	Unrated / Unrated	15,716	15,716	-	-	-	-
California Asset Management Program	Unrated / AAAm	10	10	-	-	-	-
Total unrestricted investments		<u>108,539</u>	<u>23,996</u>	<u>22,208</u>	<u>20,783</u>	<u>22,114</u>	<u>19,438</u>
Total unrestricted cash and investments		<u>\$ 112,971</u>	<u>\$ 28,428</u>	<u>\$ 22,208</u>	<u>\$ 20,783</u>	<u>\$ 22,114</u>	<u>\$ 19,438</u>
Restricted investments:							
First American Treasury Obligation Fund	Aaa / AAAm	\$ 146	\$ 146	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Securities	Aaa / AA+	2,801	-	-	-	2,801	-
Local Agency Investment Funds	Unrated / Unrated	3,654	3,654	-	-	-	-
Total restricted investments		<u>\$ 6,601</u>	<u>\$ 3,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,801</u>	<u>\$ -</u>

\*Investments of a single issuer that exceeded 5% of the individual portfolio.

**Alameda County Water District**  
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**3. CASH AND INVESTMENTS, Continued**

**F. Cash and Investments Composition, Continued**

As of June 30, 2015, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
<b>Unrestricted cash and investments:</b>							
Non-negotiable certificates of deposit with:							
Bank of the West	n/a	\$ 141	\$ -	\$ 141	\$ -	\$ -	\$ -
Fremont Bank	n/a	990	990	-	-	-	-
Demand deposits	n/a	4,703	4,703	-	-	-	-
Total unrestricted cash and bank deposits		5,834	5,693	141	-	-	-
Negotiable certificates of deposit:							
Canadian Imperial Bank NY YCD	P-1 / A-1	1,522	-	1,522	-	-	-
Goldman Sachs Bank USA CD	P-1 / A-1	1,528	-	1,528	-	-	-
HSBC Bank USA NA CD	P-1 / A-1+	1,151	-	1,151	-	-	-
Nordea Bank Finland NY CD	Aa3 / AA-	1,521	-	1,521	-	-	-
Rabobank Nederland NV Cert Depos	P-1 / A-1	1,795	-	1,795	-	-	-
Toronto Dominion Bank NY YCD	Aa1 / AA-	1,550	-	1,550	-	-	-
Municipal Bonds:							
CA State Earthquake Authority Taxable Rev Bonds	A3 / NR	412	-	-	412	-	-
CA State DWR Taxable Rev Bonds	Aa1 / AAA	300	-	300	-	-	-
CA State Taxable Go Bonds	Aa3 / A+	1,887	411	-	1,476	-	-
CT State Taxable Go Bonds	Aa3 / AA	434	-	-	-	434	-
Orange County, CA Taxable Rev PO Bonds	NR / AA-	942	942	-	-	-	-
Univ of CA Taxable Rev Bonds	Aa2 / AA	1,203	-	-	1,203	-	-
U.S. Government agencies securities:							
Federal Home Loan Bank	Aaa / AA+	850	-	850	-	-	-
Fannie Mae Global Notes*	Aaa / AA+	11,887	-	3,356	6,365	2,166	-
Freddie Mac Global Notes*	Aaa / AA+	4,720	-	2,695	1,090	935	-
U.S. Treasury Securities	Aaa / AA+	21,701	-	5,025	2,063	8,739	5,874
Medium-term notes:							
Abbott Laboratories	A2 / A+	1,141	-	-	-	-	1,141
American Express Credit Corp Notes	A2 / A-	406	-	-	406	-	-
American Honda Finance Global	A1 / A+	1,535	-	-	-	-	1,535
Apple Inc. Corp.	Aa1 / AA+	1,138	-	351	787	-	-
Bank of New York Mellon	A1 / A+	1,524	-	-	1,524	-	-
Berkshire Hathaway Finance Corp.	Aa2 / AA	1,184	-	531	653	-	-
Caterpillar Financial SE	A2 / A	836	-	-	836	-	-
Chevron Corp Global	Aa1 / AA	1,585	-	-	1,585	-	-
Cisco Systems Inc. Global Notes	A1 / AA-	715	-	-	-	715	-
Exxon Mobil Corp. Notes	Aaa / AAA	1,524	-	-	1,524	-	-
General Electric Capital Corp.	A1 / AA+	2,045	-	-	-	-	2,045
HSBC Finance Corp Global	A2 / A	480	-	480	-	-	-
IBM Corp	Aa3 / AA-	609	-	-	609	-	-
John Deere Capital Corp.	A2 / A	1,126	-	1,126	-	-	-
JP Morgan Chase & Co.	A3 / A	951	-	951	-	-	-
PepsiCo Inc. Corp.	A1 / A	400	400	-	-	-	-
Procter & Gamble Co. Corp.	Aa3 / AA-	856	-	856	-	-	-
Toyota Motor Credit Corp.	Aa3 / AA-	475	-	-	-	-	475
U.S. Bancorp	A1 / A+	1,017	-	1,017	-	-	-
Wal-Mart Stores	Aa2 / AA	623	-	-	623	-	-
Wells Fargo & Co	A2 / A+	2,006	-	1,090	-	-	916
Local Agency Investment Funds	Unrated / Unrated	15,071	15,071	-	-	-	-
California Asset Management Program	Unrated / AAAM	10	10	-	-	-	-
Total unrestricted investments		90,660	16,834	27,695	21,156	12,989	11,986
Total unrestricted cash and investments		\$ 96,494	\$ 22,527	\$ 27,836	\$ 21,156	\$ 12,989	\$ 11,986
<b>Restricted investments:</b>							
First American Treasury Obligation Fund	Aaa / AAAM	\$ 141	\$ 141	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies securities:							
Federal Home Loan Bank	Aaa / AA+	2,710	2,710	-	-	-	-
Local Agency Investment Funds	Unrated / Unrated	21,011	21,011	-	-	-	-
Total restricted investments		\$ 23,862	\$ 23,862	\$ -	\$ -	\$ -	\$ -

\*Investments of a single issuer that exceeded 5% of the individual portfolio.

**Alameda County Water District**  
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**4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE**

Customer and other accounts receivable were as follows:

	2016	2015
Utility service	\$ 4,757	\$ 4,634
Groundwater replenishment	8	7
Other	3,234	2,678
Allowance for doubtful accounts	(24)	(23)
Total customer and other accounts receivable, net	<u>\$ 7,975</u>	<u>\$ 7,296</u>

Other accounts receivable balance of \$3,234 and \$2,678 for June 30, 2016 and 2015, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

**5. CAPITAL ASSETS**

*A. Summary of Capital Asset Activity*

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets, not being depreciated/amortized:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	18,938	21,249	-	(23,867)	16,320
Capital assets, not being depreciated/amortized	<u>28,548</u>	<u>21,249</u>	<u>-</u>	<u>(23,867)</u>	<u>25,930</u>
Capital assets, being depreciated/amortized					
Source of supply	64,229	-	-	4,764	68,993
Pumping plant	24,217	-	-	332	24,549
Water treatment	160,238	-	-	372	160,610
Transmission and distribution	300,836	2,886	(63)	17,062	320,721
General	49,684	-	(185)	1,337	50,836
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated/amortized	<u>620,064</u>	<u>2,886</u>	<u>(248)</u>	<u>23,867</u>	<u>646,569</u>
Less accumulated depreciation/amortization					
Source of supply	(40,131)	(1,673)	-	-	(41,804)
Pumping plant	(15,907)	(683)	-	-	(16,590)
Water treatment	(49,943)	(3,187)	-	-	(53,130)
Transmission and distribution	(116,495)	(5,623)	53	-	(122,065)
General	(21,778)	(2,174)	185	-	(23,767)
Supplemental water supply storage	(7,533)	(634)	-	-	(8,167)
Less accumulated depreciation/amortization	<u>(251,787)</u>	<u>(13,974)</u>	<u>238</u>	<u>-</u>	<u>(265,523)</u>
Capital assets, being depreciated/amortized, net	<u>368,277</u>	<u>(11,088)</u>	<u>(10)</u>	<u>23,867</u>	<u>381,046</u>
Total capital assets, net	<u>\$ 396,825</u>	<u>\$ 10,161</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ 406,976</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
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**5. CAPITAL ASSETS, Continued**

*A. Summary of Capital Asset Activity, Continued*

The District had various active construction projects as of June 30, 2016 including the following:

Rubber Dam #1 Fish Ladder	\$ 3,385
Various Other Active Projects (individually less than \$200)	3,059
Rubber Dam #3 Fish Ladder	1,675
Customer Installation Jobs	1,480
Earthquake Emergency Equipment and Materials	1,144
Shinn Pond Fish Screen	936
PLC Upgrade	932
Vallecitos Channel Betterments	732
CMMS Software Implementation	554
SharePoint Implementation	552
Service Line Replacements	465
Iron Horse Lane Main Replacements	413
COF Capitol Ave. Improvement	374
Blending Facility Telecomm Tow	367
Rubber Dam #1 Seismic Upgrade	252
Total	<u>\$ 16,320</u>

At June 30, 2016, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$3,602.

**Alameda County Water District**  
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**5. CAPITAL ASSETS, Continued**

**A. Summary of Capital Asset Activity, Continued**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital assets, not being depreciated/amortized:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	31,930	23,768	-	(36,760)	18,938
Capital assets, not being depreciated/amortized	41,540	23,768	-	(36,760)	28,548
Capital assets, being depreciated/amortized					
Source of supply	57,782	-	-	6,447	64,229
Pumping plant	24,152	-	-	65	24,217
Water treatment	157,393	-	-	2,845	160,238
Transmission and distribution	275,001	296	(197)	25,736	300,836
General	48,172	-	(155)	1,667	49,684
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated/amortized	583,360	296	(352)	36,760	620,064
Less accumulated depreciation/amortization					
Source of supply	(38,622)	(1,509)	-	-	(40,131)
Pumping plant	(15,181)	(726)	-	-	(15,907)
Water treatment	(46,811)	(3,132)	-	-	(49,943)
Transmission and distribution	(111,468)	(5,142)	115	-	(116,495)
General	(19,633)	(2,274)	129	-	(21,778)
Supplemental water supply storage	(6,899)	(634)	-	-	(7,533)
Less accumulated depreciation/amortization	(238,614)	(13,417)	244	-	(251,787)
Capital assets, being depreciated/amortized, net	344,746	(13,121)	(108)	36,760	368,277
Total capital assets, net	\$ 386,286	\$ 10,647	\$ (108)	\$ -	\$ 396,825

Depreciation and amortization expense for capital assets for the years ended June 30, 2016 and 2015 were \$13,974 and \$13,417, respectively.

**Alameda County Water District**  
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**5. CAPITAL ASSETS, Continued**

*B. Supplemental Water Supply Storage*

In 1996 and in 2001, the District entered into two agreements for a water banking and exchange program with Semitropic Water Storage District and its Improvement District (Semitropic). The entities are used for storage, withdrawal, and exchange rights for the District's State Water Project supplies. Under the 1996 agreement (for 5% of the Semitropic program capacity), the District pays the capital component when storing and recovering water. Under the 2001 agreement (for an additional 10% of the program capacity), the District has paid for the capital costs through fixed annual payments. Payments used for the construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc., are capitalized and amortized over the life of the agreements.

The agreements terminate in November 2035. The historical costs of the District's water storage in the amount of \$20,860 as of June 30, 2016 and 2015 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$634 for the years ended June 30, 2016 and 2015.

The District has a storage allocation of 150,000 acre-feet and had approximately 115,480 and 118,568 acre feet of water at June 30, 2016 and 2015, respectively.

*C. Mission San Jose Water Treatment Plant*

On July 30, 2015, the Board approved to temporarily decommission the Mission San Jose Water Treatment Plant (MSJ Plant). This temporary decommission is as a result of the positive customer response for water conservation that reduced water demands and production needs. The District will continue to monitor the water demands and plans to re-open the MSJ Plant once the water demands increase to suitable levels.

**6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL**

Accounts payable and accrued expenses were as follows:

	2016	2015
Vendors	\$ 5,550	\$ 6,401
Retention payable	356	80
Installer's reimbursement	1,567	1,488
Other	647	265
Total	<u>\$ 8,120</u>	<u>\$ 8,234</u>

Installers' reimbursement funds are designated to reimburse certain developers for a portion of the cost as defined by the District, of oversized mains, main extensions, and storage tanks constructed or installed by them at the request of the District. The terms of the agreements provide that such costs are reimbursable over a period of up to ten years out of certain cash receipts collected from contractors subsequently connecting to those previously installed mains. Such receipts are deposited in a cash deposits account separately for transmittal to the developers. The amount of such receipts, which had not been remitted as of June 30, 2016 and 2015, were \$1,567 and \$1,488, respectively. In the event that the designated future cash receipts from contractors are not adequate to fully reimburse the developers for the eligible construction cost incurred by the end of the ten-year period, the District will have no future obligation to the developers.

**Alameda County Water District**  
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**6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL, Continued**

Accrued payroll and related liabilities were as follows:

	<u>2016</u>	<u>2015</u>
Accrued payroll	\$ 895	\$ 714
Accrued vacation	1,980	2,025
Accrued leave and other	<u>720</u>	<u>616</u>
Total	3,595	3,355
Less current portion	<u>(3,399)</u>	<u>(3,193)</u>
Long-term portion	<u>\$ 196</u>	<u>\$ 162</u>

Accrued vacation activity is as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,025	\$ 2,016
Additions	1,706	1,720
Reduction	<u>(1,751)</u>	<u>(1,711)</u>
Balance, end of year	<u>\$ 1,980</u>	<u>\$ 2,025</u>

Current portion of accrued vacation, leave and other is approximated by averaging the compensation balances paid out over the past three fiscal years.

**7. LONG-TERM DEBT**

Long-term debt activities for the year ended June 30, 2016 were as follows:

<u>Description</u>	<u>Beginning Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2016</u>	<u>Current</u>	<u>Noncurrent</u>
2009 Water System Refunding						
Revenue Bonds	\$ 13,050	\$ -	\$ (2,455)	\$ 10,595	\$ 2,525	\$ 8,070
Unamortized premium	591	-	(118)	473	118	355
2012 Water System Revenue Bonds	44,495	-	(265)	44,230	275	43,955
Unamortized premium	2,503	-	(96)	2,407	96	2,311
2015 Water System Revenue Bonds	27,810	-	(455)	27,355	480	26,875
Unamortized premium	<u>2,711</u>	<u>-</u>	<u>(91)</u>	<u>2,620</u>	<u>91</u>	<u>2,529</u>
Total	<u>\$ 91,160</u>	<u>\$ -</u>	<u>\$ (3,480)</u>	<u>\$ 87,680</u>	<u>\$ 3,585</u>	<u>\$ 84,095</u>

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**7. LONG-TERM DEBT, Continued**

Long-term debt activities for the year ended June 30, 2015 were as follows:

Description	Beginning	Additions	Reductions	Ending	Current	Noncurrent
	Balance			Balance		
	July 1, 2014			June 30, 2015		
2009 Water System Refunding						
Revenue Bonds	\$ 15,445	\$ -	\$ (2,395)	\$ 13,050	\$ 2,455	\$ 10,595
Unamortized premium	709	-	(118)	591	118	473
2012 Water System Revenue Bonds	44,750	-	(255)	44,495	265	44,230
Unamortized premium	2,599	-	(96)	2,503	96	2,407
2015 Water System Revenue Bonds	-	27,810	-	27,810	455	27,355
Unamortized premium	-	2,741	(30)	2,711	91	2,620
Total	\$ 63,503	\$ 30,551	\$ (2,894)	\$ 91,160	\$ 3,480	\$ 87,680

**Water System Revenue Bonds**

The Water System Revenue Bonds are issued primarily to finance the construction of capital improvements related to the District's water system. The bonds are payable solely from and secured by the revenues received from the operation of the District's water system. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement. The total principal and interest remaining to be paid on the bonds is \$124,704. Principal and interest paid for the year ended June 30, 2016 and total net revenues as defined in the bond indentures were \$6,381 and \$23,684, respectively. Principal and interest paid for the year ended June 30, 2015 and total net revenues as defined in the bond indentures were \$5,000 and \$18,193, respectively.

On March 17, 2015, the District issued the 2015 Water System Revenue Bonds (2015 Bonds) in the amount of \$27,810 with interest rates ranging from 4% to 5% payable in annual installments through June 2045. The 2015 Bonds were sold for a total price of \$30,551; equal to the \$27,810 par amount, plus \$2,741 in net original issue premium. The bond issuance had a true interest cost of 3.4%. The new money bond proceeds in the amount of \$30,000; equal to \$30,551 total price, less \$313 underwriter's discount and \$238 issuance cost, were deposited in the 2015 LAIF Acquisition account, and will be used to finance capital projects related to improving seismic reliability, replacing aging infrastructure, improving water supply reliability, and improving water quality and production reliability.

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**7. LONG-TERM DEBT, Continued**

The debt service requirements for the Water System Revenue Bonds at June 30, 2016 were as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 3,280	\$ 3,107	\$ 6,387
2018	3,380	2,994	6,374
2019	3,505	2,866	6,371
2020	3,635	2,742	6,377
2021	2,915	2,614	5,529
2022-2026	16,140	10,863	27,003
2027-2031	14,190	7,829	22,019
2032-2036	13,260	5,622	18,882
2037-2041	15,970	2,995	18,965
2042-2046	5,905	602	6,507
Total	<u>\$ 82,180</u>	<u>\$ 42,234</u>	<u>\$ 124,414</u>

**Arbitrage**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The District has evaluated each debt issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2016 and 2015.

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**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Special District Risk Management Authority Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions and public official personal liability insurance coverage.

Prior to August 1, 2002, the District managed and financed some of these risks by purchasing commercial insurance for their worker's compensation and employer's liability. On August 1, 2002, the District joined the Special Districts Workers Compensation Authority (Authority). The Authority is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. The Authority's pool began covering claims of its members in 1982. The Board of Directors is composed of three members appointed by the Board of Directors of the California Special Districts Association and four members elected by the districts who are participating in the Authority.

The District did not have settled claims that exceeded the District's insurance coverage in any of the past three years.

The District's deductibles and maximum coverage as of June 30, 2016 are as follows:

Coverage Description	Deductibles	Insurance
General Liability	\$ 50	\$ 10,000
Automobile	50	10,000
Excess Liability	-	10,000
Property	50	1,000,000
Workers' Compensation	-	Statutory
Employee Dishonesty	-	1,000

**9. COMMITMENTS**

**State of California** - In 1961, the District entered into a contract with the State of California (the State) to purchase water through the year 2035. After the initial term, the contract is renewable indefinitely by the District under essentially the same conditions as the original contract upon six months prior written notice to the State. The District's actual water purchases for the fiscal years ended June 30, 2016 and 2015 were approximately 21,213 and 19,279 acre-feet, respectively. Since 2012, the maximum annual entitlement has been 42,000 acre-feet. In any year when the entitlement is in excess of the District's needs, the State will attempt to sell such excess and credit the District. The costs to the District for water purchased under this contract for fiscal years ended June 30, 2016 and 2015 were approximately \$8,104 and \$7,647, respectively, and were charged to operations as incurred.

**Alameda County Water District**  
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**9. COMMITMENTS, Continued**

The District's water is delivered through facilities constructed and operated by the State. The cost of the water is determined annually by the State and includes reimbursement to the State for the District's portion of the costs of construction and operation of these facilities.

The District's commitment under the State water contract will remain in effect until 2036 or until the cost of the State's facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$191,910 as of June 30, 2016.

Year Ending June 30,	State Water Purchase Commitment (in thousands)
2017	\$ 9,975
2018	9,989
2019	9,867
2020	9,770
2021 - 2025	49,272
2026 - 2030	49,235
2031 - 2035	48,797
2036	5,005
Total Water Purchase	<u>\$ 191,910</u>

**City and County of San Francisco** - The District entered into a water sales contract with the City and County of San Francisco in June 1984. That contract was renewed in July 2009 to purchase certain minimum amounts of water over a 25-year period and is administered by the San Francisco Public Utilities Commission (SFPUC). The costs to the District for water purchased under this contract for fiscal years ended June 30, 2016 and 2015 were approximately \$13,909 and \$13,177, respectively, and were charged to operations as incurred. The District is obligated under the term of the agreement to make a minimum purchase of 8,567 acre-feet of water per year through 2034 at the then-current cost of water. In the event that the SFPUC is unable to supply sufficient water to all users, the available water will be ratably apportioned among contractors with the District liable only for actual water delivered. For fiscal year ended June 30, 2016, SFPUC temporarily adjusted the District's minimum purchase requirement to 6,702 acre-feet (1,865 acre-feet less than the contracted minimum) to help meet state mandated conservation targets due to the ongoing drought. For fiscal year ending June 30, 2017, the District is anticipating an adjusted minimum purchase requirement of 8,353 acre-feet (214 acre-feet less than the contracted minimum) at an estimated total cost of \$17,864.

**Alameda County Water District**  
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**9. COMMITMENTS, Continued**

**Bay Area Water Supply and Conservation Agency** - The District belongs to the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the interests of 24 cities and water districts, and two private utilities that purchase water wholesale from the San Francisco regional water system. On January 31, 2013, BAWSCA issued bonds in the amount of \$335.8 million to raise the funds necessary to prepay capital commitments owed to the City and County of San Francisco by BAWSCA member agencies and thereby realizing a present value savings of approximately \$62.3 million over all member agencies. For the District, this translates into an annual net savings for purchased water cost of approximately \$197.

Prior to the bond issuance, there were \$356 million in capital cost recovery payments that were outstanding and being repaid as a part of the SFPUC's wholesale commodity charge. The capital cost recovery payments were being repaid at a fixed interest rate of 5.13% and were part of the Wholesale Revenue Requirement to the Water Supply Agreement negotiated with San Francisco in 2009. The bonds refinanced this debt at an average interest rate of 3.14%.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies. SFPUC will collect the surcharge and send the amount to BAWSCA for payment to bond holders. The surcharge would be in place for the term of the bonds, which will end in 2034. The surcharge is on the SFPUC wholesale water bill and is accounted for by the District as water purchases expense.

BAWSCA's annual debt service amount for fiscal year ended June 30, 2016 is \$24,584. The annual surcharge for each agency will be based on the actual wholesale water purchase percentage from the last full year for which data is available with an annual reconciliation based on the actual water purchased. A true-up adjustment based on the actual fiscal year ended June 30, 2016 water use will be included in the fiscal year ending June 30, 2018 bond surcharge. The District's fiscal year ended June 30, 2016 bond surcharge was \$2,563, which includes a true-up adjustment of \$591. The District's estimated bond surcharge for fiscal year ending June 30, 2017 is \$1,558, which includes a true-up adjustment of \$24. Audited financial statements for BAWSCA may be obtained from the BAWSCA at 155 Bovet Road Suite 650, San Mateo, California, 94402.

**10. PENSION PLANS**

**A. General Information about the Pension Plans**

**Plan Descriptions** - All qualified permanent and probationary employees are eligible to participate in the District's Pension Plan, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the Pension Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov/](http://www.calpers.ca.gov/).

**Alameda County Water District**  
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**10. PENSION PLANS, Continued**

*A. General Information about the Pension Plans, Continued*

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) agreement for employees in its Management, Confidential and Professional group. Under this agreement, the District picks up 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as additional contribution. For fiscal years ended June 30, 2016 and 2015, the District's EPMC was \$296 and \$298, respectively.

The State passed the California Employees' Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

**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, equal to one year of full time employment. Classic and new members with five years of total service are eligible to retire, with statutorily reduced benefits, at age 50 and 52, respectively. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for the plan is applied as specified by the Public Employee's Retirement Law.

The Plan's provisions and benefits in effect at fiscal years ended June 30, 2016 and 2015 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
	<hr/>	<hr/>
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years Service	5 Years Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	52
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates	24.956%	24.956%

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
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**10. PENSION PLANS, Continued**

*A. General Information about the Pension Plans, Continued*

At June 30, 2016 and 2015, the following employees were covered by the benefit terms:

	2016	2015
Inactive employees receiving benefits	228	226
Inactive employees entitled to but not yet receiving benefits	87	87
Active members	219	208
Total	<u>534</u>	<u>521</u>

**Contributions** - The 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District was required to contribute for fiscal years ended June 30, 2016 and 2015 at an actuarially determined rate of 27.185% and 24.956% of annual covered payroll for the District's employees, which amounted to \$6,526 and \$6,213, respectively.

*B. Net Pension Liability*

The District net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability as of June 30, 2016 and 2015 were measured as of June 30, 2015 and 2014 (measurement date), using an annual actuarial valuation of June 30, 2014 and 2013, respectively.

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**10. PENSION PLANS, Continued**

**B. Net Pension Liability, Continued**

**Actuarial Assumptions** - The total pension liability was determined using the following actuarial assumptions:

	2016	2015
Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.65%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.65% <sup>2</sup>	7.5% <sup>1</sup>
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

<sup>1</sup> Net of pension plan investment and administrative expenses, including inflation

<sup>2</sup> Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2016 and 2015 were 7.65 percent and 7.50 percent, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent and 7.50 percent are applied to all plans in the Public Employees Retirement Fund for the June 30, 2015 and 2014 measurement date, respectively. The stress test results are presented in a detailed report named "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

**Alameda County Water District**  
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**10. PENSION PLANS, Continued**

***B. Net Pension Liability, Continued***

According to GASB Statement No. 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. Using the lower discount rate for the June 30, 2014 measurement date has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference to the Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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**10. PENSION PLANS, Continued**

*B. Net Pension Liability, Continued*

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

The target allocation for the June 30, 2015 measurement date was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

The target allocation for the June 30, 2014 measurement date was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

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**10. PENSION PLANS, Continued**

**C. Changes in the Net Pension Liability**

The following table shows the changes in the net pension liability for the year ended June 30, 2016:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at July 1, 2015</b>	\$ 219,050	\$ 154,414	\$ 64,636
<b>Changes in the year:</b>			
Service cost	4,405	-	4,405
Interest on the total pension liability	16,216	-	16,216
Changes in assumptions	(4,141)	-	(4,141)
Differences between expected and actual experience	(377)	-	(377)
Contributions from the employer	-	6,023	(6,023)
Contributions from employees	-	1,955	(1,955)
Net investment income	-	3,485	(3,485)
Benefit payments, including refunds of employee contributions	(9,527)	(9,527)	-
Administrative expense		(176)	176
<b>Net changes</b>	<b>6,576</b>	<b>1,760</b>	<b>4,816</b>
<b>Balance at June 30, 2016</b>	<b>\$ 225,626</b>	<b>\$ 156,174</b>	<b>\$ 69,452</b>

The following table shows the changes in the net pension liability for the year ended June 30, 2015:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at July 1, 2014</b>	\$ 208,481	\$ 132,321	\$ 76,160
<b>Changes in the year:</b>			
Service cost	4,362	-	4,362
Interest on the total pension liability	15,453	-	15,453
Contributions from the employer	-	5,747	(5,747)
Contributions from employees	-	2,587	(2,587)
Net investment income	-	23,005	(23,005)
Benefit payments, including refunds of employee contributions	(9,246)	(9,246)	-
<b>Net changes</b>	<b>10,569</b>	<b>22,093</b>	<b>(11,524)</b>
<b>Balance at June 30, 2015</b>	<b>\$ 219,050</b>	<b>\$ 154,414</b>	<b>\$ 64,636</b>

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**10. PENSION PLANS, Continued**

*C. Changes in the Net Pension Liability, Continued*

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Plan as of the June 30, 2015 measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Net Pension Liability	\$ 101,098	\$ 69,452	\$ 43,436

The following presents the net pension liability of the Plan as of the June 30, 2014 measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Net Pension Liability	\$ 94,715	\$ 64,636	\$ 39,805

**Pension Plan Fiduciary Net Position** - Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report.

*D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended June 30, 2016 and 2015, the District recognized a pension expense of \$5,003 and \$4,727 for the Plan, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,526	\$ -
Changes of Assumptions	-	(3,106)
Differences between expected and actual experiences	-	(282)
Net differences between projected and actual earnings on plan investments	-	(1,281)
Total	<u>\$ 6,526</u>	<u>\$ (4,669)</u>

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**10. PENSION PLANS, Continued**

*D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

June 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,213	\$ -
Net differences between projected and actual earnings on plan investments	-	(10,505)
Total	\$ 6,213	\$ (10,505)

The \$6,526 and \$6,213 reported as deferred outflows of resources at June 30, 2016 and 2015, respectively, relates to contributions made subsequent to the measurement date. The District will recognize these amounts as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, respectively. The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future pension expense as follows:

Measurement Periods Ended June 30,	Deferred Outflows/(Inflows) of Resources
2016	\$ (2,106)
2017	(2,106)
2018	(2,106)
2019	1,649
Total	\$ (4,669)

*E. Internal Revenue Code Section 401(a) Plan*

Effective January 1, 1997, the District established and administered the Alameda County Water District 401(a) Plan (the Plan), a defined contribution plan. The Plan provides retirement benefits to District employees. The employees vest upon joining the Plan. The District has agreed to contribute to the employee's accounts to match the employees' Internal Revenue Code Section 457 contributions up to a specified amount.

The District contributed \$71 and \$58 in fiscal years ended June 30, 2016 and 2015, respectively, as required under the District's Management, Confidential and Professional (MCP) employee compensation schedule. Effective January 1, 2004, the District's matching calendar year contribution to the 401(a) plan was discontinued in accordance with the Memorandum of Understanding (MOU) for United Public Employees Local 1021, AFL-CIO employees.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE**

*A. Plan Description*

In addition to the pension benefits described in Note 10, the District provides health plan coverage for eligible retirees and their dependents pursuant to CalPERS Health Benefit Program eligibility requirements. In May 2012, the District entered into an agreement with CalPERS to participate in the California Employer’s Retiree Benefit Trust Fund Program (CERBT), a single employer postemployment health plan, to prefund the District’s other postemployment benefits.

For employees hired before August 1, 2002, the District’s contribution for each retired employee and all eligible dependents and survivors shall be equal to the greater of the full cost of his/her enrollment, including the enrollment of his/her family members, in the highest cost HMO medical plan with a traditional network or PERS Choice Plan offered by the CalPERS Health Benefits Program in the Bay Area/Sacramento Region.

For employees hired on or after August 1, 2002, the percentage of employer contribution payable for postretirement health benefits for each retired employee shall be based on the employee’s completed years of credited service with the District and CalPERS as described below. The credited service for purposes of determining the percentage of employer contributions shall mean a minimum of ten years of service with a CalPERS participating agency, and a minimum of five years of the ten years of service must be performed exclusively for the District. The District contributes the minimum employer contribution (MEC) required amounts under the Public Employee’s Medical and Hospital Care Act Minimum Employer Contribution rules as determined by CalPERS on an annual basis.

Credited Years of Service	Percentage of Employer Contributions
1-9	MEC
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20+years	100

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued**

*A. Plan Description, Continued*

For employees hired on or after January 1, 2009, the District’s contribution for each retired employee and all eligible dependents and survivors shall be equal to the lesser of the full cost of his/her enrollment, including the enrollment of his/her family members, in the lowest cost HMO medical plan with a traditional network or PERS Choice Plan offered by the CalPERS Health Benefit Program in the Bay Area/Sacramento Region. The percentage of employer contribution payable for postemployment health benefits shall be based on the employee’s completed years of service exclusively with the District as described below.

Credited Years of Service	Percentage of Employer Contributions
0-9	MEC
10-14	25
15-19	50
20-24	75
25+years	100

The District provides dental benefits to employees who retired from District service and their eligible dependents at the same cost as for active employees. Union employees hired after April 1, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002, must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit.

Union employees hired on or after January 1, 2009 shall not be eligible to participate in the District’s retiree dental plan upon their retirement from the District. MCP employees hired on or after April 1, 2009 shall not be eligible to participate in the District’s retiree dental plan upon their retirement from the District.

The District provides vision benefits to employees who retire from District service and their eligible dependents at the same cost as for active employees. Union employees hired after April 2, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002 must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit. All employees hired on or after April 1, 2009, shall not be eligible to participate in the District’s retiree vision plan upon retirement from the District.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued**

**A. Plan Description, Continued**

The District provides health care benefits as described above for the surviving spouse and eligible dependents of a retiree so long as they meet the eligibility requirements. The District provides life insurance at a flat \$2 benefit for union retirees and a flat \$4 benefit for MCP retirees. All employees hired on or after April 1, 2009, shall not be eligible for retiree life insurance.

**B. Funding Policy**

The CERBT is funded through District contributions and any gains/losses as a result of investments. The District is required to disclose the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level percentage of payroll over a period not to exceed 30 years.

The District's funding policy is to fund the ARC. As of the June 30, 2013 and 2015 actuarial valuations, the District's ARC rate is 17.1% of covered payroll for both fiscal years ended June 30, 2016 and 2015.

**C. Annual OPEB Cost (AOC) and Net OPEB Asset**

The District's annual OPEB cost (AOC) is equal to (a) the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, less (b) one year's interest on the beginning balance of the net OPEB asset, and plus (c) an adjustment to the net OPEB asset. The District's annual ARC and AOC were determined as part of the June 30, 2013 and 2015 actuarial valuations.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued**

*C. Annual OPEB Cost (AOC) and Net OPEB Asset, Continued*

The following table shows the components of the District's annual OPEB cost, the amount contributed to the Plan and changes in the District's Net OPEB Asset:

	2016	2015
Normal Cost	\$ 1,458	\$ 1,412
UAAL Amortization	2,621	2,538
Annual Required Contribution	4,079	3,950
Interest on Net OPEB Asset	(128)	(132)
Adjustments to Net OPEB Asset	193	187
Annual OPEB Cost (AOC)	4,144	4,005
Contributions made	(4,079)	(3,950)
Change in Net OPEB Asset	65	55
Net OPEB Asset, beginning of year	(1,771)	(1,826)
Net OPEB Asset, end of year	\$ (1,706)	\$ (1,771)

The total ARC for fiscal years ended June 30, 2016 and 2015 is \$4,079 and \$3,950, respectively. Of this amount, the District made contribution amounts of \$2,278 and \$2,081 for retirees' health premiums in 2016 and 2015, respectively. The remaining balance of the ARC of \$1,801 and \$1,869 was deposited in CERBT in fiscal years ended June 30, 2016 and 2015, respectively.

The following table represents annual OPEB cost, the amount actually contributed to the Plan, and the District's Net OPEB Asset:

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Asset
6/30/2014	\$ 3,910	\$ 3,864	99%	\$ (1,826)
6/30/2015	4,005	3,950	99%	(1,771)
6/30/2016	4,144	4,079	98%	(1,706)

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued**

*D. Funded Status and Funding Progress*

As of June 30, 2015, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$ 51,066
Actuarial value of plan assets	<u>15,012</u>
Unfunded actuarial accrued liability	<u><u>\$ 36,054</u></u>
Funded ratio (actuarial value of plan assets/AAL)	29.4%
Annual covered payroll (active plan members)	\$ 23,688
UAAL as a percentage of annual covered payroll	152.2%

*E. Actuarial Methods and Assumptions*

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued**

*E. Actuarial Methods and Assumptions, Continued*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial assumptions are as follows:

Valuation date:	June 30, 2015	June 30, 2013
ARCs:	2016/2017 and 2017/2018	2014/2015 and 2015/2016
Discount rate:	Prefunded with CERBT investment option #1. 7.25%. Sensitivity 5% & 5.75%	Prefunded with CERBT investment option #1. 7.25%. Sensitivity 5% & 5.75%
General inflation:	3.00%	3.00%
Payroll increase:	3.25%	3.25%
Healthcare trend:	Rates of 7.0% trending to 5.0% in 2021+	Rates of 8.0% trending to 5.0% in 2021+
Cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll
Funding policy:	District contributes full ARC to Trust	District contributes full ARC to Trust
Actuarial value of assets:	Assets gains/losses recognized over 5 years; Shorter period but same method as CalPERS Pension; and Corridor 80% of 120% of market value.	Assets gains/losses recognized over 5 years; Shorter period but same method as CalPERS Pension; and Corridor 80% of 120% of market value.
Amortization period:	Initial UAAL 30 year fixed (closed) period (24 years remaining for 2016/17 ARC). Assumption Changes, Experience Gains/Losses & Contribution Gains/Losses-15 year fixed (closed) period. Maximum 30 year combined period.	Initial UAAL 30 year fixed (closed) period (26 years remaining for 2014/15 ARC). Assumption Changes, Experience Gains/Losses & Contribution Gains/Losses-15 year fixed (closed) period. Maximum 30 year combined period.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**12. OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM**

**Plan Description** - The District provided a bonus to eligible employees in the Management/ Confidential/ Professional (MCP) group hired by the District before 2001. The bonus is paid upon termination of the employee’s District employment, but only if one of the following conditions is satisfied: (1) the employee retires from service under CalPERS, (2) the termination is due to the employee’s death, or (3) upon terminating, the employee retires under CalPERS due to disability. The program is a deferred compensation arrangement subject to Internal Revenue Code sections 457(f) and 409A.

At retirement, members of the MCP group that were hired before July 1, 1994 are eligible for a retirement bonus calculated at the rate of 3 working days per each full 6 months of continuous service to the District. The bonus is based on the employee’s pay rate at the time of retirement. If an employee who is eligible for service retirement dies, his/her designated beneficiary will receive the employee’s retirement bonus. Employees hired on or after July 1, 1994, shall receive the retirement bonus based on the following: 2 days per year after 10 years of service; 4 days per year after 15 years of service; and 6 days per year after 20 years of service. At fiscal years ended June 30, 2016 and 2015, the District had 19 and 24 eligible members in this closed program, respectively.

**Funding Policy** - Contribution requirements may be amended through negotiations between the District and members of the MCP group. The District contributes on a pay-as-you-go basis upon the retirement date of the eligible employee. For the years ended June 30, 2016 and 2015, the District contributed toward this program \$412 for 5 retired members and \$310 for 4 retired members, respectively.

**Annual OPEB Cost and Net OPEB Obligation** - The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than one hundred total participants. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost, the amount contributed to the MCP Bonus Program, and changes in the District’s Net OPEB Obligation:

	2016	2015
Annual Required Contribution	\$ 92	\$ 216
Interest on Net OPEB Obligation	53	45
Annual OPEB Cost (expense)	145	261
Contributions made	(412)	(310)
Change in Net OPEB Obligation	(267)	(49)
Net OPEB Obligation, beginning of year	1,753	1,802
Net OPEB Obligation, end of year	\$ 1,486	\$ 1,753

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**12. OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM, Continued**

The following table represents annual OPEB cost, the amount actually contributed to the MCP Bonus Program, and the District's Net OPEB Obligation:

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 205	\$ 100	49%	\$ 1,802
6/30/2015	261	310	119%	1,753
6/30/2016	145	412	284%	1,486

**Funded Status and Funding Programs** - As of fiscal years ended June 30, 2016 and 2015, the actuarial accrued liability for MCP Bonus Program benefits was \$1,486 and \$1,753 respectively. At fiscal years ended June 30, 2016 and 2015, the covered payroll (annual payroll of active employees covered by the MCP Bonus Program) was \$4,701 and \$5,251, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was -31.6 percent and -33.4 percent, respectively.

The projections of future benefit payments for this closed plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities. The following simplifying assumptions were made:

- Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 58, or at the first subsequent year in which the member would qualify for benefits.
- Mortality - The benefit is a one-time lump sum payment to the retired member or designated beneficiary, so a mortality factor is not included.
- Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age.
- Inflation and payroll growth rates - The inflation and payroll growth rates assumption of 3.0 percent was based on projected wage increases of the MCP Bonus Program participants.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**12. OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM, Continued**

In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

**13. LITIGATION**

In the normal course of business, the District is a defendant in various lawsuits. Defense of the lawsuits is being handled by the District's insurance carriers and most losses are expected to be covered by insurance. There are a few cases currently in progress for which the potential losses would not be covered by the District's insurance provisions. However, the existence of such losses and possible ranges of exposure are not determinable for these cases at this time. District officials are of the opinion that none of these lawsuits will have a material adverse effect on the District's financial position.

**14. DROUGHT STATE OF EMERGENCY**

On March 13, 2014, the District Board of Directors (Board) adopted Ordinance No. 2014-01, declaring a water shortage emergency and adopting water use regulations, restrictions and guidelines for the water shortage emergency, in response to the Governor's proclamation of a statewide drought emergency on January 17, 2014. The District's customers responded by reducing their water use by 20% in 2014, and 30% in 2015 (as compared with calendar year 2013 water consumption). This conservation, coupled with additional water supply availability, and improved hydrologic conditions significantly improved the District's water supply outlook. Additionally, the Governor issued Executive Order B-37-16 on May 9, 2016, which relaxes prior statewide water use reduction directives. As a result, the Board adopted Ordinance No. 2016-01, rescinding Ordinance No. 2014-01, on June 9, 2016. The Board also adopted Resolution No. 16-040, amending the rate and fee schedule to rescind the drought surcharges, effective July 1, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

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**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Two Year Trend Information \***  
**(Dollars in thousands)**

**DEFINED BENEFIT PENSION PLAN**

	2016	2015*
<b>Total pension liability</b>		
Service cost	\$ 4,405	\$ 4,362
Interest on total pension liability	16,216	15,453
Changes in assumptions	(4,141)	-
Differences between expected and actual experience	(377)	-
Benefit payments, including refunds of employee contributions	(9,527)	(9,246)
<b>Net change in total pension liability</b>	<b>6,576</b>	<b>10,569</b>
<b>Total pension liability - beginning</b>	<b>219,050</b>	<b>208,481</b>
<b>Total pension liability - ending</b>	<b>\$ 225,626</b>	<b>\$ 219,050</b>
<b>Plan fiduciary net position</b>		
Contributions - Employer	\$ 6,023	\$ 5,747
Contributions - Employee	1,955	2,587
Net investment income	3,485	23,005
Benefit payments, including refunds of employee contributions	(9,527)	(9,246)
Administrative expense	(176)	-
<b>Net change in plan fiduciary net position</b>	<b>1,760</b>	<b>22,093</b>
<b>Plan fiduciary net position - beginning</b>	<b>154,414</b>	<b>132,321</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 156,174</b>	<b>\$ 154,414</b>
<b>Plan net pension liability - ending</b>	<b>\$ 69,452</b>	<b>\$ 64,636</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>69.22%</b>	<b>70.49%</b>
<b>Covered-employee payroll</b>	<b>\$ 24,347</b>	<b>\$ 22,948</b>
<b>Plan net pension liability as a percentage of covered-employee payroll</b>	<b>285.26%</b>	<b>281.66%</b>

**Notes to Schedule:**

**Benefit changes** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

**Changes in assumptions** - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65 percent in 2016.

\* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information is shown.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Funding Progress and Employer Contributions**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**DEFINED BENEFIT PENSION PLAN, Continued**

	2016	2015	2014
Actuarially determined contribution	\$ 6,618	\$ 6,138	5,747
Contributions in relation to the actuarially determined	(6,526)	(6,213)	(5,793)
Contribution deficiency (excess)	<u>\$ 92</u>	<u>\$ (75)</u>	<u>\$ (46)</u>
Covered-employee payroll	\$ 24,345	\$ 24,596	22,948
Contributions as a percentage of covered-employee payroll	27.185%	24.955%	25.044%

Actuarially determined contribution for fiscal year	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date:	June 30, 2013	June 30, 2012	June 30, 2011
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset valuation method	15 year smoothed market	15 year smoothed market	15 year smoothed market
Inflation	2.75%	2.75%	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment rate of return	7.50%, net of pension plan investment and administrative expenses;	7.50%, net of pension plan investment and administrative expenses;	7.50%, net of pension plan investment and administrative expenses;
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Funding Progress and Employer Contributions**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE**

*Schedule of Funding Progress*

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
6/30/2011	\$41,565	\$ 5,620	(35,945)	13.5%	\$ 22,175	-162.1%
6/30/2013	46,519	9,436	(37,083)	20.3%	21,979	-168.7%
6/30/2015	51,066	15,012	(36,054)	29.4%	23,688	-152.2%

Actuarial valuation as of June 30, 2016 is not available.

*Schedule of Employer Contributions*

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2011	\$ 2,638	\$ 2,658	100.8%
June 30, 2012	2,856	2,856	100.0%
June 30, 2013	3,742	3,742	100.0%
June 30, 2014	3,864	3,864	100.0%
June 30, 2015	3,950	3,950	100.0%
June 30, 2016	4,079	4,079	100.0%

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Funding Progress and Employer Contributions**  
**For the Years Ended June 30, 2016 and 2015**  
**(Dollars in thousands)**

**OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM**

*Schedule of Funding Progress*

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
6/30/2014	\$ 1,802	-	\$ (1,802)	0.0%	\$ 4,647	-37.2%
6/30/2015	1,753	-	(1,753)	0.0%	5,251	-38.8%
6/30/2016	1,486	-	(1,486)	0.0%	4,701	-33.4%

*Schedule of Employer Contributions*

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2014	\$ 171	\$ 100	58.5%
6/30/2015	216	310	143.5%
6/30/2016	92	412	447.8%

# STATISTICAL SECTION

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# STATISTICAL SECTION

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This part of the Alameda County Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Index</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	64
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenues source, the water revenues. Also included in this section is information on the District's second significant source of local revenues, the property tax.	67
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	73
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	75
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	77

**Table 1**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF REVENUES, EXPENSES and RATE INCREASES (Unaudited)**  
**(in thousands)**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>OPERATING REVENUES:</b>										
Water Sales	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776
Facilities Connection Charges	3,276	3,874	5,703	1,768	1,892	2,118	1,977	3,494	1,920	5,186
Other Revenue	4,021	2,090	1,576	1,737	1,559	1,662	1,914	2,109	749	840
<b>TOTAL OPERATING REVENUES</b>	<b>64,582</b>	<b>64,051</b>	<b>64,057</b>	<b>60,249</b>	<b>66,047</b>	<b>73,878</b>	<b>80,794</b>	<b>86,684</b>	<b>82,804</b>	<b>87,802</b>
<b>OPERATING EXPENSES:</b>										
Source of Supply:										
Water Purchases	12,985	14,211	14,129	14,128	14,402	18,747	21,367	23,427	23,659	24,659
Pumping	2,666	2,574	2,583	2,592	3,116	3,338	2,954	2,763	1,876	1,588
Other	6,303	6,783	9,707	7,511	8,819	8,875	8,828	10,215	8,189	8,304
Water Treatment	9,732	10,097	11,022	11,297	12,464	12,119	12,586	12,584	15,646	13,884
Transmission and Distribution	10,311	10,089	11,285	11,997	11,343	10,953	10,650	10,934	13,552	15,365
Administration of Customer Accounts	1,056	1,076	1,163	1,252	1,507	1,390	1,680	1,832	1,793	1,473
Administration and General	5,286	6,210	7,605	8,335	6,172	9,679	11,965	13,090	10,551	11,063
Depreciation and Amortization	10,698	10,811	10,968	10,942	12,462	12,262	12,845	12,624	13,417	13,974
<b>TOTAL OPERATING EXPENSES</b>	<b>59,037</b>	<b>61,851</b>	<b>68,462</b>	<b>68,054</b>	<b>70,285</b>	<b>77,363</b>	<b>82,875</b>	<b>87,469</b>	<b>88,683</b>	<b>90,310</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment Income	4,537	5,344	4,032	2,448	1,416	672	(46)	1,217	1,098	2,521
Property Taxes	5,820	6,657	7,381	7,479	7,256	7,936	7,917	7,654	9,547	9,295
Other Revenues (1)	-	-	-	10,934	450	215	68	47	11	310
Other Expenses/Loss on Disposal	(2,943)	(2,897)	(2,915)	(2,373)	(2,060)	(3,879)	(2,133)	(1,624)	(2,682)	(2,311)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>7,414</b>	<b>9,104</b>	<b>8,498</b>	<b>18,488</b>	<b>7,062</b>	<b>4,944</b>	<b>5,806</b>	<b>7,294</b>	<b>7,974</b>	<b>9,815</b>
<b>Capital Contributions</b>	<b>4,796</b>	<b>3,988</b>	<b>6,237</b>	<b>5,491</b>	<b>3,677</b>	<b>2,849</b>	<b>5,529</b>	<b>2,767</b>	<b>3,023</b>	<b>5,194</b>
<b>Increase in Net Positions</b>	<b>\$ 17,755</b>	<b>\$ 15,292</b>	<b>\$ 10,330</b>	<b>\$ 16,174</b>	<b>\$ 6,501</b>	<b>\$ 4,308</b>	<b>\$ 9,254</b>	<b>\$ 9,276</b>	<b>\$ 5,118</b>	<b>\$ 12,501</b>
% Water Rate Increase (of latter of FY)	9.00	4.50	6.00	8.80	8.00	8.00*	17.1**	7.00	8.00***	-
<b>Number of Employees (2)</b>	<b>212</b>	<b>214</b>	<b>214</b>	<b>219</b>	<b>226</b>	<b>225</b>	<b>229</b>	<b>238</b>	<b>230</b>	<b>230</b>

(1) LAVWMA termination of 1998 MOU Agreement and Polybutylene Settlement in FY 2009/10.

(2) Approved employees as of June 30, 2015.

Source: Alameda County Water District Finance Department

\*Average Residential Customer Increase. Actual Commodity Rate Increase was 6.0% and Actual Service Charge Increase was 19.0%.

\*\*Average Residential Customer Increase. Actual Commodity Rate Increase was 0.0% and Actual Service Charge Increase was 100.0%.

\*\*\*Average Residential Customer Increase. Actual Commodity Rate Increase was 0.0% and Actual Service Charge Increase was 30.0%.

**Table 2**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF CONNECTION FEES (Unaudited)**  
**(in thousands)**

<b>Fiscal Year Ending June 30</b>	<b>Connection Fees (000's)</b>
2007	\$ 3,276
2008	3,874
2009	5,703
2010	1,768
2011	1,892
2012	2,118
2013	1,977
2014	3,494
2015	1,920
<b>2016</b>	<b>5,186</b>

Source: Alameda County Water District Finance Department

**Table 3**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF NET POSITION (Unaudited)**  
**(in thousands)**

	2006/07	2007/08	2008/09 <sup>(1)</sup>	2009/10	2010/11 <sup>(2)</sup>	2011/12 <sup>(2)</sup>	2012/13	2013/14	2014/15 <sup>(3)</sup>	2015/16
<b>NET POSITION:</b>										
Net investment in capital assets	\$ 255,535	\$ 260,757	\$ 275,844	\$ 292,179	\$ 298,301	\$ 304,983	\$ 310,757	\$ 325,497	\$ 329,084	\$ 325,051
Restricted for debt service	7,781	7,662	7,701	2,515	2,436	2,639	2,656	2,669	2,585	2,688
Unrestricted	109,334	119,523	98,124	103,149	101,334	98,757	102,220	96,743	27,945	44,365
<b>TOTAL</b>	<b>\$ 372,650</b>	<b>\$ 387,942</b>	<b>\$ 381,669</b>	<b>\$ 397,843</b>	<b>\$ 402,071</b>	<b>\$ 406,379</b>	<b>\$ 415,633</b>	<b>\$ 424,909</b>	<b>\$ 359,614</b>	<b>\$ 372,104</b>

Note: <sup>(1)</sup> The District restated its 2008/09 net position balance to reflect an impairment of its Water Treatment Plant 1, the impact of GASB Statement No. 51 implementation and an adjustment to the District's accumulated supplemental water supply storage capitalized costs.

<sup>(2)</sup> The District restated its 2010/11 and 2011/12 net position balances to record its obligation related to the Management, Confidential and Professional Bonus Program and the impact of the GASB Statement No. 65 implementation.

<sup>(3)</sup> The District restated its 2014/15 net position balances to record the impact of the implementation of GASB Statement No. 68.

Source: Alameda County Water District Finance Department

**Table 4**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF PROPERTY TAX LEVIES/COLLECTIONS (Unaudited)**  
**(in thousands)**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Levies:</b>										
1% Tax Allocation	\$ 3,418	\$ 3,615	\$ 3,622	\$ 3,541	\$ 3,537	\$ 3,500	\$ 3,569	\$ 3,769	\$ 4,034	\$ 4,611
State Water Contract Tax	2,079	2,516	3,071	2,595	2,803	3,010	3,189	3,194	4,717	4,884
<b>Total</b>	<b>\$ 5,497</b>	<b>\$ 6,131</b>	<b>\$ 6,693</b>	<b>\$ 6,136</b>	<b>\$ 6,340</b>	<b>\$ 6,510</b>	<b>\$ 6,758</b>	<b>\$ 6,963</b>	<b>\$ 8,751</b>	<b>\$ 9,495</b>
<b>Collections:</b>										
Collections in the First Period	\$ 5,820	\$ 6,670	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300
Collection in the First Period Percentage of Levies (%)	106%	109%	116%	101%	113%	128%	119%	121%	109%	98%
Collections in subsequent periods	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Collections</b>	<b>\$ 5,820</b>	<b>\$ 6,670</b>	<b>\$ 7,788</b>	<b>\$ 6,217</b>	<b>\$ 7,164</b>	<b>\$ 8,317</b>	<b>\$ 8,050</b>	<b>\$ 8,400</b>	<b>\$ 9,535</b>	<b>\$ 9,300</b>
<b>Total Collections Percentage of Levies</b>	<b>106%</b>	<b>109%</b>	<b>116%</b>	<b>101%</b>	<b>113%</b>	<b>128%</b>	<b>119%</b>	<b>121%</b>	<b>109%</b>	<b>98%</b>

Source: Alameda County Water District Finance Department

**Table 5**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF ASSESSED VALUATION (Unaudited)**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2006/07	\$ 40,105,912	\$ 17,559	\$ 2,559,158	\$ 42,682,628
2007/08	42,888,414	5,812	2,616,332	45,510,558
2008/09	44,849,292	5,620	2,750,418	47,605,330
2009/10	43,825,950	5,620	3,047,425	46,878,995
2010/11	43,522,656	5,755	3,093,752	46,622,164
2011/12	43,072,743	5,755	2,975,251	46,053,748
2012/13	43,846,946	70,042	3,053,241	46,970,229
2013/14	46,275,494	61,871	2,950,912	49,288,277
2014/15	49,570,672	54,995	3,040,221	52,665,889
<b>2015/16</b>	<b>53,069,367</b>	<b>54,995</b>	<b>3,583,125</b>	<b>56,707,487</b>

Source: California Municipal Statistics, Inc. and Alameda County Auditor-Controller's Office.  
Total may not add up due to rounding.

**Table 6**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES (Unaudited)**  
**(in thousands)**

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	Percent Delinquent June 30
2005/06	\$ 1,665	\$ 28	1.67 %
2006/07	2,037	61	3.00
2007/08	2,460	93	3.80
2008/09	2,998	109	3.65
2009/10	2,544	64	2.51
2010/11	2,771	56	2.01
2011/12	3,180	59	1.87
2012/13	3,048	29	0.95
2013/14	3,071	22	0.72
<b>2014/15</b>	<b>4,642</b>	<b>35</b>	<b>0.76</b>

*(1) The figures above include only information provided by the County, which is the State Water Project override "debt service" levy.*

Data for FY 2015/16 is not yet available.

Source: Alameda County Auditor-Controller

**Table 7**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF SCHEDULE OF BASE WATER RATES-BIMONTHLY READINGS AND BILLINGS (Unaudited)**

	Eff. 2/1 2007	Eff. 2/1 2008	Eff. 2/1 2009	Eff. 2/1 2010	Eff. 3/1 2011	Eff. 2/1 2012	Eff. 2/1 2013	Eff. 2/1 2014	Eff. 5/1 2015	2016 <sup>(2)</sup>
<b>COMMODITY CHARGE/HCF:</b>										
Inside District	\$ 2.285	\$ 2.388	\$ 2.531	\$ 2.754	\$ 2.974	\$ 3.152	\$ 3.152	\$ 3.373	\$ 3.373	\$ 3.373
Outside District	2.627	2.745	2.910	3.166	3.419	3.624	3.624	3.878	3.878	3.878
San Francisco	2.292	2.395	2.682	2.918	3.242	3.673	- <sup>(1)</sup>	-	-	-
<b>BIMONTHLY METER SERVICE CHARGE:</b>										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 10.08	\$ 10.08	\$ 10.68	\$ 11.62	\$ 12.55	\$ 14.93	\$ 29.86	\$ 31.95	\$ 41.54	\$ 41.54
1	14.44	14.44	15.31	16.66	17.99	21.41	42.82	45.82	64.05	64.05
1-1/2	25.52	25.52	27.05	29.43	31.78	37.82	75.64	80.93	120.32	120.32
2	36.59	36.59	38.79	42.20	45.58	54.24	108.48	116.07	187.84	187.84
3	138.76	138.76	147.09	160.03	172.83	205.67	411.34	440.13	401.66	401.66
4	200.97	200.97	213.03	231.78	250.32	297.88	595.76	637.46	716.76	716.76
6	485.10	485.10	514.21	559.46	604.22	719.02	1,438.04	1,538.70	1,808.37	1,808.37
8	710.33	710.33	752.95	819.21	884.75	1,052.85	2,105.70	2,253.10	3,158.81	3,158.81
10	1,269.45	1,269.45	1,345.62	1,464.03	1,581.15	1,881.57	3,763.14	4,026.56	4,734.31	4,734.31
Outside District Water Service										
5/8" & 3/4 " or less	\$ 11.59	\$ 11.59	\$ 12.28	\$ 13.36	\$ 14.43	\$ 17.17	\$ 34.34	\$ 36.74	\$ 41.54	\$ 41.54
1	16.61	16.61	17.61	19.16	20.69	24.62	49.24	52.69	64.05	64.05
1-1/2	29.35	29.35	31.11	33.84	36.55	43.49	86.99	93.07	120.32	120.32
2	42.08	42.08	44.61	48.53	52.41	62.37	124.75	133.48	187.84	187.84
3	159.57	159.57	169.15	184.03	198.75	236.52	473.04	506.15	401.66	401.66
4	231.12	231.12	244.98	266.55	287.87	342.56	685.12	733.08	716.76	716.76
6	557.87	557.87	591.34	643.38	694.85	826.87	1,653.75	1,769.51	1,808.37	1,808.37
8	816.88	816.88	865.89	942.09	1,017.46	1,210.78	2,421.56	2,591.07	3,158.81	3,158.81
10	1,459.87	1,459.87	1,547.46	1,683.63	1,818.32	2,163.81	4,327.61	4,630.54	4,734.31	4,734.31
<b>BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:</b>										
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
6	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
8	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
10	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80
12	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60
16	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water District Finance Department

Note: <sup>(1)</sup> The District approved a 100% increase on bi-monthly meter service charge and stopped offering special rate for water purchased from San Francisco to customers effective February 1, 2013.

<sup>(2)</sup> Rates remained unchanged from 2015.

**Table 8**  
**ALAMEDA COUNTY WATER DISTRICT**  
**HISTORICAL WATER RATES<sup>1</sup> (Unaudited)**

Effective Date	Actual/Approved							
	2/1/2010	3/1/2011	2/1/2012	2/1/2013	2/1/2014	7/21/2014	5/1/2015	2016 <sup>(2)</sup>
Bi-monthly Commodity Charge	\$63.34	\$68.40	\$72.50	\$72.50	\$77.58	\$77.58	\$77.58	\$77.58
Bi-monthly Service Charge	11.62	12.55	14.93	29.86	31.95	31.95	41.54	41.54
Drought Surcharge	-	-	-	-	-	10.36	10.36	10.36
<b>TOTAL</b>	<b>\$74.96</b>	<b>\$80.95</b>	<b>\$87.43</b>	<b>\$102.36</b>	<b>\$109.53</b>	<b>\$119.89</b>	<b>\$129.48</b>	<b>\$129.48</b>

Note: <sup>(1)</sup> For the average residential customer using 23 hundred cubic feet (HCF) bimonthly. Totals may not add up due to rounding.

<sup>(2)</sup> Rates remained unchanged from 2015.

**Table 9**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN LARGEST DISTRIBUTION WATER REVENUE ACCOUNTS (Unaudited)**  
**TEN YEAR HISTORY**  
(1=Highest to 10=Lowest)

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	FY 2016 Water Revenues (000's)
City of Fremont	2	3	2	2	1	2	1	1	1	1	\$ 946
Tesla Motors, Inc.	-	-	-	-	-	-	-	7	3	2	746
Fremont Unified School District	3	2	1	1	2	3	2	2	2	3	744
Western Digital Technologies	4	5	5	5	3	1	4	4	5	4	560
Prologis Trust	5	4	3	3	4	4	3	3	4	5	522
City of Union City	6	6	6	6	5	6	6	5	6	6	448
Contempo Homeowners Association	7	7	9	7	7	8	7	6	7	7	401
Ardenwood Forest Apartments	-	-	-	-	10	-	8	8	9	8	369
Seagate Magnetics	-	-	-	-	-	9	-	-	-	9	349
City of Newark	10	10	10	-	-	-	10	-	-	10	301
Cook Engineering Inc.	-	-	-	-	-	-	-	-	8	-	-
New Haven School District	-	-	-	-	-	10	9	9	10	-	-
Newark Unified School District	8	8	7	9	8	5	5	10	-	-	-
Equity Residential Properties Trust	9	9	8	8	-	-	-	-	-	-	-
New United Motor Manufacturing, Inc.	1	1	4	4	-	-	-	-	-	-	-
School for the Deaf	-	-	-	-	6	7	-	-	-	-	-
Solyndra Inc.	-	-	-	10	9	-	-	-	-	-	-

Source: Alameda County Water District Finance Department

**Table 10**  
**ALAMEDA COUNTY WATER DISTRICT**  
**HISTORICAL NET REVENUES and DEBT SERVICE COVERAGE (Unaudited)**  
**Fiscal Years 2006/07 - 2015/16**  
(in thousands)

	Actual									
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Revenues</b>										
Water Sales	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776
Investment Income (1)	4,537	5,344	4,031	2,448	1,416	672	(46)	1,217	1,098	2,521
Property Taxes (2)	3,663	3,873	3,869	4,653	4,083	4,207	4,529	4,138	4,678	4,807
Facilities Connection Charges	3,276	3,873	5,703	1,768	1,892	2,118	1,977	3,494	1,920	5,186
Other Revenue	4,021	2,090	1,576	1,738	1,559	1,877	1,982	2,156	759	978
<b>Total Revenues</b>	<b>72,782</b>	<b>73,267</b>	<b>71,957</b>	<b>67,351</b>	<b>71,546</b>	<b>78,972</b>	<b>85,345</b>	<b>92,086</b>	<b>88,590</b>	<b>95,268</b>
<b>Maintenance and Operation Costs</b>										
Pumping Power Costs	2,666	2,574	2,583	2,592	3,116	3,338	2,954	2,763	1,876	1,588
Other Operating Expenses	4,451	8,247	9,334	9,283	7,642	7,272	7,841	10,252	8,079	7,688
Labor Costs	28,050	25,854	31,360	31,069	32,571	35,744	37,868	38,403	41,255	42,401
Purchased Water (2)	10,828	11,427	10,617	11,302	11,229	15,018	17,979	19,911	19,187	19,906
Aquifer Reclamation Costs	187	154	88	40	92	-	-	-	-	-
<b>Total Expenses</b>	<b>46,182</b>	<b>48,256</b>	<b>53,982</b>	<b>54,286</b>	<b>54,650</b>	<b>61,372</b>	<b>66,642</b>	<b>71,329</b>	<b>70,397</b>	<b>71,583</b>
<b>Net Revenues</b>	<b>\$ 26,600</b>	<b>\$ 25,011</b>	<b>\$ 17,975</b>	<b>\$ 13,065</b>	<b>\$ 16,896</b>	<b>\$ 17,600</b>	<b>\$ 18,703</b>	<b>\$ 20,757</b>	<b>\$ 18,193</b>	<b>\$ 23,685</b>
<b>Maximum Annual Debt Service on Revenue Certificates and Bond</b>										
1998 Refunding Revenue Bonds	\$ 3,361	\$ 3,360	\$ 3,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	1,203	1,203	1,203	1,203	1,203	822	-	-	-	-
2009 Refunding Revenue Bonds	-	-	-	2,921	2,664	2,664	2,669	2,866	2,868	2,863
2012 Revenue Bonds	-	-	-	-	-	523	1,891	1,893	1,892	1,893
2015 Revenue Bonds	-	-	-	-	-	-	-	-	240	1,625
<b>Total Debt Service</b>	<b>\$ 4,564</b>	<b>\$ 4,563</b>	<b>\$ 4,562</b>	<b>\$ 4,124</b>	<b>\$ 3,867</b>	<b>\$ 4,009</b>	<b>\$ 4,560</b>	<b>\$ 4,759</b>	<b>\$ 5,000</b>	<b>\$ 6,381</b>
<b>Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Certificates</b>	<b>5.83x</b>	<b>5.48x</b>	<b>3.94x</b>	<b>3.17x</b>	<b>4.37x</b>	<b>4.39x</b>	<b>4.10x</b>	<b>4.36x</b>	<b>3.64x</b>	<b>3.71x</b>

Notes:

- (1) Investment loss due to one-time portfolio restructuring.
- (2) In accordance with the provisions of the 2015 Installment Purchase Contract, "Property Taxes" exclude the State Water Project property taxes collected by the Water District, and the equal amount in expenses paid from such taxes.

Source: Alameda County Water District Finance Department. Total may not add up due to rounding.

**Table 11**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF OUTSTANDING DEBT (Unaudited)**  
**(in thousands)**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Certificates of Participation</b>										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20*	\$ 30,918	\$ 29,245	\$ 27,498	-	-	-	-	-	-	-
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28**	\$ 25,203	\$ 25,194	\$ 25,184	\$ 25,174	\$ 25,165	-	-	-	-	-
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	-	-	-	\$ 23,083	\$ 21,172	\$ 20,801	\$ 18,608	\$ 16,154	\$ 13,641	\$ 11,068
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	-	-	-	\$ 48,032	\$ 47,696	\$ 47,349	\$ 46,998	\$ 46,637
2015 Revenue Bonds 4.0% - 5.0% Maturity: FY 2044-45	-	-	-	-	-	-	-	-	\$ 30,521	\$ 29,975
<b>Total</b>	<b>\$ 56,121</b>	<b>\$ 54,439</b>	<b>\$ 52,682</b>	<b>\$ 48,257</b>	<b>\$ 46,337</b>	<b>\$ 68,833</b>	<b>\$ 66,304</b>	<b>\$ 63,503</b>	<b>\$ 91,160</b>	<b>\$ 87,680</b>
<b>Total Outstanding Debt to Personal Income</b>	79.31	74.41	73.58	66.33	61.04	80.96	80.96	N/A	N/A	N/A
<b>Total Debt Per Capita</b>	\$ 171.62	\$ 164.97	\$ 157.73	\$ 148.03	\$ 141.27	\$ 207.95	\$ 197.92	\$ 186.77	\$ 265.77	\$ 255.63

\* 1998 Refunding Revenue Bonds were refunded by the 2009 Refunding Revenue Bonds.

\*\* 2003 Revenue COP's were refunded by the 2012 Revenue Bonds.

Sources: Alameda County Water District Finance Department

(1) U.S. Department of Commerce, Bureau of Economic Analysis. Most recent data is for 2013.

**Table 12**  
**ALAMEDA COUNTY WATER DISTRICT**  
**LARGEST EMPLOYERS WITHIN THE DISTRICT (Unaudited)**

**CITY OF FREMONT<sup>(1)</sup>**

2015 *			2006		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Tesla Motors, Inc.	1000-5000	2.68 %	New United Motor Mfg., Inc.	5,000	4.81 %
Fremont Unified School District	2,667	2.38	Fremont Unified School District	3,104	2.99
Washington Hospital	1000-5000	2.68	Lam Research Corporation	2,750	2.65
Western Digital	1000-5000	2.68	Komag	1,902	1.83
Lam Research Corporation	1000-5000	2.68	Washington Hospital	1,300	1.25
Seagate Magnetics	1000-5000	2.68	Seagate Magnetics	1,200	1.15
Kaiser Permanente	500-999	0.67	Staff Search	1,200	1.15
City of Fremont	882	0.79	Avanex Corporation	1,100	1.06
Thermo Fisher Scientific	500-999	0.67	Asyst Technologies, Inc.	1,000	0.96
Synnex Information Tech Inc.	500-999	0.67	Solectron	1,000	0.96
<b>Total City Employment</b>	<b>112,253</b>		<b>Total City Employment</b>	<b>103,921</b>	

**CITY OF UNION CITY<sup>(2)</sup>**

2015 *			2006		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Southern Wine and Spirits	1,150	3.44 %	New Haven School District	1,349	4.22 %
New Haven Unified School District	1,004	3.01	Southern Wine & Spirits	1150	3.59
Wal-Mart	780	2.34	Wal-Mart	780	2.44
Axygen Scientific, Inc.	370	1.11	City of Union City	355	1.11
Abaxis, Inc.	370	1.11	Axygen	350	1.09
Kaiser Permanente	330	0.99	Aldworth Company	345	1.08
City of Union City	326	0.98	San Francisco Chronicle	300	0.94
Ajax Custom Manufacturing	300	0.90	Kaiser Permanente	300	0.94
OSI, Inc.	300	0.90	Masonic Home	294	0.92
Blommer Chocolate, Inc.	290	0.87	Caravan Trading Company	292	0.91
<b>Total City Employment</b>	<b>33,400</b>		<b>Total City Employment</b>	<b>32,000</b>	

**CITY OF NEWARK<sup>(3)</sup>**

2015 *			2006		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	700	3.06 %	Sun Microsystems	2,700	12.15 %
Logitech	689	3.01	Newark Unified School District	800	3.60
WorldPac	400	1.75	Staples (formerly Corporate)	600	2.70
Full Bloom Baking Company	280	1.22	ModusLink	300	1.35
Risk Management Solutions	270	1.18	WorldPac	290	1.31
Smart Modular Technologies	226	0.99	City of Newark	298	1.34
Morpho Detection	225	0.98	Valassis (formerly ADVO)	270	1.22
Cargill Salt	222	0.97	Nancy's Specialty Foods	250	1.13
City of Newark	181	0.79	Cargill Salt	230	1.04
Valassis (formerly ADVO)	96	0.42	Risk Management Solutions	200	0.90
<b>Total City Employment</b>	<b>22,900</b>		<b>Total City Employment</b>	<b>22,221</b>	

Note: \*Number of Employees and Percent of Total Employment unavailable for 2016.

Source: (1) Year 2015 - City of Fremont, CAFR FY 2014/15; Year 2006 - Fremont Chamber of Commerce, Aug 2006; U.S. Dept of Labor, Bureau of Labor Statistics

(2) City of Union City, CAFR FY 2014/15

(3) City of Newark, CAFR FY 2014/15

**Table 13**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)**  
**(in thousands)**

Calendar Year	Population As of 1/1 (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2006	324	66,325	46	3.5
2007	327	70,761	49	3.7
2008	330	73,160	50	4.9
2009	334	71,596	48	8.5
2010	326	72,757	48	9.0
2011	328	75,908	50	8.3
2012	331	85,018	55	7.2
2013	335	87,373	55	5.9
2014	340	90,631	56	4.8
<b>2015</b>	<b>344</b>	<b>N/A*</b>	<b>N/A*</b>	<b>3.9</b>

\* Personal income and per capita personal income shown are for Alameda County.  
Data for Alameda County Water District's service area is not available.

Sources: (1) State of California, Department of Finance  
(2) U.S. Department of Commerce, Bureau of Economic Analysis  
(3) U.S. Department of Labor, Bureau of Labor Statistics

**Table 14**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF PROPERTY, PLANT & EQUIPMENT (Unaudited)**  
**(in thousands)**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>UTILITY PLANT:</b>										
Land	\$ 9,654	\$ 9,677	\$ 9,701	\$ 9,725	\$ 9,725	\$ 9,727	\$ 9,727	\$ 9,610	\$ 9,610	\$ 9,610
Source of Supply	43,152	43,783	43,852	50,116	50,125	51,092	51,092	57,782	64,229	68,993
Pumping Plant	18,803	18,946	19,255	19,647	20,191	21,324	21,469	24,152	24,217	24,549
Water Treatment	114,777	115,024	115,833	138,112	151,445	152,302	152,296	157,393	160,238	160,610
Transmission and Distribution	218,371	219,098	228,418	235,460	244,864	253,908	262,957	275,001	300,836	320,721
General	33,274	33,818	34,661	35,909	37,234	46,075	48,114	48,172	49,684	50,836
Construction in Progress	34,908	42,788	49,281	21,570	12,265	10,282	21,612	31,930	18,938	16,320
	<u>472,939</u>	<u>483,134</u>	<u>501,001</u>	<u>510,539</u>	<u>525,849</u>	<u>544,710</u>	<u>567,267</u>	<u>604,040</u>	<u>627,752</u>	<u>651,639</u>
Less Accumulated Depreciation	161,939	168,605	178,051	189,258	199,863	211,110	223,098	231,715	244,254	257,356
<b>NET UTILITY PLANT</b>	<u>\$ 311,000</u>	<u>\$ 314,529</u>	<u>\$ 322,950</u>	<u>\$ 321,281</u>	<u>\$ 325,986</u>	<u>\$ 333,600</u>	<u>\$ 344,169</u>	<u>\$ 372,325</u>	<u>\$ 383,498</u>	<u>\$ 394,283</u>

Note:

Land: District owned land including easements and rights of way.

Source of Supply: covers all costs of plant used in connection with the source of water supply.

Pumping Plant: covers all costs of plant and equipment in connection with pumping operations.

Water Treatment: covers all costs of plant and equipment used in connection with water treatment operations.

Transmission and Distribution: includes all costs of plant and equipment used in connection with the transmission and distribution of water such as reservoirs, pipelines, meters and fire hydrants.

General: includes all costs of general plant and equipment used for general water utility purposes.

Construction in Progress: includes all costs incurred during construction for capital projects not yet completed or placed in service.

Source: Alameda County Water District Finance Department

**Table 15**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF WATER DEMAND (Unaudited)**

Fiscal Year	Million Gallons Per Day (MGD)
2006/07	44.66
2007/08	43.80
2008/09	42.80
2009/10	38.43
2010/11	38.52
2011/12	39.23
2012/13	41.68
2013/14	40.52
2014/15	31.94
<b>2015/16</b>	<b>28.47</b>

Source: Alameda County Water District Finance Department

**Table 16**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN YEAR SUMMARY OF METERED ACCOUNTS (Unaudited)**

Fiscal Year Ending June 30	Number of Meters
2007	79,934
2008	79,421
2009	79,787
2010	80,206
2011	80,484
2012	81,005
2013	81,432
2014	81,700
2015	82,049
<b>2016</b>	<b>82,492</b>

Source: Alameda County Water District Finance Department