

ALAMEDA COUNTY WATER DISTRICT

43885 So. Grimmer Boulevard
Fremont, CA 94538

FINANCE COMMITTEE

AGENDA

Tuesday, October 20, 2020

3:30 p.m.

ACCESSIBLE PUBLIC MEETINGS: Upon request, ACWD will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request at least 72 hours before the meeting to the District Secretary, ACWD, 43885 S. Grimmer Blvd., Fremont, CA 94538, or to gina.markou@acwd.com stating your name, mailing address, phone number, and brief description of the requested materials and preferred alternative format or auxiliary aid or service.

MEMBERS OF THE PUBLIC MAY PARTICIPATE IN THIS MEETING VIA WEBINAR <https://us02web.zoom.us/j/99722339377> OR BY CALLING ANY OF THE FOLLOWING PHONE NUMBERS: 1-669-900-9128 or 1-346-248-7799 or 1-301-715-8592 FOLLOWED BY 997 2233 9377.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON. DUE TO THE COVID-19 PANDEMIC AND IN ACCORDANCE WITH GOVERNOR NEWSOM'S EXECUTIVE ORDER N-25-20 WHICH SUSPENDS PORTIONS OF THE BROWN ACT, THIS MEETING WILL BE CONDUCTED BY WEBINAR/TELECONFERENCE ONLY.

1. Fiscal Year 2019/20 Comprehensive Annual Financial Report
Presenter: Mariana Grajeda and Vanessa Burke (The Pun Group)
2. Income & Budget Statements
Presenter: Mariana Grajeda and Sydney Oam
3. Emergency Line of Credit
Presenter: Sydney Oam
4. District Fringe and Overhead Rate
Presenter: Martin Koran
5. Public Comments

10/16/2020

DRAFT 10/15/20

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

ALAMEDA COUNTY WATER DISTRICT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2020 and JUNE 30, 2019

**P.O. Box 5110
43885 South Grimmer Boulevard
Fremont, California 94538**

PREPARED BY THE FINANCE DEPARTMENT

**Alameda County Water District
 Comprehensive Annual Financial Report
 For the Fiscal Years Ended June 30, 2020 and 2019
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INTRODUCTORY SECTION

October XX, 2020

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, 2020 and June 30, 2019.

We believe the report presented is accurate in all material respects, and 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 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, 2020 and June 30, 2019. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District.

The CAFR follows the financial reporting requirements established by the Governmental Accounting Standards Board of the United States.

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 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 357,000 people in southern Alameda County. The District covers approximately 105 square miles and, as of June 2020, provided water service through approximately 85,959 connections.

The District's water production was approximately 43,400 acre-feet in FY 2019/20 and is expected to be approximately 42,300 acre-feet in FY 2020/21. This slight decrease in customer demands is projected as a result of analysis of FY 2019/20 that characterizes the period as having higher-than-average demands. These higher demands resulted from unusually dry conditions during water year 2019-2020, as well as the impacts of COVID-19, both of which increased residential water use in the service area. FY 2020/21 demands are anticipated to be slightly lower than FY 2019/20 demands, despite new development in the service area. 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 236 full-time positions.

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 facilitate the issuance of the 2012 and 2015 Water System Revenue Bonds to enable the District to accomplish a number of critical capital projects and refund prior debt issuances at lower rates. 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

Finance

Following six public financial workshops during 2018 and consideration of many alternatives, the District Board of Directors 1) adopted a two-year rate increase schedule for water rates (service charges and the per unit commodity charge) with a rate increase of 4 percent effective March 1, 2019 and a second 4 percent increase effective March 1, 2020, 2) adopted water shortage emergency stage rates to enhance the District's revenue stability during a water supply emergency, such as a drought, and 3) revised the District's development fees for new connections to the water system by introducing a 'buy-in' component to these fees to recognize the value of the water system new customers inherit when they connect to it. The net increase in development fees is phased-in over five years. The District implemented the first inflationary update to the development fees and the year two phase-in of the buy-in component in May 2020.

The increases to water rates funds 1) major capital projects, such as pipeline renewals and fish ladders, that address aging infrastructure, improve seismic reliability, and meet expanded environmental regulations and standards, 2) an advanced metering infrastructure system to provide customers better tools to track water use and make water-use choices as well as achieving long-term operational savings, and 3) negotiated wage increases of 1% in 2018 and 3% each year in 2019 and 2020, and responsibly addresses long-term pension and retiree health care obligations with a 15-year payoff schedule. District water rates are currently in the bottom third of 30 surveyed Bay Area water utilities.

The District also updated various other fees and charges based on actual District costs for the prior fiscal year. These fee revisions were also effective March 1, 2020. These fees include well construction permits, backflow inspection and testing fees, field service fees, and after hours connection charges. The District completed an updated fringe and overhead rate study and revised the overhead rate to reflect actual costs.

The District's responsible financial management was recognized by Moody's Investors Service, who upgraded its rating of the District from Aa2 to Aa1 in April 2019. Primary factors considered by Moody's in making this decision

included the District's healthy debt service coverage, robust liquidity, and diverse water supply with ample storage. During FY 2019/20, an updated credit surveillance by Moody's was completed which allowed the District to retain its upgraded rating of Aa1. This rating will help the District achieve significant savings on behalf of its customers the next time it issues debt. The District also maintains a AAA Standard & Poor's rating.

The District continues to manage its investments in a manner that adheres to the primary objectives of safety and liquidity during current market volatility. On October 1, 2019 and after a competitive process, the District transitioned to a new investment advisor. After the transition, District staff and the new investment advisor, performed a comprehensive review of the District's investment policy which resulted in revisions to allow asset-backed and supranational securities consistent with California Government Code and increased the maximum maturity for District investments from five years to ten years for certain asset classes.

Customer Service

The District's electronic bill presentment and payment system continues to be a successful implementation and a success story in customer adoption. Since the July 2018 implementation, 72% of customers are paying their water bills electronically, which adds up to over 740,000 total payments for over \$130 million. This has resulted in a 20% reduction in phone calls and 30% reduction in foot traffic.

On January 1, 2020, the District implemented a new Collection and Residential Water Service Termination Policy as a result of Senate Bill No. 998. The policy provides an overview and guides the District's administrative actions for the collection of delinquent accounts, including notifications, fee assignments and discontinuation of service. On March 16, 2020, due to the COVID-19 pandemic, the District halted all collection activities in accordance with Governor Newsom's Executive Order N-40-42, which suspended the authority of water utility agencies to disconnect customers for non-payment until further notice. Since suspending collection activities in March, the District has seen an increase of past due balances of about \$650,000, which is approximately 3% of total amount billed during the same time frame.

Like many water utilities, the District is facing several challenges, such as aging infrastructure and its post-employment obligations such as pension and retiree healthcare obligations, 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 implemented an innovative customer assistance program effective March 1, 2017 for low income customers called *Help On Tap* that initially provided a \$15 credit on the bi-monthly service charge. The bi-monthly service charge credit was increased to \$25 effective March 1, 2019. Additionally, the income guidelines for the program were adjusted to reflect the District's higher-cost-of-living service territory, using Area Median Income as a key program metric. As of June 30, 2020, there were 918 customers enrolled in the program.

The District continues to offer a program to residential customers provided by Home Emergency Insurance Solutions (HEIS) for exterior water service line insurance. HEIS is responsible for all aspects of the program including marketing, billing, claims and conflict resolution. As of June 2020, there were 8,436 customers enrolled in the program and 1,494 repairs/replacements had been completed since the start of the program in 2012.

Labor Agreements

The District's current labor contracts with its two unions were adopted during FY 2018/19. The agreement with the District's largest union, the Operating Engineers Local No. 3 AFL-CIO, expires March 31, 2021 and the agreement with the ACWD Operators' Association expires June 30, 2021. The District began formal negotiations with the two unions in September 2020.

Water Supply

Precipitation conditions during FY 2018/2019 were above average, which provided full water supply availability for the year, allowed the District to maximize local water supply storage, and also enabled additional water storage in the District's Semitropic Water Bank in Kern County to increase future dry-year supplies. However, FY 2019/2020 is categorically a locally dry year with water year precipitation totals well below average, currently indicating the ninth driest in the 148 years of local historic record. Statewide conditions are also extremely dry. As a result, the District prioritized returns from the Semitropic Water Bank to meet customer demands and maintain sufficient levels in the local groundwater basin in case of extended drought. The District also participated in the State Water Contractor's Dry

Year Transfer Program for the first time ever, purchasing approximately 2,200 acre feet from North of Delta agencies to gain experience in conducting water transfers and bolster long-term reliability and enable cost savings, since purchases of the San Francisco Public Utilities Commission (SFPUC) Regional Water System water above the District's minimum purchase requirement represent the District's most expensive source of supply.

Given the growing population in the District's service area, future uncertain decisions related to the Bay-Delta Water Quality Control Plan, and the potential impacts of climate change to the District's existing water supplies, the District is actively looking ahead and evaluating potential future water supply initiatives to maintain and improve water supply reliability. Ongoing studies in this area include: 1) implementation of a State Water Project Delta conveyance project; 2) expansion of regional surface water storage in Los Vaqueros Reservoir; 3) implementation of water reuse in partnership with Union Sanitary District and SFPUC; and 4) exploring dry year transfer options for future droughts.

Additionally, in 2014, the District along with seven other Bay Area water agencies began development of 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 has identified projects that can provide water supply benefits to the region, and new projects that could leverage capacity in existing facilities. Currently, the group is exploring "water markets," which aim to streamline the process of exchanging supplies within the region. Such a water market will potentially increase regional water supply reliability and generate revenue for agencies that have surpluses available for sale.

Water Treatment

The District operates three potable drinking water treatment plants: 1) Water Treatment Plant No. 2 - a surface water treatment plant, which receives water from the California Department of Water Resources via the South Bay Aqueduct, 2) Peralta-Tyson Blending Facility - a facility that blends purchased treated water from the SFPUC with groundwater from local wellfields; and 3) Newark Desalination Facility - a brackish water desalination facility, which treats brackish water discharged as part of the District's Aquifer Reclamation Program. These multiple sources of supply and variety of water treatment processes provide reliability and operational flexibility.

The District optimizes distribution system pumping and facility operations to take advantage of tiered power rate structures and to realize savings in electrical costs. In October 2017, the District received State approval to operate the Water Treatment Plant No. 2/Whitfield Reservoir complex in a gravity-flow mode, minimizing pumping and saving on electrical costs. These savings continue to be fully recognized in FY 2019/20.

Drinking Water Quality

The District's State-certified laboratory continues to collect samples and conduct analyses for monitoring the quality of water as required by state and federal regulations. Additional sampling and analyses are performed for monitoring the operation of treatment facilities, the condition of water in the distribution system, and to meet other analytical needs of the District. Most analyses are performed in-house by ACWD staff, but some samples are sent to sub-contract laboratories when it is more cost effective to do so given specific sampling frequency and expense of associated instrumentation and supplies. In fiscal years ended in 2019 and 2020, the District continued to meet or exceed all Federal and State drinking water quality and treatment regulations, including those for lead. The State Water Resources Control Board Division of Drinking Water (DDW) conducted a Sanitary Survey inspection, which is an in-depth assessment of all production facilities, wellfields, tanks, and reservoirs. The Sanitary Survey findings were received in 2019 and the District's water system was found to be in good condition, operated by conscientious staff, and capable of providing safe, potable water which meets all applicable primary and secondary drinking water standards.

As required by drinking water regulations, the District maintains a Water Quality Monitoring Plan, which provides the framework for water quality sampling and reporting. In FY 2019/20, the District revised and updated its Water Quality Monitoring Plan. The District also completed the required initial monitoring at groundwater sources, distribution system entry points, and standby sources for 1,2,3 TCP, which is a recently regulated contaminant. The District did not detect 1,2,3 TCP in any of the locations monitored.

In addition, in FY 2019/20, the District completed water quality parameter monitoring as required by US EPA Unregulated Contaminant Monitoring Rule (UCMR) 4. The information collected from the UCMR program is used as a basis to determine the source occurrence of potential contaminants during the regulatory development process.

FY 2017/18 was the first year of the District's Tailored Collaboration Study for optimizing manganese removal through biofiltration during cold weather conditions. This is a two-year study consisting of bench-scale and pilot-scale testing at the District's surface water treatment plant. The final report was submitted to the Water Research Foundation for review in FY 2019/20.

In FY 2019/20, the District began a voluntary monitoring program for Per- and Polyfluoralkyl substances (PFAS) at all surface and ground water sources and distribution system entry points. This monitoring effort will prepare the District for future PFAS regulations. While the District did detect very low concentrations of PFAS in several groundwater wells, the District blends groundwater with its SFPUC-supplied water and no levels of PFAS were detected in the treated water delivered to customers at levels above the notification levels established by DDW. The District is currently evaluating potential sources of PFAS and is developing a plan for further testing.

The District actively monitors and maintains distribution system water quality by optimizing operations to reduce water age and pro-actively managing disinfectant levels at all storage facilities. This is partially accomplished by the District's Mains Cleaning Program, which removes accumulated sediment from approximately 200 miles of water mains and all end-of-main blow-offs annually. Additionally, each year one to two distribution system water storage facilities are inspected and cleaned.

The District is complying with multiple recent State legislative bills: Senate Bills 1398 and 427 and Assembly Bill 746. In accordance with Senate Bills 1398 and 427, the District completed an inventory of customer service lines to determine if any contained lead components. This Service Line Inventory was completed and information was submitted to DDW in May 2018 and the District has no known lead service lines. A replacement timeline for the service lines of unknown material types was completed and submitted to DDW in FY 2019/20. Per Assembly Bill 746, the District has completed its obligation to test for lead-in-water at any K-12 school, day care, or preschool on public sites within its service area. Similarly, in FY 2019/20, the District provided lead-in-water testing for K-12 public, private, and charter schools located within the District's service area that make a written request per the 2016 Permit Amendment issued by DDW.

Service Reliability

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 regional earthquakes. Accordingly, in 2013 the District embarked on a Main Renewal and Seismic Improvement Program (MRSIP), 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 and service reliability in the older portions of the service area that are currently served by mains that do not meet current District standards; 3) reduces long term water system maintenance costs; and 4) improves the seismic reliability of its distribution storage and production facilities.

As part of the MRSIP, the District has completed over \$24 million in water main renewals, replacements and seismic upgrades in addition to other projects including distribution storage tank replacements and upgrades, and seismic improvements. The District is currently beginning construction of the renewal and seismic upgrade of the approximately 3.5 mile Alvarado-Niles transmission pipeline, or "Spine Main," to improve water transmission reliability and earthquake resiliency. Additionally, the District is completing the design work for upgrade of a 1.5 mile pipeline on Driscoll Road. The planning and design work for the upgrade of a 3.5 mile portion of the water distribution system in Central Newark is currently underway to improve system hydraulics and service reliability in these areas. Finally, the District added a new element to the MRSIP in FY 2018/19 which focuses on proactively improving service reliability of smaller diameter aging water mains requiring an increased level of maintenance. This program will replace and upgrade approximately 34 water mains in nine areas of the water system containing these older, smaller water mains, thereby improving system hydraulics and service reliability. The first two segments of this program, the Small Diameter Main Renewal Souza-Concord project, will begin construction in the first quarter of FY 2020/21.

The District continues its multi-year program of replacing and upgrading the control systems for its water production and distribution systems. Following the recent completion of projects to replace all of the Programmable Logic Controllers (PLCs) at its primary surface water treatment plant and seven distribution facilities (tanks, reservoirs, and pump stations), the District completed PLC replacements for two additional booster stations, one additional tank, and one additional reservoir in FY 2019/20. In FY 2020/21, the District will begin the replacement of the System Control and Data Acquisition (SCADA) systems used across the District's production and distribution system in order to improve operational effectiveness, efficiencies, security, and service reliability.

In FY 2019/20, the District completed major upgrades to its Canyon Heights Tank, the only potable water storage tank serving the upper Canyon Heights area near Niles Canyon and other areas east of Mission Boulevard in northeast Fremont. The upgrades included structural repairs and improvements, coating replacement, and cathodic system replacements and upgrades in addition to improvements at the Canyon Heights Booster Station which serves the tank and the surrounding area. The District also completed detailed condition assessments of two other water storage tank facilities which will inform its Capital Improvement Program planning process.

Groundwater Resources

Local groundwater, on average, accounts for approximately 40% of the District's water supply. The District is identified in the Sustainable Groundwater Management Act (SGMA) as an agency created by statute to manage groundwater and deemed to be the exclusive local agency within its statutory boundaries with powers to comply with SGMA. On November 10, 2016, the District's Board of Directors adopted a resolution to become the Groundwater Sustainability Agency for the Niles Cone Subbasin. On July 17, 2019, the District received notice that the Department of Water Resources determined that the District's Alternative to a Groundwater Sustainability Plan satisfies the objectives of SGMA and was approved. 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 year ended June 30, 2020, the District accomplished the following groundwater management and protection initiatives:

- Adopted a 5.4% increase in the replenishment assessment rate for groundwater pumping for uses other than municipal and agricultural in order to generate sufficient revenue to cover expected groundwater basin-related costs.
- Issued a Survey Report on Groundwater Conditions – February 2020 and 2019 Groundwater Monitoring Report in support of the replenishment assessment rate increase.
- Issued the District's second annual report pursuant to requirements of SGMA on March 31, 2020.
- Closed ten cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Conducted 716 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."
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 22nd year in a row.

Productivity and Efficiency

The District has been impacted in many ways by the 2019 Coronavirus (COVID-19) Pandemic. In order to keep employees safe and to continue providing essential services, the District began adjusting its operations on March 12, 2020 — before the Alameda County Health Officer issued its Shelter-in-Place Order on March 16, 2020. Approximately 40% of District staff have transitioned to work-from-home successfully. Several adjustments to the working conditions for staff reporting to District facilities have also been implemented, including: staggered work schedules, reassigned workspaces, and separated work groups. The District is complying with all Federal, State, and Local best COVID-19 recommendations and best management practices.

In order to support relatively large numbers of staff securely working remotely, the District implemented improvements to its information technology systems, including updates to, and expansion of, its virtual private networking (VPN) systems, security systems (new Information Systems policies and Administrative Guidelines, multi-factor authentication, firewall upgrades, etc.), internet connection redundancy, and significantly expanded its teleconference and web conferencing capabilities.

The District initiated a District-wide Classification and Compensation Study to review all District job classifications for accuracy, consistency, and recruitment and retention impacts, as well as conduct a comprehensive total compensation market survey. This project was initiated in FY 2019/20 and expected to conclude in FY 2020/21 and be implemented thereafter.

At the start of FY 2019/20, following a competitive Request for Proposals process, the District transitioned to a new insurance provider for workers' compensation, property and general liability insurance. This resulted in \$632,000 in savings to the District in FY 2019/20.

The District is continuing to implement a number of strategies and initiatives to increase employee engagement, and plans to issue a second engagement survey in FY 2020/21 to evaluate progress in enhancing overall employee engagement.

The District has improved procurement efficiency and lowered costs by utilizing cooperative agreements for items such as chemicals, uniform rentals, vehicles, and office supplies. Cooperative agreements allow smaller agencies to leverage their combined purchasing power to achieve bulk pricing that is on par with larger agencies. This can result in significant savings for select goods. The list of agreements the District currently participates in includes, but is not limited to, the California Multiple Award Schedules, Bay Area Chemical Consortium, U.S. General Services Administration, OMNIA Partners, and Sourcewell.

The District continued with improvements and upgrades to its information technology programs and practices in accordance with Information Technology Master Plan which identifies several technology improvement projects to be implemented over the next four years. The District's Information Technology Division received the Excellence in Information Technology Practices award for 2019 from the Municipal Information Systems Association of California (MISAC) for best practices that make efficient and effective use of technology resources in local government.

Information systems and Disaster Recovery (DR) improvements also included migrating several systems and applications to the cloud, including business productivity software, document management, and email. IT Master Plan improvements for FY 2020/21 include moving additional systems to the cloud.

The District continued with enhancements and additions to SharePoint, the District's content management and collaboration platform. Several additional paper forms and related manual processes were replaced with electronic forms and workflows using the Adobe and SharePoint platforms, and these have resulted in increased operational efficiencies and improved workflows for remote work operations. The District is also continuing with implementation of a Records Management project with the goal of developing a comprehensive records management program with a records retention schedule that can be consistently applied across all District records both paper and electronic. The program objectives are to increase workflow efficiencies and access to documents and records while ensuring transparency and compliance with regulations. The program is also expected to reduce ongoing costs related to maintenance and expansion of electronic storage systems, disaster recovery systems and hard copy document infrastructure.

During FY 2019/20, the District completed the procurement process securing all of the needed contracts for implementation of its Advanced Metering Infrastructure (AMI) Project which will provide customers improved tools to track water use as well as increase the District's operational efficiencies. The AMI project is planned to be completed in three phases over five fiscal years. The scope of work includes: 1) replacement and/or upgrade of approximately 85,100 water meters as needed for compatibility with AMI; 2) implementation of a cellular communications network for the transmittal of data between AMI-compatible water meters and the District's information technology infrastructure; 3) upgrading information technology systems, including a Meter Data Management System (MDMS) for the collection, storage, management, and utilization of AMI data; 4) integration of the AMI system with the District's existing customer information system; and 5) development of additional business enhancements that can be leveraged through AMI.

Public Awareness of Water Issues and Conservation

The District's public information and education programs aim to provide customers and the community with important information related to water supply, emergency preparedness, water quality, infrastructure projects, and the importance

of conservation, along with other issues related to the District as a service provider. Specific District outreach and conservation actions included the following:

- The District redesigned The ACWD Aqueduct newsletter. The redesign includes updated graphics and photos to better align with the District’s strategic goals and highlight photos of District facilities throughout the service area.
- The District successfully coordinated participation in the Niles Canyon Stroll & Roll, a community event with more than 10,000 attendees. During this event, District staff provided information on critical infrastructure projects including fish passages projects along Alameda Creek, near the event site.
- The District issued 7 news releases to Bay Area media outlets.
- The District continued to provide weekly information pieces on water awareness, quality and conservation, and topics related to emergency preparedness and the District’s fish passage projects in a local Tri-City newspaper.
- The District hosted and attended several community meetings and events.
- The District continued its annual publication of the Water Quality Report and four issues of The ACWD Aqueduct, which is mailed to customers.
- The District communicated its COVID-19 response to community, stakeholders and Tri-City partners.
- The District produced “ACWD Water – There When You Need It” – a video to communicate water supply reliability, efficiency and planning.
- The District launched its Nextdoor page and increased its use of social media.
- Water conservation literature was distributed to all customers as requested.
- Water efficient landscape planning and conversion workshops and Qualified Water Efficient Landscaper (QWEL) certification classes were held in partnership with other agencies, with many converted to an online format due to COVID-19.
- Numerous community events were attended to provide information about the District’s conservation programs prior to the COVID-19 pandemic.
- The District continued to monitor water waste reports and sent notices to customers when it was determined that water waste was occurring.
- Developed informational material and conducted outreach to commercial, industrial, and institutional customers to safely restore water service to buildings with low or no use for an extended period due to COVID-19.

The District’s School Education Program provides local schools 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 year ended June 30, 2020, the District continued its educational outreach within its service area by:

- Launching the District’s first-ever ACWD WaterClips Student Video Contest.
- Distributing over 28,305 pieces of printed educational material to teachers and students.
- Sponsoring 30 live performances of a water conservation theater program reaching over 10,000 students and providing an additional 30 distance learning packages following school closures as a result of COVID-19.

Water conservation extends water supplies, benefits the environment, continues to be effectively the most cost-effective source of supply, 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 year ended June 30, 2020, with some adjustments to address safety concerns related to COVID-19 exposure and the Shelter in Place (SIP) order for Alameda County:

- Water conservation customer service assistance via phone and email correspondence.
- On-site indoor and outdoor water use efficiency surveys were offered to residential, business, and industrial customers.
- Rebates for replacing high volume/high flow toilets were offered to all customers, and rebates for water efficient clothes washers and urinals were offered to businesses and organizations.
- Rebates for rain barrels, irrigation controllers, and the replacement of turf grass with water efficient plants were offered to all customers.
- Water conserving devices and measures (showerheads, faucet aerators, flappers, hose nozzle sprayers 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, other community newsletters (Tri-City Ecology, Fremont Green Challenge, and LEAF newsletters), the District website, presentations and through the District’s Tri-City Voice weekly ad space.
- Landscape water use budgets were provided to customers with dedicated landscape accounts, as well as on-site landscape surveys for sites that were overbudget. The District began piloting an online format of this program at the end of FY 2019/20. District staff worked with service area city parks to improve irrigation efficiency. Participants that demonstrated water use efficiency were recognized.
- The District’s renovated Water-Efficient Landscape Demonstration Garden promoted efficient landscape design and techniques to customers and the employee composting program continued.
- Leak detection through meter reader alerts was performed resulting in 1,404 customer notifications.
- The District provided income-qualified residents in the District’s service area with measures to improve water and energy use efficiency in partnership with Pacific Gas and Electric. Water services include assessing water use, informing customers about water conservation tips and the District’s programs, and installing cold water saving measures.
- A Water Efficiency Master Planning effort was launched to identify strategies to meet the District’s short-term water use efficiency goals and set the foundation for identifying strategies to meet long-term water supply needs.

Immediately following Governor Brown’s declaration that the drought had ended, the State released its final report on “Making Water Conservation a California Way of Life”, a framework to continue to improve water use efficiency throughout the State. The framework was based on then Governor Brown’s Executive Order B-37-16. The report recommends that new water use efficiency targets (or objectives) be established beyond the 2020 targets water agencies have been operating under since 2009, which the District has met. Legislation to establish the water use objectives (SB 606 and AB 1668) was signed by the Governor on May 31, 2018, and a primer to implement the legislation was released in November 2018. Most of the standards that the District’s new water use objectives will be based on are still to be determined, and the District continues to monitor and participate in workgroups formed by the agencies that are making these determinations. In the future, the District’s outreach efforts and conservation programs will be based on ensuring the District can meet these new requirements.

Environmental Stewardship

The District recognizes that water agencies must balance the needs of people and the environment to be sustainable and resilient. To ensure the reliability of the District’s 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 two decades to make the creek a more fish-friendly waterway. To date, several facilities have been constructed including the removal of one rubber dam and the installation of fish screens at multiple existing off-stream diversions.

The final planned project, construction of the District’s final fish ladder and diversion screens within Alameda Creek continued during FY 2019/20. This joint project between the District and the Alameda County Flood Control District is being constructed along with other projects to make improvements to rubber dam control systems as well as provide new screened diversions from Alameda Creek to prevent threatened Steelhead trout and other species from entering off-stream groundwater recharge ponds. The District currently anticipates this work will be completed in 2022.

The District has aggressively pursued external grant funding for several programs and initiatives, including the environmental stewardship projects discussed above. To date, the District has secured over \$21 million in grant and reimbursement funds for these projects and continues to pursue additional grants and external funding to minimize financial impacts while maximizing environmental and water supply reliability benefits.

Commitment to Transparency

It is the District’s goal to be transparent and operate prudently and ethically on behalf of its customers. On April 11, 2019, the District met all requirements to renew its 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.

The District has also been recognized by the California Special District's Association as a Platinum Level District of Distinction. In addition to meeting the Certificate of Transparency standards, recognition as a District of Distinction requires: 1) successful completion of regular financial audits with no major findings and implementation of any recommendations; 2) maintaining a policies and procedures manual; and 3) having all directors and executive staff complete ethics, harassment prevention, and special district governance training.

The District video records all regular and special meetings of the Board including workshops. The recorded meetings are publicly accessible via the District website.

FINANCIAL INFORMATION

Local Economy

The local economy of the District's service area has been a reflection of nearby Silicon Valley and the greater Bay Area. The Tri-City's diverse base supports a mix of large and small businesses and in a normal environment provides for greater economic stability and less volatility than more specialized economies. The impacts of the COVID-19 pandemic on employment and the economy have been unprecedented. As of February 2020, the unemployment rates for the United States and California were 3.5% and 3.9%, respectively. As of June 2020, the unemployment rates increased for the cities of Fremont, Newark and Union City to 10.6%, 12.8%, and 13.4% respectively, as compared to the State (14.9%) and the United States (11.1%). Assessed property values within the District increased 7.0% in FY 2019/20 and are anticipated to increase another 6.4% in FY 2020/21. The District's overall customer base is anticipated to grow in both size and income. Last calendar year, population grew 0.3% to 234,220 for the City of Fremont, 1.7% to 48,966 for the City of Newark, and declined 0.3% to 73,637 for the City of Union City. Newark has been one of the fastest growing cities in California. The most recent five year Census estimates (2014-2018) showed that median household income grew 4.2% to \$127,374 for the City of Fremont, 11.7% to \$108,181 for the City of Newark, and 10.3% to \$105,448 for the City of Union City compared to the prior five year estimates (2013-2017).

Robust development activity in the District's service area is anticipated to continue for the next few years. Fremont continues to grow rapidly, both with new residential developments, and improvements in existing commercial and industrial areas. In particular, the 850 acre Fremont Innovation District around the new Warm Springs BART station is undergoing significant transition with large-scale mixed-use developments, including commercial/employment, high-density residential and other public facilities. Located in this area is Tesla Motors, which continues to increase production and has expanded their portfolio of electric car models. Building programs in this area are projected to bring over 8,000 potential new jobs, 4,000 residential units, a new elementary school, and a new hotel to the area. As many as 20,000 new jobs are projected in this area. Another major initiative has been the development of a Fremont downtown area with an estimated build-out of 5.2 million square feet of new mixed-use buildings including the construction of 157 new residential units in the downtown State Street Center which is nearing completion. With the City and BART currently in the planning phase for the construction of the new Irvington BART Station, construction of high a density residential development along Osgood Road, consistent with creating a pedestrian-friendly, transit-oriented neighborhood has begun. Additional high density developments along Osgood Road, anticipated to total approximately 440 residential units, are planned to be constructed in the near future. In addition, the Pacific Commons area continues to be active and growing with new shops, restaurants, and commercial and industrial development. Residential development in and around the Centerville District has been very active as well, with several mixed-use developments in the planning and construction stages.

In Union City, there are plans to develop a 200-acre Station District, which would include high-density housing, retail shopping, commercial business, open space, and a major intermodal transportation station near the existing Union City BART station. There are 1,700 new apartment units either constructed or planned and additional plans to add 1.2 million square feet of office space. Construction of 33 new residential units near the Turk Island Landfill is anticipated to begin in FY 2020-21 and a mixed-use development with 81 new residential rental units along Mission Boulevard is currently being developed.

Similarly, in Newark, there are plans to develop the general area around NewPark Mall that could eventually include 200,000 square feet of retail/commercial space, 500,000 square feet of office buildings, 1,519 residential units, and 700 hotel rooms. Additionally, a transit-oriented development, Bayside Newark, consisting of up to 2,500 residential units is currently under construction in Newark. Plans for the transit oriented development include a potential new train station and other amenities to serve both the greater region as well as neighboring residents. In addition, construction of 378 new residential units in Newark General Plan Area 3 is nearing completion and plans to construct 469 new residential units in Area 4 are currently being developed.

Rates and Charges

Water rates and charges are reviewed regularly and reflect the District's overall cost-of-service requirements. The District's water rates are in the lower third of the 30 Bay Area retail water purveyors surveyed.

The Board of Directors convened six public financial workshops starting in February 2018 to comprehensively review the District's financial plan, operating costs, capital plan, development fees, miscellaneous fees, sources of revenue, water rates, and water rate structures. As mentioned previously, at the conclusion of these workshops, the Board initiated a Proposition 218 process and ultimately approved rate adjustments of 4 percent effective March 1, 2019 and a second 4 percent increase effective March 1, 2020. The District also approved water shortage emergency stage rates to improve revenue stability during a water shortage emergency, such as a drought, and revised its fees for new connections to the water system to include a 'buy-in' component to reflect the value of the system new customers inherit.

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 expenses 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. 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, and a detailed operating plan that identifies estimated costs in relation to estimated revenues over the budget period. 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 reviewed and 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 budget management platform that enables improved end-user reporting and analysis 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 estimated 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 operating and capital budgets in June;
- Rate design and review 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 The Pun Group LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. The firm's report has been included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting Award

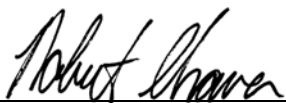
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the 21st consecutive year that 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.

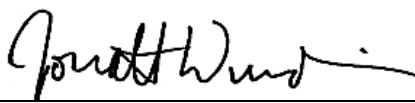
Acknowledgments

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 The Pun Group 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



Jonathan Wunderlich
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, 2019

Christopher P. Morrill

Executive Director/CEO

Alameda County Water District

Board of Directors

Judy C. Huang
President

Aziz Akbari
Vice President

Paul Sethy
Director

John H. Weed
Director

James G. Gunther
Director

Principal Management Personnel

Robert Shaver
General Manager

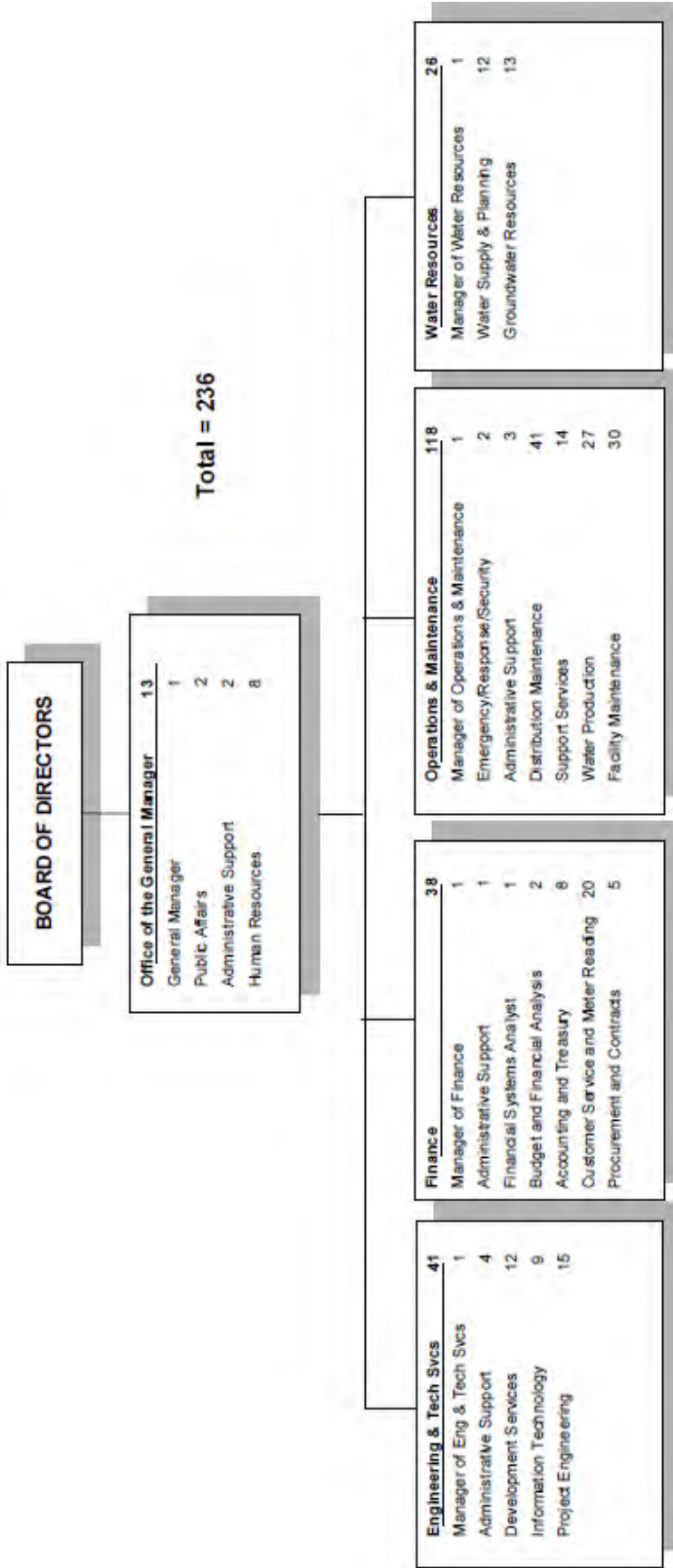
Jonathan Wunderlich
Manager of Finance

Laura Hidas
Manager of Water Resources

Kurt Arends
Manager of Operations & Maintenance

Ed Stevenson
Manager of Engineering & Technology Services

**ALAMEDA COUNTY WATER DISTRICT
FUNCTIONAL ORGANIZATIONAL CHART
FY 20/21**



FINANCIAL SECTION

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Alameda County Water District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2020 and 2019

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, 2020 and 2019. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2020

- The District's net position increased by \$57.7 million or 13.1 percent from \$439.1 million to \$496.8 million mainly due to increases in current assets of \$31.1 million, capital assets of \$19.7 million and total revenue of \$14.1 million. The increase was offset by a decrease in long-term debt of \$3.9 million, pension liability of \$4.7 million and OPEB liability of \$1.6 million for the fiscal year ended June 30, 2020.
- Operating revenues increased by \$10.3 million or 8.5 percent from \$120.6 million to \$130.9 million primarily due to increases in water sales caused by the implementation of a 4% rate increase which became effective on March 1, 2019 and an additional 4% rate increase which became effective on March 1, 2020.
- Operating expenses increased by \$8.6 million or 8.8 percent from \$97.5 million to \$106.1 million due to increases in source of supply, administration of customer accounts, administrative and general expenses and depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The basic 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 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, expenses, and capital contributions for the fiscal years ended June 30, 2020 and 2019. 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, investing 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.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

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

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

	2020	2019	2020 vs. 2019		2018	2019 vs. 2018	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 235.9	\$ 204.8	\$ 31.1	15.2%	\$ 180.6	\$ 24.2	13.4%
Capital assets	442.0	422.3	19.7	4.7%	412.2	10.1	2.5%
Total assets	677.9	627.1	50.8	8.1%	592.8	34.3	5.8%
Deferred outflows of resources	28.5	29.0	(0.5)	-1.7%	32.1	(3.1)	-9.7%
Long-term debt	72.7	76.6	(3.9)	-5.1%	80.4	(3.8)	-4.7%
Net pension liability	69.8	74.5	(4.7)	-6.3%	87.3	(12.8)	-14.7%
Net OPEB liability	27.7	29.3	(1.6)	-5.5%	32.9	(3.6)	-10.9%
Other liabilities	31.0	27.7	3.3	11.9%	26.6	1.1	4.1%
Total liabilities	201.2	208.1	(6.9)	-3.3%	227.2	(19.1)	-8.4%
Deferred inflows of resources	8.4	8.9	(0.5)	-5.6%	5.2	3.7	71.2%
Net investment in capital assets	370.3	346.9	23.4	6.7%	333.3	13.6	4.1%
Restricted for debt service	-	2.7	(2.7)	-100.0%	2.6	0.1	3.8%
Unrestricted	126.5	89.5	37.0	41.3%	56.6	32.9	58.1%
Total net position	\$ 496.8	\$ 439.1	\$ 57.7	13.1%	\$ 392.5	\$ 46.6	11.9%

As the above table indicates, total assets increased by \$50.8 million from \$627.1 million to \$677.9 million during the fiscal year ended June 30, 2020. This increase is due to a \$31.1 million increase in current assets due mainly to increases in cash and investments from operations and an increase of \$19.7 million in capital assets at the end of the fiscal year. For the fiscal year ended June 30, 2019, total assets increased by \$34.3 million from \$592.8 million to \$627.1 million. This increase is due to a \$24.2 million increase in current assets due mainly to increases in cash and investments from operations and an increase of \$10.1 million in capital assets at the end of the fiscal year.

Deferred outflows of resources is the amount of the unamortized deferred charge on debt refunding and the effect of pension and other post employment benefits (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to the unamortized deferred charge on refunding at June 30, 2020 and 2019 were \$0.9 million and \$1.1 million, respectively. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2020 and 2019 were \$18.6 million and \$22.2 million, respectively. The deferred outflows of resources due to OPEB (GASB Statement No. 75) at June 30, 2020 and 2019 were \$8.9 million and \$5.6 million, respectively.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

For the fiscal year ended June 30, 2020, total liabilities reflect a decrease of \$6.9 million due to several factors including decreases in net pension liabilities of \$4.7 million, net OPEB liabilities of \$1.6 million and scheduled debt service payments of \$3.9 million. The decrease was partially offset by an increase of \$3.3 million in other liabilities. For fiscal year ended June 30, 2019, total liabilities reflect a decrease of \$19.1 million due to several factors including decreases in net pension liabilities of \$12.8 million, net OPEB liabilities of \$3.6 million and scheduled debt service payments of \$3.8 million. The decrease was partially offset by an increase of \$1.1 million in other liabilities.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions, the difference between expected and actual earnings, and difference between expected and actual experiences in the CalPERS pension plan and the OPEB plan, which will be amortized as a component of pension and OPEB expense in future years. The deferred inflows of resources for June 30, 2020 and 2019 were \$8.5 million and \$8.9 million, respectively.

Total net position increased by \$57.6 million from \$439.1 million to \$496.8 million, mainly due a combination of increased income during the year due to increased water revenues, property taxes, facility connection charges, investment in capital assets, and a decrease in total liabilities as a result of additional payments made toward pension and OPEB liabilities and scheduled debt service payments including the payoff of the 2009 Water System Revenue bonds at June 30, 2020. Total net position increased by \$46.6 million from \$392.5 million to \$439.1 million, mainly due to the combination of increased income during the year due to increased water revenues and investment income offset by a decrease in total liabilities as a result of additional payments made towards pension and OPEB liabilities and scheduled debt service payments at June 30, 2019.

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

	2020	2019	2020 vs. 2019		2018	2019 vs. 2018	
			\$ Change	% Change		\$ Change	% Change
Operating revenues							
Water sales	\$ 116.2	\$ 108.6	\$ 7.6	7.0%	\$ 104.4	\$ 4.2	4.0%
Other operating revenues	14.7	12.0	2.7	22.5%	11.2	0.8	7.1%
Total operating revenues	<u>130.9</u>	<u>120.6</u>	<u>10.3</u>	<u>8.5%</u>	<u>115.6</u>	<u>5.0</u>	<u>4.3%</u>
Nonoperating revenues							
Property taxes	12.0	9.7	2.3	23.7%	11.3	(1.6)	-14.2%
Investment income	8.9	7.3	1.6	21.9%	0.1	7.2	7200.0%
Other nonoperating revenues	0.6	0.7	(0.1)	-14.3%	0.5	0.2	40.0%
Total nonoperating revenues	<u>21.5</u>	<u>17.7</u>	<u>3.8</u>	<u>21.5%</u>	<u>11.9</u>	<u>5.8</u>	<u>48.7%</u>
TOTAL REVENUES	<u>152.4</u>	<u>138.3</u>	<u>14.1</u>	<u>10.2%</u>	<u>127.5</u>	<u>10.8</u>	<u>8.5%</u>
TOTAL EXPENSES							
Depreciation and amortization expense	14.5	14.0	0.5	3.6%	14.0	-	0.0%
Other operating expenses	91.6	83.5	8.1	9.7%	83.8	(0.3)	-0.4%
Nonoperating expenses	2.2	2.5	(0.3)	-12.0%	2.7	(0.2)	-7.4%
TOTAL EXPENSES	<u>108.3</u>	<u>100.0</u>	<u>8.3</u>	<u>8.3%</u>	<u>100.5</u>	<u>(0.5)</u>	<u>-0.5%</u>
Income before capital contributions	44.1	38.3	5.8	15.1%	27.0	11.3	41.9%
Capital contributions	13.6	8.3	5.3	63.9%	4.1	4.2	102.4%
Changes in net position	<u>57.7</u>	<u>46.6</u>	<u>11.1</u>	<u>23.8%</u>	<u>31.1</u>	<u>15.5</u>	<u>49.8%</u>
Beginning net position, as restated	439.1	392.5	46.6	11.9%	361.4	31.1	8.6%
Ending net position	<u>\$ 496.8</u>	<u>\$ 439.1</u>	<u>\$ 57.7</u>	<u>13.1%</u>	<u>\$ 392.5</u>	<u>\$ 46.6</u>	<u>11.9%</u>

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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 \$44.1 million and capital contributions of \$13.5 million resulted in an overall increase of \$57.6 million in net position for the fiscal year ended June 30, 2020.

In fiscal year ended June 30, 2019, income before capital contributions of \$38.3 million and capital contributions of \$8.3 million resulted in an overall increase of \$46.6 million in net position.

For fiscal year ended June 30, 2020, Table 2 indicates that the District's total revenues increased by \$14.1 million or 10.2 percent to \$152.4 million from \$138.3 million in the prior year. Operating revenues increased by \$10.3 million or 8.5 percent to \$130.9 million from \$120.6 million. This was due to a \$7.6 million increase in water sales as a result of two 4% rate increases, which became effective March 1, 2019 and March 1, 2020, and an increase of \$2.7 million in other operating revenues. Nonoperating revenues increased by \$3.8 million or 21.5 percent, which was mainly due to an increase in property tax revenue of \$2.3 million and an increase of \$1.5 million in other nonoperating revenues.

Total expenses increased by \$8.3 million or 8.3 percent partially due to a \$3.7 million increase in source of supply expenses and a \$4.3 increase in administration and general costs, along with slight increases in administration of customer accounts costs and depreciation.

For fiscal year ended June 30, 2019, Table 2 indicates that the District's total revenues increased by \$10.8 million or 8.5 percent to \$138.3 million from \$127.5 million in the prior year. Operating revenues increased by \$5.0 million or 4.3 percent due to an increase in water sales as a result of the 4% rate increase, which became effective March 1, 2018.

Nonoperating revenues increased by \$5.8 million or 48.7 percent, which was mainly due to an increase in nonoperating revenue of \$7.4 million, which was offset by a decrease of \$1.6 million in property tax revenue.

For fiscal year ended June 30, 2019, total expenses decreased by \$0.5 million or 0.5 percent partially due to a decrease of \$2.2 million in administration and general costs, which was offset by slight increases in source of supply, water treatment and administration of customer accounts.

CAPITAL ASSETS

As of June 30, 2020, the District's investment in capital assets totaled \$442.0 million, which is an increase of \$19.7 million or 4.7 percent over the capital asset balance of \$422.3 million at June 30, 2019. The increase in capital assets was primarily due to a net increase in capitalized assets in the amount of \$33.9 million less \$14.2 million net increase in accumulated depreciation.

As of June 30, 2019, the District's investment in capital assets totaled \$422.3 million, which is an increase of \$10.1 million or 2.5 percent over the capital asset balance of \$412.2 million at June 30, 2018. The increase in capital assets was primarily due to a net increase in capitalized assets in the amount of \$23.9 million less a net increase in accumulated depreciation of \$13.8 million.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019

CAPITAL ASSETS (Continued)

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)

	2020	2019	2020 vs. 2019		2018	2019 vs. 2018	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.6	\$ -	0.0%	\$ 9.6	\$ -	0.0%
Construction in progress	45.4	23.9	21.5	90.0%	29.3	(5.4)	-18.4%
Source of supply	81.6	81.6	-	0.0%	68.4	13.2	19.3%
Pumping plant	25.6	25.4	0.2	0.8%	25.1	0.3	1.2%
Water treatment	166.7	166.2	0.5	0.3%	161.2	5.0	3.1%
Transmission and distribution	358.3	347.9	10.4	3.0%	337.3	10.6	3.1%
General	54.2	52.9	1.3	2.5%	52.7	0.2	0.4%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.9	-	0.0%
Subtotal	762.3	728.4	33.9	4.7%	704.5	23.9	3.4%
Less accumulated depreciation/amortization	(320.3)	(306.1)	(14.2)	4.6%	(292.3)	(13.8)	4.7%
Capital assets, net	\$ 442.0	\$ 422.3	\$ 19.7	4.7%	\$ 412.2	\$ 10.1	2.5%

There were several capital projects completed during the fiscal year ended June 30, 2020. These include the Headquarter building renovations, Avalon Slope Stability Improvements, Emergency Service Line and Main replacements and various other capital projects related to water mains, and customer installations. 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, 2020. These projects include Rubber Dam #1 Fish Ladder, Shinn Pond Fish Screen, Alvarado-Niles Spine Main, Canyon Heights Tank Improvements, Rubber Dam #1 Control Building Modificiations, Water Treatment Plant No. 2 Programmable Logic Controller Upgrade Phase 2, Vallecitos Channel Betterments, Discroll Road Pipeline Rehabilitation, and various other capital projects.

There were several capital projects completed during the fiscal year ended June 30, 2019. These include the Rubber Dam #3 Fish Ladder, Water Treatment Plant No. 2 Programmable Logic Controller Upgrade Phase 1, Main Relocation for San Francisco Public Utilities Commission (SFPUC), and various other capital projects related to water mains and booster pumps. 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, 2019. These projects include Rubber Dam #1 Fish Ladder, Water Treatment Plant No. 2 Programmable Logic Controller Upgrade Phase 2, Alvarado-Niles Spine Main, Shinn Pond Fish Screen, Vallecitos Channel Betterments, and various other capital projects.

At June 30, 2020, the District had construction commitments in the amount of \$51.5 million of which \$17.9 million were for the Rubber Dam #1 Fish Ladder project and \$7.3 million were for the Shinn Pond Screen project. Additional information on the District's capital assets and construction commitments is provided in Note 5 starting on page 32 of the financial statements.

Alameda County Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019

LONG-TERM DEBT

As of June 30, 2020, the District had \$72.7 million in outstanding debt compared to \$76.6 million on June 30, 2019 and \$80.4 million on June 30, 2018. The decreases in fiscal years ended June 30, 2020 and 2019 were the results of scheduled debt service payments.

Additional information on the District's long-term debt is provided in Note 7 starting on page 36 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 13, 2019. 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, 2020 and 2021.

The District's water rates are periodically reviewed by the Board of Directors and typically adjusted annually. The District's rates are in the lower third of thirty Bay Area water agencies surveyed. On February 7, 2019, the Board of Directors adopted a two-year rate increase of 4% per year effective March 1, 2019 and March 1, 2020 to both the bi-monthly service charge and per-unit consumption charge.

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
June 30, 2020 and 2019
(In thousands)

	2020	2019
ASSETS		
Current assets:		
Cash and investments (Note 3)	\$ 205,126	\$ 174,044
Customer and other accounts receivable, net (Note 4)	12,858	11,889
Accrued unbilled revenue	12,106	10,787
Taxes receivable	1,274	565
Grants receivable	1,010	1,093
Interest receivable	898	940
Material and supplies	2,518	2,492
Prepaid expenses	151	79
Total unrestricted assets	235,941	201,889
Restricted investments (Note 3)	-	2,950
Total current assets	235,941	204,839
Noncurrent assets:		
Capital assets: (Note 5)		
Nondepreciable	55,045	33,592
Depreciable, net	386,997	388,704
Total capital assets, net	442,042	422,296
Total noncurrent assets	442,042	422,296
Total assets	677,983	627,135
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	874	1,181
Deferred items related to pensions (Note 10)	18,647	22,223
Deferred items related to OPEB (Notes 11 and 12)	8,991	5,640
Total deferred outflows of resources	28,512	29,044

(Continued)

Alameda County Water District
Statements of Net Position (Continued)
June 30, 2020 and 2019
(In thousands)

LIABILITIES	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	13,610	8,770
Accrued payroll and related liabilities (Note 6)	4,003	3,803
Contractor and customer deposits	12,642	14,722
Interest payable	218	229
Long-term debt - due within one year (Note 7)	3,102	3,941
Total current liabilities	<u>33,575</u>	<u>31,465</u>
Noncurrent liabilities:		
Accrued payroll and related liabilities (Note 6)	563	139
Long-term debt - due in more than one year (Note 7)	69,558	72,659
Net pension liability (Note 10)	69,755	74,534
Net OPEB liability (Notes 11 and 12)	27,738	29,259
Total noncurrent liabilities	<u>167,614</u>	<u>176,591</u>
Total liabilities	<u>201,189</u>	<u>208,056</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred items related to pensions (Note 10)	5,973	8,208
Deferred items related to OPEB (Notes 11 and 12)	2,525	779
Total deferred inflows of resources	<u>8,498</u>	<u>8,987</u>
NET POSITION		
Net investment in capital assets	370,256	346,877
Restricted for debt service	-	2,721
Unrestricted	126,552	89,538
Total net position	<u>\$ 496,808</u>	<u>\$ 439,136</u>

Alameda County Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019
(In thousands)

	2020	2019
OPERATING REVENUES:		
Water sales	\$ 116,230	\$ 108,576
Facilities connection charges	13,952	11,359
Fees and rental	559	585
Other	173	67
Total operating revenues	130,914	120,587
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	29,579	26,219
Pumping	1,613	1,600
Other	9,041	8,693
Total sources of supply	40,233	36,512
Water treatment	15,777	15,366
Transmission and distribution	15,990	16,427
Administration of customer accounts	2,029	1,895
Administration and general	17,534	13,276
Depreciation and amortization	14,499	14,060
Total operating expenses	106,062	97,536
Operating income	24,852	23,051
NONOPERATING REVENUES (EXPENSES):		
Investment income	8,971	7,367
Property taxes	12,023	9,746
Other nonoperating revenues	432	623
Other settlements	-	4
Gain on disposal of capital assets	63	33
Cost of issuance expense	(30)	(36)
Interest expense	(2,208)	(2,484)
Total nonoperating revenues (expenses)	19,251	15,253
Income before capital contributions	44,103	38,304
Capital contributions	13,569	8,313
Changes in net position	57,672	46,617
NET POSITION:		
Beginning of year	439,136	392,519
End of year	\$ 496,808	\$ 439,136

See accompanying Notes to the Basic Financial Statements.

Alameda County Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019
(In thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 126,546	\$ 121,681
Cash payments to suppliers for goods and services	(41,971)	(39,578)
Cash payments for employees pension benefits	(14,748)	(14,935)
Cash payments for employees OPEB benefits	(6,460)	(5,635)
Cash payments to employees for salaries and other benefits	(33,229)	(35,684)
Net cash provided by operating activities	30,138	25,849
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	11,314	10,080
Other nonoperating revenues	435	627
Net cash provided by noncapital financing activities	11,749	10,707
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(23,996)	(17,777)
Capital grants received restricted for capital purposes	7,565	3,594
Proceeds from sale of capital assets	70	58
Letter of credit issuance costs paid	(30)	(36)
Principal paid on debt	(3,634)	(3,505)
Interest paid on debt	(2,743)	(2,865)
Net cash used in capital and related financing activities	(22,768)	(20,531)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	37,690	43,928
Purchases of investments	(62,944)	(65,393)
Investment income received	3,862	3,119
Net cash used in investing activities	(21,392)	(18,346)
Net change in cash and cash equivalents	(2,273)	(2,321)
CASH AND CASH EQUIVALENTS:		
Beginning of year	34,919	37,240
End of year	<u>\$ 32,646</u>	<u>\$ 34,919</u>
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 205,126	\$ 174,044
Restricted investments	-	2,950
Less investments not meeting the definition of cash equivalents (Note 2B)	(172,480)	(142,075)
Total cash and cash equivalents	<u>\$ 32,646</u>	<u>\$ 34,919</u>

(Continued)

Alameda County Water District
Statements of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(In thousands)

	2020	2019
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 24,852	\$ 23,051
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,499	14,060
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer and other accounts receivable	(969)	(819)
Accrued unbilled receivable	(1,319)	(430)
Materials and supplies	(26)	(36)
Prepaid expenses	(72)	(13)
Accounts payable and accrued expenses	1,195	(2,446)
Accrued payroll and related liabilities	624	(50)
Contractor and customer deposits	(2,080)	2,343
Net pension liability and related pension deferred outflows/inflows of resources	(4,654)	(7,220)
Net OPEB liability and related OPEB deferred outflows/inflows of resources	(1,912)	(2,591)
Net cash provided by operating activities	<u>\$ 30,138</u>	<u>\$ 25,849</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of premiums and loss on debt refunding	\$ 1	\$ 2
Capital contributions	6,087	4,833
Capitalized interest	525	373
Changes in capital related assets and liabilities:		
Grants receivable	(83)	(114)
Accounts payable and retention payable	3,642	1,200
NONCASH INVESTING ACTIVITIES:		
Change in fair value of investments	(5,151)	(3,924)

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Alameda County Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 1 – Description of the Reporting Entity

A. Description of Operations

The Alameda County Water District (the “District”) was organized under the California County Water District 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 (“U.S. 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 and the debt compliance letter for the Authority may be obtained from the District office at 43885 South Grimmer Boulevard, Fremont, California, 94538.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation and Measurement Focus

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. Under the 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.

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, expenses, and capital contributions. 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).

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

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's 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. Quoted market price 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 since the earning process has been completed.

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.

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 thousand and an estimated useful life of more than one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits and overhead. For the years ended June 30, 2020 and 2019, the District financed certain capital projects and interest in the amount of \$525 and \$373 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 and equipment	10 years
Motor vehicles	5 years

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

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, except prepaid bond insurance costs. 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.

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 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, 2020 and 2019, the District recognized \$6,580 and \$6,130 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. 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, 2020 and 2019, the District recognized \$5,443 and \$3,615 of this State water property tax allocated amount.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which is the 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 and deferred outflows of resources 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”.

L. Pensions and OPEB

For purposes of measuring the net pension liability and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the District's Pension and OPEB Plans (Plans) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund Program (CERBT). 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.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

N. New GASB Pronouncements Adopted

During the fiscal year ended June 30, 2020, the District implemented the following accounting standards:

- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB Statement No. 95), to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of provisions in certain GASB Statements and Implementation Guides which became effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The District implemented GASB Statement No. 95 in the fiscal year ending June 30, 2020 and postponed the effective dates of the following GASB Statements:
 - GASB Statement No. 84, Fiduciary Activities
 - GASB Statement No. 87, Leases
 - GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
 - GASB Statement No. 90, Majority Equity Interests
 - GASB Statement No. 91, Conduit Debt Obligations
 - GASB Statement No. 92, Omnibus 2020
 - GASB Statement No. 93, Replacement of Interbank Offered Rates

O. Upcoming 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 January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 originally effective for the District's fiscal year ending June 30, 2020, has been postponed to fiscal year ending June 30, 2021.
- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 originally effective for the District's fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Upcoming New GASB Pronouncements (Continued)

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 originally effective for the District's fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement No. 90 originally effective for the District's fiscal year ending June 30, 2020, has been postponed to fiscal year ending June 30, 2021.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 originally effective for the District's fiscal year ending June 30, 2022, has been postponed to fiscal year ending June 30, 2023.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB Statement No. 92), to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. GASB Statement No. 92 originally effective for the District's fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB Statement No. 93), to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR) which is expected to cease to exist in its current form at the end of 2021. GASB Statement No. 93 originally effective for the District's fiscal year ending June 30, 2022, has been postponed to fiscal year ending June 30, 2023.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Upcoming New GASB Pronouncements (Continued)

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94) to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). GASB Statement No. 94 is effective for the District’s fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 is effective for the District’s fiscal year ending June 30, 2023.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB Statement No. 97), to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for the District’s fiscal year ending June 30, 2022.

Note 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

	2020	2019
Unrestricted cash and bank deposits	\$ 13,368	\$ 12,722
Unrestricted investments	191,758	161,322
Unrestricted cash and investments	205,126	174,044
Restricted investments	-	2,950
Total	\$ 205,126	\$ 176,994

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

B. Authorized Investments

The District's investment policy is adopted by the District's Board, in accordance with California Government Code Section 53601. The investment policy, which was last updated in June 2020, 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.

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.
- Asset-Backed, mortgage-backed, mortgage pass-through securities and collateralized mortgage obligations.
- Supranationals, provided that issues are US dollar denominated senior unsecured unsubordinated obligations or unconditionally guaranteed by the International Bank of Reconstructions and Development, International Finance Corporation, or Inter-American Development Bank.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

B. Authorized Investments (Continued)

A five year maximum maturity for each investment is allowed with the exception of those securities for which the California Government Code does not specify a maximum maturity limit, the District may purchase securities whose maturities do not exceed ten years. 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 and time deposits balances were \$13,368 and \$12,722 and the bank balances were \$15,688 and \$13,380 at June 30, 2020 and 2019, 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, 2020 and 2019.

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.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

D. Investments (Continued)

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, 2020 and 2019 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, 2020 and 2019, the District had unrestricted cash and investments of \$19,602 and \$4,816, respectively, invested in LAIF, which had invested 3.37% and 1.77% 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 \$100.9 billion and \$105.7 billion in its investment portfolio as of June 30, 2020 and 2019, respectively. The District valued its investments in LAIF as of June 30, 2020 and 2019, 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 1.004912795 and 1.001711790 as of June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, the District had unrestricted cash and investments in the CAMP pool of \$2,994 and \$20,483, respectively. The total amount invested by all public agencies in CAMP at June 30, 2020 and 2019 was \$6.6 billion and \$5.4 billion, 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.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

D. Investments (Continued)

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, 2020 and 2019:

Investments by Fair Value Level	June 30, 2020	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	June 30, 2019	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
U.S. Treasury securities	\$ 82,829	\$ 82,829	\$ 86,242	\$ 86,242
U.S. Government agency obligations	35,121	35,151	10,130	10,130
Medium-term notes	34,484	34,484	30,819	30,819
Municipal bonds	2,365	2,365	655	655
Asset-Backed securities	2,695	2,695	-	-
Supranational securities	1,794	1,794	-	-
Negotiable certificates of deposit	9,874	13,192	11,127	14,445
Total investments by fair value level	<u>169,162</u>	<u>\$ 172,510</u>	<u>138,973</u>	<u>\$ 142,291</u>
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	19,602		4,816	
California Asset Management Program	<u>2,994</u>		<u>20,483</u>	
Total investments not subject to fair value hierarchy	<u>22,596</u>		<u>25,299</u>	
Total investments measured at fair value	<u>\$ 191,758</u>		<u>\$ 164,272</u>	

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 the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 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, except in limited circumstances. At June 30, 2020 and 2019, the District’s investment pool had a weighted average maturity of 2.69 years and 2.67 years, respectively. The District invested \$19,678 and \$12,367 in callable notes, which was comprised of corporate medium-term notes, at June 30, 2020 and 2019, 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. See Note 3F for the District’s concentration of credit risk details.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 a third-party custodian in the District’s name, which is U.S. Bank.

F. Cash and Investments Composition

As of June 30, 2020, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			Less than 1	1-2 years	2-3 years	3-4 years	4-5 years
Unrestricted investments:							
U.S. Treasury securities	Aaa / AA+	\$ 82,829	\$ 3,758	\$ 22,623	\$ 29,840	\$ 14,132	\$ 12,476
U.S. Government agency obligations	Aaa / AA+	35,121	-	6,954	6,689	5,595	15,883
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	34,484	10,366	5,903	6,868	4,661	6,686
Municipal bonds	Aa3 / AA-	2,365	656	-	-	1,574	135
Asset-Backed securities	Aaa / AAA	2,695	579	1,234	882	-	-
Supranational	Aaa / AAA	1,794	-	-	-	-	1,794
Negotiable certificates of deposit	A1 to P-1/A+ to A-1	9,874	7,017	-	2,857	-	-
Local Agency Investment Fund	Not Rated	19,602	19,602	-	-	-	-
California Asset Management Program	Not Rated / AAAM	2,994	2,994	-	-	-	-
Total unrestricted investments		<u>191,758</u>	<u>44,972</u>	<u>36,714</u>	<u>47,136</u>	<u>25,962</u>	<u>36,974</u>
Total investments		<u>\$ 191,758</u>	<u>\$ 44,972</u>	<u>\$ 36,714</u>	<u>\$ 47,136</u>	<u>\$ 25,962</u>	<u>\$ 36,974</u>

As of June 30, 2020, the District does not have investments in a single issuer that represent 5% or more of the District’s unrestricted and restricted investment portfolios.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 3 – Cash and Investments (Continued)

F. Cash and Investments Composition (Continued)

As of June 30, 2019, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			Less than 1	1-2 years	2-3 years	3-4 years	4-5 years
Unrestricted investments:							
U.S. Treasury securities	Aaa / AA+	\$ 83,508	\$ 3,150	\$ 16,298	\$ 24,606	\$ 22,213	\$ 17,241
U.S. Government agency obligations	Aaa / AA+	9,914	1	-	4,027	-	5,886
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	30,819	4,918	10,407	7,743	5,578	2,173
Municipal bonds	A1 to Aa3 / A to AA-	655	-	655	-	-	-
Negotiable certificates of deposit	A1 to Aa2/A to A-1+	11,127	4,167	6,960	-	-	-
Local Agency Investment Funds	Not Rated	4,816	4,816	-	-	-	-
California Asset Management Program	Not Rated / AAAM	20,483	20,483	-	-	-	-
Total unrestricted investments		<u>161,322</u>	<u>37,535</u>	<u>34,320</u>	<u>36,376</u>	<u>27,791</u>	<u>25,300</u>
Restricted investments:							
U.S. Government agency obligations	Aaa / AAAM	216	216	-	-	-	-
U.S. Treasury securities	Aaa / AA+	2,734	2,734	-	-	-	-
Total restricted investments		<u>2,950</u>	<u>2,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments		<u>\$ 164,272</u>	<u>\$ 40,485</u>	<u>\$ 34,320</u>	<u>\$ 36,376</u>	<u>\$ 27,791</u>	<u>\$ 25,300</u>

As of June 30, 2019, the District did not have investments in a single issuer that represented 5% or more of the District's unrestricted and restricted investment portfolios.

Note 4 – Customer and Other Accounts Receivable

Customer and other accounts receivable were as follows:

	2020	2019
Utility service	\$ 7,040	\$ 6,365
Groundwater replenishment	67	10
Other	5,784	5,546
Allowance for doubtful accounts	(33)	(32)
Total customer and other accounts receivable, net	<u>\$ 12,858</u>	<u>\$ 11,889</u>

Other accounts receivable balance of \$5,784 and \$5,546 for June 30, 2020 and 2019, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 5 – Capital Assets

A. Summary of Capital Asset Activity

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ (1)	\$ -	\$ 9,609
Construction in progress	23,982	31,430	-	(9,976)	45,436
Capital assets, not being depreciated	<u>33,592</u>	<u>31,430</u>	<u>(1)</u>	<u>(9,976)</u>	<u>55,045</u>
Capital assets, being depreciated					
Source of supply	81,563	-	-	67	81,630
Pumping plant	25,353	-	-	232	25,585
Water treatment	166,153	-	-	552	166,705
Transmission and distribution	347,969	2,822	(21)	7,608	358,378
General	52,910	-	(247)	1,517	54,180
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	<u>694,808</u>	<u>2,822</u>	<u>(268)</u>	<u>9,976</u>	<u>707,338</u>
Less accumulated depreciation					
Source of supply	(44,650)	(1,385)	-	-	(46,035)
Pumping plant	(18,451)	(526)	-	-	(18,977)
Water treatment	(62,738)	(3,303)	-	-	(66,041)
Transmission and distribution	(140,745)	(6,582)	15	-	(147,312)
General	(29,451)	(2,067)	247	-	(31,271)
Supplemental water supply storage	(10,069)	(636)	-	-	(10,705)
Less accumulated depreciation	<u>(306,104)</u>	<u>(14,499)</u>	<u>262</u>	<u>-</u>	<u>(320,341)</u>
Capital assets, being depreciated, net	<u>388,704</u>	<u>(11,677)</u>	<u>(6)</u>	<u>9,976</u>	<u>386,997</u>
Total capital assets, net	<u>\$ 422,296</u>	<u>\$ 19,753</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 442,042</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 5 – Capital Assets (Continued)

A. Summary of Capital Asset Activity (Continued)

The District had various active construction projects as of June 30, 2020 including the following:

Rubber Dam #1 Fish Ladder	\$ 16,517
Shinn Pond Fish Screen	6,131
Various Other Active Projects (individually less than \$700)	5,879
Alvarado-Niles Spine Main	3,127
Customer Installation Jobs	2,334
Canyon Heights Tank Improvements	2,049
Rubber Dam No. 1 Replacement	2,014
Distribution PLC Replacement - Phase 2	1,522
Vallecitos Channel Betterments	1,368
Driscoll Road Pipeline Rehabilitation	1,142
Newark Desal Reverse Osmosis	1,129
Central Newark Pipeline Improvements	758
Kaiser Pond Diversion Pipeline Improvement	755
CMMS Software Implementation	711
Total	<u>\$ 45,436</u>

At June 30, 2020, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$51,492.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 5 – Capital Assets (Continued)

A. Summary of Capital Asset Activity (Continued)

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	29,305	21,980	-	(27,303)	23,982
Capital assets, not being depreciated	<u>38,915</u>	<u>21,980</u>	<u>-</u>	<u>(27,303)</u>	<u>33,592</u>
Capital assets, being depreciated					
Source of supply	68,404	-	-	13,159	81,563
Pumping plant	25,130	-	-	223	25,353
Water treatment	161,192	-	-	4,961	166,153
Transmission and distribution	337,274	2,205	(70)	8,560	347,969
General	52,682	-	(172)	400	52,910
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	<u>665,542</u>	<u>2,205</u>	<u>(242)</u>	<u>27,303</u>	<u>694,808</u>
Less accumulated depreciation					
Source of supply	(43,479)	(1,171)	-	-	(44,650)
Pumping plant	(17,874)	(577)	-	-	(18,451)
Water treatment	(59,508)	(3,230)	-	-	(62,738)
Transmission and distribution	(134,367)	(6,428)	50	-	(140,745)
General	(27,598)	(2,020)	167	-	(29,451)
Supplemental water supply storage	(9,435)	(634)	-	-	(10,069)
Less accumulated depreciation	<u>(292,261)</u>	<u>(14,060)</u>	<u>217</u>	<u>-</u>	<u>(306,104)</u>
Capital assets, being depreciated, net	<u>373,281</u>	<u>(11,855)</u>	<u>(25)</u>	<u>27,303</u>	<u>388,704</u>
Total capital assets, net	<u>\$ 412,196</u>	<u>\$ 10,125</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ 422,296</u>

Depreciation and amortization expense for capital assets for the years ended June 30, 2020 and 2019 were \$14,499 and \$14,060, respectively.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 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, 2020 and 2019 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$636 for the years ended June 30, 2020 and 2019.

The District has a storage allocation of 150,000 acre-feet and had approximately 143,826 and 141,793 acre-feet of water at June 30, 2020 and 2019, respectively.

E. 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 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.

Note 6 – Accounts Payable, Accrued Expenses and Accrued Payroll

Accounts payable and accrued expenses were as follows:

	2020	2019
Vendors	\$ 7,986	\$ 4,936
Retention payable	770	152
Installer's reimbursement	3,422	2,779
Other	1,432	903
Total	\$ 13,610	\$ 8,770

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, 2020 and 2019, were \$3,422 and \$2,779, 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. On May 1, 2019, the District discontinued the Facilities Reimbursement Charge which is the fee that funds the installer's reimbursement fund.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 6 – Accounts Payable, Accrued Expenses and Accrued Payroll (Continued)

Accrued payroll and related liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Accrued payroll	\$ 1,367	\$ 1,109
Accrued vacation	1,899	1,736
Accrued leave and other	<u>1,300</u>	<u>1,097</u>
Total	4,566	3,942
Less current portion	<u>(4,003)</u>	<u>(3,803)</u>
Long-term portion	<u>\$ 563</u>	<u>\$ 139</u>

Accrued vacation activity is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,737	\$ 1,919
Additions	1,860	1,852
Reduction	<u>(1,698)</u>	<u>(2,035)</u>
Balance, end of year	<u>\$ 1,899</u>	<u>\$ 1,736</u>

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

Note 7 – Long-Term Debt

Long-term debt activities for the fiscal year ended June 30, 2020 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$ 26,340	\$ 2,780	\$ -	\$ (2,780)	\$ -	\$ -	\$ -
Unamortized premium				119	-	(119)	-	-	-
2012 Water System Revenue Bonds	3.00 to 5.00	2041	45,240	43,385	-	(300)	43,085	2,335	40,750
Unamortized premium				2,119	-	(96)	2,024	96	1,928
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	25,850	-	(555)	25,295	580	24,715
Unamortized premium				2,347	-	(91)	2,256	91	2,165
Total Long-term Debt			<u>\$ 99,390</u>	<u>\$ 76,600</u>	<u>\$ -</u>	<u>\$ (3,941)</u>	<u>\$ 72,660</u>	<u>\$ 3,102</u>	<u>\$ 69,558</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 7 – Long-Term Debt (Continued)

Long-term debt activities for the fiscal year ended June 30, 2019 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning	Additions	Reductions	Ending	Current	Noncurrent
				Balance July 1, 2018			Balance June 30, 2019		
2009 Water System Refunding Revenue Bonds	2.00 to 5.00%	2020	\$ 26,340	\$ 5,470	\$ -	\$ (2,690)	\$ 2,780	\$ 2,780	\$ -
Unamortized premium				237	-	(118)	119	119	-
2012 Water System Revenue Bonds	3.00 to 5.00	2041	45,240	43,675	-	(290)	43,385	300	43,085
Unamortized premium				2,215	-	(96)	2,119	96	2,023
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	26,375	-	(525)	25,850	555	25,295
Unamortized premium				2,438	-	(91)	2,347	91	2,256
Total Long-term Debt			\$ 99,390	\$ 80,410	\$ -	\$ (3,810)	\$ 76,600	\$ 3,941	\$ 72,659

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 \$98,908. Principal and interest paid for the year ended June 30, 2020 and total net revenues as defined in the bond indentures were \$6,377 and \$55,337, respectively. Principal and interest paid for the year ended, June 30, 2019 and total net revenues as defined in the bond indentures were \$6,370 and \$51,232 respectively.

The debt service requirements for the Water System Revenue Bonds at June 30, 2020 were as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 2,915	\$ 2,614	\$ 5,529
2022	3,010	2,469	5,479
2023	3,105	2,318	5,423
2024	3,220	2,162	5,382
2025	3,340	2,028	5,368
2026-2030	15,280	8,328	23,608
2031-2035	12,780	6,079	18,859
2036-2040	15,385	3,564	18,949
2041-2045	9,345	966	10,311
Total	\$ 68,380	\$ 30,528	\$ 98,908

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 7 – Long-Term Debt (Continued)

Letter of Credit

The District entered into a one-year, unsecured \$10.0 million revolving credit agreement with JP Morgan Chase Bank on December 27, 2017 for the purpose of borrowing funds when needed to respond to a declared emergency. The agreement was subsequently amended and renewed on December 26, 2018 and December 9, 2019. With the second amendment, the commitment fee rate assessed against any unused portion of the line of credit increased from 0.25% to 0.35%. Any funds borrowed must be repaid by December 24, 2020 unless a later date is negotiated. Interest will be assessed on any funds borrowed under the line of credit at the London interbank offered rate (LIBOR) plus 0.55% for taxable loans and 85.1% of LIBOR plus 0.6685% for tax-exempt loans. The District did not borrow against the line of credit as of June 30, 2020 and 2019.

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, 2020 and 2019.

Note 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 Association of California Water Agencies Joint Powers Insurance Authority Worker’s Compensation and Property and Liability Insurance Programs for risk of loss. These programs provide worker’s compensation, general liability, property, auto, boiler and machinery, employment practices liability, employee and public official’s dishonesty coverage, employment benefits liability, cyber liability, employee and public official errors and omissions and public official personal liability insurance coverage.

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, 2020 are as follows:

Coverage Description	Deductibles	Coverage
General, Auto & Public Officials Errors & Omissions Liability	\$ -	\$ 55,000
Property	\$ 50	\$ 500,000
Workers' Compensation	\$ -	Statutory
Employee Dishonesty	\$ 1	\$ 1,000
Underground Storage Tank Liability	\$ 10	\$ 3,000

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 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. In February 2019, the District and the State amended the contract to extend the term of the contract to 2085. The District’s actual State Water Project water purchases for the fiscal years ended June 30, 2020 and 2019 were approximately 22,062 and 20,220 acre-feet, respectively. Since 2012, the maximum annual Table A Allocation has been 42,000 acre-feet. In any year when the Table A Allocation is in excess of the District’s needs, the State will attempt to sell such excess and credit the District or store the water for future use. The costs to the District for water purchased under this contract for the fiscal years ended June 30, 2020 and 2019 were approximately \$9,567 and \$7,441, respectively, and were charged to operations as incurred.

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 \$154,200 as of June 30, 2020.

Year Ending June 30,	State Water Purchase Commitment
2021	\$ 9,888
2022	10,024
2023	9,945
2024	9,900
2025	9,931
2026 - 2030	49,547
2031 - 2035	49,859
2036	5,106
Total Water Purchase	\$ 154,200

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 9 – Commitments (Continued)

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 the fiscal years ended June 30, 2020 and 2019 were approximately \$17,733 and \$16,918, 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. The District purchased 8,747 and 8,598 acre-feet of water for the fiscal years ended June 30, 2020 and 2019, respectively. For the fiscal year ending June 30, 2021, the District expects to purchase 8,858 acre-feet (291 acre-feet above the required minimum of 8,567 acre-feet) at an estimated cost of \$17,888.

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 for 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 SFPUC 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 the fiscal year ended June 30, 2020 is \$24,674. 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, 2020 water use will be included in the fiscal year ending June 30, 2022 bond surcharge. The District’s fiscal year ended June 30, 2020 bond surcharge was \$1,710, which includes a true-up adjustment of \$190. The District’s estimated bond surcharge for fiscal year ending June 30, 2021 is \$1,701, which includes a true-up adjustment of \$186. Audited financial statements for BAWSCA may be obtained from BAWSCA at 155 Bovet Road Suite 650, San Mateo, California, 94402.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 9 – Commitments (Continued)

Delta Conveyance Finance Authority - On July 3, 2018, the District along with two other agencies formed the Delta Conveyance Finance Authority (“DCFA”). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a delta conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according water allocations. The District has a 1% share of State Water Project Table A allocations, but the District’s actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed executive order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 the California Department of Water Resources (“DWR”) withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor’s vision. DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024.

Litigation – In the normal course of business, the agencies to which the District has financial commitments may be subject to various lawsuits related to their operations to provide water to the District and their other customers. From time-to-time damages may be sought in those lawsuits. Neither the ultimate outcome of these lawsuits nor the potential financial responsibility of the District should there be an adverse outcome are presently determinable.

Note 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 (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/.

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) agreement for employees in its Management, Confidential and Professional group that are CalPERS classic members. Under this agreement, the District pays 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as an additional contribution. For the fiscal years ended June 30, 2020 and 2019, the District’s EPMC was \$263 and \$281, respectively.

The State passed the California Employees’ Pension Reform Act (PEPRA), which became effective on January 1, 2013. PEPRA changes included 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 then in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA. The employees normal contribution to CalPERS for PEPRA members is 7%

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

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 Employees’ Retirement Law.

The Plan’s provisions and benefits in effect for the fiscal years ended June 30, 2020 and 2019 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013 ⁽¹⁾
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
Earliest 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, June 30, 2020 ⁽²⁾	20.448%	14.433%
Required employer contribution rates, June 30, 2019 ⁽²⁾	11.230%	11.230%

(1) For "new members" as defined by the Public Employee's Pension Reform Act (PEPRA)

(2) Excludes contribution payments for unfunded liability

At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees receiving benefits	222	248
Inactive employees entitled to but not yet receiving benefits	96	91
Active members	253	217
Total	571	556

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

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

B. Net Pension Liability

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 the fiscal years ended June 30, 2020 and 2019 at an actuarially determined rate of 20.448% and 11.230% for classic members, and at a rate of 14.433% and 11.230% for new members, of annual covered payroll for the District’s employees, which amounted to \$8,773 and \$8,052, respectively. In addition to the required contributions, the District made supplementary payments in the fiscal years ended June 30, 2020 and 2019 of \$5,975 and \$6,883, respectively. These supplementary contributions were made to finance the unfunded accrued 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, 2020 and 2019 were measured as of June 30, 2019 and 2018 (measurement date), using an annual actuarial valuation of June 30, 2018 and 2017, respectively.

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

	2020	2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	Varies depending on Age, Service, and Type of Employment	Varies depending on Age, Service, and Type of Employment
Mortality*	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

* The probabilities of mortality are based on the 2017 CalPERS Experience Study report based on demographic data from 1997 to 2015.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011 including updates to salary, increased mortality and retirement date. 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, 2019 and 2018 was 7.15 percent. 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 deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund agent multiple-employer plan for the June 30, 2019 and 2018 measurement dates, 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
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 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 7.15 percent used for the June 30, 2019 and June 30, 2018 measurement date, respectively, is without a reduction for pension plan administrative expense.

CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management review cycle. 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.

The tables below reflect the long-term expected real rate of return by asset class. The rate of returns were calculated using the capital market assumptions applied to determine the discount rates and asset allocations.

The assumed asset allocation for the June 30, 2019 measurement date was as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

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

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

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

B. Net Pension Liability (Continued)

The assumed asset allocation for the June 30, 2018 measurement date was as follows:

Asset Class	Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period

(b) An expected inflation of 3.00% used for this period

C. Changes in the Net Pension Liability

The following table shows the changes in the net pension liability for the fiscal year ended June 30, 2020:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2019	\$ 260,359	\$ 185,825	\$ 74,534
Changes in the year:			
Service cost	5,298	-	5,298
Interest on the total pension liability	18,437	-	18,437
Differences between expected and actual experience	999	-	999
Contributions from the employer	-	14,935	(14,935)
Contributions from employees	-	2,140	(2,140)
Net investment income	-	12,570	(12,570)
Benefit payments, including refunds of employee contributions	(12,284)	(12,284)	-
Administrative expense	-	(132)	132
Net changes	12,450	17,229	(4,779)
Balance at June 30, 2020	\$ 272,809	\$ 203,054	\$ 69,755

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

C. Changes in the Net Pension Liability (Continued)

The following table shows the changes in the net pension liability for the year ended June 30, 2019:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2018	\$ 257,678	\$ 170,425	\$ 87,253
Changes in the year:			
Service cost	4,994	-	4,994
Interest on the total pension liability	17,594	-	17,594
Changes in assumptions	(8,036)	-	(8,036)
Differences between expected and actual experience	(263)	-	(263)
Contributions from the employer	-	10,882	(10,882)
Contributions from employees	-	2,142	(2,142)
Net investment income	-	14,754	(14,754)
Benefit payments, including refunds of employee contributions	(11,608)	(11,608)	-
Administrative expense	-	(266)	266
Other miscellaneous income/expense	-	(504)	504
Net changes	2,681	15,400	(12,719)
Balance at June 30, 2019	\$ 260,359	\$ 185,825	\$ 74,534

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, 2019 and 2018 measurement dates, calculated using the discount rate of 7.15 percent as of June 30, 2019 and 2018 measurement dates, respectively. As well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the rate at the measurement date:

Net Pension Liability	Discount Rate - 1% Current Discount Discount Rate + 1%		
	6.15%	7.15%	8.15%
June 30, 2019 measurement date	\$ 107,120	\$ 69,755	\$ 38,968
June 30, 2018 measurement date	\$ 110,495	\$ 74,534	\$ 44,925

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

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

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

For the fiscal years ended June 30, 2020 and 2019, the District recognized a pension expense of \$11,310 and \$7,708 for the Plan, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,748	\$ -
Changes of assumptions	3,150	(4,018)
Differences between expected and actual experience	749	(790)
Net differences between projected and actual earnings on plan investments	-	(1,165)
Total	<u>\$ 18,647</u>	<u>\$ (5,973)</u>

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,929	\$ -
Changes of assumptions	7,087	(6,027)
Differences between expected and actual experience	-	(2,181)
Net differences between projected and actual earnings on plan investments	207	-
Total	<u>\$ 22,223</u>	<u>\$ (8,208)</u>

The \$14,748 and \$14,929 reported as deferred outflows of resources at June 30, 2020 and 2019, 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 fiscal years ended June 30, 2021 and 2020, 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 Ending June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,266
2021	(3,430)
2022	(86)
2023	176
2024	-
Total	<u>\$ (2,074)</u>

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 10 – Pension Plans (Continued)

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 \$232 and \$285 in the fiscal years ended June 30, 2020 and 2019, 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.

Note 11 – Other Postemployment Benefits – Retiree Health Care

A. General Information about the Other Postemployment Benefits Plan

Plan Descriptions - 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”), an agent multiple-employer postemployment benefits plan, to prefund the District’s other postemployment benefits (“OPEB”). CalPERS and CERBT issue publicly available financial reports that can be obtained at <https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt> and at www.calpers.ca.gov/.

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.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

A. General Information about the Other Postemployment Benefits Plan (Continued)

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

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

On January 1, 2019, the District implemented a Defined Contribution Retiree Health Benefit Plan effective for all employees hired on or after January 1, 2019. The District will utilize a Retiree Health Reimbursement Arrangement (“RHRA”) to contribute up to 2 percent of \$120 annually into each eligible employee’s account. Employees are eligible to participate in the RHRA after completion of probation, which is generally six months after the date of hire, and through separation from the District. Employees are not required or allowed to contribute to the RHRA. As of June 30, 2020 and 2019, the District contributed \$60 and \$0 to the RHRA, respectively.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

A. General Information about the Other Postemployment Benefits Plan (Continued)

Benefits Provided - The District provides dental benefits to employees who retired from District service and their eligible dependents at the same cost as for active employees. Benefits related costs are not shared with inactive 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. Benefit provisions under OPEB are established or may be amended by State statute and District resolution.

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.

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.

At June 30, 2020, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries receiving benefits	203	193
Inactive employees entitled to but not yet receiving benefits	6	4
Active members	199	195
Total	408	392

Contributions – The District makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). For the fiscal years ended June 30, 2020 and June 30, 2019, the District contributed \$5,057 and \$3,863, respectively. District employees are not required to contribute to the plan. In addition to the required contributions, the District made supplementary payments in the fiscal years ended June 30, 2020 and 2019 of \$1,212 and \$1,271, respectively. These supplementary contributions were made to finance the unfunded accrued liability

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

B. Net OPEB Liability

The District’s net OPEB liability is measured as the total OPEB liability, less the OPEB plan’s fiduciary net position. The net OPEB liability as of June 30, 2020 and 2019 were measured as of June 30, 2019 and 2018 (measurement date), using an annual actuarial valuation as of June 30, 2019 and 2017. A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

Actuarial Assumptions – The total OPEB liability was determined using the following actuarial assumptions:

	2020	2019
Valuation Date	June 30, 2019	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.50%	2.75%
Medical trend	6.5% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years	Non-Medicare: 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Investment Rate of Return ⁽¹⁾	6.75%	6.75%
Mortality	Derived using the MacLeod Watts Scale 2018 ⁽²⁾	Derived using CalPERS' Membership Data for all Funds ⁽³⁾

⁽¹⁾ Net of investment expenses

⁽²⁾ The probabilities of mortality were developed from a blending of data from the Scale MP-2017 report and the 2017 Annual Report of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.

⁽³⁾ The probabilities of mortality are based on the CalPERS Experience Study for the period from 1997 to 2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2017.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 and June 30, 2018 was 6.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

B. Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB plan investments was 6.75% for fiscal years ended June 30, 2020 and 2019. The asset class target allocation and geometric real rates of return for each major asset class as of June 30, 2019 measurement date are summarized in the following table.

Asset Class	Asset Class Target Allocation	Expected Real Rate of Return
Global Equity	59.00%	4.80%
Fixed Income	25.00%	1.10%
TIPS	5.00%	0.25%
Commodities	3.00%	1.50%
REITs	8.00%	3.20%
Total	<u>100.00%</u>	

The assumed asset allocation and geometric real rates of return for the June 30, 2018 measurement date were as follows:

Asset Class	Asset Class Target Allocation	Expected Real Rate of Return
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	<u>100.00%</u>	

Alameda County Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

C. Changes in the Net OPEB Liability

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2020.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 54,127	\$ 26,466	\$ 27,661
Changes in the year:			
Service cost	1,539	-	1,539
Interest on the total OPEB liability	3,669	-	3,669
Contributions from the employer	-	5,134	(5,134)
Net investment income	-	1,841	(1,841)
Benefit payments, including refunds of employee contributions	(1,935)	(2,616)	681
Administrative expense	-	(6)	6
Net changes	<u>3,273</u>	<u>4,353</u>	<u>(1,080)</u>
Balance at June 30, 2020	<u>\$ 57,400</u>	<u>\$ 30,819</u>	<u>\$ 26,581</u>

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 51,861	\$ 20,503	\$ 31,358
Changes in the year:			
Service cost	1,393	-	1,393
Interest on the total OPEB liability	3,506	-	3,506
Contributions from the employer	-	6,617	(6,617)
Net investment income	-	2,020	(2,020)
Benefit payments, including refunds of employee contributions	(2,633)	(2,633)	-
Administrative expense	-	(41)	41
Net changes	<u>2,266</u>	<u>5,963</u>	<u>(3,697)</u>
Balance at June 30, 2019	<u>\$ 54,127</u>	<u>\$ 26,466</u>	<u>\$ 27,661</u>

Alameda County Water District
Notes to Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

C. Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District as of the measurement date, calculated using the discount rate of 6.75 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current discount rate:

Net OPEB Liability	Discount Rate - 1% 5.75%	Current Discount 6.75%	Discount Rate + 1% 7.75%
June 30, 2019 measurement date	\$ 33,954	\$ 26,581	\$ 20,503
June 30, 2018 measurement date	\$ 34,591	\$ 27,661	\$ 21,915

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Net OPEB Liability	Healthcare Trend Rate - 1%	Healthcare Cost Trend Rate	Healthcare Trend Rate + 1%
June 30, 2019 measurement date	\$ 20,056	\$ 26,581	\$ 34,567
June 30, 2018 measurement date	\$ 20,896	\$ 27,661	\$ 35,986

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

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2020 and 2019, the District recognized an OPEB expense of \$3,247 and \$2,949 for the OPEB plan, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 6,274	\$ -
Changes of Assumptions	2,531	
Differences between expected and actual experiences	-	(1,977)
Net differences between projected and actual earnings on plan investments	-	(487)
Total	<u>\$ 8,805</u>	<u>\$ (2,464)</u>
June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,139	\$ -
Net differences between projected and actual earnings on plan investments	-	(742)
Total	<u>\$ 5,139</u>	<u>\$ (742)</u>

Alameda County Water District
Notes to Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The \$6,274 and \$5,139 reported as deferred outflows of resources at June 30, 2020 and 2019, respectively, relates to contributions made subsequent to the District’s measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal years ended June 30, 2021 and 2020, respectively. The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (97)
2022	(97)
2023	82
2024	133
2025	46
Total	<u>\$ 67</u>

Note 12 – Other Postemployment Benefits – MCP Bonus Program

A. General Information about the MCP Bonus Program

Plan Description - The MCP Bonus Program (the Program) is a single-employer plan, which provides a bonus to eligible employees in the Management/ Confidential/ Professional (MCP) group hired by the District before 2001. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided - 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. On January 1, 2001, the District closed the MCP bonus program to new participants. Employees hired or promoted to MCP classifications prior to December 31, 2000 are still eligible for the MCP bonus. At June 30, 2020 and 2019, the District had 15 and 16 eligible members, respectively, in this closed program.

Contributions - The District makes contributions on a pay-as-you-go basis, funding the full amount of the bonus to the employee upon termination of employment with the District. For the fiscal years ended June 30, 2020 and June 30, 2019, the District contributed \$186 and \$501, respectively. District employees are not required to contribute to the plan.

Alameda County Water District
Notes to Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 12 – Other Postemployment Benefits – MCP Bonus Program

B. Net OPEB Liability for the MCP Bonus Program

The District's total OPEB liability for the Program is measured as the total OPEB liability, less the Program's fiduciary net position. The Program's net OPEB liability as of June 30, 2020 and 2019 were measured as of June 30, 2019 and 2018 (measurement date), using an annual actuarial valuation of June 30, 2019 and 2017. A summary of principal assumptions and methods used to determine the net OPEB liability for the Program is as follows:

Actuarial Assumptions - The total OPEB liability for the Program was determined using the following actuarial assumptions:

	2020	2019
Valuation Date	June 30, 2019	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Assumptions:		
Discount Rate	3.51%	3.87%
Inflation	2.50%	2.75%
Salary Increases	Aggregate: 3.00%	Aggregate: 3.00%
	Merit: CalPERS 1997-2015 experience study	Merit: CalPERS 1997-2015 experience study
Mortality	Lump sum payable at retirement	Derived using CalPERS' Membership Data for all Funds*

* The probabilities of mortality are based on the CalPERS Experience Study for the period from 1997 to 2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2017.

Discount Rate - The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the CalPERS actuarial experience study for the period of 1997-2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2018.

C. Changes in the Net OPEB Liability for the MCP Bonus Program

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2020.

	Net OPEB Liability
Balance at July 1, 2019	\$ 1,598
Changes in the year:	
Service cost	42
Interest on the total OPEB liability	54
Changes in assumptions	(36)
Benefit payments	(501)
Net changes	(441)
Balance at June 30, 2020	\$ 1,157

Alameda County Water District
Notes to Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)

C. Changes in the Net OPEB Liability for the MCP Bonus Program (Continued)

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2019.

	Net OPEB Liability
Balance at July 1, 2018	\$ 1,505
Changes in the year:	
Service cost	50
Interest on the total OPEB liability	56
Changes in assumptions	(13)
Benefit payments	-
Net changes	93
Balance at June 30, 2019	\$ 1,598

Change of assumptions reflect a change in the discount rate from 3.87% in 2019 to 3.51% in 2020.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District as of June 30, 2019 and 2018 measurement dates, calculated using the discount rate of 3.51 and 3.87 percent, respectively. As well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate at the measurement date:

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
Net OPEB Liability	2.51%	3.51%	4.51%
June 30, 2019 measurement date	\$ 1,190	\$ 1,157	\$ 1,122
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
Net OPEB Liability	2.87%	3.87%	4.87%
June 30, 2018 measurement date	\$ 1,644	\$ 1,598	\$ 1,552

The total OPEB liability of the Program is not dependent on healthcare trend.

Alameda County Water District
Notes to Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)

D. MCP Bonus Program OPEB Expense and Deferred Outflows/Inflows of Resources

For the fiscal years ended June 30, 2020 and 2019, the District recognized an OPEB expense of \$82 and \$98, respectively, for the OPEB plan. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 186	\$ -
Changes of assumptions	-	(61)
Total	\$ 186	\$ (61)
June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 501	\$ -
Changes of assumptions	-	(37)
Total	\$ 501	\$ (37)

The \$186 and \$501 reported as deferred outflows at June 30, 2020 and 2019, relate to contributions made subsequent to the District's measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal years ended June 30, 2021 and 2020, respectively.

The changes in assumption reported as deferred inflows of resources related to the Program will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Inflows of Resources
2021	\$ (14)
2022	(14)
2023	(14)
2024	(10)
2025	(6)
Thereafter	(2)
Total	\$ (60)

Note 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. The District does not have any outstanding claims, which are covered by insurance, that have a deductible amount. 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.

Alameda County Water District
Notes to Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in thousands)

Note 14 – Contingencies

In December 2019, a novel strain of coronavirus spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain it.

On March 16, 2020, the District halted all collection activities in accordance with California's Governor Executive Order N-40-42, which suspended the authority of water utility agencies to disconnect customer for non-payment until further notice. While ceasing of collections and the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Consequently, the related financial impact on District and the duration cannot be estimated at this time.

Note 15 – Subsequent Events

The District has evaluated subsequent events through **October XX, 2020**, the date the basic financial statements were issued, and determined that no subsequent events have occurred that would require recognition in the basic financial statements or disclosure in the Notes to the basic financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 5,298	\$ 4,994	\$ 4,965	\$ 4,373	\$ 4,405	\$ 4,362
Interest on total pension liability	18,437	17,594	17,393	16,868	16,216	15,453
Changes in assumptions	-	(8,036)	14,961	-	(4,141)	-
Differences between expected and actual experience	999	(263)	(3,129)	(2,173)	(377)	-
Benefit payments, including refunds of employee contributions	(12,284)	(11,608)	(10,939)	(10,267)	(9,527)	(9,246)
Net change in total pension liability	12,450	2,681	23,251	8,801	6,576	10,569
Total pension liability - beginning	260,359	257,678	234,427	225,626	219,050	208,481
Total pension liability - ending	\$ 272,809	\$ 260,359	\$ 257,678	\$ 234,427	\$ 225,626	\$ 219,050
Plan fiduciary net position						
Contributions - Employer	\$ 14,935	\$ 10,882	\$ 7,130	\$ 6,518	\$ 6,023	\$ 5,747
Contributions - Employee	2,140	2,142	2,009	1,938	1,955	2,587
Net investment income	12,570	14,754	17,349	837	3,485	23,005
Benefit payments, including refunds of employee contributions	(12,284)	(11,608)	(10,939)	(10,267)	(9,527)	(9,246)
Administrative expense	(132)	(266)	(229)	(95)	(176)	-
Other miscellaneous expense	-	(504)	-	-	-	-
Net change in plan fiduciary net position	17,229	15,400	15,320	(1,069)	1,760	22,093
Plan fiduciary net position - beginning	185,825	170,425	155,105	156,174	154,414	132,321
Plan fiduciary net position - ending	\$ 203,054	\$ 185,825	\$ 170,425	\$ 155,105	\$ 156,174	\$ 154,414
Plan net pension liability - ending	\$ 69,755	\$ 74,534	\$ 87,253	\$ 79,322	\$ 69,452	\$ 64,636
Plan fiduciary net position as a percentage of the total pension liability	74.43%	71.37%	66.14%	66.16%	69.22%	70.49%
Covered payroll	\$ 27,249	\$ 25,856	\$ 24,682	\$ 24,306	\$ 24,347	\$ 22,948
Plan net pension liability as a percentage of covered payroll	255.99%	288.27%	353.51%	326.35%	285.26%	281.66%

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 – None in 2020. In 2019, demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2018, the discount rate changed from 7.65 percent (net of administrative expense) in 2016 and 2017 to 7.15 percent. The rate in 2015 was 7.50 percent.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, which utilized the measurement period ended June 30, 2014. Therefore, only six years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Employer Pension Contributions
Six Year Trend Information*
(Dollars in thousands)

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 8,773	\$ 8,052	\$ 7,752	\$ 7,130	\$ 6,526	\$ 6,213
Contributions in relation to the actuarially determined contribution	(14,748)	(14,935)	(10,882)	(7,130)	(6,526)	(6,213)
Contribution deficiency (excess)	<u>\$ (5,975)</u>	<u>\$ (6,883)</u>	<u>\$ (3,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 27,249	\$ 25,856	\$ 24,682	\$ 24,306	\$ 24,347	\$ 22,948
Contributions as a percentage of covered payroll	32.197%	31.143%	31.409%	29.335%	26.804%	27.074%
Actuarially determined contribution for fiscal year	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal 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	15 year smoothed market	15 year smoothed market	15 year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	3.20% to 12.20% depending on Age, Service, and Type of Employment	3.20% to 12.20% depending on Age, Service, and Type of Employment	3.20% to 12.20% depending on Age, Service, and Type of Employment	3.20% to 12.20% 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	7.375%, net of pension plan investment and administrative	7.375%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative	7.50%, net of pension plan investment and administrative
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	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 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include annual projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include annual projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include annual projected mortality improvement using Scale BB 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.	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, which utilized the measurement period ended June 30, 2014. Therefore, only six years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Changes in Net OPEB Liability and Related Ratios
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – Retiree Health Care

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 1,539	\$ 1,393	\$ 1,353
Interest on total OPEB liability	3,669	3,506	3,361
Benefit payments, including refunds of employee contributions	(1,935)	(2,633)	(2,581)
Net change in total OPEB liability	3,273	2,266	2,133
Total OPEB liability - beginning	54,127	51,861	49,728
Total OPEB liability - ending	\$ 57,400	\$ 54,127	\$ 51,861
Plan fiduciary net position			
Contributions - Employer	\$ 5,134	\$ 6,617	\$ 4,319
Net investment income	1,841	2,020	2,077
Benefit payments, including refunds of employee contributions	(2,616)	(2,633)	(2,581)
Administrative expense	(6)	(41)	(11)
Net change in plan fiduciary net position	4,353	5,963	3,804
Plan fiduciary net position - beginning	26,466	20,503	16,699
Plan fiduciary net position - ending	\$ 30,819	\$ 26,466	\$ 20,503
Plan net OPEB liability - ending	\$ 26,581	\$ 27,661	\$ 31,358
Plan fiduciary net position as a percentage of the total OPEB liability	53.69%	48.90%	39.53%
Covered-employee payroll	\$ 36,032	\$ 32,481	\$ 32,825
Plan net OPEB liability as a percentage of covered-employee payroll	73.77%	85.16%	95.53%

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.

Changes in assumptions – In 2020, the mortality assumption was updated to MacLeod Watts Scale 2018 from the Scale MP-2017 used in 2019. There were no changes in assumptions in 2019 and 2018

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only three years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – MCP Bonus Program

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 42	\$ 50	\$ 54
Interest on total OPEB liability	54	56	46
Changes in assumptions	(36)	(13)	(38)
Benefit payments, including refunds of employee contributions	(501)	-	(255)
Net change in total OPEB liability	(441)	93	(193)
Total OPEB liability - beginning	1,598	1,505	1,698
Total OPEB liability - ending	\$ 1,157	\$ 1,598	\$ 1,505
Covered-employee payroll	\$ 2,092	\$ 3,269	\$ 3,335
Plan net OPEB liability as a percentage of covered-employee payroll	55.31%	48.88%	45.13%

Notes to Schedule:

Changes in assumptions – The change in assumptions reflect the effects of changes in the discount rate from 3.87 percent in 2019 to 3.51 percent in 2020.

The discount rate changed from 3.58 percent in 2018 to 3.87 percent in 2019 and from from 2.85 percent in 2017 to 3.58 in 2018. In addition, the inflation rate decreased from 2.75 percent in 2019 to 2.5 percent in 2020.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only three years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Employer OPEB Contributions
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – Retiree Health Care

	2020	2019	2018
Actuarially determined contribution	\$ 3,308	\$ 3,503	\$ 4,101
Contributions in relation to the actuarially determined contribution	(6,274)	(5,139)	(6,617)
Contribution deficiency (excess)	<u>\$ (2,966)</u>	<u>\$ (1,636)</u>	<u>\$ (2,516)</u>
Covered-employee payroll	\$ 34,876	\$ 36,032	\$ 32,481
Contributions as a percentage of covered-employee payroll	9.486%	9.723%	12.627%
Actuarially determined contribution for fiscal year	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date:	June 30, 2019	June 30, 2017	June 30, 2015
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	20 year fixed period
Discount rate	6.75%	6.75%	7.25%
Inflation	2.50%	2.75%	3.00%
Payroll increases	Aggregate increases of 3.00%	Aggregate increases of 3.00%	Aggregate increases of 3.25%
Mortality	Based on CalPERS 1997-2015 experience study	Based on CalPERS 1997-2015 experience study	Based on CalPERS 1997-2011 experience study
Mortality improvement	Post-retirement mortality improvement Scale MP-2017	Post-retirement mortality improvement Scale MP-2017	Mortality projected fully generational with Scale MP-14 with 15 year convergence in 2022

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only three years of information is shown..

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Employer OPEB Contributions (Continued)
Three Year Trend Information *
(Dollars in thousands)

Other Postemployment Benefits – MCP Bonus Program

	2020	2019	2018
Actuarially determined contribution	\$ 186	\$ 501	\$ -
Contributions in relation to the actuarially determined contribution	(186)	(501)	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,092	\$ 3,269	\$ 3,335
Contributions as a percentage of covered-employee payroll	8.892%	15.327%	0.000%
Actuarially determined contribution for fiscal year	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date:	June 30, 2019	June 30, 2017	June 30, 2016
Discount rate	2.75%	3.87%	3.58%
Inflation	2.75%	2.75%	2.75%
Payroll increases	Aggregate 3.00%	Aggregate 3.00%	Aggregate 3.00%
Mortality	Derived using CalPERS' Membership data for all Funds	Derived using CalPERS' Membership data for all Funds	Derived using CalPERS' Membership data for all Funds

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No 75, which utilized a measurement period ended June 30, 2017. Therefore, only three years of information is shown.

STATISTICAL SECTION

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STATISTICAL SECTION

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.

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Financial Trends

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These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

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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.

Debt Capacity

84

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.

Demographic and Economic Information

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

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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.

Alameda County Water District
Table 1
Ten Year Summary of Revenues, Expenses and Rate Increases (Unaudited)
(in thousands)

	2010/11	2011/12	2012/13	2013/14	2014/15
OPERATING REVENUES:					
Water Sales	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135
Facilities Connection Charges	1,892	2,118	1,977	3,494	1,920
Other Revenue	1,559	1,662	1,914	2,109	749
TOTAL OPERATING REVENUES	<u>66,047</u>	<u>73,878</u>	<u>80,794</u>	<u>86,684</u>	<u>82,804</u>
OPERATING EXPENSES:					
Source of Supply:					
Water Purchases	14,402	18,747	21,367	23,427	23,659
Pumping	3,116	3,338	2,954	2,763	1,876
Other	8,819	8,875	8,828	10,215	8,189
Water Treatment	12,464	12,119	12,586	12,584	15,646
Transmission and Distribution	11,343	10,953	10,650	10,934	13,552
Administration of Customer Accounts	1,507	1,390	1,680	1,832	1,793
Administration and General	6,172	9,679	11,965	13,090	10,551
Depreciation and Amortization	12,462	12,262	12,845	12,624	13,417
TOTAL OPERATING EXPENSES	<u>70,285</u>	<u>77,363</u>	<u>82,875</u>	<u>87,469</u>	<u>88,683</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Income	1,416	672	(46)	1,217	1,098
Property Taxes	7,256	7,936	7,917	7,654	9,547
Other Revenues (1)	450	215	68	47	11
Other Expenses/Loss on Disposal	(2,060)	(3,879)	(2,133)	(1,624)	(2,682)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>7,062</u>	<u>4,944</u>	<u>5,806</u>	<u>7,294</u>	<u>7,974</u>
Capital Contributions	<u>3,677</u>	<u>2,849</u>	<u>5,529</u>	<u>2,767</u>	<u>3,023</u>
Increase in Net Position	<u>\$ 6,501</u>	<u>\$ 4,308</u>	<u>\$ 9,254</u>	<u>\$ 9,276</u>	<u>\$ 5,118</u>
% Water Rate Increase (of latter FY)	8.00	8.00*	17.1*	7.00	8.00*
Number of Employees (2)	226	225	229	238	230

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

(2) Employees as of June 30, 2020.

Source: Alameda County Water District Finance Department

*Average residential customer increase (represents blended commodity and service charge adjustments and applicable surcharges). Refer to Table 8 - Historical Water Rates.

Alameda County Water District
Table 1 (Continued)
Ten Year Summary of Revenues, Expenses and Rate Increases (Unaudited)
(in thousands)

	2015/16	2016/17	2017/18	2018/19	2019/20
OPERATING REVENUES:					
Water Sales	\$ 81,776	\$ 86,263	\$ 104,447	\$ 108,576	\$ 116,230
Facilities Connection Charges	5,186	11,467	10,428	11,359	13,952
Other Revenue	840	1,099	736	652	732
TOTAL OPERATING REVENUES	<u>87,802</u>	<u>98,829</u>	<u>115,611</u>	<u>120,587</u>	<u>130,914</u>
OPERATING EXPENSES:					
Source of Supply:					
Water Purchases	24,659	23,833	25,559	26,219	29,579
Pumping	1,588	1,389	1,266	1,600	1,613
Other	8,304	8,861	8,615	8,693	9,041
Water Treatment	13,884	14,369	14,885	15,366	15,777
Transmission and Distribution	15,365	15,905	16,223	16,427	15,990
Administration of Customer Accounts	1,473	1,503	1,454	1,895	2,029
Administration and General	11,063	11,988	15,817	13,276	17,534
Depreciation and Amortization	13,974	14,479	13,950	14,060	14,499
TOTAL OPERATING EXPENSES	<u>90,310</u>	<u>92,327</u>	<u>97,769</u>	<u>97,536</u>	<u>106,062</u>
Investment Income	2,521	145	179	7,367	8,971
Property Taxes	9,295	10,472	11,289	9,746	12,023
Other Revenues (1)	310	1,038	413	660	495
Other Expenses/Loss on Disposal	(2,311)	(2,512)	(2,725)	(2,520)	(2,238)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,815</u>	<u>9,143</u>	<u>9,156</u>	<u>15,253</u>	<u>19,251</u>
Capital Contributions	<u>5,194</u>	<u>4,112</u>	<u>4,089</u>	<u>8,313</u>	<u>13,569</u>
Increase in Net Position	<u>\$ 12,501</u>	<u>\$ 19,757</u>	<u>\$ 31,087</u>	<u>\$ 46,617</u>	<u>\$ 57,672</u>
% Water Rate Increase (of latter FY)	-	10.4*	5.00	4.00	4.00
Number of Employees (2)	230	230	230	233	236

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

(2) Employees as of June 30, 2020.

Source: Alameda County Water District Finance Department

*Average residential customer increase (represents blended commodity and service charge adjustments and applicable surcharges). Refer to Table 8 - Historical Water Rates.

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Alameda County Water District
Table 2
Ten Year Summary of Connection Fees (Unaudited)
(in thousands)

Fiscal Year Ending June 30	Connection Fees (000's)
2011	\$ 1,892
2012	2,118
2013	1,977
2014	3,494
2015	1,920
2016	5,186
2017	11,467
2018	10,428
2019	11,359
2020	13,952

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 3
Ten Year Summary of Net Position (Unaudited)
(in thousands)

	2010/11 ⁽¹⁾	2011/12 ⁽¹⁾	2012/13	2013/14	2014/15 ⁽²⁾
NET POSITION:					
Net investment in capital assets	\$ 298,301	\$ 304,983	\$ 310,757	\$ 325,497	\$ 329,084
Restricted for debt service	2,436	2,639	2,656	2,669	2,585
Unrestricted	101,334	98,757	102,220	96,743	27,945
TOTAL	<u>\$ 402,071</u>	<u>\$ 406,379</u>	<u>\$ 415,633</u>	<u>\$ 424,909</u>	<u>\$ 359,614</u>

Note: ⁽¹⁾ 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.

⁽²⁾ 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

Alameda County Water District
Table 3 (Continued)
Ten Year Summary of Net Position (Unaudited)
(in thousands)

	2015/16	2016/17	2017/18 ⁽³⁾	2018/19	2019/20
NET POSITION:					
Net investment in capital assets	\$ 325,051	\$ 324,383	\$ 333,274	\$ 346,877	\$ 370,256
Restricted for debt service	2,688	2,623	2,628	2,721	-
Unrestricted	44,376	64,866	56,617	89,538	126,552
TOTAL	<u>\$ 372,115</u>	<u>\$ 391,872</u>	<u>\$ 392,519</u>	<u>\$ 439,136</u>	<u>\$ 496,808</u>

Note: ⁽³⁾ The District restated its 2017/18 net position balances to record the impact of the implementation of GASB Statement No. 75.

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 4
Ten Year Summary of Property Tax Levies/Collections (Unaudited)
(in thousands)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Levies:										
1% Tax Allocation	\$ 3,537	\$ 3,500	\$ 3,569	\$ 3,769	\$ 4,034	\$ 4,611	\$ 5,007	\$ 5,372	\$ 5,763	\$ 6,162
State Water Contract Tax	2,803	3,010	3,189	3,194	4,717	4,271	4,884	5,373	3,502	5,268
Total	\$ 6,340	\$ 6,510	\$ 6,758	\$ 6,963	\$ 8,751	\$ 8,882	\$ 9,891	\$ 10,745	\$ 9,264	\$ 11,430
Collections*:										
Collections in the First Period	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332	\$ 10,630	\$ 10,080	\$ 12,478
Collection in the First Period Percentage of Levies (%)	113%	128%	119%	121%	109%	105%	104%	99%	109%	109%
Total Collections	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332	\$ 10,630	\$ 10,080	\$ 12,478
Total Collections Percentage of Levies	113%	128%	119%	121%	109%	105%	104%	99%	109%	109%

Source: Alameda County Water District Finance Department

*Collections during the fiscal year include interest, penalties and collections from taxes levied in prior years.

Alameda County Water District
Table 5
Ten Year Summary of Assessed Valuation (Unaudited)
(in thousands)

Fiscal Year	Local Secured	Utility	Unsecured	Total
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
2015/16	53,069,367	54,995	3,583,125	56,707,487
2016 /17	58,389,837	6,180	3,137,408	61,533,425
2017 /18	62,474,273	12,332	3,373,572	65,860,178
2018/19	67,212,187	12,332	3,346,586	70,571,105
2019/20	71,895,590	12,332	3,621,653	75,529,575

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

Alameda County Water District
Table 6
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
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
2014/15	4,642	35	0.76
2015/16	4,012	33	0.82
2016/17	5,151	29	0.57
2017/18	5,609	24	0.42
2018/19	5,409	48	0.89
2019/20	5,074	35	0.69

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

Source: Alameda County Auditor-Controller

Alameda County Water District

Table 7

Ten Year Summary of Schedule of Base Water Rates-BiMonthly Readings and Billings (Unaudited)

	Eff. 3/1 2011	Eff. 2/1 2012	Eff. 2/1 2013	Eff. 2/1 2014	Eff. 5/1 2015	Eff. 4/1 2016	Eff. 3/1 2017	Eff. 3/1 2018	Eff. 3/1 2019	Eff. 3/1 2020
COMMODITY CHARGE/HCF:										
Inside District	\$ 2.974	\$ 3.152	\$ 3.152	\$ 3.373	\$ 3.373	\$ 3.373	\$ 4.047	\$ 4.249	\$ 4.419	\$ 4.596
Outside District	3.419	3.624	3.624	3.878	3.878	3.878	4.653	4.885	\$ 5.081	\$ 5.285
San Francisco	3.242	3.673	-*	-	-	-	-	-	-	-
BIMONTHLY METER SERVICE CHARGE:										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 12.55	\$ 14.93	\$ 29.86	\$ 31.95	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33	\$ 54.43	\$ 56.61
1	17.99	21.41	42.82	45.82	64.05	64.05	76.86	80.70	83.93	87.29
1-1/2	31.78	37.82	75.64	80.93	120.32	120.32	144.38	151.59	157.66	163.97
2	45.58	54.24	108.48	116.07	187.84	187.84	225.40	236.67	246.14	255.99
3	172.83	205.67	411.34	440.13	401.66	401.66	481.99	506.08	526.33	547.39
4	250.32	297.88	595.76	637.46	716.76	716.76	860.11	903.11	939.24	976.81
6	604.22	719.02	1,438.04	1,538.70	1,808.37	1,808.37	2,170.04	2,278.54	2,369.69	2,464.48
8	884.75	1,052.85	2,105.70	2,253.10	3,158.81	3,158.81	3,790.57	3,980.09	4,139.30	4,304.88
10	1,581.15	1,881.57	3,763.14	4,026.56	4,734.31	4,734.31	5,681.17	5,965.22	6,203.83	6,451.99
Outside District Water Service										
5/8" & 3/4 " or less	\$ 14.43	\$ 17.17	\$ 34.34	\$ 36.74	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33	\$ 54.43	\$ 56.61
1	20.69	24.62	49.24	52.69	64.05	64.05	76.86	80.70	83.93	87.29
1-1/2	36.55	43.49	86.99	93.07	120.32	120.32	144.38	151.59	157.66	163.97
2	52.41	62.37	124.75	133.48	187.84	187.84	225.40	236.67	246.14	255.99
3	198.75	236.52	473.04	506.15	401.66	401.66	481.99	506.08	526.33	547.39
4	287.87	342.56	685.12	733.08	716.76	716.76	860.11	903.11	939.24	976.81
6	694.85	826.87	1,653.75	1,769.51	1,808.37	1,808.37	2,170.04	2,278.54	2,369.69	2,464.48
8	1,017.46	1,210.78	2,421.56	2,591.07	3,158.81	3,158.81	3,790.57	3,980.09	4,139.30	4,304.88
10	1,818.32	2,163.81	4,327.61	4,630.54	4,734.31	4,734.31	5,681.17	5,965.22	6,203.83	6,451.99
BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:										
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

Note: *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.

Alameda County Water District
Table 8
Historical Water Rates¹ (Unaudited)

	Actual/Approved									
Effective Date	2/1/2012	2/1/2013	2/1/2014	7/21/2014	5/1/2015	4/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020
Bi-monthly Commodity Charge	\$72.50	\$72.50	\$77.58	\$77.58	\$77.58	\$77.58	\$93.08	\$97.73	\$101.64	\$105.71
Bi-monthly Service Charge	14.93	29.86	31.95	31.95	41.54	41.54	49.84	52.33	54.43	56.61
Drought Surcharge	-	-	-	10.36	10.36	10.36	-	-	-	-
TOTAL	87.43	\$102.36	\$109.53	\$119.89	\$129.48	\$129.48	\$142.92	\$150.06	\$156.07	\$162.32

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

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 9
Ten Year Summary of Ten Largest Distribution Water Revenue Account (Unaudited)
Ten Year History

(1=Highest to 10=Lowest)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	FY 2020 Water Revenues (000's)
City of Fremont	1	2	1	1	1	1	1	1	1	1	\$ 1,527
Fremont Unified School District	2	3	2	2	2	3	2	3	2	2	1,066
Tesla Motors, Inc.	-	-	-	7	3	2	3	2	3	3	1,021
Western Digital Technologies	3	1	4	4	5	4	5	5	4	4	679
Lam Research Corporation	-	-	-	-	-	-	9	8	5	5	628
Prologis Trust	4	4	3	3	4	5	4	4	7	6	604
City of Union City	5	6	6	5	6	6	6	6	6	7	573
Ardenwood Forest Apartments	10	-	8	8	9	8	7	7	8	8	515
Contempo Homeowners Association	7	8	7	6	7	7	8	9	9	9	512
Cargill Salt	-	-	-	-	-	-	-	-	-	10	452
City of Newark	-	-	10	-	-	10	10	-	10	-	n/a
New Haven School District	-	10	9	9	10	-	-	10	-	-	n/a
Equity Residential Properties Trust	-	-	-	-	-	-	-	-	-	-	n/a
Newark Unified School District	8	5	5	10	-	-	-	-	-	-	n/a
School for the Deaf	6	7	-	-	-	-	-	-	-	-	n/a
Seagate Magnetics	-	9	-	-	-	9	-	-	-	-	n/a
Cook Engineering Inc.	-	-	-	-	8	-	-	-	-	-	n/a
New United Motor Manufacturing, Inc.	-	-	-	-	-	-	-	-	-	-	n/a
Solyndra Inc.	9	-	-	-	-	-	-	-	-	-	n/a

Source: Alameda County Water District Finance Department

Alameda County Water District

Table 10

Ten Year Summary of Historical Net Revenues and Debt Service Coverage (Unaudited) (in thousands)

	2010/11	2011/12	2012/13	2013/14	2014/15
Revenues					
Water Sales	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135
Investment Income (1)	1,416	672	(46)	1,217	1,098
Property Taxes (2)	4,083	4,207	4,529	4,138	4,678
Facilities Connection Charges	1,892	2,118	1,977	3,494	1,920
Other Revenue (3)	1,559	1,877	1,982	2,156	759
Total Revenues	71,546	78,972	85,345	92,086	88,590
Maintenance and Operation Costs					
Pumping Power Costs	3,116	3,338	2,954	2,763	1,876
Other Operating Expenses	7,642	7,272	7,841	10,252	8,079
Labor Costs	32,571	35,744	37,868	38,403	41,255
Purchased Water (2)	11,229	15,018	17,979	19,911	19,187
Aquifer Reclamation Costs	92	-	-	-	-
Total Expenses	54,650	61,372	66,642	71,329	70,397
Net Revenues	\$ 16,896	\$ 17,600	\$ 18,703	\$ 20,757	\$ 18,193
Annual Debt Service on Revenue Certificates and Bond					
1998 Refunding Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	1,203	822	-	-	-
2009 Refunding Revenue Bonds	2,664	2,664	2,669	2,866	2,868
2012 Revenue Bonds	-	523	1,891	1,893	1,891
2015 Revenue Bonds	-	-	-	-	240
Total Debt Service	\$ 3,867	\$ 4,009	\$ 4,560	\$ 4,759	\$ 4,999
Ratio of Net Revenues to Annual Debt Service on Revenue Certificates					
	4.37x	4.39x	4.10x	4.36x	3.64x

Notes:

- (1) Investment loss in FY2012/13 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.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

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

Alameda County Water District
Table 10 (Continued)
Ten Year Summary of Historical Net Revenues and Debt Service Coverage (Unaudited)
(in thousands)

	2015/16	2016/17	2017/18	2018/19	2019/20
Revenues					
Water Sales	\$ 81,776	\$ 86,263	\$ 104,447	\$ 108,576	\$ 116,230
Investment Income (1)	2,521	145	179	7,367	8,971
Property Taxes (2)	4,807	5,350	5,704	6,131	6,580
Facilities Connection Charges	5,186	11,467	10,428	11,359	13,952
Other Revenue (3)	978	1,993	1,101	1,275	1,167
Total Revenues	95,268	105,218	121,859	134,708	146,900
Maintenance and Operation Costs					
Pumping Power Costs	1,588	1,389	1,266	1,600	1,613
Other Operating Expenses	7,689	8,470	14,901	11,978	18,344
Labor Costs	42,401	44,156	46,098	48,052	47,869
Purchased Water (2)	19,906	19,190	21,554	21,846	23,737
Aquifer Reclamation Costs	-	-	-	-	-
Total Expenses	71,584	73,205	83,819	83,476	91,563
Net Revenues	\$ 23,684	\$ 32,013	\$ 38,040	\$ 51,232	\$ 55,337
Annual Debt Service on Revenue Certificates and Bond					
1998 Refunding Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	-	-	-	-	-
2009 Refunding Revenue Bonds	2,863	2,867	2,864	2,863	2,866
2012 Revenue Bonds	1,893	1,892	1,887	1,885	1,884
2015 Revenue Bonds	1,625	1,628	1,622	1,623	1,627
Total Debt Service	\$ 6,381	\$ 6,387	\$ 6,373	\$ 6,371	\$ 6,377
Ratio of Net Revenues to Annual Debt Service on Revenue Certificates					
	3.71x	5.01x	5.97x	8.04x	8.68x

Notes:

- (1) Investment loss in FY2012/13 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.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

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

Alameda County Water District
Table 11
Ten Year Summary of Outstanding Debt (Unaudited)
(in thousands)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Certificates of Participation										
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28*	\$ 25,165	-	-	-	-	-	-	-	-	\$ -
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	\$ 21,172	\$ 20,801	\$ 18,608	\$ 16,154	\$ 13,641	\$ 11,068	\$ 8,425	\$ 5,707	\$ 2,899	\$ -
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	\$ 48,032	\$ 47,696	\$ 47,349	\$ 46,998	\$ 46,637	\$ 46,266	\$ 45,890	\$ 45,504	\$ 45,108
2015 Revenue Bonds 4.0% - 5.0% Maturity: FY 2044-45	-	-	-	-	\$ 30,521	\$ 29,975	\$ 29,404	\$ 28,813	\$ 28,197	\$ 27,551
Total	\$ 46,337	\$ 68,833	\$ 66,304	\$ 63,503	\$ 91,160	\$ 87,680	\$ 84,095	\$ 80,410	\$ 76,600	\$ 72,659
Total Outstanding Debt to										
Personal Income (1)	66.33%	61.04%	80.96%	80.96%	N/A	N/A	N/A	N/A	N/A	N/A
Total Debt Per Capita	\$ 138.73	\$ 211.14	\$ 202.15	\$ 191.85	\$ 272.12	\$ 257.88	\$ 244.46	\$ 231.73	\$ 217.00	\$ 205.83

* 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.

Alameda County Water District
Table 12
Largest Employers Within the District (Unaudited)
Comparison with Ten Years Ago

CITY OF FREMONT⁽¹⁾					
<u>2019*</u>			<u>2010</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Tesla Motors, Inc.	15000+	12.31 %	New United Motor Manufacturing	3,000	3.02 %
Lam Research Corporation	1000-5000	2.46	Washington Hospital	1,800	1.81
Washington Hospital	1000-5000	2.46	Jabil	1,800	1.81
Kaiser Permanente	1000-5000	2.46	Estenson Logistics	1,800	1.81
Estenson Logistics	1000-5000	2.46	Fremont Unified School District	1,050	1.06
Fremont Unified School District	1000-5000	2.46	Sutter Health	950	0.96
City of Fremont	1000-5000	2.46	Kaiser Permanente	950	0.96
Western Digital	500-1000	0.62	Hyve Solutions Corporation	900	0.91
Boston Scientific	500-1000	0.62	Western Digital	846	0.85
Ohlone College	500-1000	0.62	Solandra	800	0.81
Total City Employment	<u>117,664</u>		Total City Employment	<u>99,464</u>	

CITY OF UNION CITY⁽²⁾					
<u>2018 *</u>			<u>2009</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
New Haven Unified School District	1,196	3.19 %	New Haven School District	1,154	3.70 %
Southern Glazier's Wine & Spirits	750	2.00	Southern Wine & Spirits	725	2.32
Wal-Mart	535	1.43	Wal-Mart	580	1.86
Masonic Home For Adults	499	1.33	San Francisco Chronicle	425	1.36
Abaxis Inc	400	1.07	City of Union City	353	1.13
Mizuho OSI, Inc.	400	1.07	Aldworth Company	345	1.11
Sterling Foods	360	0.96	Dreyer's Grand Ice Cream	295	0.95
City of Union City	313	0.83	Masonic Homes	294	0.94
Emerald Packaging	248	0.66	Caravan Trading Company	292	0.94
American Licorice	239	0.64	American Licorice	260	0.83
Total City Employment	<u>37,500</u>		Total City Employment	<u>31,200</u>	

CITY OF NEWARK⁽³⁾					
<u>2019*</u>			<u>2012</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	865	3.46 %	Newark Unified School District	983	4.17 %
Logitech	590	2.36	Logitech	716	3.03
Risk Management Solutions	300	1.20	Risk Management Solutions	325	1.38
WorldPac	295	1.18	WorldPac	218	0.92
VM Services, Inc.	230	0.92	VM Services, Inc.	230	0.97
Cargill Salt	217	0.87	Cargill Salt	210	0.89
Smart Modular Technologies	216	0.86	Smart Modular Technologies	215	0.91
Amazon Fulfillment Center	200	0.80	Aryzta,LLC (formerly Fullbloom Baking)	180	0.76
Aryzta,LLC (formerly Fullbloom Baking)	169	0.68	Macy's Department Store	180	0.76
Macy's Department Store	160	0.64	City of Newark	144	0.61
Total City Employment	<u>25,000</u>		Total City Employment	<u>23,600</u>	

Note: * Number of Employees and Percent of Total Employment unavailable for 2020.

** City of Newark ten year comparison was not available. The city only provided data for the last seven years.

Source: (1) Year 2019 - City of Fremont, CAFR FY 2018/19; U.S. Dept of Labor, Bureau of Labor Statistics

(2) City of Union City, CAFR FY 2017/2018

(3) City of Newark, CAFR FY 2018/19

Alameda County Water District
Table 13
Ten Year Summary of Demographic and Economics Statistics (Unaudited)
(in thousands)

Calendar Year	Population As of 1/1 (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2010	326	73	48	9.0
2011	328	76	50	8.3
2012	331	85	55	7.2
2013	335	87	55	5.9
2014	340	91	56	4.8
2015	344	101	62	3.9
2016	347	109	66	3.5
2017	353	119	71	3.5
2018	352	128	77	2.7
2019	345	N/A*	N/A*	2.3

* 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

Alameda County Water District
Table 14
Ten Years Summary of Property, Plant & Equipment (Unaudited)
(in thousands)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
UTILITY PLANT:										
Land	\$ 9,725	\$ 9,727	\$ 9,727	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,609
Source of Supply	50,125	51,092	51,092	57,782	64,229	68,993	68,050	68,404	81,563	81,630
Pumping Plant	20,191	21,324	21,469	24,152	24,217	24,549	24,983	25,130	25,353	25,585
Water Treatment	151,445	152,302	152,296	157,393	160,238	160,610	160,735	161,192	166,153	166,705
Transmission and Distribution	244,864	253,908	262,957	275,001	300,836	320,721	329,208	337,274	347,969	358,378
General	37,234	46,075	48,114	48,172	49,684	50,836	52,005	52,682	52,910	54,180
Construction in Progress	12,265	10,282	21,612	31,930	18,938	16,320	19,793	29,305	23,982	45,436
	525,849	544,710	567,267	604,040	627,752	651,639	664,384	683,597	707,540	741,523
Less Accumulated Depreciation	199,863	211,110	223,098	231,715	244,254	257,356	269,759	282,826	296,035	309,636
NET UTILITY PLANT	\$ 325,986	\$ 333,600	\$ 344,169	\$ 372,325	\$ 383,498	\$ 394,283	\$ 394,625	\$ 400,771	\$ 411,505	\$ 431,887

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

Alameda County Water District
Table 15
Ten Year Summary of Water Demand (Unaudited)

<u>Fiscal Year</u>	<u>Million Gallons Per Day (MGD)</u>
2010/11	38.52
2011/12	39.23
2012/13	41.68
2013/14	40.52
2014/15	31.94
2015/16	28.47
2016/17	32.55
2017/18	33.96
2018/19	33.48
2019/20	34.58

Source: Alameda County Water District Finance Department

Alameda County Water District
Table 16
Ten Year Summary of Metered Accounts (Unaudited)

Fiscal Year Ended June 30	Number of Meters
2011	80,484
2012	81,005
2013	81,432
2014	81,700
2015	82,049
2016	82,492
2017	83,398
2018	84,255
2019	85,108
2020	85,959

Source: Alameda County Water District Finance Department

Alameda County Water District			
Statements of Revenues, Expenses and Changes in Net Position			
(In thousands)			
	As of Period 3 (Sept 2020) of FY20-21	As of Period 3 (Sept 2019) of FY19-20	Change
OPERATING REVENUES:			
Water sales	23,707	21,315	2,393
Facilities connection charges	3,277	3,913	(636)
Fees and rental	113	103	10
Other	(21)	(49)	28
Total operating revenues	27,077	25,281	1,795
OPERATING EXPENSES:			
Sources of supply:			
Water purchases	8,317	5,484	2,833
Pumping	420	309	111
Other	1,083	2,022	(940)
Total sources of supply	9,820	7,815	2,004
Water treatment	3,510	3,771	(261)
Transmission and distribution	3,531	3,295	236
Administration of customer accounts	954	473	481
Administration and general	2,868	3,444	(576)
Depreciation and amortization	3,644	3,620	24
Total operating expenses	24,327	22,419	1,908
Operating income (loss)	2,750	2,863	(113)
NONOPERATING REVENUES (EXPENSES):			
Investment income	(6,868)	(1,420)	(5,448)
Property taxes	546	402	144
Other nonoperating revenues (expenses)	5	3	2
Other settlements	-	-	-
Gain (loss) on disposal of capital assets	27	40	(13)
Cost of issuance expense	(9)	(6)	(3)
Interest expense	218	229	(11)
Total nonoperating revenues (expenses)	(6,081)	(753)	(5,328)
Income (loss) before capital contributions	(3,331)	2,110	(5,441)
Capital contributions	130	(7)	136
Changes in net position - favorable (unfavorable)	(3,202)	2,103	(5,305)
NET POSITION			
Beginning of current period	496,809	439,134	57,675
End of current period	\$ 493,607	\$ 441,237	\$ 52,370

ALAMEDA COUNTY WATER DISTRICT
BUDGET REPORT

Month Ending September 30, 2020

Year to Date Percentage 25%

	FY 2020-21			FY 2019-20		
	Year to Date Total	Amended Budget	Percent of Budget	Prior Year to Date Total	Adopted Budget	Percent of Budget
BEGINNING CASH BALANCE	\$ 194,514,827	\$ 185,347,000		\$ 171,034,710	\$ 161,588,100	
REVENUE						
Water Revenue	34,456,035	119,055,000	28.9%	31,902,786	111,697,400	28.6%
Ground Water Revenue	117,399	516,000	22.8%	170,360	510,800	33.4%
1% Tax Allocation	351,019	6,462,000	5.4%	635,024	6,386,300	9.9%
State Water Contract Tax	304,044	5,149,000	5.9%	331,831	4,472,100	7.4%
Interest Revenue	884,820	4,027,000	22.0%	1,059,337	3,445,400	30.7%
Facilities Connection Charges - FIF	2,226,563	3,501,000	63.6%	2,725,808	3,501,200	77.9%
Facilities Connection Charges - FRF	1,060,468	1,600,000	66.3%	1,186,753	1,475,900	80.4%
Customer Jobs Revenue	706,248	4,136,000	17.1%	708,451	4,244,100	16.7%
Grants, Reimbursements	955,078	15,458,000	6.2%	10,534	12,433,100	0.1%
Other Revenue	204,055	983,000	20.8%	172,807	832,000	20.8%
TOTAL REVENUE	41,265,729	160,887,000	25.6%	38,903,692	148,998,300	26.1%
EXPENSES						
Source of Supply	13,418,089	41,598,000	32.3%	9,791,396	38,881,000	25.2%
Pumping	563,348	2,134,000	26.4%	402,635	2,134,500	18.9%
Water Treatment	3,997,688	17,303,000	23.1%	3,756,147	17,484,400	21.5%
Transmission & Distribution	3,801,819	16,314,000	23.3%	3,412,101	16,216,900	21.0%
Delta Conveyance	-	459,000	0.0%	50,000	786,100	6.4%
Customer Accounts	1,009,713	2,780,000	36.3%	454,772	2,317,800	19.6%
Administrative & General*	17,561,322	24,658,000	71.2%	19,218,303	24,316,900	79.0%
Expense Projects	734,899	2,846,000	25.8%	246,137	1,283,500	19.2%
TOTAL EXPENSES	41,086,878	108,092,000	38.0%	37,331,492	102,337,800	36.5%
CAPITAL EXPENDITURES	12,408,108	56,434,000	22.0%	5,975,088	41,812,600	14.3%
CUSTOMER JOBS	1,241,400	4,136,000	30.0%	1,717,919	4,244,100	40.5%
DEBT SERVICE	-	6,416,000	0.0%	-	6,377,500	0.0%
TOTAL EXPENSES & CAPITAL EXPENDITURES	54,736,386	175,078,000	31.3%	45,024,498	154,772,000	29.1%
NET OF REVENUE & EXPENSES	(13,470,656)	(14,191,000)		(6,120,806)	(5,773,700)	
Debt Proceeds		14,500,000				
Reconciling Time Difference	6,584,044			2,467,349		
ENDING CASH BALANCE						
General Fund	116,042,180	122,671,000		101,628,304	95,601,100	
Facilities Improvement Fund (FIF)	71,586,034	62,985,000		65,752,949	60,213,300	
Facilities Renewal Fund (FRF)	-	-		-	-	
	\$ 187,628,214	\$ 185,656,000		\$ 167,381,253	\$ 155,814,400	

* Administrative & General includes full CalPERS UAL prepayment (\$5.6m), OPEB ADC (\$3.4m), pension advanced funding (\$5.5m), and OPEB advanced funding (\$1.1m)

ALAMEDA COUNTY WATER DISTRICT

RESERVE REPORT

Month Ending September 30, 2020

	FY 2020-21			FY 2019-20		
	Year to Date Total	Amended Budget	Bench Mark	Actual 6/30/2020	Adopted Budget	Bench Mark
RESERVE:						
Debt Service	\$ -	\$ -	\$ -	\$ 2,759,084	\$ 2,759,084	\$ 2,759,084
Management Retirement Bonus	1,156,566	1,156,566	1,156,566	1,598,000	1,598,000	1,598,000
Emergency	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Operations & Maintenance (O&M)	30,658,551	30,658,551	30,658,551	29,763,750	27,924,350	29,763,750
Capital *	66,686,917	73,315,738	14,499,000	73,475,775	47,120,198	14,060,000
Rate Stabilization Reserve	7,540,145	7,540,145	7,540,145	6,199,468	6,199,468	6,199,468
Total General Fund Reserves	116,042,180	122,671,000	63,854,263	123,796,077	95,601,100	64,380,302
Facilities Improvement Fund Reserve	71,586,034	62,985,000		70,718,749	60,213,300	
Facilities Renewal Fund Reserve	-	-		-	-	
Total District	<u>\$ 187,628,214</u>	<u>\$ 185,656,000</u>		<u>\$ 194,514,827</u>	<u>\$ 155,814,400</u>	

*Note: Capital Reserve is estimate until 6/30/20 CAFR is complete.