



Alameda County Water District
Fremont, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Years Ended ~ June 30, 2017 and June 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

ALAMEDA COUNTY WATER DISTRICT

FOR THE YEARS ENDED

JUNE 30, 2017 and JUNE 30, 2016

**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 Years Ended June 30, 2017 and 2016**

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INTRODUCTORY SECTION



DIRECTORS

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MANAGEMENT

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October 6, 2017

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, 2017 and June 30, 2016.

We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position and the cash flows of the District, and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial position and activity have been included. Additionally, the financial section of the report includes a detailed discussion and analysis by management of the District's financial performance for fiscal years ended June 30, 2017 and June 30, 2016. Responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the District.

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

THE REPORTING ENTITY

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

Since 1930, the District has also been a water distribution agency. From the purchase of a small water distribution system in Alvarado (now part of Union City), the District has expanded to serve almost all of the area covered by its conservation activities. The District provides, stores, treats, and distributes water for a population of approximately 351,000 people in southern Alameda County. The District covers approximately 105 square miles and, as of June 2017, provided water service through approximately 83,000 connections.

The District's water production was approximately 36,300 acre-feet in fiscal year 2016/17 and is expected to increase to 45,000 acre-feet by fiscal year 2021/22 as customers transition from emergency drought conditions over time. Water is typically provided to the District's customers from four sources: 1) groundwater from the Niles Cone Groundwater Basin (including fresh groundwater from two wellfields and desalination of brackish groundwater); 2) surface water from the Del Valle Reservoir; 3) water imported from the State of California's State Water Project; and 4) water imported from the San Francisco Regional Water System. The amount of water available from each of these sources is highly variable in any given year due to hydrologic conditions and other factors. Assuming abundant local precipitation and full deliveries of imported water supplies, these four sources may provide up to a maximum of approximately

90,000 acre-feet in any given year.

The District is governed by a five-member Board of Directors elected at-large from within the District's service area. The Board of Directors appoints the General Manager who is responsible for the administration of the District through its five departments - Office of the General Manager, Engineering & Technology Services, Finance, Operations & Maintenance, and Water Resources. The General Manager's Office organizes and directs District activities in accordance with the Board's policies. The District currently has an authorized staff of 230 full-time positions.

The Alameda County Water District Financing Authority, a joint powers authority in partnership with the Union Sanitary District, was formed on November 14, 2011 to enable the issuance of the 2012 and 2015 Water System Revenue Bonds to take advantage of historic low borrowing rates, and to enable the District to accomplish a number of desired capital projects. The Board of Directors of the Alameda County Water District Financing Authority is comprised of the Board of the Alameda County Water District and one Board Member from the Union Sanitary District.

Alameda County Water District Mission Statement

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

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

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Finance

Following seven public financial workshops and consideration of many options, the District Board of Directors adopted a 20 percent rate increase for water consumption rates and the bi-monthly service charge effective March 1, 2017 with up to an additional 5 percent increase effective March 1, 2018. These increases 1) address the revenue shortfall created by the sharp decrease in water demand from the historic drought; 2) fund critical infrastructure projects without new debt; and 3) responsibly fund long-term pension and retiree health care obligations with a 20-year payoff schedule. The District also rescinded drought surcharges effective July 1, 2016. As a result of these actions, District water rates are just below the midpoint of 30 surveyed Bay Area water utilities.

The District made adjustments to various other fees and charges as follows:

- Facilities connection charges for non-residential customers were adjusted based on meter capacity ratios and all facilities connection charges were increased 5.1 percent effective May 1, 2017. Related fee increases included meter installation charges and hydrant flow charges, which were adjusted based on actual District costs from the prior fiscal year, and the annexation charge was set at actual incurred District cost.

- Late bill payment fees including a \$5 reminder notice fee, a \$20 door tag (48 hour shutoff notice) fee, and a \$20 service shutoff fee were implemented effective March 1, 2017, but these new fees are being waived for all customers until September 1, 2017 to allow customers to adapt to the new policies. The existing reconnection charge was increased from \$38 to \$42. Although the District traditionally has minimal bad debt, approximately 15% of bills are paid late. The District anticipates that the new fees will result in more timely bill payments.
- Other customer-related fees were increased based on actual District costs for the prior fiscal year with the new charges effective March 1, 2017. These fees include returned payment fees, backflow inspection and testing fees, and after hours connection charges.

The District implemented a number of procurement best practices during Fiscal Year 2016/17 including ongoing training, customer satisfaction surveys, and an audit of the District's purchasing card program. As a result of these improvements, the District was one of only 25 special districts in the United States and Canada to earn the National Procurement Institute's 2017 Achievement of Excellence in Procurement Award.

Customer Service

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

Like many water utilities, the District is facing several challenges, such as declining revenues and aging infrastructure that continue to put upward pressure on water rates. Accordingly, in addition to maximizing productivity and efficiency, maintaining water service affordability for low income customers is a key concern for the District. The District implemented an innovative customer assistance program effective March 1, 2017 for low income customers called *Help On Tap* that provides a \$15 discount on the bi-monthly service charge. As of June 30, 2017, 541 customers were enrolled in the program.

The District's website is an integral part of customer communication and features interactive elements and enables customers to access District information and provides links to the Customer Information System with self-service options such as enrolling for paperless billing and viewing bills on-line. The District has Facebook and Twitter accounts and monitors several on-line community groups and blogs, using this technology to regularly disseminate information and communicate with customers.

The District continues to offer a program to residential customers provided by Home Emergency Insurance Solutions (HEIS) for exterior water service line insurance. HEIS is responsible for all aspects the program including marketing, billing, claims and conflict resolution. As of June 2017, there were 9,996 customers enrolled in the program and 864 repairs/replacements had been completed since the start of the program in 2012. The program was recently extended for a second five-year term as a result of continued high levels of customer satisfaction.

Water Supply

After record setting wet conditions in water year 2016/2017, all of the District's supplies have fully recovered to pre-drought levels.

Given the growing population in the District's service area, the uncertain implementation of the State of California's WaterFix project, 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) the reoperation or expansion of regional surface water storage (Los Vaqueros Reservoir and Lake Del Valle); 2) indirect

potable water reuse in partnership with Union Sanitary District; and 3) desalination of water from the San Francisco Bay.

In addition, 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 strives to identify projects that provide water supply benefits to the region, considering how new projects might leverage capacity in existing facilities.

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 earthquakes. Accordingly, in 2013 the District embarked on a Main Renewal and Seismic Upgrade Program (MRSUP) which 1) improves the overall seismic reliability of the District's distribution system by strategically making improvements in areas of potential seismic induced-earth movement; 2) improves fire flows in the older portions of the service area that are currently served by mains that do not meet current District standards; and 3) improves the seismic reliability of its distribution storage and production facilities.

As part of the MRSUP, the District, over the past year, has completed work on four pipeline projects including the replacement of a portion of the water distribution system serving the community of Niles; one of the oldest communities in the District's service area. The District also began analysis, planning and design for renewal and seismic upgrade of the approximately six mile Niles-Decoto transmission pipeline, or "Spine Main," to improve water transmission reliability and earthquake resiliency. The Washington Boulevard / I680 pipeline project, which will install a structural liner as an upgrade to an existing pipeline in a bridge crossing over I680, was designed and awarded this past year for construction in the upcoming fiscal year. Finally, the District began the planning and design work for upgrade of a pipeline on Driscoll Road to improve system hydraulics and service reliability in the area.

The District improved the reliability of Water Treatment Plant No. 2 by completing the first two of three phases of a project to replace and upgrade the plant's Programmable Logic Controller systems. When the project is complete in 2018, the plant's operations will be more efficient, secure and reliable.

The District is increasing its emphasis on assessing the condition and risk associated with aging facilities. The District is currently conducting systematic inspections and assessments of its facilities and will be developing a report to prioritize the necessary upgrade work. This past year, staff completed the assessments of the District's pressure regulator and booster stations, and is currently completing assessments of distribution storage reservoirs.

Water Quality

The topic of water quality continues to be at the national forefront following a public health crisis involving excess lead in the drinking water in Flint, Michigan and the release of the Environmental Working Group's "National Tap Water Database" in July 2017. The District's State-certified water quality laboratory conducts approximately 43,000 water quality analyses for more than 180 substances annually. In fiscal years ended in 2016 and 2017, the District continued to meet and exceed all Federal and State drinking water quality and treatment regulations, including those for lead. Additionally, in accordance with State regulations, the District is providing lead testing for K-12 schools that make a written request.

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

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

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

During the fiscal year ended June 30, 2017, the District accomplished the following groundwater quality initiatives:

- Closed 12 cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Conducted 862 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."
- On March, 30, 2017, the District was awarded a grant under the State Water Resources Control Board's Groundwater Quality Funding Programs (a component of the Proposition 1 Groundwater Sustainability Program) for a Well Destruction Project at a United States Fish and Wildlife Service Site (former Silver Pines Golf Course). The project scope is to destroy four old irrigation wells suspected of being preferential pathways for saline water to enter into the Centerville-Fremont aquifers.
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 19th year in a row.

Productivity and Efficiency

The District completed an organizational assessment in November 2016 to evaluate staffing levels and organization in comparison to similar agencies, identify organizational and workload issues, and recommend strategies to incorporate best management practices into day-to-day operations for improved efficiency. As a result, the District has proceeded during the fiscal year to implement several of the recommendations of the study, including making some organizational changes, improving the safety program, initiating new inter-departmental collaborations, and developing new training programs for staff. It was also determined that the District's current staffing levels are lower than other similar agencies, all factors considered. Work on implementing the recommendations from this assessment will continue into the new fiscal year.

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 savings of up to 30% 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, Cooperative Purchasing Network, U.S. Communities, and the National Joint Powers Alliance.

The District continued with enhancements and additions to SharePoint; the District's new content management and collaboration platform. Content from older legacy document management systems has been migrated to SharePoint and significant savings have been achieved as a result of discontinuation of software support for legacy systems. This project will continue into the next fiscal year and the focus will be on electronic records management, and creation of electronic forms and workflows to further improve efficiencies in District operations.

The District completed the implementation of a new Geographical Information System (GIS) based Enterprise Asset Management System for managing horizontal assets (i.e. pipelines, valves and other water distribution system facilities). The system is integrated with Cayenta, the District's Customer Information and JD Edwards, the Enterprise Resource Planning (ERP) system. The software has been made available to

appropriate field staff through deployment of mobile devices, and has reduced paper work orders, enhanced mobile dispatching of field resources, allows for real-time mapping of water leaks and other incidents, and helps enhance responses to customer calls and water leaks. During the fiscal year, upgrades to the Cayenta Customer Information System and the JDE Enterprise Resource Planning systems were successfully implemented as well.

Building on prior piloting work, in April 2017 the District launched an initiative to implement Advanced Metering Infrastructure (AMI) District-wide. The two-year budget for fiscal years ending 2018 and 2019, as well as the 25-year CIP adopted in June, 2017, included funding to begin the process of a five-year AMI implementation. Over the upcoming two year period, District staff will be evaluating options, scoping and designing the AMI implementation plan.

Public Awareness of Water Issues and Conservation

On April 7, 2017, Governor Brown declared the statewide drought officially over. But even as the drought came to an end and water supply conditions improved, the District continued its commitment to keeping the public informed about water supply issues, the importance of conservation, and other issues related to the District as a service provider. Specific District outreach and conservation actions included the following:

- The District continued its contract with WaterSmart Software, for an additional six months, to distribute home water reports to the top 20% of single family residential high water users. The contract expired in May 2017, and the District will be shifting its method of outreach (local print media and social media) for conservation messaging in the upcoming fiscal year.
- The District actively issued press releases to Bay Area media outlets which resulted in 19 newspaper articles/letters to the editor/columns, 2 television reports, and 1 radio report.
- The District hosted and attended several community meetings and events.
- The District continued its annual publication of the Water Quality Report and three issues of The Aqueduct, the District's newsletter, which is mailed to District customers.
- Water conservation literature was distributed to all customers as requested.
- Water efficient landscape planning and conversion workshops and classes were held in partnership with other agencies.
- Notifications of water waste were sent out whenever the District determined that State water waste prohibitions (made permanent after the drought was declared over) were violated.

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 fiscal year ended June 30, 2017, the District continued its educational outreach within its service area by:

- Promoting Groundwater Awareness Week by giving a presentation to ten Advanced Placement Environmental Science classes at three local high schools.
- Distributing nearly 40,000 pieces of printed educational material to teachers and students.
- Sponsoring 61 performances of a water conservation theater program which was attended by over 15,000 students at 38 schools.

Water conservation extends water supplies, benefits the environment, continues to be 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 fiscal year ended June 30, 2017:

- On-site indoor and outdoor water use efficiency surveys were offered to residential, business, and industrial customers.

- Rebates and incentives for replacing high volume/high flow fixtures and appliances with water efficient ones were offered to customers: clothes washers (ended 12/31/2016), toilets, urinals, and irrigation controllers.
- Rebates for rain barrels and the replacement of turf grass with water efficient plants were offered to 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*, the website and through the new, redesigned customer water bill.
- Through the Designated Landscape Program, which provides landscape water use reports and on-site landscape surveys, District staff worked with large landscape accounts to improve irrigation efficiency. Participants that demonstrated water use efficiency were recognized.
- Renovations to the District's Drought Tolerant Demonstration Garden were completed and the employee composting program continued. These activities were promoted to customers to encourage water efficient landscaping.
- Leak detection through meter reader alerts was performed resulting in 812 customer notifications.
- A Home Water Use reporting program through WaterSmart Software continued until May 31, 2017.

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 report recommends that new water use efficiency targets be established beyond the 2020 targets water agencies have been operating under since 2009. Legislation to establish the targets will be developed and adopted by the State within the next couple of years. 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 in order to be sustainable. To ensure the reliability of the water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies, including the Alameda County Flood Control District, have worked for more than a decade to make the creek a more fish-friendly waterway. To date, several facilities have been constructed or are being designed towards this goal: the removal of one rubber dam; construction of fish ladders at two rubber dams; and the installation of fish screens at off-stream diversions. The District currently anticipates this work will be completed in 2021.

Transparency

It is the District's goal to be transparent and operate in the most prudent and ethical manner on behalf of our customers. In fiscal year ended June 30, 2016, the District met all requirements to receive a Certificate of Transparency from the Special District Leadership Foundation in recognition of its outstanding efforts to promote transparency in its operations and governance to the public and other stakeholders. In order to receive this award, a special district must demonstrate the completion of eight essential governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

Effective with the May 2016 Board Meeting, the District initiated video recording of Regular Board Meetings. The recorded meetings are publicly accessible via the District website. In addition, the District plans to begin recording workshops conducted by the Board of Directors outside the Board Room in the future and will make those recordings publicly accessible via the District website as well.

FINANCIAL INFORMATION

Local Economy

The economic performance of the District's service area has been a reflection of Silicon Valley and the greater Bay Area. Economic activity has been vigorous. The Tri-City's diverse base supports a diverse mix of large and small businesses and provides for greater economic stability and less volatility than more specialized economies. For the last calendar year, unemployment rates for the cities of Fremont, Newark and Union City were 3.3%, 3.6%, and 3.8% respectively, which is lower than both the State (5.4%) and Alameda County (4.2%). Assessed property values within the District increased 8.5% in Fiscal Year 2016/17 and are anticipated to increase another 7.0% in Fiscal Year 2017/18. The District's customer base is anticipated to grow in both size and income. Last calendar year, population grew 0.9% to 231,664 for the City of Fremont, 1.5% to 45,422 for the City of Newark, and 0.6% to 73,452 for the City of Union City. The most recent five year Census estimates (2011-2015) showed that median household income grew 1.7% to \$105,355 for the City of Fremont, 0.3% to \$86,757 for the City of Newark, and 3.6% to \$85,521 for the City of Union City compared to the prior five year estimates (2010-2014).

Robust development activity in the District's service area is anticipated for the next few years. Fremont is growing, both with new developments, and improvements in existing commercial and industrial areas. Tesla Motors continues to increase production and has expanded their portfolio of electric car models. Development is underway on portions of 850 acres around the South Fremont/Warm Springs area that is adjacent to the new BART station. It is projected that development of this area could create approximately 12,300 jobs and 3,900 residential units. Lennar Corporation recently completed an agreement to purchase 111 acres of land in this area and develop a mix of 2,200 apartments and houses, as well as research-and-development space and offices. Another major initiative has been the development of a Fremont downtown area with approximately 5.2 million square feet of new mixed-use buildings. With the passing of Measure BB in 2014 which provides funding for a new Irvington BART Station, land uses and zoning south of the planned station area along Osgood Road are now designated for high density residential development consistent with creating a pedestrian-friendly, transit-oriented neighborhood. In addition, the Pacific Commons area continues to be active and growing with new shops, restaurants, and commercial and industrial development.

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

Similarly, in Newark, a new \$40 million remodel of the NewPark Mall is underway that includes a new 12-screen movie complex with an IMAX screen, a new expansive glass-walled restaurant pavilion and two new hotels to be constructed along the southern portion of the mall property. Additionally, a transit-oriented development consisting of up to 2,500 new residential units is currently under construction in Newark. Plans for the transit oriented development include a new train station and other amenities to serve both the greater region as well as neighboring residents.

Rates and Charges

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

Despite the end of the drought and rescission of the drought surcharge effective June 30, 2016, customers continue to conserve. Although positive from a water supply perspective, this created a significant revenue shortfall and the Board of Directors convened seven public financial workshops since December 2015 to comprehensively review the District's financial plan, operating costs, capital plan, miscellaneous fees, sources of revenue, and water rate structures. As mentioned previously, at the conclusions of these

workshops, the Board initiated a Proposition 218 process to consider rate adjustments and ultimately adopted a 20 percent increase effective March 1, 2017 with another increase of up to 5 percent effective March 1, 2018.

Internal Control

The District's financial reporting system and business processes have been designed with an emphasis on the importance of strong internal financial controls, including the proper recording of revenues and expenditures and maintenance of budgetary control for the allocation of available resources. Existing internal controls are monitored and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use, and (2) the District's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. 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 Macias Gini and O'Connell LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 18th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

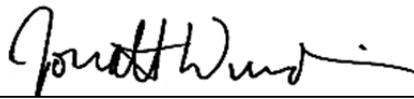
Acknowledgments

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

Respectfully submitted,



Robert Shaver
General Manager



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, 2016

Executive Director/CEO

Alameda County Water District

Board of Directors

John H. Weed
President

Paul S. Sethy
Vice President

Aziz Akbari
Director

James G. Gunther
Director

Judy C. Huang
Director

Principal Management Personnel

Robert Shaver
General Manager

Jonathan Wunderlich
Manager of Finance

Steven D. Inn
Manager of Water Resources

Steve Peterson
Manager of Operations & Maintenance

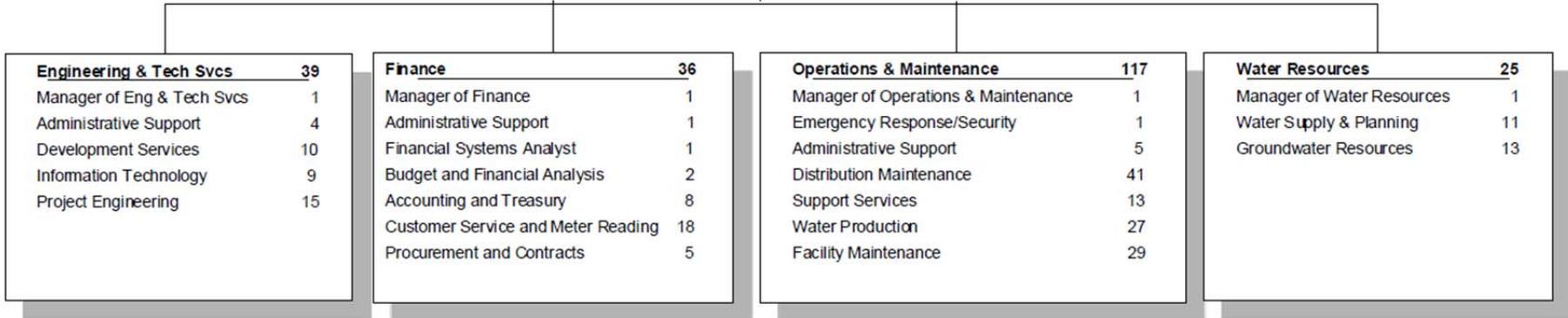
Ed Stevenson
Manager of Engineering & Technology Services

ALAMEDA COUNTY WATER DISTRICT
FUNCTIONAL ORGANIZATIONAL CHART
 FY 17/18

BOARD OF DIRECTORS

Office of the General Manager		13
General Manager		1
Special Asst to GM / Public Affairs		2
Administrative Support		2
Human Resources		8

Total = 230



FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Water District (District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017 and 2016, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California
October 6, 2017

Alameda County Water District

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2017 and 2016

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, 2017 and 2016. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED JUNE 30, 2017

- The District's net position increased by \$19.8 million or 5.3 percent from \$372.1 million to \$391.9 million because of a combination of increased revenues from developer fees, customer capital contributions, and water sales.
- Operating revenues increased by \$11.0 million or 12.5 percent from \$87.8 million to \$98.8 million primarily due to increases in water sales and a large increase in developer fee revenue caused by increased construction activity in the service area.
- Operating expenses increased by \$2.0 million or 2.2 percent from \$90.3 million to \$92.3 million due to slight increases in water treatment, administrative and general expenses and depreciation.
- Capital contributions to the District decreased by \$1.1 million or 21.2 percent from \$5.2 million to \$4.1 million due to the decrease in water extension projects completed during year.
- The District implemented a low-income assistance program (Help on Tap) that provides a \$15 discount on the bi-monthly service charge effective March 1, 2017.
- The District rescinded drought surcharges effective July 1, 2016.
- The District implemented a 20% rate increase effective March 1, 2017 to address the sharp decrease in water demand from the historic drought, fund capital investments without new debt and to responsibly fund long term pension and retiree health benefit liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The 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 which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues, expenses, and capital contributions for the fiscal years ended June 30, 2017 and 2016. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

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

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

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

	2017	2016	2017 vs. 2016		2015	2016 vs. 2015	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 151.9	\$ 140.5	\$ 11.4	8.1%	\$ 139.9	\$ 0.6	0.4%
Capital assets	406.7	407.0	(0.3)	-0.1%	396.8	10.2	2.6%
Total assets	558.6	547.5	11.1	2.0%	536.7	10.8	2.0%
Deferred outflows of resources	17.4	8.6	8.8	102.3%	8.6	-	0.0%
Long-term debt	84.0	87.7	(3.7)	-4.2%	91.2	(3.5)	-3.8%
Net pension liability	79.3	69.5	9.8	14.1%	64.6	4.9	7.6%
Other liabilities	16.9	22.1	(5.2)	-23.5%	19.4	2.7	13.9%
Total liabilities	180.2	179.3	0.9	0.5%	175.2	4.1	2.3%
Deferred inflows of resources	3.9	4.7	(0.8)	-17.0%	10.5	(5.8)	-55.2%
Net investment in capital assets	324.4	325.0	(0.6)	-0.2%	329.1	(4.1)	-1.2%
Restricted for debt service	2.6	2.7	(0.1)	-3.7%	2.6	0.1	3.8%
Unrestricted	64.9	44.4	20.5	46.2%	27.9	16.5	59.1%
Total net position	\$ 391.9	\$ 372.1	\$ 19.8	5.3%	\$ 359.6	\$ 12.5	3.5%

As the above table indicates, total assets increased by \$11.1 million from \$547.5 million to \$558.6 million during the fiscal year ended June 30, 2017. This increase is due to a \$11.4 million increase in current assets due to increases in customer accounts receivable, accrued unbilled revenue at the end of the fiscal year and a \$6.2 million increase in cash collected from facilities connection charges. For the fiscal year ended June 30, 2016, total assets increased by \$10.8 million from \$536.7 million to \$547.5 million. This increase is due to a \$0.6 million increase in current assets due to increases in customer accounts receivable and accrued unbilled revenue at the end of the fiscal year and a \$10.2 million increase in capital assets due to capital construction activity to upgrade and seismically harden aging District facilities funded primarily from the bond proceeds from the 2015 Water System Revenue Bonds.

Deferred outflows of resources is the amount of the unamortized deferred charge on debt refunding and the effect of pension accounting that defers the CalPERS pension contributions after the measurement date until the next fiscal year as a subsequent offset to the net pension liability among other pension related deferrals. The deferred outflows of resources due to unamortized deferred charge on refunding at June 30, 2017 and 2016 were \$1.8 million and \$2.1 million, respectively. The deferred outflows of resources due to GASB Statement No. 68 at June 30, 2017 and 2016 were \$15.6 million and \$6.5 million, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT, Continued

For fiscal year ended June 30, 2017, total liabilities reflect an increase of \$0.9 million mainly due to an increase of \$9.8 million in net pension liabilities offset by scheduled debt service payments of \$3.7 million and a \$5.2 million reduction in accounts payable and accrued expenses. For fiscal year ended June 30, 2016, total liabilities reflect an increase of \$4.1 million mainly due to an increase of \$2.9 million in contractor and customer deposits, due to increased construction activity in the service area, offset by a small reduction in other liabilities of \$0.2 million, and a \$1.4 million increase in noncurrent liabilities due to scheduled debt service payments of \$3.5 million and an increase in net pension liability of \$4.9 million.

Deferred inflows of resources is the result of pension accounting and is comprised of changes in assumptions and the difference between expected and actual experiences in the CalPERS pension plan, which will be amortized as a component of pension expense. The deferred inflows of resources for June 30, 2017 and 2016 were \$3.9 million and \$4.7 million, respectively.

Total net position increased by \$19.8 million from \$372.1 million to \$391.9 million, mainly due to the combination of increased revenues from developer fees, and water sales for the fiscal year ended June 30, 2017. Total net position increased by \$12.5 million from \$359.6 million to \$372.1 million, mainly due to the combination of increased revenues from developer fees, customer capital contributions, water sales and investment interest for the fiscal year ended June 30, 2016.

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

	2017	2016	2017 vs. 2016		2015	2016 vs. 2015	
			\$ Change	% Change		\$ Change	% Change
Operating revenues							
Water sales	\$ 86.2	\$ 81.8	\$ 4.4	5.4%	\$ 80.1	\$ 1.7	2.1%
Other operating revenues	12.6	6.0	6.6	110.0%	2.7	3.3	122.2%
Total operating revenues	<u>98.8</u>	<u>87.8</u>	<u>11.0</u>	<u>12.5%</u>	<u>82.8</u>	<u>5.0</u>	<u>6.0%</u>
Nonoperating revenues							
Property taxes	10.5	9.3	1.2	12.9%	9.5	(0.2)	-2.1%
Other nonoperating revenues	1.2	2.8	(1.6)	-57.1%	1.1	1.7	154.5%
Total nonoperating revenues	<u>11.7</u>	<u>12.1</u>	<u>(0.4)</u>	<u>-3.3%</u>	<u>10.6</u>	<u>1.5</u>	<u>14.2%</u>
TOTAL REVENUES	<u>110.5</u>	<u>99.9</u>	<u>10.6</u>	<u>10.6%</u>	<u>93.4</u>	<u>6.5</u>	<u>7.0%</u>
Expenses							
Depreciation and amortization expense	14.5	14.0	0.5	3.6%	13.4	0.6	4.5%
Other operating expenses	77.8	76.3	1.5	2.0%	75.3	1.0	1.3%
Nonoperating expenses	2.5	2.3	0.2	8.7%	2.6	(0.3)	-11.5%
TOTAL EXPENSES	<u>94.8</u>	<u>92.6</u>	<u>2.2</u>	<u>2.4%</u>	<u>91.3</u>	<u>1.3</u>	<u>1.4%</u>
Income before capital contributions	15.7	7.3	8.4	115.1%	2.1	5.2	247.6%
Capital contributions	4.1	5.2	(1.1)	-21.2%	3.0	2.2	73.3%
Changes in net position	<u>19.8</u>	<u>12.5</u>	<u>7.3</u>	<u>58.4%</u>	<u>5.1</u>	<u>7.4</u>	<u>145.1%</u>
Beginning net position, as restated	372.1	359.6	12.5	3.5%	354.5	5.1	1.4%
Ending net position	<u>\$ 391.9</u>	<u>\$ 372.1</u>	<u>\$ 19.8</u>	<u>5.3%</u>	<u>\$ 359.6</u>	<u>\$ 12.5</u>	<u>3.5%</u>

FINANCIAL ANALYSIS OF THE DISTRICT, Continued

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. As the information in Table 2 indicates, income before capital contributions of \$15.7 million and capital contributions of \$4.1 million resulted in an overall increase of \$19.8 million in net position for the end of the fiscal year ended June 30, 2017.

In fiscal year ended June 30, 2016, income before capital contributions of \$7.3 million and capital contributions of \$5.2 million resulted in an overall increase of \$12.5 million in net position.

For fiscal year ended June 30, 2017, Table 2 indicates that the District's total revenues increased by \$10.6 million or 10.6 percent to \$110.5 million from \$99.9 million in the prior year. Operating revenues increased by \$11.0 million or 12.5 percent to \$98.8 million from \$87.8 million. This was due to a \$4.4 million increase in water sales and increased development and construction activities that resulted in an increase of \$6.2 million in facilities connection charges. Non-operating revenues decreased by \$0.4 million or 3.3 percent which was mainly due to a decrease in investment income.

Total expenses increased by \$2.2 million or 2.4 percent partially due to an increase in depreciation and amortization expense of \$0.5 million combined with an increase of \$1.5 million in other operating expenses which was a combination of slight increases in water treatment and administration and general costs. In addition there was a \$0.2 million increase in non-operating expenses due to higher interest expense as a result of a decrease in capitalized interest on completed projects.

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

For fiscal year ended June 30, 2016, total expenses increased by \$1.3 million or 1.4 percent partially due to an increase in depreciation and amortization expense of \$0.6 million combined with an increase of \$1.0 million in other operating expenses which was a combination of slight increases in source of supply and administration and general costs. Water treatment expense decreased as compared to the previous fiscal year because of the temporary closure of one of the District's treatment plants as a result of lowered demand due to conservation efforts of the District's customers because of the drought conditions. However this was almost equally offset by an increase in transmission and distribution relative to the previous fiscal year, because some of the labor force was relocated to perform maintenance activities in transmission and distribution. In addition there was a \$0.3 million reduction in non-operating expenses due to the net effect of interest expense going up and cost of issuance going down.

CAPITAL ASSETS

As of June 30, 2017, the District's investment in capital assets totaled \$406.7 million, which is a decrease of \$0.3 million or 0.1 percent over the capital asset balance of \$407.0 million at June 30, 2016. The decrease in capital assets was primarily due to increase in capitalized assets in the amount of \$12.8 million net of an increase in annual accumulated depreciation of \$13.1 million.

CAPITAL ASSETS OF THE DISTRICT, Continued

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

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)

	2017	2016	2017 vs. 2016		2015	2016 vs. 2015	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.6	\$ -	0.0%	\$ 9.6	\$ -	0.0%
Construction in progress	19.8	16.3	3.5	21.5%	18.9	(2.6)	-13.8%
Source of supply	68.1	69.0	(0.9)	-1.3%	64.2	4.8	7.5%
Pumping plant	25.0	24.5	0.5	2.0%	24.2	0.3	1.2%
Water treatment	160.7	160.6	0.1	0.1%	160.2	0.4	0.2%
Transmission and distribution	329.2	320.8	8.4	2.6%	300.8	20.0	6.6%
General	52.0	50.8	1.2	2.4%	49.7	1.1	2.2%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.9	-	0.0%
Subtotal	685.3	672.5	12.8	1.9%	648.5	24.0	3.7%
Less accumulated depreciation/amortization	(278.6)	(265.5)	(13.1)	4.9%	(251.7)	(13.8)	5.5%
Capital assets, net	\$ 406.7	\$ 407.0	\$ (0.3)	-0.1%	\$ 396.8	\$ 10.2	2.6%

There were several capital projects completed during the fiscal year ended June 30, 2017. These include the PB Emergency Service Line Replacement, Iron Hourse Lane Main Replacement, Hayward Fault Crossing, SharePoint Implementation, and various other capital projects related to the water main, booster pump and meter replacements. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2017. These projects include Water Treatment Plant No. 2 Programmable Logic Controller Upgrade, CMMS Software Implementation, Rubber Dam #1 Fish Ladder, Rubber Dam #3 Fish Ladder, Vallecitos Channel Betterments, Shinn Pond Fish Screen, and various other capital projects related to water main and meter replacements.

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

Additional information on the District's capital assets and construction commitments is provided in Note 5 starting on page 31 of the financial statements.

LONG-TERM DEBT

As of June 30, 2017, the District had \$84.0 million in outstanding debt compared to \$87.7 million on June 30, 2016 and \$91.2 million on June 30, 2015. The decreases in fiscal years ended June 30, 2017 and 2016 were the results of scheduled debt service payments made on its outstanding bonds during the fiscal years.

LONG-TERM DEBT OF THE DISTRICT, Continued

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 8, 2017. 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, 2018 and 2019.

The District's water rates are periodically reviewed by the Board of Directors and typically adjusted annually. Even with rate adjustments over the years, the District's rates are in the lower half of thirty Bay Area water agencies surveyed. On June 9, 2016, as a result of improved water supply conditions, the Board of Directors rescinded drought surcharges effective July 1, 2016. On February 9, 2017, the Board of Directors adopted rate increase of 20.0% effective March 1, 2017 and 5.0% March 1, 2018 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
 Business-Type Activity - Enterprise Fund
 June 30, 2017 and 2016
 (In thousands)

	2017	2016
ASSETS		
Current assets:		
Cash and investments (Note 3)	\$ 125,136	\$ 112,971
Customer and other accounts receivable, net (Note 4)	9,560	7,975
Accrued unbilled revenue	9,669	8,131
Taxes receivable	117	100
Interest receivable	543	413
Material and supplies	2,298	2,274
Prepaid items	124	333
Total unrestricted assets	147,447	132,197
Restricted investments (Note 3)	2,872	6,601
Total current assets	150,319	138,798
Noncurrent assets:		
Net other postemployment benefits asset (Note 11)	1,630	1,706
Capital assets: (Note 5)		
Nondepreciable	29,403	25,930
Depreciable, net	377,281	381,046
Total capital assets	406,684	406,976
Total noncurrent assets	408,314	408,682
Total assets	558,633	547,480
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,794	2,101
Deferred items related to pensions (Note 10)	15,644	6,526
Total deferred outflows of resources	17,438	8,627

(Continued)

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Net Position
 Business-Type Activity - Enterprise Fund
 June 30, 2017 and 2016
 (In thousands)

	2017	2016
(Continued)		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	4,626	8,120
Accrued payroll and related liabilities (Note 6)	3,621	3,399
Contractor and customer deposits	6,860	8,731
Interest payable	249	259
Long-term debt - due within one year (Note 7)	3,685	3,585
Total current liabilities	<u>19,041</u>	<u>24,094</u>
Noncurrent liabilities:		
Accrued payroll and related liabilities (Note 6)	210	196
Long-term debt - due in more than one year (Note 7)	80,410	84,095
Net pension liability (Note 10)	79,322	69,452
Other postemployment benefits - MCP program (Note 12)	1,341	1,486
Total noncurrent liabilities	<u>161,283</u>	<u>155,229</u>
Total liabilities	<u>180,324</u>	<u>179,323</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred items related to pensions (Note 10)	<u>3,875</u>	<u>4,669</u>
NET POSITION		
Net investment in capital assets	324,383	325,051
Restricted for debt service	2,623	2,688
Unrestricted	64,866	44,376
Total net position	<u>\$ 391,872</u>	<u>\$ 372,115</u>

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Revenues, Expenses and Changes in Net Position
 Business-Type Activity - Enterprise Fund
 For the Years Ended June 30, 2017 and 2016
 (In thousands)

	2017	2016
OPERATING REVENUES:		
Water sales	\$ 86,263	\$ 81,776
Facilities connection charges	11,467	5,186
Fees and rental	779	447
Other	320	393
Total operating revenues	98,829	87,802
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	23,833	24,659
Pumping	1,389	1,588
Other	8,861	8,304
Total sources of supply	34,083	34,551
Water treatment	14,369	13,884
Transmission and distribution	15,905	15,365
Administration of customer accounts	1,503	1,473
Administration and general	11,988	11,063
Depreciation and amortization	14,479	13,974
Total operating expenses	92,327	90,310
Operating income (loss)	6,502	(2,508)
NONOPERATING REVENUES (EXPENSES):		
Investment income	145	2,521
Property taxes	10,472	9,295
Other nonoperating revenues	894	138
Other settlements	100	144
Gain on disposal of capital assets	44	28
Interest expense	(2,512)	(2,311)
Total nonoperating revenues (expenses)	9,143	9,815
Income before capital contributions	15,645	7,307
Capital contributions	4,112	5,194
Changes in net position	19,757	12,501
NET POSITION		
Beginning of year	372,115	359,614
End of year	\$ 391,872	\$ 372,115

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Cash Flows
 Business-Type Activity - Enterprise Fund
 For the Years Ended June 30, 2017 and 2016
 (In thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 93,835	\$ 89,364
Cash receipts from others	994	282
Cash payments to suppliers for goods and services	(37,042)	(37,336)
Cash payments for employees pension benefits	(7,130)	(6,526)
Cash payments to employees for salaries and other benefits	(36,859)	(35,837)
Net cash provided by operating activities	<u>13,798</u>	<u>9,947</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	10,455	9,300
Net cash provided by noncapital financing activities	<u>10,455</u>	<u>9,300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(9,502)	(16,335)
Capital grants received restricted for capital purposes	-	214
Proceeds from sale of capital assets	56	38
Principal paid on debt	(3,280)	(3,175)
Interest paid on debt	(3,106)	(3,206)
Net cash used in capital and related financing activities	<u>(15,832)</u>	<u>(22,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	56,550	39,576
Purchases of investments	(69,801)	(56,200)
Investment income received	1,627	1,352
Net cash used in investing activities	<u>(11,624)</u>	<u>(15,272)</u>
Net change in cash and cash equivalents	<u>(3,203)</u>	<u>(18,489)</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	22,447	40,936
End of year	<u>\$ 19,244</u>	<u>\$ 22,447</u>
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 125,136	\$ 112,971
Restricted cash and investments	2,872	6,601
Less investments not meeting the definition of cash equivalents	(108,764)	(97,125)
Total cash, restricted cash and investments	<u>\$ 19,244</u>	<u>\$ 22,447</u>

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Cash Flows
 Business-Type Activity - Enterprise Fund
 For the Years Ended June 30, 2017 and 2016
 (In thousands)

	2017	2016
(Continued)		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 6,502	\$ (2,508)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,479	13,974
Other nonoperating revenues	994	282
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer and other accounts receivable	(1,585)	(679)
Accrued unbilled receivable	(1,538)	(679)
Materials and supplies	(24)	91
Prepaid items	209	(328)
Net other postemployment benefit asset	76	65
Accounts payable and accrued expenses	(3,494)	(1,831)
Accrued payroll and related liabilities	91	(27)
Contractor and customer deposits	(1,871)	2,920
Net pension liability and related pension deferred outflows and inflows of resources	(41)	(1,333)
Net cash provided by operating activities	<u>\$ 13,798</u>	<u>\$ 9,947</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of premiums and loss on debt refunding	\$ 2	\$ 2
Capital contributions	4,112	5,194
Capitalized interest	586	889
Changes in capital related assets and liabilities:		
Grants receivable	-	(225)
Accounts payable and retention payable	(1)	1,717
Unearned revenues	-	11
NONCASH INVESTING ACTIVITIES:		
Change in fair value of investments	1,612	(1,081)

See accompanying notes to basic financial statements.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

1. DESCRIPTION OF THE REPORTING ENTITY

A. Description of Operations

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

B. Reporting Entity

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Measurement Focus

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Presentation and Measurement Focus, Continued

The accounts of the District are reported in a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, 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).

B. Cash and Investments

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

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

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

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

C. Accrued Unbilled Revenue

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

D. Materials and Supplies

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5 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. In 2017 and 2016, the District financed certain capital projects and interest in the amount of \$586 and \$889 was capitalized, respectively, in relation to these tax-exempt bond funded capital expenditures. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

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

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

F. Customer Deposits

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

G. Long-Term Debt and Related Costs

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

H. Operating Revenues and Expenses

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Tax Revenue

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

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. For the years ended June 30, 2017 and 2016, the District recognized \$5,350 and \$4,807 of this 1% property tax allocation levy.

The District also receives an override property tax amount that helps pay for the groundwater portion of both the fixed and variable costs of State water purchased by the District. The District projects such costs annually and requests that the County collect that amount, approximately \$4 to \$5 million. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year's State water purchase cost. For the years ended June 30, 2017 and 2016, the District received \$5,122 and \$4,488 of this State water property tax allocated amount.

J. Capital Contributions

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

K. Net Position

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

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Pensions

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

M. Use of Estimates

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

N. New GASB Pronouncements Adopted

During the year ended June 30, 2017, the District implemented the following accounting standards:

- Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB Statement No. 74) establishes new accounting and financial reporting requirements for OPEB plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. This statement did not have a significant impact to the District's financial statements.
- GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement did not have a significant impact to the District's financial statements.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. New GASB Pronouncements Adopted, Continued

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. This statement did not have a significant impact to the District's financial statements.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. This statement did not have a significant impact to the District's financial statements.
- GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact to the District's financial statements.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Implementation of New GASB Pronouncements

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

- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the District's fiscal year ending June 30, 2018.
- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB Statement No. 81), to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the District's fiscal year ending June 30, 2018.
- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB Statement No. 83), to address accounting and financial reporting for certain asserts retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB Statement No. 83 is effective for the District's fiscal year ending June 30, 2019.
- In January 2017, the 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 is effective for the District's fiscal year ending June 30, 2020.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Implementation of New GASB Pronouncements, Continued

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (GASB Statement No. 85), to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 is effective for the District's fiscal year ending June 30, 2018.
- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB Statement No. 86), to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement requires additional disclosure for all in-substance defeasance transactions. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statement No. 86 is effective for the District's fiscal year ending June 30, 2018.
- In June 2017, the 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 is effective for the District's fiscal year ending June 30, 2021.

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.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments

	2017	2016
Unrestricted cash and bank deposits	\$ 2,333	\$ 4,432
Unrestricted investments	122,803	108,539
Unrestricted cash and investments	125,136	112,971
Restricted investments	2,872	6,601
Total	<u>\$ 128,008</u>	<u>\$ 119,572</u>

B. Authorized Investments

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

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

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.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

B. Authorized Investments, continued

- Medium-term notes issued by corporations organized and operating in the United States.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- The California Asset Management Program (CAMP).
- Shares of beneficial interest issued by diversified management companies that are money market fund registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

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

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

C. Deposits

The carrying amount of the District's demand deposits balances were \$821 and \$2,921 and the bank balances were \$4,449 and \$3,514 at June 30, 2017 and 2016, 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, 2017 and 2016.

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 Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

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, 2017 and 2016 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, 2017 and 2016, the District had unrestricted cash and investments of \$18,278 and \$15,716, respectively, invested in LAIF, which had invested 2.89% and 2.81% 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 \$77.6 billion and \$75.4 billion in its investment portfolio as of June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the District had restricted cash and investments of \$0 and \$3,654, respectively, invested in LAIF which related to the 2015 Water System Revenue Bonds issued in March 2015. The District had a total of \$18,278 and \$19,370 invested in LAIF as of June 30, 2017 and 2016, respectively. The District valued its investments in LAIF as of June 30, 2017 and 2016, 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 0.998940671 and 1.000621222 as of June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, the District had unrestricted cash and investments in the CAMP pool of \$10 and \$10, respectively. The total amount invested by all public agencies in CAMP at June 30, 2017 and 2016 was \$2.7 billion and \$1.8 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 Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

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, 2017 and 2016:

Investments by Fair Value Level	June 30, 2017	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	June 30, 2016	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
U.S. Government securities	\$ 49,391	\$ 49,391	\$ 45,736	\$ 45,736
U.S. Government agency obligations	25,274	25,274	13,672	13,672
Corporate notes	16,410	16,410	19,835	19,835
Municipal bond	1,616	1,616	3,537	3,537
Short term investments	16,208	16,208	14,491	14,491
Total investments by fair value level	<u>108,899</u>	<u>\$ 108,899</u>	<u>97,271</u>	<u>\$ 97,271</u>
Investments not subject to fair value hierarchy:				
Local Agency Investment Funds	18,278		19,370	
California Asset Management Program	10		10	
Total investments not subject to fair value hierarchy	<u>18,288</u>		<u>19,380</u>	
Total investment measured at fair value	<u>\$ 127,187</u>		<u>\$ 116,651</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
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3. CASH AND INVESTMENTS, Continued

E. Investment Risks

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2017 and 2016, the District's investment pool had a weighted average maturity of 2.50 years and 2.78 years, respectively. The District invested \$3,108 and \$3,583 in callable bonds, which was comprised of corporate medium-term notes, at June 30, 2017 and 2016, respectively. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

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

Concentration of Credit Risk. The District's Investment Policy does not contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. Government are not subject to single issuer limitation. As of June 30, 2017 and 2016, the District has investments in U.S. government agencies that represent 5% or more of the District's unrestricted and restricted investment portfolios (see Note 3.F).

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

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

F. Cash and Investments Composition

As of June 30, 2017, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Enterprise Fund:							
Unrestricted cash and investments:							
Non-negotiable certificates of deposit with:							
Bank of the West	n/a	\$ 142	\$ 142	\$ -	\$ -	\$ -	\$ -
Fremont Bank	n/a	1,370	1,370	-	-	-	-
Demand deposits	n/a	821	821	-	-	-	-
Total unrestricted cash and bank deposits		2,333	2,333	-	-	-	-
Negotiable certificates of deposit:							
Bank of Montreal Chicago YCD	Aa3 / A+	1,509	-	1,509	-	-	-
Bank of Nova Scotia Houston YCD	A1 / A+	1,574	-	1,574	-	-	-
Canadian Imperial Bank NY YCD	Aa3 / A+	1,531	-	1,531	-	-	-
HSBC Bank USA NA CD	P-1 / A-1+	1,576	1,576	-	-	-	-
Nordea Bank Finland NY CD	Aa3 / AA-	1,531	-	1,531	-	-	-
Royal Bank of Canada NY CD	Aa3 / AA-	1,828	1,828	-	-	-	-
Skandinaviska Enskilda Banken NY CD	Aa3 / A+	1,575	1,575	-	-	-	-
Sumitomo Mitsui Bank NY CD	A1 / A	1,577	-	1,577	-	-	-
Svenska Handelsbanken NY LT CD	Aa2 / AA-	1,995	-	1,995	-	-	-
Municipal Bonds:							
CT State Taxable Go Bonds	Aa2 / AA	430	-	430	-	-	-
Univ of CA Taxable Rev Bonds	Aa2 / AA	1,186	1,186	-	-	-	-
U.S. Government agencies securities:							
Federal Home Loan Bank*	Aaa / AA+	13,817	-	6,904	4,696	-	2,217
Fannie Mae Global Notes*	Aaa / AA+	7,847	330	1,189	4,568	-	1,760
Freddie Mac Global Notes	Aaa / AA+	3,475	-	3,475	-	-	-
U.S. Treasury Securities	Aaa / AA+	46,654	-	11,978	8,017	18,770	7,889
Medium-term notes:							
American Express Credit Corp Notes	A2 / A-	451	-	-	-	451	-
American Honda Finance Global Notes	A1 / A+	1,538	-	-	1,538	-	-
Apple Inc. Corp.	Aa1 / AA+	343	-	-	-	-	343
Bank of New York Mellon	A1 / A	1,517	625	-	-	892	-
Branch Banking & Trust Corp Note	A2 / A-	446	-	-	-	446	-
Burlington North Corp	A3 / A	452	-	-	452	-	-
Cisco Systems Inc. Global Notes	A1 / AA-	1,472	-	1,472	-	-	-
Citigroup Inc Corp Notes	Baa1 / BBB+	350	-	350	-	-	-
Comcast Corp Bonds	A3 / A-	438	-	-	-	-	438
General Electric Capital Corp Notes	A1 / AA-	1,959	-	-	1,959	-	-
Goldman Sachs Group Inc Corp	A3 / BBB+	895	-	895	-	-	-
Home Depot Inc Corp Notes	A2 / A	425	-	-	425	-	-
John Deere Capital Corp Notes	A2 / A	201	-	-	201	-	-
JPMorgan Chase & Co	A3 / A-	1,588	-	-	1,588	-	-
Microsoft Corp Note	Aaa / AAA	453	-	-	-	-	453
PNC Bank NA Corp Note	A3 / A-	441	-	-	-	-	441
State Street Corp Notes	A1 / A	237	-	-	-	237	-
Texas Instrument Inc	A1 / A+	184	-	-	-	184	-
Toyota Motor Corp Notes	Aa3 / AA-	478	-	-	478	-	-
United Parcel Service Corp Notes	A1 / A+	401	-	-	-	-	401
Walt Disney Company Corp Notes	A2 / A+	504	-	-	-	-	504
Wells Fargo & Co Notes	A2 / A	1,637	-	-	927	710	-
Local Agency Investment Funds	Unrated / Unrated	18,278	18,278	-	-	-	-
California Asset Management Program	Unrated / AAAM	10	10	-	-	-	-
Total unrestricted investments		122,803	25,408	36,410	24,849	21,690	14,446
Total unrestricted cash and investments		\$ 125,136	\$ 27,741	\$ 36,410	\$ 24,849	\$ 21,690	\$ 14,446
Restricted investments:							
First American Treasury Obligation Fund	Aaa / AAAM	\$ 135	\$ 135	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies securities:							
U.S. Treasury Securities	Aaa / AA+	2,737	-	-	2,737	-	-
Total restricted investments		\$ 2,872	\$ 135	\$ -	\$ 2,737	\$ -	\$ -

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

Alameda County Water District
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For the Years Ended June 30, 2017 and 2016
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3. CASH AND INVESTMENTS, Continued

F. Cash and Investments Composition, Continued

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
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4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

Customer and other accounts receivable were as follows:

	2017	2016
Utility service	\$ 6,055	\$ 4,757
Groundwater replenishment	14	8
Other	3,520	3,234
Allowance for doubtful accounts	(29)	(24)
Total customer and other accounts receivable, net	<u>\$ 9,560</u>	<u>\$ 7,975</u>

Other accounts receivable balance of \$3,520 and \$3,234 for June 30, 2017 and 2016, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

5. CAPITAL ASSETS

A. Summary of Capital Asset Activity

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital assets, not being depreciated/amortized:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	16,320	13,533	-	(10,060)	19,793
Capital assets, not being depreciated/amortized	<u>25,930</u>	<u>13,533</u>	<u>-</u>	<u>(10,060)</u>	<u>29,403</u>
Capital assets, being depreciated/amortized					
Source of supply	68,993	-	(1,270)	327	68,050
Pumping plant	24,549	-	-	434	24,983
Water treatment	160,610	-	-	125	160,735
Transmission and distribution	320,721	666	(40)	7,861	329,208
General	50,836	-	(144)	1,313	52,005
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated/amortized	<u>646,569</u>	<u>666</u>	<u>(1,454)</u>	<u>10,060</u>	<u>655,841</u>
Less accumulated depreciation/amortization					
Source of supply	(41,804)	(1,782)	1,270	-	(42,316)
Pumping plant	(16,590)	(693)	-	-	(17,283)
Water treatment	(53,130)	(3,186)	-	-	(56,316)
Transmission and distribution	(122,065)	(6,086)	28	-	(128,123)
General	(23,767)	(2,098)	144	-	(25,721)
Supplemental water supply storage	(8,167)	(634)	-	-	(8,801)
Less accumulated depreciation/amortization	<u>(265,523)</u>	<u>(14,479)</u>	<u>1,442</u>	<u>-</u>	<u>(278,560)</u>
Capital assets, being depreciated/amortized, net	<u>381,046</u>	<u>(13,813)</u>	<u>(12)</u>	<u>10,060</u>	<u>377,281</u>
Total capital assets, net	<u>\$ 406,976</u>	<u>\$ (280)</u>	<u>\$ (12)</u>	<u>\$ -</u>	<u>\$ 406,684</u>

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
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5. CAPITAL ASSETS, Continued

A. Summary of Capital Asset Activity, Continued

The District had various active construction projects as of June 30, 2017 including the following:

Various Other Active Projects (individually less than \$300)	\$ 4,053
Rubber Dam #1 Fish Ladder	3,738
PLC Upgrade	3,076
Rubber Dam #3 Fish Ladder	1,897
Shinn Pond Fish Screen	958
Vallecitos Channel Betterments	879
Service Line Replacements	851
COF Capitol Ave. Improvement	787
Alvarado-Niles Spine Main	729
Customer Installation Jobs	596
CMMS Software Implementation	581
Meter Replacements	556
Middlefield Reservoir Inlet and Outlet	403
Blending Facility Telecomm Tow	375
Washington Blvd/ I-680 Bridge	314
Total	<u>\$ 19,793</u>

At June 30, 2017, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$2,212.

Alameda County Water District
Notes to Basic Financial Statements
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5. CAPITAL ASSETS, Continued

A. Summary of Capital Asset Activity, Continued

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

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

Depreciation and amortization expense for capital assets for the years ended June 30, 2017 and 2016 were \$14,479 and \$13,974, respectively.

Alameda County Water District
Notes to Basic Financial Statements
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5. CAPITAL ASSETS, Continued

B. Supplemental Water Supply Storage

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

The agreements terminate in November 2035. The historical costs of the District's water storage in the amount of \$20,860 as of June 30, 2017 and 2016 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$634 for the years ended June 30, 2017 and 2016.

The District has a storage allocation of 150,000 acre-feet and had approximately 134,157 and 115,480 acre feet of water at June 30, 2017 and 2016, respectively.

C. Mission San Jose Water Treatment Plant

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

6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL

Accounts payable and accrued expenses were as follows:

	2017	2016
Vendors	\$ 1,923	\$ 5,550
Retention payable	36	356
Installer's reimbursement	1,991	1,567
Other	676	647
Total	\$ 4,626	\$ 8,120

Alameda County Water District
Notes to Basic Financial Statements
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6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL, Continued

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, 2017 and 2016, were \$1,991 and \$1,567, 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.

Accrued payroll and related liabilities were as follows:

	2017	2016
Accrued payroll	\$ 1,063	\$ 895
Accrued vacation	1,942	1,980
Accrued leave and other	826	720
Total	3,831	3,595
Less current portion	(3,621)	(3,399)
Long-term portion	<u>\$ 210</u>	<u>\$ 196</u>

Accrued vacation activity is as follows:

	2017	2016
Balance, beginning of year	\$ 1,980	\$ 2,025
Additions	1,767	1,706
Reduction	(1,805)	(1,751)
Balance, end of year	<u>\$ 1,942</u>	<u>\$ 1,980</u>

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

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7. LONG-TERM DEBT

Long-term debt activities for the year ended June 30, 2017 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$26,340	\$ 10,595	\$ -	\$ (2,525)	\$ 8,070	\$ 2,600	\$ 5,470
Unamortized premium				473	-	(118)	355	118	237
2012 Water System Revenue Bonds	3.00 to 5.00	2033	45,240	44,230	-	(275)	43,955	280	43,675
Unamortized premium				2,407	-	(96)	2,311	96	2,215
2015 Water System Revenue Bonds	4.00 to 5.00	2036	27,810	27,355	-	(480)	26,875	500	26,375
Unamortized premium				2,620	-	(91)	2,529	91	2,438
Total Debt			\$99,390	\$ 87,680	\$ -	\$ (3,585)	\$ 84,095	\$ 3,685	\$ 80,410

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

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$26,340	\$ 13,050	\$ -	\$ (2,455)	\$ 10,595	\$ 2,525	\$ 8,070
Unamortized premium				591	-	(118)	473	118	355
2012 Water System Revenue Bonds	3.00 to 5.00	2033	45,240	44,495	-	(265)	44,230	275	43,955
Unamortized premium				2,503	-	(96)	2,407	96	2,311
2015 Water System Revenue Bonds	4.00 to 5.00	2036	27,810	27,810	-	(455)	27,355	480	26,875
Unamortized premium				2,711	-	(91)	2,620	91	2,529
Total Debt			\$99,390	\$ 91,160	\$ -	\$ (3,480)	\$ 87,680	\$ 3,585	\$ 84,095

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
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7. LONG-TERM DEBT, Continued

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 \$118,030. Principal and interest paid for the year ended June 30, 2017 and total net revenues as defined in the bond indentures were \$6,387 and \$27,370, respectively. Principal and interest paid for the year ended June 30, 2016 and total net revenues as defined in the bond indentures were \$6,381 and \$23,684, respectively.

The debt service requirements for the Water System Revenue Bonds at June 30, 2017 were as follows:

Year Ending	Principal	Interest	Total
June 30,			
2018	\$ 3,380	\$ 2,994	\$ 6,374
2019	3,505	2,866	6,371
2020	3,635	2,743	6,378
2021	2,915	2,614	5,529
2022	3,010	2,469	5,479
2023-2027	16,715	10,170	26,885
2028-2032	13,065	7,360	20,425
2033-2037	13,755	5,142	18,897
2038-2042	14,405	2,406	16,811
2043-2045	4,515	366	4,881
Total	<u>\$ 78,900</u>	<u>\$ 39,130</u>	<u>\$ 118,030</u>

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The District has evaluated each debt issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2017 and 2016.

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8. RISK MANAGEMENT

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

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

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

The District’s deductibles and maximum coverage as of June 30, 2017 are as follows:

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

9. COMMITMENTS

State of California - In 1961, the District entered into a contract with the State of California (the State) to purchase water through the year 2035. After the initial term, the contract is renewable indefinitely by the District under essentially the same conditions as the original contract upon six months prior written notice to the State. The District’s actual water purchases for the fiscal years ended June 30, 2017 and 2016 were approximately 29,103 and 21,213 acre-feet, respectively. Since 2012, the maximum annual entitlement has been 42,000 acre-feet. In any year when the entitlement is in excess of the District’s needs, the State will attempt to sell such excess and credit the District. The costs to the District for water purchased under this contract for fiscal years ended June 30, 2017 and 2016 were approximately \$8,093 and \$8,104, respectively, and were charged to operations as incurred.

Alameda County Water District
Notes to Basic Financial Statements
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9. COMMITMENTS, Continued

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

The District's commitment under the State water contract will remain in effect until 2036 or until the cost of the State's facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$164,413 as of June 30, 2017.

Year Ending June 30,	State Water Purchase Commitment (in thousands)
2018	\$ 8,435
2019	8,856
2020	8,975
2021	8,859
2022	8,913
2023 - 2027	44,739
2028 - 2033	44,461
2033 - 2036	31,175
Total Water Purchase	<u>\$ 164,413</u>

City and County of San Francisco - The District entered into a water sales contract with the City and County of San Francisco in June 1984. That contract was renewed in July 2009 to purchase certain minimum amounts of water over a 25-year period and is administered by the San Francisco Public Utilities Commission (SFPUC). The costs to the District for water purchased under this contract for fiscal years ended June 30, 2017 and 2016 were approximately \$14,481 and \$13,909, respectively, and were charged to operations as incurred. The District is obligated under the term of the agreement to make a minimum purchase of 8,567 acre-feet of water per year through 2034 at the then-current cost of water. In the event that the SFPUC is unable to supply sufficient water to all users, the available water will be ratably apportioned among contractors with the District liable only for actual water delivered. For fiscal year ended June 30, 2017, SFPUC temporarily adjusted the District's minimum purchase requirement to 6,716 acre-feet (1,851 acre-feet less than the contracted minimum) to help address the slow recovery of water demand due to the recent drought. For fiscal year ending June 30, 2018, the District is expected to purchase the required minimum of 8,567 acre-feet at an estimated cost of \$17,687.

Alameda County Water District
Notes to Basic Financial Statements
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9. COMMITMENTS, Continued

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

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

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

BAWSCA's annual debt service amount for fiscal year ended June 30, 2017 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, 2017 water use will be included in the fiscal year ending June 30, 2019 bond surcharge. The District's fiscal year ended June 30, 2017 bond surcharge was \$1,558, which includes a true-up adjustment of \$24. The District's estimated bond surcharge for fiscal year ending June 30, 2018 is \$690, which includes a true-up adjustment of -\$640. Audited financial statements for BAWSCA may be obtained from the BAWSCA at 155 Bovet Road Suite 650, San Mateo, California, 94402.

10. PENSION PLANS

A. General Information about the Pension Plans

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
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10. PENSION PLANS, Continued

A. General Information about the Pension Plans, Continued

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) agreement for employees in its Management, Confidential and Professional group. Under this agreement, the District picks up 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as additional contribution. For fiscal years ended June 30, 2017 and 2016, the District's EPMC was \$291 and \$296, respectively.

The State passed the California Employees' Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA. The employees normal contribution to CalPERS for PEPRA member is 7%.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic and new members with five years of total service are eligible to retire, with statutorily reduced benefits, at age 50 and 52, respectively. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for the plan is applied as specified by the Public Employee's Retirement Law.

The Plan's provisions and benefits in effect at fiscal years ended June 30, 2017 and 2016 are summarized as follows:

Hire date	Prior to January 1,	On or after January 1,
	2013	2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years Service	5 Years Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	52
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates, June 30, 2016	27.185%	14.000%
Required employer contribution rates, June 30, 2017	28.237%	13.048%

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
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10. PENSION PLANS, Continued

A. General Information about the Pension Plans, Continued

At June 30, 2017 and 2016, the following employees were covered by the benefit terms:

	2017	2016
Inactive employees receiving benefits	231	228
Inactive employees entitled to but not yet receiving benefits	87	87
Active members	212	219
Total	<u>530</u>	<u>534</u>

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

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District was required to contribute for fiscal years ended June 30, 2017 and 2016 at an actuarially determined rate of 28.237% and 27.185% for classic members, and at a rate of 13.048% and 14.000% for new members, of annual covered payroll for the District's employees, which amounted to \$7,130 and \$6,526, respectively.

B. Net Pension Liability

The District net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability as of June 30, 2017 and 2016 were measured as of June 30, 2016 and 2015 (measurement date), using an annual actuarial valuation of June 30, 2015 and 2014, respectively.

Alameda County Water District
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10. PENSION PLANS, Continued

B. Net Pension Liability, Continued

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

	2017	2016
Valuation Date	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Projected Salary Increase	3.50% to 12.20% depending on Age, Service, and Type of Employment	3.50% to 12.20% 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 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 underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 and 2014 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, 2016 and 2015 was 7.65 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 deemed not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund for the June 30, 2016 and 2015 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.

According to GASB Statement No. 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.65 percent used for the June 30, 2016 and June 30, 2015 measurement date is without a reduction for pension plan administrative expense.

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

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

B. Net Pension Liability, Continued

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 target allocation for the June 30, 2016 measurement date was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

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10. PENSION PLANS, Continued

B. Net Pension Liability, Continued

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

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

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

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

C. Changes in the Net Pension Liability

The following table shows the changes in the net pension liability for the year ended June 30, 2017:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2016	\$ 225,626	\$ 156,174	\$ 69,452
Changes in the year:			
Service cost	4,373	-	4,373
Interest on the total pension liability	16,868	-	16,868
Differences between expected and actual experience	(2,173)	-	(2,173)
Contributions from the employer	-	6,518	(6,518)
Contributions from employees	-	1,938	(1,938)
Net investment income	-	837	(837)
Benefit payments, including refunds of employee contributions	(10,267)	(10,267)	-
Administrative expense	-	(95)	95
Net changes	8,801	(1,069)	9,870
Balance at June 30, 2017	\$ 234,427	\$ 155,105	\$ 79,322

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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, 2016:

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

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, 2016 and 2015 measurement dates, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

Net Pension Liability	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.65%	7.65%	8.65%
June 30, 2015 measurement date	\$ 101,098	\$ 69,452	\$ 43,436
June 30, 2016 measurement date	\$ 111,882	\$ 79,322	\$ 52,535

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

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10. PENSION PLANS, Continued

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

For the years ended June 30, 2017 and 2016, the District recognized a pension expense of \$7,080 and \$5,003 for the Plan, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,130	\$ -
Changes of Assumptions	-	(2,071)
Differences between expected and actual experiences	-	(1,804)
Net differences between projected and actual earnings on plan investments	8,514	-
Total	<u>\$ 15,644</u>	<u>\$ (3,875)</u>
June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,526	\$ -
Changes of Assumptions	-	(3,106)
Differences between expected and actual experiences	-	(282)
Net differences between projected and actual earnings on plan investments	-	(1,281)
Total	<u>\$ 6,526</u>	<u>\$ (4,669)</u>

The \$7,130 and \$6,526 reported as deferred outflows of resources at June 30, 2017 and 2016, respectively, relates to contributions made subsequent to the measurement date. The District will recognize these amounts as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future pension expense as follows:

Measurement Periods Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (459)
2018	(459)
2019	3,352
2020	2,205
Total	<u>\$ 4,639</u>

Alameda County Water District
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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 \$50 and \$71 in fiscal years ended June 30, 2017 and 2016, 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.

11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE

A. Plan Description

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

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

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

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11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

A. Plan Description, 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

Alameda County Water District
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11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

A. Plan Description, Continued

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

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

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

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

B. Funding Policy

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

The District's funding policy is to fund the ARC. As of the June 30, 2015 actuarial valuation, the District's fiscal years 2017 and 2016 ARC rates are 16.2% and 17.1% of covered payroll, respectively.

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For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

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

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

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

	2017	2016
Normal Cost	\$ 1,376	\$ 1,458
UAAL Amortization	2,596	2,621
Annual Required Contribution	3,972	4,079
Interest on Net OPEB Asset	(124)	(128)
Adjustments to Net OPEB Asset	200	193
Annual OPEB Cost (AOC)	4,048	4,144
Contributions made	(3,972)	(4,079)
Change in Net OPEB Asset	76	65
Net OPEB Asset, beginning of year	(1,706)	(1,771)
Net OPEB Asset, end of year	\$ (1,630)	\$ (1,706)

The total ARC for fiscal years ended June 30, 2017 and 2016 is \$3,972 and \$4,079, respectively. Of this amount, the District made contribution amounts of \$2,234 and \$2,278 for retirees' health premiums in 2017 and 2016, respectively. The remaining balance of the ARC of \$1,738 and \$1,801 was deposited in CERBT in fiscal years ended June 30, 2017 and 2016, respectively.

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

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Asset
6/30/2015	\$ 4,005	\$ 3,950	99%	\$ (1,771)
6/30/2016	4,144	4,079	98%	(1,706)
6/30/2017	4,048	3,972	98%	(1,630)

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

11. OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

E. Actuarial Methods and Assumptions, Continued

Significant actuarial assumptions are as follows:

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

12. OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM

Plan Description - The MCP Bonus 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. 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 fiscal years ended June 30, 2017 and 2016, the District had 16 and 19 eligible members in this closed program, respectively.

Funding Policy - Contribution requirements may be amended through negotiations between the District and members of the MCP group. The District contributes on a pay-as-you-go basis upon the retirement date of the eligible employee. For the years ended June 30, 2017 and 2016, the District contributed toward this program \$255 for 3 retired members and \$412 for 5 retired members, respectively.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than one hundred total participants. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the District's annual OPEB cost, the amount contributed to the MCP Bonus Program, and changes in the District's Net OPEB Obligation:

	2017	2016
Annual Required Contribution	\$ 66	\$ 92
Interest on Net OPEB Obligation	45	53
Annual OPEB Cost (expense)	110	145
Contributions made	(255)	(412)
Change in Net OPEB Obligation	(145)	(267)
Net OPEB Obligation, beginning of year	1,486	1,753
Net OPEB Obligation, end of year	<u>\$ 1,341</u>	<u>\$ 1,486</u>

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

12. OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM, Continued

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

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 261	\$ 310	119%	\$ 1,753
6/30/2016	145	412	284%	1,486
6/30/2017	110	255	231%	1,341

Funded Status and Funding Programs - As of fiscal years ended June 30, 2017 and 2016, the net accrued OPEB liability for MCP Bonus Program benefits was \$1,341 and \$1,486, respectively. At fiscal years ended June 30, 2017 and 2016, the covered payroll (annual payroll of active employees covered by the MCP Bonus Program) was \$3,204 and \$4,701, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was -41.9 percent and -31.6 percent, respectively.

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2017 and 2016
(Dollars in thousands)

12. OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM, Continued

- Post-retirement benefit increases - The benefit is a one-time lump sum payment paid upon the retirement date of the eligible employee, therefore no post-retirement benefit increases are assumed.
- Investment return - The District contributes on a pay-as-you-go basis, so investment returns are not assumed.

In addition, a simplified version of the entry age actuarial cost method was used.

13. LITIGATION

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

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
Three Year Trend Information *
(Dollars in thousands)

DEFINED BENEFIT PENSION PLAN

	2017	2016	2015
Total pension liability			
Service cost	\$ 4,373	\$ 4,405	\$ 4,362
Interest on total pension liability	16,868	16,216	15,453
Changes in assumptions	-	(4,141)	-
Differences between expected and actual experience	(2,173)	(377)	-
Benefit payments, including refunds of employee contributions	(10,267)	(9,527)	(9,246)
Net change in total pension liability	8,801	6,576	10,569
Total pension liability - beginning	225,626	219,050	208,481
Total pension liability - ending	\$ 234,427	\$ 225,626	\$ 219,050
Plan fiduciary net position			
Contributions - Employer	\$ 6,518	\$ 6,023	\$ 5,747
Contributions - Employee	1,938	1,955	2,587
Net investment income	837	3,485	23,005
Benefit payments, including refunds of employee contributions	(10,267)	(9,527)	(9,246)
Administrative expense	(95)	(176)	-
Net change in plan fiduciary net position	(1,069)	1,760	22,093
Plan fiduciary net position - beginning	156,174	154,414	132,321
Plan fiduciary net position - ending	\$ 155,105	\$ 156,174	\$ 154,414
Plan net pension liability - ending	\$ 79,322	\$ 69,452	\$ 64,636
Plan fiduciary net position as a percentage of the total pension liability	66.16%	69.22%	70.49%
Covered-employee payroll	\$ 24,306	\$ 24,347	\$ 22,948
Plan net pension liability as a percentage of covered-employee payroll	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 - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65 percent in 2016 and 2017.

* 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 three years of information is shown.

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

DEFINED BENEFIT PENSION PLAN, Continued

	2017	2016	2015	2014
Actuarially determined contribution	\$ 7,130	\$ 6,526	\$ 6,213	\$ 5,793
Contributions in relation to the actuarially determined	(7,130)	(6,526)	(6,213)	(5,793)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 25,829	\$ 24,345	\$ 24,596	\$ 22,948
Contributions as a percentage of covered-employee payroll	27.606%	26.807%	25.260%	25.244%

Actuarially determined contribution for fiscal year	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2013
Valuation date:	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost Method
Asset valuation method	15 year smoothed market			
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	3.50% 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	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment rate of return	7.50%, net of pension plan investment and administrative expenses;	7.50%, net of pension plan investment and administrative expenses;	7.50%, net of pension plan investment and administrative expenses;	7.50%, net of pension plan investment and administrative expenses;
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	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 four years of information is shown.

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Funding Progress and Employer Contributions
Past Three Years' Valuation
(Dollars in thousands)

OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE

Schedule of Funding Progress

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

Actuarial valuation as of June 30, 2017 is not available.

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2015	\$ 3,950	\$ 3,950	100.0%
June 30, 2016	4,079	4,079	100.0%
June 30, 2017	3,972	3,972	100.0%

Alameda County Water District
Required Supplementary Information (Unaudited)
Schedules of Funding Progress and Employer Contributions
Past Three Years' Valuation
(Dollars in thousands)

OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM

Schedule of Funding Progress

Valuation Date	Net OPEB Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
6/30/2015	\$ 1,753	-	\$ (1,753)	0.0%	\$ 5,251	-38.8%
6/30/2016	1,486	-	(1,486)	0.0%	4,701	-33.4%
6/30/2017	1,341	-	(1,341)	0.0%	3,204	-41.9%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2015	\$ 216	\$ 310	143.5%
6/30/2016	92	412	447.8%
6/30/2017	66	255	387.6%

STATISTICAL SECTION

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.

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

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
OPERATING REVENUES:										
Water Sales	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776	\$ 86,263
Facilities Connection Charges	3,874	5,703	1,768	1,892	2,118	1,977	3,494	1,920	5,186	11,467
Other Revenue	2,090	1,576	1,737	1,559	1,662	1,914	2,109	749	840	1,099
TOTAL OPERATING REVENUES	64,051	64,057	60,249	66,047	73,878	80,794	86,684	82,804	87,802	98,829
OPERATING EXPENSES:										
Source of Supply:										
Water Purchases	14,211	14,129	14,128	14,402	18,747	21,367	23,427	23,659	24,659	23,833
Pumping	2,574	2,583	2,592	3,116	3,338	2,954	2,763	1,876	1,588	1,389
Other	6,783	9,707	7,511	8,819	8,875	8,828	10,215	8,189	8,304	8,861
Water Treatment	10,097	11,022	11,297	12,464	12,119	12,586	12,584	15,646	13,884	14,369
Transmission and Distribution	10,089	11,285	11,997	11,343	10,953	10,650	10,934	13,552	15,365	15,905
Administration of Customer Accounts	1,076	1,163	1,252	1,507	1,390	1,680	1,832	1,793	1,473	1,503
Administration and General	6,210	7,605	8,335	6,172	9,679	11,965	13,090	10,551	11,063	11,988
Depreciation and Amortization	10,811	10,968	10,942	12,462	12,262	12,845	12,624	13,417	13,974	14,479
TOTAL OPERATING EXPENSES	61,851	68,462	68,054	70,285	77,363	82,875	87,469	88,683	90,310	92,327
NONOPERATING REVENUES (EXPENSES):										
Investment Income	5,344	4,032	2,448	1,416	672	(46)	1,217	1,098	2,521	145
Property Taxes	6,657	7,381	7,479	7,256	7,936	7,917	7,654	9,547	9,295	10,472
Other Revenues (1)	-	-	10,934	450	215	68	47	11	310	1,038
Other Expenses/Loss on Disposal	(2,897)	(2,915)	(2,373)	(2,060)	(3,879)	(2,133)	(1,624)	(2,682)	(2,311)	(2,512)
TOTAL NONOPERATING REVENUES (EXPENSES)	9,104	8,498	18,488	7,062	4,944	5,806	7,294	7,974	9,815	9,143
Capital Contributions	3,988	6,237	5,491	3,677	2,849	5,529	2,767	3,023	5,194	4,112
Increase in Net Position	\$ 15,292	\$ 10,330	\$ 16,174	\$ 6,501	\$ 4,308	\$ 9,254	\$ 9,276	\$ 5,118	\$ 12,501	\$ 19,757
% Water Rate Increase (of latter of FY)	4.50	6.00	8.80	8.00	8.00*	17.1*	7.00	8.00*	-	10.4*
Number of Employees (2)	214	214	219	226	225	229	238	230	230	230

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

(2) Approved employees as of June 30, 2016.

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.

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

Fiscal Year Ending June 30	Connection Fees (000's)
2008	\$ 3,874
2009	5,703
2010	1,768
2011	1,892
2012	2,118
2013	1,977
2014	3,494
2015	1,920
2016	5,186
2017	11,467

Source: Alameda County Water District Finance Department

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

	2007/08	2008/09 ⁽¹⁾	2009/10	2010/11 ⁽²⁾	2011/12 ⁽²⁾	2012/13	2013/14	2014/15 ⁽³⁾	2015/16	2016/17
NET POSITION:										
Net investment in capital assets	\$ 260,757	\$ 275,844	\$ 292,179	\$ 298,301	\$ 304,983	\$ 310,757	\$ 325,497	\$ 329,084	\$ 325,051	\$ 324,383
Restricted for debt service	7,662	7,701	2,515	2,436	2,639	2,656	2,669	2,585	2,688	2,623
Unrestricted	119,523	98,124	103,149	101,334	98,757	102,220	96,743	27,945	44,376	64,866
TOTAL	\$ 387,942	\$ 381,669	\$ 397,843	\$ 402,071	\$ 406,379	\$ 415,633	\$ 424,909	\$ 359,614	\$ 372,115	\$ 391,872

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

⁽²⁾ 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.

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

Source: Alameda County Water District Finance Department

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Levies:										
1% Tax Allocation	\$ 3,615	\$ 3,622	\$ 3,541	\$ 3,537	\$ 3,500	\$ 3,569	\$ 3,769	\$ 4,034	\$ 4,611	\$ 5,007
State Water Contract Tax	2,516	3,071	2,595	2,803	3,010	3,189	3,194	4,717	4,884	5,373
Total	\$ 6,131	\$ 6,693	\$ 6,136	\$ 6,340	\$ 6,510	\$ 6,758	\$ 6,963	\$ 8,751	\$ 9,495	\$ 10,380
Collections:										
Collections in the First Period	\$ 6,670	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332
Collection in the First Period Percentage of Levies (%)	109%	116%	101%	113%	128%	119%	121%	109%	98%	100%
Total Collections	\$ 6,670	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332
Total Collections Percentage of Levies	109%	116%	101%	113%	128%	119%	121%	109%	98%	100%

Source: Alameda County Water District Finance Department

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

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

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

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

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	Percent Delinquent June 30
2006/07	\$ 2,037	\$ 61	3.00%
2007/08	2,460	93	3.80
2008/09	2,998	109	3.65
2009/10	2,544	64	2.51
2010/11	2,771	56	2.01
2011/12	3,180	59	1.87
2012/13	3,048	29	0.95
2013/14	3,071	22	0.72
2014/15	4,642	35	0.76
2015 /16	4,012	33	0.82

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

Data for FY 2016/17 is not yet available.

Source: Alameda County Auditor-Controller

Table 7

ALAMEDA COUNTY WATER DISTRICT

TEN YEAR SUMMARY OF SCHEDULE OF BASE WATER RATES-BIMONTHLY READINGS AND BILLINGS (Unaudited)

	Eff. 2/1 2008	Eff. 2/1 2009	Eff. 2/1 2010	Eff. 3/1 2011	Eff. 2/1 2012	Eff. 2/1 2013	Eff. 2/1 2014	Eff. 5/1 2015	Eff. 4/1 2016	Eff. 3/1 2017
COMMODITY CHARGE/HCF:										
Inside District	\$ 2.388	\$ 2.531	\$ 2.754	\$ 2.974	\$ 3.152	\$ 3.152	\$ 3.373	\$ 3.373	\$ 3.373	\$ 4.047
Outside District	2.745	2.910	3.166	3.419	3.624	3.624	3.878	3.878	3.878	4.653
San Francisco	2.395	2.682	2.918	3.242	3.673	.*	-	-	-	-
BIMONTHLY METER SERVICE CHARGE:										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 10.08	\$ 10.68	\$ 11.62	\$ 12.55	\$ 14.93	\$ 29.86	\$ 31.95	\$ 41.54	\$ 41.54	\$ 49.84
1	14.44	15.31	16.66	17.99	21.41	42.82	45.82	64.05	64.05	76.86
1-1/2	25.52	27.05	29.43	31.78	37.82	75.64	80.93	120.32	120.32	144.38
2	36.59	38.79	42.20	45.58	54.24	108.48	116.07	187.84	187.84	225.40
3	138.76	147.09	160.03	172.83	205.67	411.34	440.13	401.66	401.66	481.99
4	200.97	213.03	231.78	250.32	297.88	595.76	637.46	716.76	716.76	860.11
6	485.10	514.21	559.46	604.22	719.02	1,438.04	1,538.70	1,808.37	1,808.37	2,170.04
8	710.33	752.95	819.21	884.75	1,052.85	2,105.70	2,253.10	3,158.81	3,158.81	3,790.57
10	1,269.45	1,345.62	1,464.03	1,581.15	1,881.57	3,763.14	4,026.56	4,734.31	4,734.31	5,681.17
Outside District Water Service										
5/8" & 3/4 " or less	\$ 11.59	\$ 12.28	\$ 13.36	\$ 14.43	\$ 17.17	\$ 34.34	\$ 36.74	\$ 41.54	\$ 41.54	\$ 49.84
1	16.61	17.61	19.16	20.69	24.62	49.24	52.69	64.05	64.05	76.86
1-1/2	29.35	31.11	33.84	36.55	43.49	86.99	93.07	120.32	120.32	144.38
2	42.08	44.61	48.53	52.41	62.37	124.75	133.48	187.84	187.84	225.40
3	159.57	169.15	184.03	198.75	236.52	473.04	506.15	401.66	401.66	481.99
4	231.12	244.98	266.55	287.87	342.56	685.12	733.08	716.76	716.76	860.11
6	557.87	591.34	643.38	694.85	826.87	1,653.75	1,769.51	1,808.37	1,808.37	2,170.04
8	816.88	865.89	942.09	1,017.46	1,210.78	2,421.56	2,591.07	3,158.81	3,158.81	3,790.57
10	1,459.87	1,547.46	1,683.63	1,818.32	2,163.81	4,327.61	4,630.54	4,734.31	4,734.31	5,681.17
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 Department

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.

Table 8
ALAMEDA COUNTY WATER DISTRICT
HISTORICAL WATER RATES¹ (Unaudited)

Effective Date	Actual/Approved									
	2/1/2008	2/1/2009	2/1/2010	3/1/2011	2/1/2012	2/1/2013	2/1/2014	7/21/2014	5/1/2015	3/1/2017
Bi-monthly Commodity Charge	\$54.92	\$58.21	\$63.34	\$68.40	\$72.50	\$72.50	\$77.58	\$77.58	\$77.58	\$93.08
Bi-monthly Service Charge	10.08	10.68	11.62	12.55	14.93	29.86	31.95	31.95	41.54	49.84
Drought Surcharge	-	-	-	-	-	-	-	10.36	10.36	-
TOTAL	\$65.00	\$68.89	\$74.96	\$80.95	\$87.43	\$102.36	\$109.53	\$119.89	\$129.48	\$142.92

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

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	FY 2017 Water Revenues (000's)
City of Fremont	3	2	2	1	2	1	1	1	1	1	\$ 1,063
Fremont Unified School District	2	1	1	2	3	2	2	2	3	2	919
Tesla Motors, Inc.	-	-	-	-	-	-	7	3	2	3	717
Prologis Trust	4	3	3	4	4	3	3	4	5	4	502
Western Digital Technologies	5	5	5	3	1	4	4	5	4	5	485
City of Union City	6	6	6	5	6	6	5	6	6	6	451
Ardenwood Forest Apartments	-	-	-	10	-	8	8	9	8	7	403
Contempo Homeowners Association	7	9	7	7	8	7	6	7	7	8	401
Lam Research Corporation	-	-	-	-	-	-	-	-	-	9	371
City of Newark	10	10	-	-	-	10	-	-	10	10	320
Seagate Magnetics	-	-	-	-	9	-	-	-	9	-	n/a
Cook Engineering Inc.	-	-	-	-	-	-	-	8	-	-	n/a
New Haven School District	-	-	-	-	10	9	9	10	-	-	n/a
Newark Unified School District	8	7	9	8	5	5	10	-	-	-	n/a
Equity Residential Properties Trust	9	8	8	-	-	-	-	-	-	-	n/a
New United Motor Manufacturing, Inc.	1	4	4	-	-	-	-	-	-	-	n/a
School for the Deaf	-	-	-	6	7	-	-	-	-	-	n/a
Solyndra Inc.	-	-	10	9	-	-	-	-	-	-	n/a

Source: Alameda County Water District Finance Department

Table 10
ALAMEDA COUNTY WATER DISTRICT
HISTORICAL NET REVENUES and DEBT SERVICE COVERAGE (Unaudited)
TEN YEAR HISTORY
(in thousands)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Revenues										
Water Sales	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776	\$ 86,263
Investment Income (1)	5,344	4,031	2,448	1,416	672	(46)	1,217	1,098	2,521	145
Property Taxes (2)	3,873	3,869	4,653	4,083	4,207	4,529	4,138	4,678	4,807	5,350
Facilities Connection Charges	3,873	5,703	1,768	1,892	2,118	1,977	3,494	1,920	5,186	11,467
Other Revenue (3)	2,090	1,576	1,738	1,559	1,877	1,982	2,156	759	978	1,993
Total Revenues	73,267	71,957	67,351	71,546	78,972	85,345	92,086	88,590	95,268	105,218
Maintenance and Operation Costs										
Pumping Power Costs	2,574	2,583	2,592	3,116	3,338	2,954	2,763	1,876	1,588	1,389
Other Operating Expenses	8,247	9,334	9,283	7,642	7,272	7,841	10,252	8,079	7,689	8,470
Labor Costs	25,854	31,360	31,069	32,571	35,744	37,868	38,403	41,255	42,401	44,156
Purchased Water (2)	11,427	10,617	11,302	11,229	15,018	17,979	19,911	19,187	19,906	19,190
Aquifer Reclamation Costs	154	88	40	92	-	-	-	-	-	-
Total Expenses	48,256	53,982	54,286	54,650	61,372	66,642	71,329	70,397	71,584	73,205
Net Revenues	\$ 25,011	\$ 17,975	\$ 13,065	\$ 16,896	\$ 17,600	\$ 18,703	\$ 20,757	\$ 18,193	\$ 23,684	\$ 32,013
Annual Debt Service on Revenue Certificates and Bond										
1998 Refunding Revenue Bonds	\$ 3,360	\$ 3,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	1,203	1,203	1,203	1,203	822	-	-	-	-	-
2009 Refunding Revenue Bonds	-	-	2,921	2,664	2,664	2,669	2,866	2,868	2,863	2,867
2012 Revenue Bonds	-	-	-	-	523	1,891	1,893	1,891	1,893	1,892
2015 Revenue Bonds	-	-	-	-	-	-	-	240	1,625	1,627
Total Debt Service	\$ 4,563	\$ 4,562	\$ 4,124	\$ 3,867	\$ 4,009	\$ 4,560	\$ 4,759	\$ 5,000	\$ 6,381	\$ 6,386
Ratio of Net Revenues to Annual Debt Service on Revenue Certificates										
	5.48x	3.94x	3.17x	4.37x	4.39x	4.10x	4.36x	3.64x	3.71x	5.01x

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.

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Certificates of Participation										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20*	\$ 29,245	\$ 27,498	-	-	-	-	-	-	-	-
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28**	\$ 25,194	\$ 25,184	\$ 25,174	\$ 25,165	-	-	-	-	-	-
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	-	-	\$ 23,083	\$ 21,172	\$ 20,801	\$ 18,608	\$ 16,154	\$ 13,641	\$ 11,068	\$ 8,425
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	-	-	\$ 48,032	\$ 47,696	\$ 47,349	\$ 46,998	\$ 46,637	\$ 46,266
2015 Revenue Bonds 4.0% - 5.0% Maturity: FY 2044-45	-	-	-	-	-	-	-	\$ 30,521	\$ 29,975	\$ 29,404
Total	\$ 54,439	\$ 52,682	\$ 48,257	\$ 46,337	\$ 68,833	\$ 66,304	\$ 63,503	\$ 91,160	\$ 87,680	\$ 84,095
Total Outstanding Debt to Personal Income (1)	74.41	73.58	66.33	61.04	80.96	80.96	N/A	N/A	N/A	N/A
Total Debt Per Capita	\$ 164.97	\$ 157.73	\$ 148.03	\$ 141.27	\$ 207.95	\$ 197.92	\$ 186.77	\$ 265.77	\$ 255.63	\$ 245.17

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

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

Sources: Alameda County Water District Finance Department

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

Table 12
ALAMEDA COUNTY WATER DISTRICT
LARGEST EMPLOYERS WITHIN THE DISTRICT (Unaudited)
COMPARISON WITH TEN YEARS AGO

CITY OF FREMONT ⁽¹⁾					
2016 *			2007		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Tesla Motors, Inc.	1000-6000	3.12 %	New United Motor Mfg., Inc.	5,700	5.41 %
Fremont Unified School District	2,764	2.47	Washington Hospital	2,400	2.28
Washington Hospital	1000-5000	2.68	Fremont Unified School District	1,672	1.58
Western Digital	1000-5000	2.68	Smart Modular Technologies	1,317	1.25
Lam Research Corporation	1000-5000	2.68	Lam Research Corporation	1,261	1.20
Seagate Magnetics	1000-5000	2.68	Boston Scientific/Target Therapeutics, Inc.	1,200	1.14
Kaiser Permanente	500-999	0.67	Western Digital	1,100	1.04
City of Fremont	891	0.79	AXT Incorporated	972	0.92
Thermo Fisher Scientific	500-999	0.67	Asyst Technologies, Inc.	947	0.90
Synnex Information Tech Inc.	500-999	0.67	Oplink	900	0.85
Total City Employment	<u>114,116</u>		Office Depot	900	0.85
			Total City Employment	<u>104,949</u>	

CITY OF UNION CITY ⁽²⁾					
2016 *			2007		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Southern Wine and Spirits	1,226	3.67 %	New Haven School District	1,353	4.18 %
New Haven Unified School District	1,036	3.10	Southern Wine & Spirits	1,150	3.55
City of Union City	423	1.27	Wal-Mart	780	2.41
Wal-Mart	400	1.20	City of Union City	361	1.11
Abaxis, Inc.	400	1.20	Axygen	350	1.08
Corning Life Sciences - Axygen Inc.	370	1.11	OSI, Inc.	300	0.93
Kaiser Permanente	330	0.99	Kaiser Permanente	300	0.93
Ajax Custom Manufacturing	300	0.90	Blommer Chocolate, Inc.	290	0.90
Mizuho OSI, Inc.	300	0.90	Kerry Sweet Ingredients	270	0.83
Blommer Chocolate, Inc.	290	0.87	Jatco	263	0.81
Total City Employment	<u>33,400</u>		Total City Employment	<u>32,400</u>	

CITY OF NEWARK ⁽³⁾					
2016 *			2007		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	983	4.17 %	Newark Unified School District	800	3.60 %
Logitech	716	3.03	Staples (formerly Corporate Express)	600	2.70
Risk Management Solutions	325	1.38	ModusLink	300	1.35
VM Services, Inc.	230	0.97	City of Newark	298	1.34
WorldPac	218	0.92	WorldPac	290	1.31
Smart Modular Technologies	215	0.91	Valassis (formerly ADVVO)	270	1.22
Cargill Salt	210	0.89	Nancy's Specialty Foods	250	1.13
Full Bloom Baking Company	180	0.76	Cargill Salt	230	1.04
Macys	180	0.76	Risk Management Solutions	200	0.90
City of Newark	144	0.61	Total City Employment	<u>22,221</u>	
Total City Employment	<u>23,600</u>				

Note: * Number of Employees and Percent of Total Employment unavailable for 2017.

Source: (1) Year 2016 - City of Fremont, CAFR FY 2015/16; Year 2006 - Fremont Chamber of Commerce, Aug 2006; U.S. Dept of Labor, Bureau of Labor Statistics

(2) City of Union City, CAFR FY 2015/16

(3) City of Newark, CAFR FY 2015/16

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

Calendar Year	Population As of 1/1 (1)	Personal Income (2)	Per Capita		Unemployment Rate (3)
			Personal Income (2)		
2007	327	\$ 71	\$ 49		3.7
2008	330	73	50		4.9
2009	334	72	48		8.5
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	N/A*	N/A*		3.5

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

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

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
UTILITY PLANT:										
Land	\$ 9,677	\$ 9,701	\$ 9,725	\$ 9,725	\$ 9,727	\$ 9,727	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610
Source of Supply	43,783	43,852	50,116	50,125	51,092	51,092	57,782	64,229	68,993	68,050
Pumping Plant	18,946	19,255	19,647	20,191	21,324	21,469	24,152	24,217	24,549	24,983
Water Treatment	115,024	115,833	138,112	151,445	152,302	152,296	157,393	160,238	160,610	160,735
Transmission and Distribution	219,098	228,418	235,460	244,864	253,908	262,957	275,001	300,836	320,721	329,208
General	33,818	34,661	35,909	37,234	46,075	48,114	48,172	49,684	50,836	52,005
Construction in Progress	42,788	49,281	21,570	12,265	10,282	21,612	31,930	18,938	16,320	19,793
	483,134	501,001	510,539	525,849	544,710	567,267	604,040	627,752	651,639	664,384
Less Accumulated Depreciation	168,605	178,051	189,258	199,863	211,110	223,098	231,715	244,254	257,356	269,759
NET UTILITY PLANT	\$ 314,529	\$ 322,950	\$ 321,281	\$ 325,986	\$ 333,600	\$ 344,169	\$ 372,325	\$ 383,498	\$ 394,283	\$ 394,625

Note:

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

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

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

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

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

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

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

Source: Alameda County Water District Finance Department

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

Fiscal Year	Million Gallons Per Day (MGD)
2007/08	43.80
2008/09	42.80
2009/10	38.43
2010/11	38.52
2011/12	39.23
2012/13	41.68
2013/14	40.52
2014/15	31.94
2015/16	28.47
2016/17	32.55

Source: Alameda County Water District Finance Department

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

Fiscal Year Ending June 30	Number of Meters
2008	79,421
2009	79,787
2010	80,206
2011	80,484
2012	81,005
2013	81,432
2014	81,700
2015	82,049
2016	82,492
2017	83,398

Source: Alameda County Water District Finance Department