



Alameda County Water District  
Fremont, California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended ~ June 30, 2018 and June 30, 2017



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**ALAMEDA COUNTY WATER DISTRICT**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 and JUNE 30, 2017**

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

**PREPARED BY THE FINANCE DEPARTMENT**



**Alameda County Water District  
 Comprehensive Annual Financial Report  
 For the Fiscal Years Ended June 30, 2018 and 2017  
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# INTRODUCTORY SECTION

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**DIRECTORS**

43885 SOUTH GRIMMER BOULEVARD • FREMONT, CALIFORNIA 94538  
(510) 668-4200 • FAX (510) 770-1793 • www.acwd.org

**MANAGEMENT**

AZIZ AKBARI  
JAMES G. GUNTHER  
JUDY C. HUANG  
PAUL SETHY  
JOHN H. WEED

ROBERT SHAVER  
General Manager  
STEVEN D. INN  
Water Resources  
STEVE PETERSON  
Operations and Maintenance  
ED STEVENSON  
Engineering and Technology Services  
JONATHAN WUNDERLICH  
Finance

October 19, 2018

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, 2018 and June 30, 2017.

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, 2018 and June 30, 2017. 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 requirements established by the Governmental Accounting Standards Board of the United States.

**THE REPORTING ENTITY**

The District was established as a special district in 1913 by a vote of the people to ensure a continuous supply of high quality water within its service area. The District was the first agency formed under the State of California's County Water District Act. Since its founding, the District has been a water conservation agency. It is responsible for managing the groundwater supply in the Niles Cone Groundwater Basin, which underlies southern Alameda County, including the Cities of Fremont, Newark, Union City and the southern portion of 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 356,000 people in southern Alameda County. The District covers approximately 105 square miles and, as of June 2018, provided water service through approximately 84,200 connections.

The District's water production was approximately 41,450 acre-feet in fiscal year 2017/18 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 232 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 critical 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**

#### ***Strategic Planning***

Following three public workshops and significant discussion of the most important current and future issues facing the District, the Board of Directors adopted a Five-Year Strategic Plan in March 2018. The Strategic Plan reaffirms ACWD's core mission and establishes five strategic goals to drive organizational alignment and priorities for the next five years, as follows:

- Maintain and improve the cost effectiveness and value of District services.
- Sustain a reliable, high quality water supply for District customers.
- Improve the District's financial stability and transparency.
- Improve workforce recruitment, maintain retention, and enhance employee engagement.
- Promote clear and open communication, outreach, and engagement with customers and communities.

Work on implementing these goals, and the associated initiatives and timelines outlined in the Strategic Plan, will continue into the new fiscal year and for the years to follow.

## ***Finance***

Following seven public financial workshops and consideration of many alternatives, the District Board of Directors adopted a two-year rate increase schedule with a rate increase of 20 percent effective March 1, 2017 and a 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. In 2018, the District initiated another series of financial workshops to evaluate water rates and development fees with the intent of implementing updates early in 2019. District water rates are currently in the bottom third of 30 surveyed Bay Area water utilities.

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

- Facilities connection charges, which are one-time fees assessed on new service connections, were increased 2.2 percent effective May 1, 2018. Related fee increases included meter installation charges and hydrant flow testing charges, which were adjusted based on actual District costs from the prior fiscal year.

Other well permit and miscellaneous customer-related fees were increased based on actual District costs for the prior fiscal year effective March 1, 2018. These fees include well construction permits, backflow inspection and testing fees, and after hours connection charges.

## ***Procurement***

The District maintained procurement best practices during Fiscal Year 2017/18 including ongoing training and customer satisfaction surveys, and as a result the District earned the National Procurement Institute's Achievement of Excellence in Procurement Award for the second year in a row.

## ***Banking Transition***

Following a competitive procurement process, the District entered into a contract in FY 2017/18 with J.P. Morgan for general banking and lockbox services, and an emergency line of credit. The District fully transitioned to J.P. Morgan for general banking services effective June 1, 2018. The services provided by J.P. Morgan will enhance security through the debit block function and use of universal payment identification codes and will create efficiencies through the strength of their online resources and lockbox software. The District expects the transition to J.P. Morgan's lockbox service to be completed in late 2018. The emergency line of credit will provide access to \$10 million in capital in response to federal or state declared disasters. This amount can be quickly increased as needed based on the scope and severity of the emergency.

## ***Customer Service***

The District continues to strive to improve and modernize its customer service practices by leveraging the use of technology. To further this objective, the District began implementation of an electronic bill presentment and payment system during FY 2017/18 and publicly released the new system July 9, 2018. The new system provides a single, user friendly interface for customers to enroll in e-billing and make one-time or recurring payments. The new system further allows customers to pay by credit card without a fee. In addition to streamlining the customer experience, this change also simplifies customer payment reconciliation activities by consolidating multiple online billing and payment platforms into a single system.

Like many water utilities, the District is facing several challenges, such as 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 initially provided a \$15 discount on the bi-monthly service

charge. The discount was increased to \$20 effective March 1, 2018. As of June 30, 2018, 839 customers were enrolled in the program.

The District continues to offer a program to residential customers provided by Home Emergency Insurance Solutions (HEIS) for exterior water service line insurance. HEIS is responsible for all aspects of the program including marketing, billing, claims and conflict resolution. As of August 2018, there were 9,885 customers enrolled in the program and 1,117 repairs/replacements had been completed since the start of the program in 2012

### ***Water Supply***

After record setting wet conditions in fiscal year 2016/2017, all of the District's supplies recovered to pre-drought levels. Although below average precipitation conditions were experienced during fiscal year 2017/2018, the previous wet year, as well as continued relatively low water demand, resulted in water supplies remaining at very healthy levels.

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

Additionally, in 2014, the District along with seven other Bay Area water agencies began development of a Bay Area Regional Reliability Plan (BARR Plan) to evaluate how regionally focused water supply, water exchange, water treatment, and intertie projects can build drought resiliency for the Bay Area. The BARR Plan has identified projects that can provide water supply benefits to the region, and new projects that could leverage capacity in existing facilities. The coming year's activities include an exploration of "water markets", which aims to streamline the process of exchanging supplies within the region. Such a water market will potentially increase regional water supply reliability and generate revenue for agencies that have surpluses available for sale.

### ***Water Treatment***

The District operates three potable drinking water treatment plants: a surface water treatment plant, which receives water from the California Department of Water Resources via the South Bay Aqueduct; a facility, which blends purchased treated water from the San Francisco Public Utilities Commission with freshwater from local wellfields; and a brackish water desalination facility, which treats brackish water discharged as part of the District's Aquifer Reclamation Program. These multiple sources of supply and variety of water treatment processes provide reliability and operational flexibility. The District coordinates closely with the water supply wholesaling agencies and meets regularly with members of other water wholesale customer agencies as part of collaborative workgroups to address source water treatment and quality issues. In FY 2017/18, the District developed and implemented a source water sampling program to measure cyanotoxins (i.e., microcystin and cylindrospermopsin) and taste-and odor-causing compounds (i.e., MIB and Geosmin), as well as collaborating with other agencies utilizing the South Bay Aqueduct, and implemented trigger levels that allow plant operators to optimize water treatment processes. The District recently developed and implemented a model that uses real-time data to predict bromate formation, which is a regulated disinfection by-product, and presented this model to a national audience at the November 2017 Water Quality & Technology Conference.

The District optimizes distribution system pumping and facility operations to take advantage of tiered power rate structures and realize savings in electrical costs. In October 2017, the District received State approval to operate the Whitfield Reservoir in a gravity-flow mode, minimizing pumping and saving on electrical costs.

### ***Drinking Water Quality***

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 2017 and 2018, the District continued to meet or exceed all Federal and State drinking water quality and treatment regulations, including those for lead. The State Water Resources Control Board Division of Drinking Water (DDW) conducted a Sanitary Survey inspection, which is an in-depth assessment of all production facilities, wellfields, tanks, and reservoirs. No major findings of deficiency are expected.

FY 2017/18 was the first year of the District's Tailored Collaboration Study for optimizing manganese removal through biofiltration during cold weather conditions. This is projected to be a two-year study consisting of bench-scale and pilot-scale testing at the District's surface water treatment plant.

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

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

### ***Service Reliability***

As previously mentioned, much of the District's water infrastructure is aging and susceptible to damage as a result of ground shaking and ground failure due to 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, over the past year the District has completed work on two critical pipelines. The Washington Boulevard/ I 680 pipeline project upgraded an existing pipeline in the bridge crossing over I680 and a second pipeline crossing under the San Francisco Public Utility Commission Bay Division Pipelines. Both of the District's pipelines were upgraded using installed structural liners. The District is also finalizing the design for renewal and seismic upgrade of the approximately six mile Alvarado-Niles transmission pipeline, or "Spine Main," to improve water transmission reliability and earthquake resiliency. Additionally, the District continued the design work for upgrade of a pipeline on Driscoll Road and began the planning and design work for the upgrade of a large portion of the water distribution system in Central Newark to improve system hydraulics and service reliability in these areas.

The District improved the reliability of Water Treatment Plant No. 2 by completing the third of three phases of a project to replace and upgrade the plant's Programmable Logic Controller (PLC) systems thus making the plant's operations more efficient, secure and reliable. Pump station reliability was also improved by a similar replacement and upgrade of PLC systems at two critical pump stations.

The District continues to emphasize the importance of assessing the condition and risk associated with aging facilities. The District completed 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 distribution storage reservoirs.

### ***Groundwater Resources***

Local groundwater, on average, accounts for approximately 40% of the District's water supply. The District is identified in the Sustainable Groundwater Management Act (SGMA) as an agency created by statute to manage groundwater and deemed to be the exclusive local agency within its statutory boundaries with powers to comply with SGMA. On November 10, 2016, the District's Board of Directors adopted a resolution to become the Groundwater Sustainability Agency for the Niles Cone Subbasin. In addition, to ensure the high quality of this important source of supply, the District maintains one of the most comprehensive groundwater protection programs in the State.

During the year ended June 30, 2018, the District accomplished the following groundwater management and protection initiatives:

- Adopted an 8.7% increase in the replenishment assessment rate for groundwater pumping for uses other than municipal and agricultural in order to generate sufficient revenue to cover expected groundwater basin-related costs.
- Issued a Survey Report on Groundwater Conditions – February 2018 and 2017 Groundwater Monitoring Report in support of the replenishment assessment rate increase.
- Issued the District's first annual report pursuant to requirements of SGMA on March 31, 2018.
- Closed six cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Conducted 779 inspections of drilling operations to ensure compliance with the District's Ordinance "to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City."
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 20<sup>th</sup> year in a row.

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

The District conducted an assessment of the Water Production Division operations (completed in April 2018) to reduce overtime hours, increase morale and improve succession planning. The District has begun to implement several of the recommendations of the study, including re-allocation of duties amongst job classifications and authorization of an operator trainee position. Work on implementing the recommendations of this study will continue into the next fiscal year.

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 continue 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 and implementing new training programs for staff. It was also determined that the District maintains lower staffing levels 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. Several paper forms and related manual processes were replaced with electronic forms and workflows in SharePoint, which have resulted in operational efficiencies. The District also initiated a Records Management project with the goal of developing a comprehensive records management program with a records retention schedule that can be consistently applied across all District records both paper and electronic. The program objectives are to increase workflow efficiencies and access to documents and records while ensuring transparency and compliance with regulations. The program is also expected to reduce ongoing costs related to maintenance and expansion of electronic storage systems, disaster recovery systems and hard copy document infrastructure.

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 ended 2018 and 2019, as well as the 25-year CIP adopted in June, 2018, included funding to begin the process of a three-phase AMI implementation over five fiscal years. During Phase 1, which is anticipated to be complete by fall 2018, District staff is evaluating alternatives, 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 actively issued press releases to Bay Area media outlets, which resulted in eight newspaper articles/letters to the editor/columns.
- The District launched a new initiative in September 2017 to provide weekly information pieces on water awareness and conservation topics in a local Tri-City newspaper.
- The District hosted and attended several community meetings and events.
- The District hosted several open house-style "community tent events" to provide information to the community and surrounding neighborhoods about upcoming capital construction projects.
- Tours of the District's Water Treatment Plant 2 were provided to 18 groups from the community and local educational institutions.
- 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 (still in place through the end of 2017 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 year ended June 30, 2018, the District continued its educational outreach within its service area by:

- Promoting Groundwater Awareness Week by giving a presentation to eight Advanced Placement Environmental Science classes at three local high schools.
- Distributing over 46,000 pieces of printed educational material to teachers and students.

- Sponsoring 66 performances of a water conservation theater program at 29 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 year ended June 30, 2018:

- 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 (for businesses), 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*, other community newsletters (Tri-City Ecology newsletter), the website, and through the District’s new Tri-City Voice weekly ad space.
- 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 985 customer notifications.

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 was signed by the Governor on May 31, 2018. 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 District’s water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies, including the Alameda County Flood Control District, have worked for more than a decade to make the creek a more fish-friendly waterway. To date, several facilities have been constructed including the removal of one rubber dam and the installation of fish screens at multiple existing off-stream diversions. A project to construct a fish ladder and replace critical dam components at the District’s Rubber Dam No. 3 is currently under construction. A joint project between the District and the Alameda County Flood Control District is currently planned to begin construction in 2019 and will provide another fish ladder over the District’s Rubber Dam No. 1 and a large concrete weir within the creek. The District also plans to begin construction in 2019 on new screened water diversions to facilitate the passage of migrating fish along Alameda Creek. The District currently anticipates this work will be completed in 2021.

The District has aggressively pursued external grant funding for several programs and initiatives, including the environmental stewardship projects discussed above. In addition to grant funds previously received for other fish passage improvements, the District was recently awarded four grants totaling \$9,933,075 for construction of the fish ladder projects from the U.S. Bureau of Reclamation, the California Natural

Resources Agency, the California Coastal Conservancy, and the California Wildlife Conservation Board. Staff is actively pursuing additional grant funding for these and other initiatives.

### ***Commitment to 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 the 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.

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

Effective with the May 2016 Board Meeting, the District initiated video recording of Regular Board Meetings. In 2017, the District began video recording other special meetings of the Board including strategic planning and financial workshops. The recorded meetings are publicly accessible via the District website.

## **FINANCIAL INFORMATION**

### ***Local Economy***

The local economy of the District's service area has been a reflection of nearby Silicon Valley and the greater Bay Area. Economic activity has been very strong. The Tri-City's diverse base supports a 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 fell for the cities of Fremont, Newark and Union City to 3.4%, 3.1%, and 3.3% respectively, which is lower than both the State (4.2%) and the United States (3.9%). Assessed property values within the District increased 7.0% in Fiscal Year 2017/18 and are anticipated to increase another 7.2% in Fiscal Year 2018/19. The District's customer base is anticipated to grow in both size and income. Last calendar year, population grew 0.7% to 235,439 for the City of Fremont, 3.9% to 47,467 for the City of Newark, and 0.02% to 72,991 for the City of Union City. In fact, Newark is one of the fastest growing cities in California. The most recent five year Census estimates (2012-2016) showed that median household income grew 5.94% to \$111,613 for the City of Fremont, 6.0% to \$91,965 for the City of Newark, and 7.14% to \$91,629 for the City of Union City compared to the prior five year estimates (2011-2015).

Robust development activity in the District's service area is anticipated for the next few years. Fremont is growing tremendously, both with new residential developments, and improvements in existing commercial and industrial areas. In particular, the 850 acre Fremont Innovation District around the new Warm Springs BART station is undergoing significant transition with large-scale mixed-use developments, including commercial/employment, high-density residential, and other public facilities. Located in this area is Tesla Motors, which continues to increase production and has expanded their portfolio of electric car models. Building programs by Lennar, Toll Brothers, Tesla, Sobrato and Valley Oak Partners are projected to bring over 8,000 potential new jobs and 4,000 residential units to the area. Eventually it is projected that there could be as many as 20,000 new jobs overall in this area, which would essentially double its current

amount. Another major initiative has been the development of a Fremont downtown area with an estimated build-out of 5.2 million square feet of new mixed-use buildings. With the City and BART currently in the planning phase for the construction of the new Irvington BART Station, construction of high density residential development along Osgood Road, consistent with creating a pedestrian-friendly, transit-oriented neighborhood has begun with additional high density developments, anticipated to total approximately 440 residential units, planned to be constructed in the near future. In addition, the Pacific Commons area continues to be active and growing with new shops, restaurants, and commercial and industrial development. Residential development in and around the Centerville District has been very active too.

In Union City, there are plans to develop a 200-acre Station District, which would include high-density housing, retail shopping, commercial business, open space, and a major intermodal transportation station. There are 1,700 new apartment units either constructed or planned and additional plans to add 1.2 million square feet of office space. Construction of 63 new residential units is nearing completion along Alvarado-Niles Road and plans to construct 33 new residential units near the Turk Island Landfill are currently being developed.

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

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

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

The Board of Directors convened seven public financial workshops starting in 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 conclusion of these workshops, the Board initiated a Proposition 218 process and ultimately approved rate adjustments of 20 percent effective March 1, 2017 and 5 percent effective March 1, 2018. The District commenced another series of public financial workshops in calendar year 2018 to further review the District's finances and future rates and charges including a comprehensive study of development fees. The current rates and charges analysis process will likely conclude in early 2019.

### ***Internal Control***

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

### ***Budgetary Control***

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

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

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

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

## **OTHER INFORMATION**

### ***Independent Audit***

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 19<sup>th</sup> consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

*Acknowledgments*

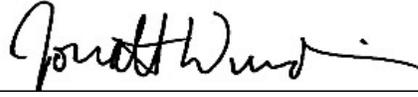
The preparation of this report has been accomplished due to the dedicated and professional efforts of the staff of the Finance Department along with the cooperation of staff from the District's other departments, and guidance from the accounting firm of Macias Gini & O'Connell LLP. We would also like 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,



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Robert Shaver  
General Manager



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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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

*Alameda County Water District*

*Board of Directors*

*Paul S. Sethy*  
President

*James G. Gunther*  
Vice President

*Aziz Akbari*  
Director

*John H. Weed*  
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

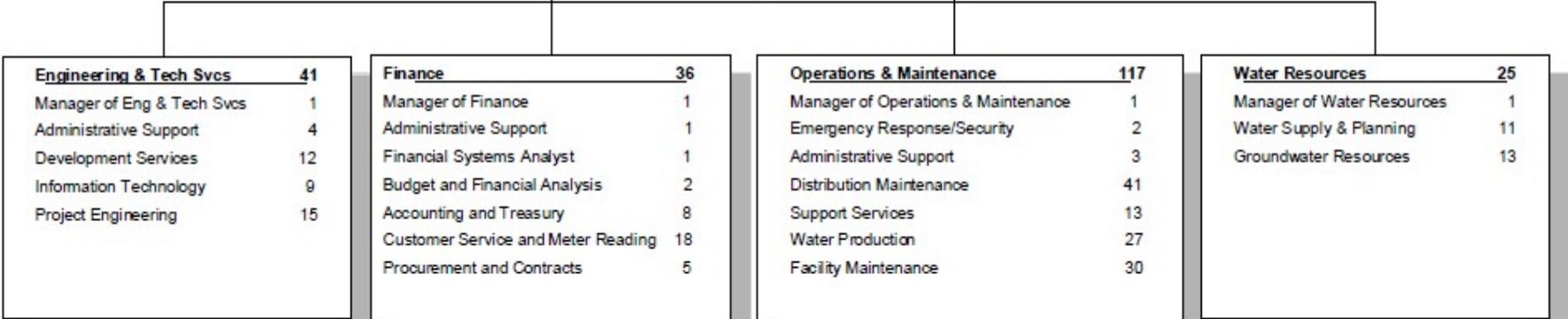
*Ed Stevenson*  
Manager of Engineering & Technology Services

**ALAMEDA COUNTY WATER DISTRICT  
FUNCTIONAL ORGANIZATIONAL CHART  
FY 18/19**

**BOARD OF DIRECTORS**

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

**Total = 232**





# FINANCIAL SECTION

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Water District (District) as of and for the fiscal years ended June 30, 2018 and 2017, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, and the respective changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2.N to the financial statements, effective as of July 1, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedules of changes in the net pension liability and related ratios, the schedules of employer pension contributions, the schedules of changes in net OPEB liability and related ratios – retiree health care, the schedules of employer OPEB contributions – retiree health care, the schedules of changes in the net OPEB liability and related ratios – MCP bonus program, and the schedules of funding progress and employer contributions under GASB Statement No. 45 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Walnut Creek, California  
October 19, 2018

# **Alameda County Water District**

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

### **For the Fiscal Years Ended June 30, 2018 and 2017**

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This section of the Alameda County Water District's (District) comprehensive annual financial report presents an analysis of the District's financial performance during the years ended June 30, 2018 and 2017. This information is presented in conjunction with the audited basic financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2018**

- The District's net position increased by \$0.6 million or 0.2 percent from \$391.9 million to \$392.5 million mainly due to the change in net position of \$31.1 million for the year reduced by the \$30.4 million restatement of the beginning net position as a result of the implementation of GASB Statement No. 75 (OPEB) at June 30, 2018.
- Operating revenues increased by \$16.8 million or 17.0 percent from \$98.8 million to \$115.6 million primarily due to increases in water sales caused by the implementation of a 20% rate increase effective March 1, 2017 and an increase in water demand the fiscal year ended June 30, 2018.
- Operating expenses increased by \$5.5 million or 6.0 percent from \$92.3 million to \$97.8 million due to slight increases in source of supply, water treatment, administrative and general expenses and depreciation.

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

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

#### **BASIC FINANCIAL STATEMENTS**

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues, expenses, and capital contributions for the fiscal years ended June 30, 2018 and 2017. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investing and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

## FINANCIAL ANALYSIS OF THE DISTRICT

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

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

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

	2018	2017	2018 vs. 2017		2016	2017 vs. 2016	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 180.6	\$ 151.9	\$ 28.7	18.9%	\$ 140.5	\$ 11.4	8.1%
Capital assets	412.2	406.7	5.5	1.4%	407.0	(0.3)	-0.1%
<b>Total assets</b>	<b>592.8</b>	<b>558.6</b>	<b>34.2</b>	<b>6.1%</b>	<b>547.5</b>	<b>11.1</b>	<b>2.0%</b>
<b>Deferred outflows of resources</b>	<b>32.1</b>	<b>17.4</b>	<b>14.7</b>	<b>84.5%</b>	<b>8.6</b>	<b>8.8</b>	<b>102.3%</b>
Long-term debt	80.4	84.0	(3.6)	-4.3%	87.7	(3.7)	-4.2%
Net pension liability	87.3	79.3	8.0	10.1%	69.5	9.8	14.1%
Net OPEB liability	32.9	-	32.9	n/a	-	-	n/a
Other liabilities	26.6	16.9	9.7	57.4%	22.1	(5.2)	-23.5%
<b>Total liabilities</b>	<b>227.2</b>	<b>180.2</b>	<b>47.0</b>	<b>26.1%</b>	<b>179.3</b>	<b>0.9</b>	<b>0.5%</b>
<b>Deferred inflows of resources</b>	<b>5.2</b>	<b>3.9</b>	<b>1.3</b>	<b>33.3%</b>	<b>4.7</b>	<b>(0.8)</b>	<b>-17.0%</b>
Net investment in capital assets	333.3	324.4	8.9	2.7%	325.0	(0.6)	-0.2%
Restricted for debt service	2.6	2.6	-	0.0%	2.7	(0.1)	-3.7%
Unrestricted	56.6	64.9	(8.3)	-12.8%	44.4	20.5	46.2%
<b>Total net position</b>	<b>\$ 392.5</b>	<b>\$ 391.9</b>	<b>\$ 0.6</b>	<b>0.2%</b>	<b>\$ 372.1</b>	<b>\$ 19.8</b>	<b>5.3%</b>

As the above table indicates, total assets increased by \$34.2 million from \$558.6 million to \$592.8 million during the fiscal year ended June 30, 2018. This increase is due to a \$28.7 million increase in current assets due mainly to increases in cash and investments from operations and an increase of \$5.5 million in capital assets at the end of the fiscal year. For the fiscal year ended June 30, 2017, total assets increased by \$11.1 million from \$547.5 million to \$558.6 million. This increase is due to a \$11.4 million increase in current assets due to increases in customer accounts receivable and accrued unbilled revenue due to increased water sales at the end of the fiscal year and a \$6.2 million increase in cash collected from facilities connection charges due to increased construction activity in the service area.

Deferred outflows of resources is the amount of the unamortized deferred charge on debt refunding and the effect of pension and OPEB accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to unamortized deferred charge on

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

refunding at June 30, 2018 and 2017 were \$1.5 million and \$1.8 million, respectively. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2018 and 2017 were \$24.0 million and \$15.6 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2018 were \$6.6 million.

For the fiscal year ended June 30, 2018, total liabilities reflect an increase of \$47.0 million due to several factors including the implementation of GASB Statement 75 net OPEB liability recognition of \$32.9 million, an increase in net pension liabilities of \$8.0 million, contractor and customer deposits of \$6.0 million and accounts payable and accrued expenses of \$4.4 million. The increase was partially offset by scheduled debt service payments of \$3.6 million and a decrease of \$1.2 million in other liabilities. 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 a in noncurrent liabilities due to scheduled debt service payments of \$3.7 million and an decrease of \$5.2 million in accounts payable and accrued expenses.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and the difference between expected and actual experiences in the CalPERS pension plan and the OPEB plan, which will be amortized as a component of pension expense. The deferred inflows of resources for June 30, 2018 and 2017 were \$5.2 million and \$3.9 million, respectively.

Total net position increased by \$0.6 million from \$391.9 million to \$392.5 million, mainly due a combination of increased income during the year due to increased water revenues offset by the restatement of the beginning net position as a result of the implementation of GASB Statement No. 75 at June 30, 2018. 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.

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

	2018	2017	2018 vs. 2017		2016	2017 vs. 2016	
			\$ Change	% Change		\$ Change	% Change
<b>Operating revenues</b>							
Water sales	\$ 104.4	\$ 86.2	\$ 18.2	21.1%	\$ 81.8	\$ 4.4	5.4%
Other operating revenues	11.2	12.6	(1.4)	-11.1%	6.0	6.6	110.0%
<b>Total operating revenues</b>	<b>115.6</b>	<b>98.8</b>	<b>16.8</b>	<b>17.0%</b>	<b>87.8</b>	<b>11.0</b>	<b>12.5%</b>
<b>Nonoperating revenues</b>							
Property taxes	11.3	10.5	0.8	7.6%	9.3	1.2	12.9%
Other nonoperating revenues	0.6	1.2	(0.6)	-50.0%	2.8	(1.6)	-57.1%
<b>Total nonoperating revenues</b>	<b>11.9</b>	<b>11.7</b>	<b>0.2</b>	<b>1.7%</b>	<b>12.1</b>	<b>(0.4)</b>	<b>-3.3%</b>
<b>TOTAL REVENUES</b>	<b>127.5</b>	<b>110.5</b>	<b>17.0</b>	<b>15.4%</b>	<b>99.9</b>	<b>10.6</b>	<b>10.6%</b>
<b>Depreciation and amortization expense</b>	<b>14.0</b>	<b>14.5</b>	<b>(0.5)</b>	<b>-3.4%</b>	<b>14.0</b>	<b>0.5</b>	<b>3.6%</b>
<b>Other operating expenses</b>	<b>83.8</b>	<b>77.8</b>	<b>6.0</b>	<b>7.7%</b>	<b>76.3</b>	<b>1.5</b>	<b>2.0%</b>
<b>Nonoperating expenses</b>	<b>2.7</b>	<b>2.5</b>	<b>0.2</b>	<b>8.0%</b>	<b>2.3</b>	<b>0.2</b>	<b>8.7%</b>
<b>TOTAL EXPENSES</b>	<b>100.5</b>	<b>94.8</b>	<b>5.7</b>	<b>6.0%</b>	<b>92.6</b>	<b>2.2</b>	<b>2.4%</b>
<b>Income before capital contributions</b>	<b>27.0</b>	<b>15.7</b>	<b>11.3</b>	<b>72.0%</b>	<b>7.3</b>	<b>8.4</b>	<b>115.1%</b>
<b>Capital contributions</b>	<b>4.1</b>	<b>4.1</b>	<b>-</b>	<b>0.0%</b>	<b>5.2</b>	<b>(1.1)</b>	<b>-21.2%</b>
<b>Changes in net position</b>	<b>31.1</b>	<b>19.8</b>	<b>11.3</b>	<b>57.1%</b>	<b>12.5</b>	<b>7.3</b>	<b>58.4%</b>
<b>Beginning net position, as restated</b>	<b>361.4</b>	<b>372.1</b>	<b>(10.7)</b>	<b>-2.9%</b>	<b>359.6</b>	<b>12.5</b>	<b>3.5%</b>
<b>Ending net position</b>	<b>\$ 392.5</b>	<b>\$ 391.9</b>	<b>\$ 0.6</b>	<b>0.2%</b>	<b>\$ 372.1</b>	<b>\$ 19.8</b>	<b>5.3%</b>

## **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 \$27.0 million and capital contributions of \$4.1 million resulted in an overall increase of \$31.1 million in net position for the fiscal year ended June 30, 2018.

In fiscal year ended June 30, 2017, 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 fiscal year ended June 30, 2018, Table 2 indicates that the District's total revenues increased by \$17.0 million or 15.4 percent to \$127.5 million from \$110.5 million in the prior year. Operating revenues increased by \$16.8 million or 17.0 percent to \$115.6 million from \$98.8 million. This was due to a \$18.2 million increase in water sales as a result of the 20% rate increase, which became effective March 1, 2017. Nonoperating revenues increased by \$0.2 million or 1.7 percent, which was mainly due to an increase in property tax revenue of \$0.8 million, which was offset by a decrease of \$0.6 million in other nonoperating revenue.

Total expenses increased by \$5.7 million or 6.0 percent partially due to an increase of \$6.0 million in other operating expenses, which was a combination of slight increases in water treatment and administration and general costs.

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. Nonoperating revenues decreased by \$0.4 million or 3.3 percent, which was mainly due to a decrease in investment income.

For fiscal year ended June 30, 2017, 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 nonoperating expenses due to higher interest expense as a result of a decrease in capitalized interest on completed projects.

## **CAPITAL ASSETS**

As of June 30, 2018, the District's investment in capital assets totaled \$412.2 million, which is an increase of \$5.5 million or 1.4 percent over the capital asset balance of \$406.7 million at June 30, 2017. The increase in capital assets was primarily due to a net increase in capitalized assets in the amount of \$19.2 million less \$13.7 million net increase in accumulated depreciation.

## CAPITAL ASSETS, Continued

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 a net increase in capitalized assets in the amount of \$12.8 million less a net increase in accumulated depreciation of \$13.1 million.

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)

	2018	2017	2018 vs. 2017		2016	2017 vs. 2016	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.6	\$ -	0.0%	\$ 9.6	\$ -	0.0%
Construction in progress	29.3	19.8	9.5	48.0%	16.3	3.5	21.5%
Source of supply	68.4	68.1	0.3	0.4%	69.0	(0.9)	-1.3%
Pumping plant	25.1	25.0	0.1	0.4%	24.5	0.5	2.0%
Water treatment	161.2	160.7	0.5	0.3%	160.6	0.1	0.1%
Transmission and distribution	337.3	329.2	8.1	2.5%	320.8	8.4	2.6%
General	52.7	52.0	0.7	1.3%	50.8	1.2	2.4%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.9	-	0.0%
Subtotal	704.5	685.3	19.2	2.8%	672.5	12.8	1.9%
Less accumulated depreciation/amortization	(292.3)	(278.6)	(13.7)	4.9%	(265.5)	(13.1)	4.9%
Capital assets, net	\$ 412.2	\$ 406.7	\$ 5.5	1.4%	\$ 407.0	\$ (0.3)	-0.1%

There were several capital projects completed during the fiscal year ended June 30, 2018. These include the Washington Blvd/I-680 Bridge Pipeline Improvement, Patterson Reservoir Remediation, and various other capital projects related to water mains, booster pumps 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, 2018. 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, Main Relocation for San Francisco Public Utilities Commission (SFPUC), Alvarado-Niles Spine Main, 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, 2017. These include the PB Emergency Service Line Replacement, Iron Horse 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.

At June 30, 2018, the District had construction commitments in the amount of \$11.1 million of which \$7.5 million were for the Rubber Dam #3 Fish Ladder project. 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, 2018, the District had \$80.4 million in outstanding debt compared to \$84.1 million on June 30, 2017 and \$87.7 million on June 30, 2016. The decreases in fiscal years ended June 30, 2018 and 2017 were the results of scheduled debt service payments made on its outstanding bonds during the fiscal years.

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 third of thirty Bay Area water agencies surveyed. On February 9, 2017, the Board of Directors adopted a 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, 2018 and 2017  
 (In thousands)

	2018	2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 151,056	\$ 125,136
Customer and other accounts receivable, net (Note 4)	11,070	9,560
Accrued unbilled revenue	10,357	9,669
Taxes receivable	899	117
Grants receivable	1,207	-
Interest receivable	616	543
Material and supplies	2,456	2,298
Prepaid expenses	66	124
Total unrestricted assets	177,727	147,447
Restricted investments (Note 3)	2,870	2,872
Total current assets	180,597	150,319
<b>Noncurrent assets:</b>		
Net other postemployment benefits asset (Note 11)	-	1,630
Capital assets: (Note 5)		
Nondepreciable	38,915	29,403
Depreciable, net	373,281	377,281
Total capital assets	412,196	406,684
Total noncurrent assets	412,196	408,314
<b>Total assets</b>	592,793	558,633
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	1,488	1,794
Deferred items related to pensions (Note 10)	24,008	15,644
Deferred items related to OPEB (Note 11 and Note 12)	6,617	-
<b>Total deferred outflows of resources</b>	32,113	17,438

(Continued)

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Net Position  
 Business-Type Activity - Enterprise Fund  
 June 30, 2018 and 2017  
 (In thousands)

	2018	2017
(Continued)		
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (Note 6)	\$ 10,012	\$ 4,626
Accrued payroll and related liabilities (Note 6)	3,717	3,621
Contractor and customer deposits	12,379	6,860
Interest payable	239	249
Long-term debt - due within one year (Note 7)	3,810	3,685
Total current liabilities	<u>30,157</u>	<u>19,041</u>
<b>Noncurrent liabilities:</b>		
Accrued payroll and related liabilities (Note 6)	275	210
Long-term debt - due in more than one year (Note 7)	76,600	80,410
Net pension liability (Note 10)	87,253	79,322
Net OPEB liability (Note 11 and Note 12)	32,863	-
Other postemployment benefits - MCP program (Note 12)	-	1,341
Total noncurrent liabilities	<u>196,991</u>	<u>161,283</u>
<b>Total liabilities</b>	<u>227,148</u>	<u>180,324</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred items related to pensions (Note 10)	4,494	3,875
Deferred items related to OPEB (Note 11 and Note 12)	745	-
<b>Total deferred outflows of resources</b>	<u>5,239</u>	<u>3,875</u>
<b>NET POSITION</b>		
Net investment in capital assets	333,274	324,383
Restricted for debt service	2,628	2,623
Unrestricted	56,617	64,866
<b>Total net position</b>	<u>\$ 392,519</u>	<u>\$ 391,872</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 Fiscal Years Ended June 30, 2018 and 2017  
 (In thousands)

	2018	2017
<b>OPERATING REVENUES:</b>		
Water sales	\$ 104,447	\$ 86,263
Facilities connection charges	10,428	11,467
Fees and rental	584	779
Other	152	320
<b>Total operating revenues</b>	<b>115,611</b>	<b>98,829</b>
<b>OPERATING EXPENSES:</b>		
Sources of supply:		
Water purchases	25,559	23,833
Pumping	1,266	1,389
Other	8,615	8,861
<b>Total sources of supply</b>	<b>35,440</b>	<b>34,083</b>
Water treatment	14,885	14,369
Transmission and distribution	16,223	15,905
Administration of customer accounts	1,454	1,503
Administration and general	15,817	11,988
Depreciation and amortization	13,950	14,479
<b>Total operating expenses</b>	<b>97,769</b>	<b>92,327</b>
<b>Operating income</b>	<b>17,842</b>	<b>6,502</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	179	145
Property taxes	11,289	10,472
Other nonoperating revenues	365	894
Other settlements	-	100
Gain on disposal of capital assets	48	44
Cost of issuance expense	(27)	-
Interest expense	(2,698)	(2,512)
<b>Total nonoperating revenues (expenses)</b>	<b>9,156</b>	<b>9,143</b>
Income before capital contributions	26,998	15,645
Capital contributions	4,089	4,112
<b>Changes in net position</b>	<b>31,087</b>	<b>19,757</b>
<b>NET POSITION</b>		
Beginning of year, as previously reported	391,872	372,115
Restatement of beginning net position (Note 2)	(30,440)	-
Beginning of year, as restated	361,432	372,115
End of year	<b>\$ 392,519</b>	<b>\$ 391,872</b>

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Cash Flows  
 Business-Type Activity - Enterprise Fund  
 For the Fiscal Years Ended June 30, 2018 and 2017  
 (In thousands)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 118,932	\$ 93,835
Cash receipts from others	365	994
Cash payments to suppliers for goods and services	(36,133)	(37,042)
Cash payments for employees pension benefits	(7,752)	(7,130)
Cash payments for employees OPEB benefits	(6,617)	(4,319)
Cash payments to employees for salaries and other benefits	(34,590)	(32,540)
<b>Net cash provided by operating activities</b>	<b>34,205</b>	<b>13,798</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	10,507	10,455
<b>Net cash provided by noncapital financing activities</b>	<b>10,507</b>	<b>10,455</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisitions of capital assets	(12,554)	(9,502)
Proceeds from sale of capital assets	54	56
Letter of credit issuance costs paid	(27)	-
Principal paid on debt	(3,380)	(3,280)
Interest paid on debt	(2,993)	(3,106)
<b>Net cash used in capital and related financing activities</b>	<b>(18,900)</b>	<b>(15,832)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	50,701	56,550
Purchases of investments	(62,080)	(69,801)
Investment income received	3,563	1,627
<b>Net cash used in investing activities</b>	<b>(7,816)</b>	<b>(11,624)</b>
<b>Net change in cash and cash equivalents</b>	<b>17,996</b>	<b>(3,203)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	19,244	22,447
End of year	<b>\$ 37,240</b>	<b>\$ 19,244</b>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION:</b>		
Cash and investments	\$ 151,056	\$ 125,136
Restricted investments	2,870	2,872
Less investments not meeting the definition of cash equivalents	(116,686)	(108,764)
<b>Total cash and cash equivalents</b>	<b>\$ 37,240</b>	<b>\$ 19,244</b>

(Continued)

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Cash Flows  
 Business-Type Activity - Enterprise Fund  
 For the Fiscal Years Ended June 30, 2018 and 2017  
 (In thousands)

	2018	2017
(Continued)		
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 17,842	\$ 6,502
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	13,950	14,479
Other nonoperating revenues	365	994
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer and other accounts receivable	(1,510)	(1,585)
Accrued unbilled receivable	(688)	(1,538)
Materials and supplies	(158)	(24)
Prepaid expenses	58	209
Net other postemployment benefits asset	-	76
Accounts payable and accrued expenses	1,640	(3,494)
Accrued payroll and related liabilities	161	91
Contractor and customer deposits	5,519	(1,871)
Net pension liability and related pension deferred outflows and inflows of resources	186	(41)
Net OPEB liability and related OPEB deferred outflows and inflows of resources	(3,160)	-
Net cash provided by operating activities	<u>\$ 34,205</u>	<u>\$ 13,798</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Amortization of premiums and loss on debt refunding	\$ 1	\$ 2
Capital contributions	2,882	4,112
Capitalized interest	286	586
Changes in capital related assets and liabilities:		
Grants receivable	1,207	-
Accounts payable and retention payable	3,744	(1)
<b>NONCASH INVESTING ACTIVITIES:</b>		
Change in fair value of investments	3,457	1,612

See accompanying notes to basic financial statements.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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**1. DESCRIPTION OF THE REPORTING ENTITY**

*A. Description of Operations*

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

*B. Reporting Entity*

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

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

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

Additional financial data and the debt compliance letter 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 Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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

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

The accounts of the District are reported in a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, 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's highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Quoted market price is used as fair value for those securities for which market quotations are readily available.

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

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

**C. Accrued Unbilled Revenue**

During the year, customer water meters are read and billed on monthly or bi-monthly periods. Because not every meter is read on the same date, revenue for water distributed but not yet billed is accrued at fiscal year-end since the earning process has been completed.

**D. Materials and Supplies**

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

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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

**E. Capital Assets**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5 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 2018 and 2017, the District financed certain capital projects and interest in the amount of \$286 and \$586 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, except prepaid bond insurance costs. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflows of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**H. Operating Revenues and Expenses**

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

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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

**I. Property Tax Revenue**

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

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. For the years ended June 30, 2018 and 2017, the District recognized \$5,704 and \$5,350 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, 2018 and 2017, the District recognized \$5,585 and \$5,122 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 is the value at the time of the District's acquisition, and recorded as capital contributions when received. Customers also provide funds for capital projects to install and repair service lines to their premises. In addition, the District, at various times, receives federal and State grants and other funds from external sources for construction and/or rehabilitation of its facilities. These contributed assets and cash funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

**K. Net Position**

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

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

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

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

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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

**L. Pensions and OPEB**

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

**M. Use of Estimates**

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

**N. New GASB Pronouncements Adopted**

During the fiscal year ended June 30, 2018, the District implemented the following accounting standards:

- Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses the accounting and financial reporting requirements for governments whose employees are provided with Other Postemployment Benefits (OPEB) plans. The provisions of GASB Statement No. 75 separate accounting and financial reporting from how OPEB plans are funded and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total OPEB liability. It also includes comprehensive footnote disclosure regarding the OPEB liability, the sensitivity of the OPEB liability to the discount rate, and OPEB expense and related deferred outflows/inflows of resources disclosures (see Note 11 and Note 12). The District did not restate the financial statements for the year ended June 30, 2017 because the actuarial information did not provide the required information for the prior year. As such, the District included the OPEB disclosures and required supplemental information on OPEB assumptions under GASB 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*, for the fiscal year ended June 30, 2017. As of July 1, 2017, the District restated the beginning net position in the amount of \$30,440 to record the beginning deferred OPEB contributions and net OPEB liability.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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

*N. New GASB Pronouncements Adopted, Continued*

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is intended 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. This statement did not have a significant impact to the District's financial statements.
- GASB Statement No. 85, *Omnibus 2017*, addresses 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]). This statement did not have a significant impact to the District's financial statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves the 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. 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 Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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**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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB Statement No. 83), to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 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.
- 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.
- In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB Statement No. 88), to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 is effective for the District's fiscal year ending June 30, 2019.

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

*O. Implementation of New GASB Pronouncements, Continued*

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the District’s fiscal year ending June 30, 2021.
- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement No. 90 is effective for the District’s fiscal year ending June 30, 2020.

**3. CASH AND INVESTMENTS**

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

*A. Summary of Cash and Investments*

	2018	2017
Unrestricted cash and bank deposits	\$ 15,032	\$ 2,333
Unrestricted investments	136,024	122,803
Unrestricted cash and investments	151,056	125,136
Restricted investments	2,870	2,872
Total	<u>\$ 153,926</u>	<u>\$ 128,008</u>

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

*B. Authorized Investments*

The District's investment policy is adopted by the District's Board, in accordance with California Government Code Section 53601. The 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.

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**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 and time deposits balances were \$15,032 and \$2,333 and the bank balances were \$16,078 and \$5,962 at June 30, 2018 and 2017, 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, 2018 and 2017.

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.

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**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, 2018 and 2017 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, 2018 and 2017, the District had unrestricted cash and investments of \$6,181 and \$18,278, respectively, invested in LAIF, which had invested 2.67% and 2.89% 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 \$88.8 billion and \$77.6 billion in its investment portfolio as of June 30, 2018 and 2017, respectively. The District valued its investments in LAIF as of June 30, 2018 and 2017, 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 0.998126869 and 0.998940671 as of June 30, 2018 and 2017, respectively.

As of June 30, 2018 and 2017, the District had unrestricted cash and investments in the CAMP pool of \$20,048 and \$10, respectively. The total amount invested by all public agencies in CAMP at June 30, 2018 and 2017 was \$3.8 billion and \$2.7 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.

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**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, 2018 and 2017:

Investments by Fair Value Level	June 30, 2018	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	June 30, 2017	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
U.S. Government securities	\$ 59,908	\$ 59,908	\$ 49,391	\$ 49,391
U.S. Government agency obligations	10,949	10,949	25,274	25,274
Medium-term notes	24,335	24,335	16,410	16,410
Municipal bonds	1,070	1,070	1,616	1,616
Negotiable certificates of deposit	16,403	18,721	14,696	16,208
Total investments by fair value level	<u>112,665</u>	<u>\$ 114,983</u>	<u>107,387</u>	<u>\$ 108,899</u>
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	6,181		18,278	
California Asset Management Program	20,048		10	
Total investments not subject to fair value hierarchy	<u>26,229</u>		<u>18,288</u>	
Total investments measured at fair value	<u>\$ 138,894</u>		<u>\$ 125,675</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.

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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, 2018 and 2017, the District's investment pool had a weighted average maturity of 2.55 years and 2.50 years, respectively. The District invested \$10,011 and \$3,108 in callable notes, which was comprised of corporate medium-term notes, at June 30, 2018 and 2017, respectively. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

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

*Concentration of Credit Risk.* The District's Investment Policy does not contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. Government are not subject to single issuer limitation. See Note 3F for the District's concentration of credit risk details.

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

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**3. CASH AND INVESTMENTS, Continued**

**F. Cash and Investments Composition**

As of June 30, 2018, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			Less than 1	1-2 years	2-3 years	3-4 years	4-5 years
Unrestricted investments:							
Negotiable certificates of deposit	A1 to Aa2/A to A-1+	\$ 16,403	\$ 3,559	\$ 8,335	\$ 4,509	\$ -	\$ -
Municipal bonds	A1 to Aa3 / A to AA-	1,070	427	-	643	-	-
U.S. Government agency obligations	Aaa / AA+	10,770	2,353	4,518	-	3,899	-
U.S. Treasury securities	Aaa / AA+	57,217	1,293	9,812	14,914	19,957	11,241
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	24,335	1,456	7,366	10,175	5,338	-
Local Agency Investment Funds	Not Rated	6,181	6,181	-	-	-	-
California Asset Management Program	Not Rated / AAAm	20,048	20,048	-	-	-	-
Total unrestricted investments		136,024	35,317	30,031	30,241	29,194	11,241
Total unrestricted cash and investments		\$ 136,024	\$ 35,317	\$ 30,031	\$ 30,241	\$ 29,194	\$ 11,241
Restricted investments:							
U.S. Government agency obligations	Aaa / AAAm	\$ 179	\$ 179	\$ -	\$ -	\$ -	\$ -
U.S. Treasury securities	Aaa / AA+	2,691	-	-	2,691	-	-
Total restricted investments		\$ 2,870	\$ 179	\$ -	\$ 2,691	\$ -	\$ -

As of June 30, 2018, the District does not have investments in a single issuer that represent 5% or more of the District's unrestricted and restricted investment portfolios.

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**3. CASH AND INVESTMENTS, Continued**

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

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)				
			Less than 1	1-2 years	2-3 years	3-4 years	4-5 years
Unrestricted investments:							
Negotiable certificates of deposit	A1 to Aa2/A to A-1+	\$ 14,696	\$ 4,979	\$ 9,717	\$ -	\$ -	\$ -
Municipal bonds	Aa2 / AA	1,616	1,186	430	-	-	-
U.S. Government agency obligations	Aaa / AA+	25,139	330	11,568	9,264	-	3,977
U.S. Treasury securities	Aaa / AA+	46,654		11,978	8,017	18,770	7,889
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	16,410	625	2,717	7,568	2,920	2,580
Local Agency Investment Fund	Not Rated	18,278	18,278	-	-	-	-
California Asset Management Program	Not Rated / AAAm	10	10	-	-	-	-
Total unrestricted investments		122,803	25,408	36,410	24,849	21,690	14,446
Total unrestricted cash and investments		\$ 122,803	\$ 25,408	\$ 36,410	\$ 24,849	\$ 21,690	\$ 14,446
Restricted investments:							
U.S. Government agency obligations	Aaa / AAAm	\$ 135	\$ 135	\$ -	\$ -	\$ -	\$ -
U.S. Treasury securities	Aaa / AA+	2,737	-	-	2,737	-	-
Total restricted investments		\$ 2,872	\$ 135	\$ -	\$ 2,737	\$ -	\$ -

As of June 30, 2017, more than 5% of the District's investments were under the following issuers:

Issuer	Portfolio Percentage
Federal Home Loan Bank	10.79%
Federal National Mortgage Association Global Notes	6.13%

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**4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE**

Customer and other accounts receivable were as follows:

	<u>2018</u>	<u>2017</u>
Utility service	\$ 7,623	\$ 6,055
Groundwater replenishment	12	14
Other	3,473	3,520
Allowance for doubtful accounts	<u>(38)</u>	<u>(29)</u>
Total customer and other accounts receivable, net	<u>\$ 11,070</u>	<u>\$ 9,560</u>

Other accounts receivable balance of \$3,473 and \$3,520 for June 30, 2018 and 2017, 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 fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	19,793	18,744		(9,232)	29,305
Capital assets, not being depreciated	<u>29,403</u>	<u>18,744</u>	<u>-</u>	<u>(9,232)</u>	<u>38,915</u>
Capital assets, being depreciated					
Source of supply	68,050	-	-	354	68,404
Pumping plant	24,983	-	-	147	25,130
Water treatment	160,735	-	-	457	161,192
Transmission and distribution	329,208	725	(21)	7,362	337,274
General	52,005	-	(235)	912	52,682
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	<u>655,841</u>	<u>725</u>	<u>(256)</u>	<u>9,232</u>	<u>665,542</u>
Less accumulated depreciation					
Source of supply	(42,316)	(1,163)	-	-	(43,479)
Pumping plant	(17,283)	(591)	-	-	(17,874)
Water treatment	(56,316)	(3,192)	-	-	(59,508)
Transmission and distribution	(128,123)	(6,258)	14	-	(134,367)
General	(25,721)	(2,112)	235	-	(27,598)
Supplemental water supply storage	(8,801)	(634)	-	-	(9,435)
Less accumulated depreciation	<u>(278,560)</u>	<u>(13,950)</u>	<u>249</u>	<u>-</u>	<u>(292,261)</u>
Capital assets, being depreciated, net	<u>377,281</u>	<u>(13,225)</u>	<u>(7)</u>	<u>9,232</u>	<u>373,281</u>
Total capital assets, net	<u>\$ 406,684</u>	<u>\$ 5,519</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 412,196</u>

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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, 2018 including the following:

Rubber Dam #3 Fish Ladder	\$ 5,038
Various Other Active Projects (individually less than \$300)	4,950
PLC Upgrade	4,341
Rubber Dam #1 Fish Ladder	4,175
Customer Installation Jobs	1,465
Alvarado-Niles Spine Main	1,449
Main Relocation for SFPUC	1,437
Shinn Pond Fish Screen	1,080
Rubber Dam No. 3 Fabric Replacement	951
Vallecitos Channel Betterments	942
COF Capitol Ave. Improvement	824
Headquarter Building Renovations	702
CMMS Software Implementation	612
Kaiser Pond Diverson Pipe Improvement	518
Blending Facility Telecomm Tow	417
Avalon Site Slope Stability Improvement	404
Total	<u>\$ 29,305</u>

At June 30, 2018, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$11,070.

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**5. CAPITAL ASSETS, Continued**

*A. Summary of Capital Asset Activity, Continued*

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

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ -	\$ -	\$ 9,610
Construction in progress	16,320	13,533	-	(10,060)	19,793
Capital assets, not being depreciated	<u>25,930</u>	<u>13,533</u>	<u>-</u>	<u>(10,060)</u>	<u>29,403</u>
Capital assets, being depreciated					
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	<u>646,569</u>	<u>666</u>	<u>(1,454)</u>	<u>10,060</u>	<u>655,841</u>
Less accumulated depreciation					
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	<u>(265,523)</u>	<u>(14,479)</u>	<u>1,442</u>	<u>-</u>	<u>(278,560)</u>
Capital assets, being depreciated, 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>

Depreciation and amortization expense for capital assets for the years ended June 30, 2018 and 2017 were \$13,950 and \$14,479, respectively.

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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, 2018 and 2017 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, 2018 and 2017.

The District has a storage allocation of 150,000 acre-feet and had approximately 141,261 and 134,157 acre-feet of water at June 30, 2018 and 2017, 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 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, ACCRUED EXPENSES AND ACCRUED PAYROLL**

Accounts payable and accrued expenses were as follows:

	2018	2017
Vendors	\$ 6,782	\$ 1,923
Retention payable	157	36
Installer's reimbursement	2,394	1,991
Other	679	676
Total	\$ 10,012	\$ 4,626

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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, 2018 and 2017, were \$2,394 and \$1,991, 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:

	2018	2017
Accrued payroll	\$ 1,114	\$ 1,063
Accrued vacation	1,919	1,942
Accrued leave and other	959	826
Total	3,992	3,831
Less current portion	(3,717)	(3,621)
Long-term portion	<u>\$ 275</u>	<u>\$ 210</u>

Accrued vacation activity is as follows:

	2018	2017
Balance, beginning of year	\$ 1,942	\$ 1,980
Additions	1,832	1,767
Reduction	(1,855)	(1,805)
Balance, end of year	<u>\$ 1,919</u>	<u>\$ 1,942</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 fiscal year ended June 30, 2018 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$ 26,340	\$ 8,070	\$ -	\$ (2,600)	\$ 5,470	\$ 2,690	\$ 2,780
Unamortized premium				355	-	(118)	237	118	119
2012 Water System Revenue Bonds	3.00 to 5.00	2041	45,240	43,955	-	(280)	43,675	290	43,385
Unamortized premium				2,311	-	(96)	2,215	96	2,119
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	26,875	-	(500)	26,375	525	25,850
Unamortized premium				2,529	-	(91)	2,438	91	2,347
Total Debt			<u>\$ 99,390</u>	<u>\$ 84,095</u>	<u>\$ -</u>	<u>\$ (3,685)</u>	<u>\$ 80,410</u>	<u>\$ 3,810</u>	<u>\$ 76,600</u>

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Long-term debt activities for the fiscal 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	2041	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	2045	27,810	27,355	-	(480)	26,875	500	26,375
Unamortized premium				2,620	-	(91)	2,529	91	2,438
Total Debt			<u>\$ 99,390</u>	<u>\$ 87,680</u>	<u>\$ -</u>	<u>\$ (3,585)</u>	<u>\$ 84,095</u>	<u>\$ 3,685</u>	<u>\$ 80,410</u>

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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 \$111,656. Principal and interest paid for the year ended June 30, 2018 and total net revenues as defined in the bond indentures were \$6,373 and \$38,040, respectively. 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.

The debt service requirements for the Water System Revenue Bonds at June 30, 2018 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	3,105	2,318	5,423
2024-2028	17,320	9,512	26,832
2029-2033	11,905	6,921	18,826
2034-2038	14,275	4,638	18,913
2039-2043	12,780	1,870	14,650
2044-2045	3,070	185	3,255
Total	<u>\$ 75,520</u>	<u>\$ 36,136</u>	<u>\$ 111,656</u>

**Letter of Credit**

The District entered into a one-year, unsecured \$10,000 revolving credit agreement with JP Morgan Chase Bank on December 27, 2017 for the purpose of borrowing funds when needed to respond to a declared emergency. The commitment fee rate assessed against any unused portion of the line of credit is 0.10%. Any funds borrowed must be repaid by December 26, 2018 unless a later date is negotiated. Interest will be assessed on any funds borrowed under the line of credit at the London interbank offered rate (LIBOR) plus 0.55% for taxable loans and 70% of LIBOR plus 0.55% for tax-exempt loans. The line of credit also included a provision to adjust the cost of tax-exempt borrowing based on any changes to the federal corporate tax rate. The District has not borrowed against the line of credit as of June 30, 2018.

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

**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, 2018 and 2017.

**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 Worker’s Compensation and Property and Liability Insurance Programs for risk of loss. These programs provide worker’s compensation, general liability, property, auto, boiler and machinery, employment practices liability, employee and public official’s dishonesty coverage, employment benefits liability, cyber and excess liability, employee and 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 Risk Management 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, 2018 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

**Alameda County Water District**  
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**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. The District is currently in the process of negotiating an amendment to extend the term of the contract to 2085. The District's actual water purchases for the fiscal years ended June 30, 2018 and 2017 were approximately 32,096 and 29,103 acre-feet, respectively. Since 2012, the maximum annual Table A Allocation has been 42,000 acre-feet. In any year when the Table A Allocation is in excess of the District's needs, the State will attempt to sell such excess and credit the District or store the water for future use. The costs to the District for water purchased under this contract for the fiscal years ended June 30, 2018 and 2017 were approximately \$7,253 and \$8,093, respectively, and were charged to operations as incurred.

The District's water is delivered through facilities constructed and operated by the State. The cost of the water is determined annually by the State and includes reimbursement to the State for the District's portion of the costs of construction and operation of these facilities. The District's commitment under the State water contract will remain in effect until 2036 or until the cost of the State's facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$166,211 as of June 30, 2018.

Year Ending June 30,	State Water Purchase Commitment
2019	\$ 9,134
2020	9,352
2021	9,474
2022	9,531
2023	9,467
2024 - 2028	47,787
2029 - 2033	47,478
2034 - 2036	23,988
Total Water Purchase	<u>\$ 166,211</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 the fiscal years ended June 30, 2018 and 2017 were approximately \$16,871 and \$14,481, 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 the fiscal year ended June 30, 2018, SFPUC readjusted the District's minimum purchase requirement from 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) back to the minimum purchase requirement of 8,567. For the fiscal year ending June 30, 2019, the District is expected to purchase 8,837 acre-feet (270 acre-feet above the required minimum of 8,567 acre-feet) at an estimated cost of \$17,277.

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

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

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

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

BAWSCA's annual debt service amount for the fiscal year ended June 30, 2018 is \$24,675. 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, 2018 water use will be included in the fiscal year ending June 30, 2020 bond surcharge. The District's fiscal year ended June 30, 2018 bond surcharge was \$690, which includes a true-up adjustment of -\$640. The District's estimated bond surcharge for fiscal year ending June 30, 2019 is \$1,126, which includes a true-up adjustment of -\$204. Audited financial statements for BAWSCA may be obtained from BAWSCA at 155 Bovet Road Suite 650, San Mateo, California, 94402.

**10. PENSION PLANS**

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

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

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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 pays 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as an additional contribution. For the fiscal years ended June 30, 2018 and 2017, the District's EPMC was \$298 and \$291, 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 then in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA. The employees normal contribution to CalPERS for PEPRA members is 7%.

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

The Plan's provisions and benefits in effect for the fiscal years ended June 30, 2018 and 2017 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years Service	5 Years Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	52
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates, June 30, 2017	28.237%	13.048%
Required employer contribution rates, June 30, 2018	30.581%	13.155%

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**10. PENSION PLANS, Continued**

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

At June 30, 2018 and 2017, the following employees were covered by the benefit terms:

	2018	2017
Inactive employees receiving benefits	240	231
Inactive employees entitled to but not yet receiving benefits	94	87
Active members	214	212
Total	<u>548</u>	<u>530</u>

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

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District was required to contribute for the fiscal years ended June 30, 2018 and 2017 at an actuarially determined rate of 30.581% and 28.237% for classic members, and at a rate of 13.155% and 13.048% for new members, of annual covered payroll for the District’s employees, which amounted to \$7,752 and \$7,130, 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, 2018 and 2017 were measured as of June 30, 2017 and 2016 (measurement date), using an annual actuarial valuation of June 30, 2016 and 2015, respectively.

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**10. PENSION PLANS, Continued**

**B. Net Pension Liability, Continued**

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

	2018	2017
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.15%	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, 2016 and 2015 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, 2017 and 2016 was 7.15 and 7.65 percent, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is deemed not necessary. The long-term expected discount rate of 7.15 and 7.65 percent is applied to all plans in the Public Employees Retirement Fund agent multiple-employer plan for the June 30, 2017 and 2016 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 7.15 percent and 7.65 percent used for the June 30, 2017 and June 30, 2016 measurement date, respectively, is without a reduction for pension plan administrative expense.

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

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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 assumed asset allocation for the June 30, 2017 measurement date was as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

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**10. PENSION PLANS, Continued**

*B. Net Pension Liability, Continued*

The assumed asset allocation for the June 30, 2016 measurement date was as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Fixed Income	20.00%	0.99%	2.43%
Inflation Assets	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 2.50% used for this period

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

*C. Changes in the Net Pension Liability*

The following table shows the changes in the net pension liability for the fiscal year ended June 30, 2018:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at July 1, 2017</b>	\$ 234,427	\$ 155,105	\$ 79,322
<b>Changes in the year:</b>			
Service cost	4,965	-	4,965
Interest on the total pension liability	17,393	-	17,393
Changes in assumptions	14,961	-	14,961
Differences between expected and actual experience	(3,129)	-	(3,129)
Contributions from the employer	-	7,130	(7,130)
Contributions from employees	-	2,009	(2,009)
Net investment income	-	17,349	(17,349)
Benefit payments, including refunds of employee contributions	(10,939)	(10,939)	-
Administrative expense	-	(229)	229
<b>Net changes</b>	<b>23,251</b>	<b>15,320</b>	<b>7,931</b>
<b>Balance at June 30, 2018</b>	<b>\$ 257,678</b>	<b>\$ 170,425</b>	<b>\$ 87,253</b>

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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, 2017:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at July 1, 2016</b>	\$ 225,626	\$ 156,174	\$ 69,452
<b>Changes in the year:</b>			
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
<b>Net changes</b>	<b>8,801</b>	<b>(1,069)</b>	<b>9,870</b>
<b>Balance at June 30, 2017</b>	<b>\$ 234,427</b>	<b>\$ 155,105</b>	<b>\$ 79,322</b>

**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, 2017 and 2016 measurement dates, calculated using the discount rate of 7.15 percent and 7.65 percent as of June 30, 2017 and 2016 measurement dates, respectively. As well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the rate at the measurement date:

Net Pension Liability	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.15%	7.15%	8.15%
June 30, 2017 measurement date	\$ 123,998	\$ 87,253	\$ 57,129

Net Pension Liability	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.65%	7.65%	8.65%
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 fiscal years ended June 30, 2018 and 2017, the District recognized a pension expense of \$10,960 and \$7,080 for the Plan, respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,774	\$ -
Changes of assumptions	11,024	(1,035)
Differences between expected and actual experience	-	(3,459)
Net differences between projected and actual earnings on plan investments	2,210	-
Total	<u>\$ 24,008</u>	<u>\$ (4,494)</u>

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 experience	-	(1,804)
Net differences between projected and actual earnings on plan investments	8,514	-
Total	<u>\$ 15,644</u>	<u>\$ (3,875)</u>

The \$7,752 and \$7,130 reported as deferred outflows of resources at June 30, 2018 and 2017, respectively, relates to contributions made subsequent to the measurement date. The District will recognize these amounts as a reduction of the net pension liability in the fiscal years ended June 30, 2019 and 2018, respectively. The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future pension expense as follows:

Measurement Periods Ending June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,386
2019	5,197
2020	3,426
2021	(1,269)
Total	<u>\$ 8,740</u>

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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 \$61 and \$50 in the fiscal years ended June 30, 2018 and 2017, 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. General Information about the Other Postemployment Benefits Plan*

**Plan Descriptions** - In addition to the pension benefits described in Note 10, the District provides health plan coverage for eligible retirees and their dependents pursuant to CalPERS Health Benefit Program eligibility requirements. In May 2012, the District entered into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment benefits plan, to prefund the District's other postemployment benefits (OPEB). CalPERS and CERBT issue publicly available financial reports that can be obtained at <https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt> and at [www.calpers.ca.gov/](http://www.calpers.ca.gov/).

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

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

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

*A. General Information about the Other Postemployment Benefits Plan, Continued*

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

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

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

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

*A. General Information about the Other Postemployment Benefits Plan, Continued*

**Benefits Provided** - The District provides dental benefits to employees who retired from District service and their eligible dependents at the same cost as for active employees. Benefits related costs are not shared with inactive employees. Union employees hired after April 1, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002, must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit. Benefit provisions under OPEB are established or may be amended by State statute and District resolution.

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

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

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

At June 30, 2018, the following employees were covered by the benefit terms:

Benefit Provisions:	2018
Inactive employees or beneficiaries receiving benefits	201
Inactive employees entitled to but not yet receiving benefits	5
Active members	217
Total	423

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

*A. General Information about the Other Postemployment Benefits Plan, Continued*

**Contributions** - The District makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). For the fiscal year ended June 30, 2018, the District contributed \$6,617. District employees are not required to contribute to the plan.

*B. Net OPEB Liability*

The District's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2017 (measurement date), using an annual actuarial valuation as of June 30, 2016. A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

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

	2018
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Medical trend	Non-Medicare: 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Investment Rate of Return	6.75% <sup>1</sup>
Mortality*	Derived using CalPERS' Membership Data for all Funds

<sup>1</sup> Net of investment expenses

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

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

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

**B. Net OPEB Liability, continued**

The long-term expected rate of return on OPEB plan investments was 6.75%. The asset class target allocation and geometric real rates of return for each major asset class are summarized in the following table.

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

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

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

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

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2018.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at July 1, 2017</b>	\$ 49,728	\$ 16,699	\$ 33,029
<b>Changes in the year:</b>			
Service cost	1,353	-	1,353
Interest on the total OPEB liability	3,361	-	3,361
Contributions from the employer	-	4,319	(4,319)
Net investment income	-	2,077	(2,077)
Benefit payments, including refunds of employee contributions	(2,581)	(2,581)	-
Administrative expense	-	(11)	11
<b>Net changes</b>	2,133	3,804	(1,671)
<b>Balance at June 30, 2018</b>	\$ 51,861	\$ 20,503	\$ 31,358

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

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

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

Net OPEB Liability	Discount Rate - 1% 5.75%	Current Discount 6.75%	Discount Rate + 1% 7.75%
June 30, 2017 measurement date	\$ 38,053	\$ 31,358	\$ 25,812

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

Net OPEB Liability	Healthcare Trend Rate - 1%	Healthcare Trend Current Rate	Healthcare Trend Rate + 1%
June 30, 2017 measurement date	\$ 25,264	\$ 31,358	\$ 38,841

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

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

For the fiscal year ended June 30, 2018, the District recognized an OPEB expense of \$3,361 for the OPEB plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 6,617	\$ -
Net differences between projected and actual earnings on plan investments	-	(713)
Total	\$ 6,617	\$ (713)

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

*E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB, continued*

The \$6,617 reported as deferred outflows of resources relates to contributions made by the District from July 1, 2017 through June 30, 2018, which is subsequent to the District’s measurement date of June 30, 2017. This amount will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. The net difference between projected and actual earnings on plan investments will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Inflows of Resources
2018	\$ (178)
2019	(178)
2020	(178)
2021	(179)
Thereafter	-
Total	<u>\$ (713)</u>

*F. Annual OPEB Cost (AOC) and Net OPEB Asset under GASB Statement No. 45*

Under GASB Statement No. 45, the District’s annual OPEB cost (AOC) is equal to (a) the Actuarially Required Contribution (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
Normal Cost	\$ 1,376
UAAL Amortization	2,596
Annual Required Contribution	3,972
Interest on Net OPEB Asset	(124)
Adjustments to Net OPEB Asset	200
Annual OPEB Cost (AOC)	4,048
Contributions made	(3,972)
Change in Net OPEB Asset	76
Net OPEB Asset, beginning of year	(1,706)
Net OPEB Asset, end of year	<u>\$ (1,630)</u>

The total ARC for the fiscal year ended June 30, 2017 was \$3,972. Of this amount, the District made contribution amounts of \$2,234 for retirees’ health premiums in 2017. The remaining balance of the ARC of \$1,738 was deposited in CERBT in the fiscal year ended June 30, 2017.

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

*F. Annual OPEB Cost (AOC) and Net OPEB Asset under GASB Statement No. 45, continued*

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)

*G. Funded Status and Funding Progress under GASB Statement No. 45*

The CERBT is funded through District contributions and any gains/losses as a result of investments. The District is required to disclose the 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 year 2017 ARC rate was 16.2% of covered payroll.

As of June 30, 2015, the actuarial valuation used for the fiscal year 2017 ARC, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$51,066
Actuarial value of plan assets	15,012
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%

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

*H. Actuarial Methods and Assumptions under GASB Statement No. 45*

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.

Significant actuarial assumptions are as follows:

Valuation date:	June 30, 2015
ARCs:	2016/2017 and 2017/2018
Discount rate:	Prefunded with CERBT investment option #1. 7.25%. Sensitivity 5% & 5.75%
General inflation:	3.00%
Payroll increase:	3.25%
Healthcare trend:	Rates of 7.0% trending to 5.0% in 2021+
Cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Funding policy:	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.
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.

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

*A. General Information about the MCP Bonus Program*

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

**Benefits Provided** - The bonus is paid upon termination of the employee’s District employment, but only if one of the following conditions is satisfied: (1) the employee retires from service under CalPERS; (2) the termination is due to the employee’s death; or (3) upon terminating, the employee retires under CalPERS due to disability. The program is a deferred compensation arrangement subject to Internal Revenue Code sections 457(f) and 409A.

At retirement, members of the MCP group that were hired before July 1, 1994 are eligible for a retirement bonus calculated at the rate of 3 working days per each full 6 months of continuous service to the District. The bonus is based on the employee’s pay rate at the time of retirement. If an employee who is eligible for service retirement dies, his/her designated beneficiary will receive the employee’s retirement bonus. Employees hired on or after July 1, 1994, shall receive the retirement bonus based on the following: 2 days per year after 10 years of service; 4 days per year after 15 years of service; and 6 days per year after 20 years of service. On January 1, 2001, the District closed the MCP bonus program to new participants. Employees hired or promoted to MCP classifications prior to December 31, 2000 are still eligible for the MCP bonus. At June 30, 2018 and 2017, the District had 16 eligible members in this closed program.

*B. Net OPEB Liability for the MCP Bonus Program*

The District’s total OPEB liability for the Program is measured as the total OPEB liability, less the Program’s fiduciary net position. The Program’s net OPEB liability is measured as of June 30, 2017 (measurement date), using an annual actuarial valuation of June 30, 2016. A summary of principal assumptions and methods used to determine the net OPEB liability for the Program is as follows:

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

	2018
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	3.58 %
Inflation	2.75 %
Salary Increases	Aggregate: 3.00 %
	Merit: CalPERS 1997-2015 experience study

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

*B. Net OPEB Liability for the MCP Bonus Program, continued*

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

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the CalPERS actuarial experience study for the period of 1997-2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2017.

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

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2018.

	Net OPEB Liability
<b>Balance at July 1, 2017</b>	\$ 1,698
<b>Changes in the year:</b>	
Service cost	54
Interest on the total OPEB liability	46
Changes in assumptions	(38)
Benefit payments	(255)
<b>Net changes</b>	<b>(193)</b>
<b>Balance at June 30, 2018</b>	<b>\$ 1,505</b>

Change of assumptions reflect a change in the discount rate from 2.85% in 2017 to 3.58% in 2018.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability of the District as of the measurement date, calculated the discount rate of 3.58 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current discount rate:

Net OPEB Liability	Discount Rate - 1% 2.58%	Current Discount 3.58%	Discount Rate + 1% 4.58%
June 30, 2017 measurement date	\$ 1,557	\$ 1,505	\$ 1,454

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

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

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

For the fiscal year ended June 30, 2018, the District recognized an OPEB expense of \$94 for the OPEB plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (32)
Total	\$ -	\$ (32)

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

Measurement Periods Ending June 30,	Deferred Inflows of Resources
2018	\$ (6)
2019	(6)
2020	(6)
2021	(6)
2022	(6)
Thereafter	(2)
Total	\$ (32)

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

*E. Annual OPEB Cost (AOC) and Net OPEB Asset under GASB Statement No. 45*

**Annual OPEB Cost and Net OPEB Obligation** - Under GASB Statement No. 45, the District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. 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
Annual Required Contribution	\$ 66
Interest on Net OPEB Obligation	45
Annual OPEB Cost (expense)	110
Contributions made	(255)
Change in Net OPEB Obligation	(145)
Net OPEB Obligation, beginning of year	1,486
Net OPEB Obligation, end of year	\$ 1,341

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	232%	1,341

*F. Funding Status of the MCP Bonus Program under GASB Statement No. 45*

**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 fiscal year ended June 30, 2017, the District contributed \$255 toward this program for 3 retired members.

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

*G. Funding Status of the MCP Bonus Program under GASB Statement No. 45, continued*

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

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.

*H. Actuarial Methods and Assumptions under GASB Statement No. 45*

**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.
- 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.

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(Dollars in thousands)**

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**13. LITIGATION**

In the normal course of business, the District is a defendant in various lawsuits. Defense of the lawsuits is being handled by the District's insurance carriers and most losses are expected to be covered by insurance. The District does not have any outstanding claims, which are covered by insurance, that have a deductible amount. There are a few cases currently in progress for which the potential losses would not be covered by the District's insurance provisions. However, the existence of such losses and possible ranges of exposure are not determinable for these cases at this time.

**14. SUBSEQUENT EVENTS**

The District, along with two other agencies, established the Delta Conveyance Finance Authority (Authority) on July 3, 2018. The purpose of the Authority is to issue bonds for a project to build facilities to convey and deliver water as part of the State Water Project, commonly referred to as the WaterFix project (the Project). The Project is expected to cost \$16.7 billion with the District responsible for 0.694% of the cost (or about \$116 million). The Project is expected to take 15 years to complete and costs will ramp up slowly over that time. The first debt issuance of the Authority is expected to occur in 2019.

**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**  
**Four Year Trend Information \***  
**(Dollars in thousands)**

**DEFINED BENEFIT PENSION PLAN**

	2018	2017	2016	2015
<b>Total pension liability</b>				
Service cost	\$ 4,965	\$ 4,373	\$ 4,405	\$ 4,362
Interest on total pension liability	17,393	16,868	16,216	15,453
Changes in assumptions	14,961	-	(4,141)	-
Differences between expected and actual experience	(3,129)	(2,173)	(377)	-
Benefit payments, including refunds of employee contributions	(10,939)	(10,267)	(9,527)	(9,246)
<b>Net change in total pension liability</b>	<b>23,251</b>	<b>8,801</b>	<b>6,576</b>	<b>10,569</b>
<b>Total pension liability - beginning</b>	<b>234,427</b>	<b>225,626</b>	<b>219,050</b>	<b>208,481</b>
<b>Total pension liability - ending</b>	<b>\$ 257,678</b>	<b>\$ 234,427</b>	<b>\$ 225,626</b>	<b>\$ 219,050</b>
<b>Plan fiduciary net position</b>				
Contributions - Employer	\$ 7,130	\$ 6,518	\$ 6,023	\$ 5,747
Contributions - Employee	2,009	1,938	1,955	2,587
Net investment income	17,349	837	3,485	23,005
Benefit payments, including refunds of employee contributions	(10,939)	(10,267)	(9,527)	(9,246)
Administrative expense	(229)	(95)	(176)	-
<b>Net change in plan fiduciary net position</b>	<b>15,320</b>	<b>(1,069)</b>	<b>1,760</b>	<b>22,093</b>
<b>Plan fiduciary net position - beginning</b>	<b>155,105</b>	<b>156,174</b>	<b>154,414</b>	<b>132,321</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 170,425</b>	<b>\$ 155,105</b>	<b>\$ 156,174</b>	<b>\$ 154,414</b>
<b>Plan net pension liability - ending</b>	<b>\$ 87,253</b>	<b>\$ 79,322</b>	<b>\$ 69,452</b>	<b>\$ 64,636</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>66.14%</b>	<b>66.16%</b>	<b>69.22%</b>	<b>70.49%</b>
<b>Covered-employee payroll</b>	<b>\$ 24,682</b>	<b>\$ 24,306</b>	<b>\$ 24,347</b>	<b>\$ 22,948</b>
<b>Plan net pension liability as a percentage of covered-employee payroll</b>	<b>353.51%</b>	<b>326.35%</b>	<b>285.26%</b>	<b>281.66%</b>

**Notes to Schedule:**

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

**Changes in assumptions** - The discount rate was changed from 7.65 percent (net of administrative expense) in 2016 and 2017 to 7.15 percent in 2018. The rate in 2015 was 7.50 percent

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

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

**DEFINED BENEFIT PENSION PLAN, Continued**

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 7,752	\$ 7,130	\$ 6,526	\$ 6,213	\$ 5,793
Contributions in relation to the actuarially determined contribution deficiency (excess)	(7,752)	(7,130)	(6,526)	(6,213)	(5,793)
	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 25,786	\$ 24,682	\$ 24,306	\$ 24,347	\$ 22,948
Contributions as a percentage of covered-employee payroll	30.064%	28.888%	26.850%	25.519%	25.244%
Actuarially determined contribution for fiscal year	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date:	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Actuarial cost method	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%	2.75%
Salary increases	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	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;	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.	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.	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.

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\* 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 five years of information is shown.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Changes in Net OPEB Liability and Related Ratios - Retiree Health Care**  
**As of June 30, 2018\***  
(Dollars in thousands)

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**OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE**

	2018
<b>Total OPEB liability</b>	
Service cost	\$ 1,353
Interest on total OPEB liability	3,361
Changes in assumptions	-
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(2,581)
<b>Net change in total OPEB liability</b>	<b>2,133</b>
<b>Total OPEB liability - beginning</b>	<b>49,728</b>
<b>Total OPEB liability - ending</b>	<b>\$ 51,861</b>
<b>Plan fiduciary net position</b>	
Contributions - Employer	\$ 4,319
Net investment income	2,077
Benefit payments, including refunds of employee contributions	(2,581)
Administrative expense	(11)
<b>Net change in plan fiduciary net position</b>	<b>3,804</b>
<b>Plan fiduciary net position - beginning</b>	<b>16,699</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 20,503</b>
<b>Plan net OPEB liability - ending</b>	<b>\$ 31,358</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>39.53%</b>
<b>Covered-employee payroll</b>	<b>\$ 32,825</b>
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	<b>95.53%</b>

**Notes to Schedule:**

**Benefit changes** - The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the measurement dates.

**Changes in assumptions** - There were no changes in assumptions

\* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown. The measurement date for GASB Statement No. 75 purposes is June 30, 2017.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Employer OPEB Contributions - Retiree Health Care**  
**For the Fiscal Year Ended June 30, 2018\***  
**(Dollars in thousands)**

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**OTHER POSTEMPLOYEMENT BENEFITS - RETIREE HEALTH CARE**

	2018	2017
Actuarially determined contribution	\$ 4,101	\$ 3,972
Contributions in relation to the actuarially determined contribution deficiency (excess)	(6,617)	(4,319)
	<u>\$ (2,516)</u>	<u>\$ (347)</u>
Covered-employee payroll	\$ 32,481	\$ 23,688
Contributions as a percentage of covered-employee payroll	20.37%	18.23%

Actuarially determined contribution for fiscal year	June 30, 2018 and June 30, 2017
Valuation date:	June 30, 2015
Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	20 year fixed period
Discount rate	7.25%
Inflation	3.00%
Medical trend	Pre-Medicare: 7.0% for 2017 decreasing to an ultimate rate of 5.0% in 2021 Medicare: 7.2% for 2017, decreasing to an ultimate rate of 5.0% in 2021
Mortality	CalPERS 1997-2011 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-14 with 15 year convergence in 2022

\* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Changes in Net OPEB Liability and Related Ratios - MCP Bonus Program**  
**As of June 30, 2018\***  
**(Dollars in thousands)**

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**OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM**

	2018
<b>Total OPEB liability</b>	
Service cost	\$ 54
Interest on total OPEB liability	46
Changes in assumptions	(38)
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(255)
	<hr/>
<b>Net change in total OPEB liability</b>	<b>(193)</b>
<b>Total OPEB liability - beginning</b>	<b>1,698</b>
	<hr/>
<b>Total OPEB liability - ending</b>	<b>\$ 1,505</b>
	<hr/> <hr/>
<b>Covered-employee payroll</b>	<b>\$ 3,335</b>
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	<b>45.13%</b>

**Notes to Schedule:**

**Changes in assumptions** - The change in assumptions reflect the effects of changes in the discount rate from 2.85 percent in 2017 to 3.58 percent in 2018.

\* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Funding Progress and Employer Contributions Under GASB Statement No. 45**  
**For the Fiscal Year Ended June 30, 2018**  
**(Dollars in thousands)**

**OTHER POSTEMPLOYMENT BENEFITS - RETIREE HEALTH CARE**

*Schedule of Funding Progress under GASB Statement No. 45*

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 under GASB Statement No. 45*

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 Under GASB Statement No 45**

**For the Year Ended June 30, 2018**

(Dollars in thousands)

**OTHER POSTEMPLOYMENT BENEFITS - MCP BONUS PROGRAM**

*Schedule of Funding Progress under GASB Statement No. 45*

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	-33.4%
6/30/2016	1,486	-	(1,486)	0.0%	4,701	-31.6%
6/30/2017	1,341	-	(1,341)	0.0%	3,204	-41.9%

*Schedule of Employer Contributions under GASB Statement No. 45*

Fiscal Year Ended	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
6/30/2015	\$ 216	\$ 310	143.5%
6/30/2016	92	412	447.8%
6/30/2017	66	255	386.4%



# STATISTICAL SECTION

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# STATISTICAL SECTION

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

<b>Index</b>	<b>Page</b>
<b>Financial Trends</b>	73
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	76
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.	
<b>Debt Capacity</b>	82
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.	
<b>Demographic and Economic Information</b>	84
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<b>Operating Information</b>	86
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.	

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

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>OPERATING REVENUES:</b>										
Water Sales	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776	\$ 86,263	\$ 104,447
Facilities Connection Charges	5,703	1,768	1,892	2,118	1,977	3,494	1,920	5,186	11,467	10,428
Other Revenue	1,576	1,737	1,559	1,662	1,914	2,109	749	840	1,099	736
<b>TOTAL OPERATING REVENUES</b>	<b>64,057</b>	<b>60,249</b>	<b>66,047</b>	<b>73,878</b>	<b>80,794</b>	<b>86,684</b>	<b>82,804</b>	<b>87,802</b>	<b>98,829</b>	<b>115,611</b>
<b>OPERATING EXPENSES:</b>										
Source of Supply:										
Water Purchases	14,129	14,128	14,402	18,747	21,367	23,427	23,659	24,659	23,833	25,559
Pumping	2,583	2,592	3,116	3,338	2,954	2,763	1,876	1,588	1,389	1,266
Other	9,707	7,511	8,819	8,875	8,828	10,215	8,189	8,304	8,861	8,615
Water Treatment	11,022	11,297	12,464	12,119	12,586	12,584	15,646	13,884	14,369	14,885
Transmission and Distribution	11,285	11,997	11,343	10,953	10,650	10,934	13,552	15,365	15,905	16,223
Administration of Customer Accounts	1,163	1,252	1,507	1,390	1,680	1,832	1,793	1,473	1,503	1,454
Administration and General	7,605	8,335	6,172	9,679	11,965	13,090	10,551	11,063	11,988	15,817
Depreciation and Amortization	10,968	10,942	12,462	12,262	12,845	12,624	13,417	13,974	14,479	13,950
<b>TOTAL OPERATING EXPENSES</b>	<b>68,462</b>	<b>68,054</b>	<b>70,285</b>	<b>77,363</b>	<b>82,875</b>	<b>87,469</b>	<b>88,683</b>	<b>90,310</b>	<b>92,327</b>	<b>97,769</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment Income	4,032	2,448	1,416	672	(46)	1,217	1,098	2,521	145	179
Property Taxes	7,381	7,479	7,256	7,936	7,917	7,654	9,547	9,295	10,472	11,289
Other Revenues (1)	-	10,934	450	215	68	47	11	310	1,038	413
Other Expenses/Loss on Disposal	(2,915)	(2,373)	(2,060)	(3,879)	(2,133)	(1,624)	(2,682)	(2,311)	(2,512)	(2,725)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>8,498</b>	<b>18,488</b>	<b>7,062</b>	<b>4,944</b>	<b>5,806</b>	<b>7,294</b>	<b>7,974</b>	<b>9,815</b>	<b>9,143</b>	<b>9,156</b>
<b>Capital Contributions</b>	<b>6,237</b>	<b>5,491</b>	<b>3,677</b>	<b>2,849</b>	<b>5,529</b>	<b>2,767</b>	<b>3,023</b>	<b>5,194</b>	<b>4,112</b>	<b>4,089</b>
<b>Increase in Net Position</b>	<b>\$ 10,330</b>	<b>\$ 16,174</b>	<b>\$ 6,501</b>	<b>\$ 4,308</b>	<b>\$ 9,254</b>	<b>\$ 9,276</b>	<b>\$ 5,118</b>	<b>\$ 12,501</b>	<b>\$ 19,757</b>	<b>\$ 31,087</b>
% Water Rate Increase (of latter FY)	6.00	8.80	8.00	8.00*	17.1*	7.00	8.00*	-	10.4*	5.00
<b>Number of Employees (2)</b>	<b>214</b>	<b>219</b>	<b>226</b>	<b>225</b>	<b>229</b>	<b>238</b>	<b>230</b>	<b>230</b>	<b>230</b>	<b>230</b>

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

(2) Employees as of June 30, 2018.

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)**

<b>Fiscal Year</b> <b>Ending June 30</b>	<b>Connection Fees</b> <b>(000's)</b>
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
2018	10,428

Source: Alameda County Water District Finance Department

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

	2008/09 <sup>(1)</sup>	2009/10	2010/11 <sup>(2)</sup>	2011/12 <sup>(2)</sup>	2012/13	2013/14	2014/15 <sup>(3)</sup>	2015/16	2016/17	2017/18 <sup>(4)</sup>
<b>NET POSITION:</b>										
Net investment in capital assets	\$ 275,844	\$ 292,179	\$ 298,301	\$ 304,983	\$ 310,757	\$ 325,497	\$ 329,084	\$ 325,051	\$ 324,383	\$ 333,274
Restricted for debt service	7,701	2,515	2,436	2,639	2,656	2,669	2,585	2,688	2,623	2,628
Unrestricted	98,124	103,149	101,334	98,757	102,220	96,743	27,945	44,376	64,866	56,617
<b>TOTAL</b>	<b>\$ 381,669</b>	<b>\$ 397,843</b>	<b>\$ 402,071</b>	<b>\$ 406,379</b>	<b>\$ 415,633</b>	<b>\$ 424,909</b>	<b>\$ 359,614</b>	<b>\$ 372,115</b>	<b>\$ 391,872</b>	<b>\$ 392,519</b>

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

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

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

<sup>(4)</sup> The District restated its 2017/18 net position balances to record the impact of the implementation of GASB Statement No. 75.

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

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Levies:</b>										
1% Tax Allocation	\$ 3,622	\$ 3,541	\$ 3,537	\$ 3,500	\$ 3,569	\$ 3,769	\$ 4,034	\$ 4,611	\$ 5,007	\$ 5,372
State Water Contract Tax	3,071	2,595	2,803	3,010	3,189	3,194	4,717	4,271	4,884	5,373
<b>Total</b>	<b>\$ 6,693</b>	<b>\$ 6,136</b>	<b>\$ 6,340</b>	<b>\$ 6,510</b>	<b>\$ 6,758</b>	<b>\$ 6,963</b>	<b>\$ 8,751</b>	<b>\$ 8,882</b>	<b>\$ 9,891</b>	<b>\$ 10,745</b>
<b>Collections*:</b>										
Collections in the First Period	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332	\$ 10,630
Collection in the First Period Percentage of Levies (%)	116%	101%	113%	128%	119%	121%	109%	105%	104%	99%
Total Collections	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332	\$ 10,630
Total Collections Percentage of Levies	116%	101%	113%	128%	119%	121%	109%	105%	104%	99%

Source: Alameda County Water District Finance Department

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

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

Fiscal Year	Local Secured	Utility	Unsecured	Total
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
2017 /18	62,474,273	12,332	3,373,572	65,860,178

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
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
2016/17	5,151	29	0.57
2017/18	5,609	24	0.42

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

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

	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	Eff. 3/1 2018
<b>COMMODITY CHARGE/HCF:</b>										
Inside District	\$ 2.531	\$ 2.754	\$ 2.974	\$ 3.152	\$ 3.152	\$ 3.373	\$ 3.373	\$ 3.373	\$ 4.047	\$ 4.249
Outside District	2.910	3.166	3.419	3.624	3.624	3.878	3.878	3.878	4.653	4.885
San Francisco	2.682	2.918	3.242	3.673	-*	-	-	-	-	-
<b>BIMONTHLY METER SERVICE CHARGE:</b>										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 10.68	\$ 11.62	\$ 12.55	\$ 14.93	\$ 29.86	\$ 31.95	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33
1	15.31	16.66	17.99	21.41	42.82	45.82	64.05	64.05	76.86	80.70
1-1/2	27.05	29.43	31.78	37.82	75.64	80.93	120.32	120.32	144.38	151.59
2	38.79	42.20	45.58	54.24	108.48	116.07	187.84	187.84	225.40	236.67
3	147.09	160.03	172.83	205.67	411.34	440.13	401.66	401.66	481.99	506.08
4	213.03	231.78	250.32	297.88	595.76	637.46	716.76	716.76	860.11	903.11
6	514.21	559.46	604.22	719.02	1,438.04	1,538.70	1,808.37	1,808.37	2,170.04	2,278.54
8	752.95	819.21	884.75	1,052.85	2,105.70	2,253.10	3,158.81	3,158.81	3,790.57	3,980.09
10	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	5,965.22
Outside District Water Service										
5/8" & 3/4 " or less	\$ 12.28	\$ 13.36	\$ 14.43	\$ 17.17	\$ 34.34	\$ 36.74	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33
1	17.61	19.16	20.69	24.62	49.24	52.69	64.05	64.05	76.86	80.70
1-1/2	31.11	33.84	36.55	43.49	86.99	93.07	120.32	120.32	144.38	151.59
2	44.61	48.53	52.41	62.37	124.75	133.48	187.84	187.84	225.40	236.67
3	169.15	184.03	198.75	236.52	473.04	506.15	401.66	401.66	481.99	506.08
4	244.98	266.55	287.87	342.56	685.12	733.08	716.76	716.76	860.11	903.11
6	591.34	643.38	694.85	826.87	1,653.75	1,769.51	1,808.37	1,808.37	2,170.04	2,278.54
8	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	3,980.09
10	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	5,965.22
<b>BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:</b>										
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
6	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
8	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
10	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80
12	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60
16	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water District Finance Department

Note: \* 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 RATES<sup>1</sup> (Unaudited)**

Effective Date	Actual/Approved									
	2/1/2010	3/1/2011	2/1/2012	2/1/2013	2/1/2014	7/21/2014	5/1/2015	4/1/2016	3/1/2017	3/1/2018
Bi-monthly Commodity Charge	\$63.34	\$68.40	\$72.50	\$72.50	\$77.58	\$77.58	\$77.58	\$77.58	\$93.08	\$97.73
Bi-monthly Service Charge	11.62	12.55	14.93	29.86	31.95	31.95	41.54	41.54	49.84	52.33
Drought Surcharge	-	-	-	-	-	10.36	10.36	10.36	-	-
<b>TOTAL</b>	<b>\$74.96</b>	<b>\$80.95</b>	<b>\$87.43</b>	<b>\$102.36</b>	<b>\$109.53</b>	<b>\$119.89</b>	<b>\$129.48</b>	<b>\$129.48</b>	<b>\$142.92</b>	<b>\$150.06</b>

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

Source: Alameda County Water District Finance Department

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

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	FY 2018 Water Revenues (000's)
City of Fremont	2	2	1	2	1	1	1	1	1	1	\$ 1,329
Fremont Unified School District	1	1	2	3	2	2	2	3	2	3	1,034
Tesla Motors, Inc.	-	-	-	-	-	7	3	2	3	2	1,071
Prologis Trust	3	3	4	4	3	3	4	5	4	4	644
Western Digital Technologies	5	5	3	1	4	4	5	4	5	5	609
City of Union City	6	6	5	6	6	5	6	6	6	6	541
Ardenwood Forest Apartments	-	-	10	-	8	8	9	8	7	7	493
Contempo Homeowners Association	9	7	7	8	7	6	7	7	8	9	462
Lam Research Corporation	-	-	-	-	-	-	-	-	9	8	481
City of Newark	10	-	-	-	10	-	-	10	10	-	n/a
Seagate Magnetics	-	-	-	9	-	-	-	9	-	-	n/a
Cook Engineering Inc.	-	-	-	-	-	-	8	-	-	-	n/a
New Haven School District	-	-	-	10	9	9	10	-	-	10	402
Newark Unified School District	7	9	8	5	5	10	-	-	-	-	n/a
Equity Residential Properties Trust	8	8	-	-	-	-	-	-	-	-	n/a
New United Motor Manufacturing, Inc.	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**  
**TEN YEAR SUMMARY OF HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE (Unaudited)**  
(in thousands)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Revenues</b>										
Water Sales	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776	\$ 86,263	\$104,447
Investment Income (1)	4,031	2,448	1,416	672	(46)	1,217	1,098	2,521	145	179
Property Taxes (2)	3,869	4,653	4,083	4,207	4,529	4,138	4,678	4,807	5,350	5,704
Facilities Connection Charges	5,703	1,768	1,892	2,118	1,977	3,494	1,920	5,186	11,467	10,428
Other Revenue (3)	1,576	1,738	1,559	1,877	1,982	2,156	759	978	1,993	1,101
<b>Total Revenues</b>	<b>71,957</b>	<b>67,351</b>	<b>71,546</b>	<b>78,972</b>	<b>85,345</b>	<b>92,086</b>	<b>88,590</b>	<b>95,268</b>	<b>105,218</b>	<b>121,859</b>
<b>Maintenance and Operation Costs</b>										
Pumping Power Costs	2,583	2,592	3,116	3,338	2,954	2,763	1,876	1,588	1,389	1,266
Other Operating Expenses	9,334	9,283	7,642	7,272	7,841	10,252	8,079	7,689	8,470	10,896
Labor Costs	31,360	31,069	32,571	35,744	37,868	38,403	41,255	42,401	44,156	46,098
Purchased Water (2)	10,617	11,302	11,229	15,018	17,979	19,911	19,187	19,906	19,190	21,554
Aquifer Reclamation Costs	88	40	92	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>53,982</b>	<b>54,286</b>	<b>54,650</b>	<b>61,372</b>	<b>66,642</b>	<b>71,329</b>	<b>70,397</b>	<b>71,584</b>	<b>73,205</b>	<b>79,814</b>
<b>Net Revenues</b>	<b>\$ 17,975</b>	<b>\$ 13,065</b>	<b>\$ 16,896</b>	<b>\$ 17,600</b>	<b>\$ 18,703</b>	<b>\$ 20,757</b>	<b>\$ 18,193</b>	<b>\$ 23,684</b>	<b>\$ 32,013</b>	<b>\$ 42,045</b>
<b>Annual Debt Service on Revenue Certificates and Bond</b>										
1998 Refunding Revenue Bonds	\$ 3,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	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	2,864
2012 Revenue Bonds	-	-	-	523	1,891	1,893	1,891	1,893	1,892	1,887
2015 Revenue Bonds	-	-	-	-	-	-	240	1,625	1,628	1,622
<b>Total Debt Service</b>	<b>\$ 4,562</b>	<b>\$ 4,124</b>	<b>\$ 3,867</b>	<b>\$ 4,009</b>	<b>\$ 4,560</b>	<b>\$ 4,759</b>	<b>\$ 5,000</b>	<b>\$ 6,381</b>	<b>\$ 6,387</b>	<b>\$ 6,373</b>
<b>Ratio of Net Revenues to Annual Debt Service on Revenue Certificates</b>										
	3.94x	3.17x	4.37x	4.39x	4.10x	4.36x	3.64x	3.71x	5.01x	6.60x

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)**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Certificates of Participation</b>										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20*	\$ 27,498	-	-	-	-	-	-	-	-	-
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28**	\$ 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	\$ 5,707
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	-	\$ 48,032	\$ 47,696	\$ 47,349	\$ 46,998	\$ 46,637	\$ 46,266	\$ 45,890
2015 Revenue Bonds 4.0% - 5.0% Maturity: FY 2044-45	-	-	-	-	-	-	\$ 30,521	\$ 29,975	\$ 29,404	\$ 28,813
<b>Total</b>	<b>\$ 52,682</b>	<b>\$ 48,257</b>	<b>\$ 46,337</b>	<b>\$ 68,833</b>	<b>\$ 66,304</b>	<b>\$ 63,503</b>	<b>\$ 91,160</b>	<b>\$ 87,680</b>	<b>\$ 84,095</b>	<b>\$ 80,410</b>
<b>Total Outstanding Debt to Personal Income (1)</b>	73.58%	66.33%	61.04%	80.96%	80.96%	N/A	N/A	N/A	N/A	N/A
<b>Total Debt Per Capita</b>	\$ 157.73	\$ 148.03	\$ 141.27	\$ 207.95	\$ 197.92	\$ 186.77	\$ 265.00	\$ 252.68	\$ 238.23	\$ 227.79

\* 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<sup>(1)</sup>**

<u>2017 *</u>			<u>2008</u>		
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.	5,200	4.68 %
Fremont Unified School District	2,925	2.61	Washington Hospital	2,400	2.16
Washington Hospital	1000-5000	2.68	Fremont Unified School District	1,672	1.51
Western Digital	1000-5000	2.68	Oplink	1,546	1.39
Lam Research Corporation	1000-5000	2.68	Smart Modular Technologies	1,317	1.19
Seagate Magnetics	1000-5000	2.68	Lam Research Corporation	1,261	1.14
Kaiser Permanente	500-999	0.67	Boston Scientific/ Target Therapeutics, Inc.	1,200	1.08
City of Fremont	904	0.81	Western Digital	1,170	0.99
Thermo Fisher Scientific	500-999	0.67	Seagate Magnetics	1,100	1.05
Synnex Information Tech Inc.	500-999	0.67	AXT Incorporated	972	0.88
<b>Total City Employment</b>	<b>116,051</b>		<b>Total City Employment</b>	<b>105,052</b>	

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

<u>2017 *</u>			<u>2008</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
New Haven Unified School District	1,203	3.30 %	New Haven School District	1,255	3.84 %
Southern Wine & Spirits	750	2.06	Southern Wine & Spirits	725	2.22
Masonic Homes	460	1.26	Wal-Mart	580	1.77
Abaxis, Inc.	400	1.10	San Francisco Chronicle	425	1.30
Wal-Mart	400	1.10	City of Union City	368	1.13
City of Union City	334	0.92	Aldworth Company	345	1.06
Mizuho OSI, Inc.	400	1.10	Dreyer's Grand Ice Cream	295	0.90
Sterling Foods	360	0.99	Masonic Homes	294	0.90
Emerald Packaging	240	0.66	Caravan Trading Company	292	0.89
GCM Medical & OEM Inc.	160	0.44	American Licorice	260	0.80
<b>Total City Employment</b>	<b>36,400</b>		<b>Total City Employment</b>	<b>32,700</b>	

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

<u>2017 *</u>			<u>2011</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	953	3.99 %	Newark Unified School District	700	3.44 %
Logitech	634	2.65	Risk Management Solutions	270	1.33
Risk Management Solutions	285	1.19	Smart Modular Technologies	249	1.22
VM Services, Inc.	270	1.13	Cargill Salt	182	0.89
Amazon	250	1.05	WorldPac	280	1.37
WorldPac	218	0.91	Aryzta, LLC (formerly Fullbloom banking)	280	1.37
Smart Modular Technologies	212	0.89	City of Newark	193	0.95
Cargill Salt	210	0.88	Valassis (formerly ADVO)	166	0.81
Aryzta, LLC (formerly Fullbloom banking)	168	0.70	Staples (formerly Corporate Express)	154	0.76
Macys	160	0.67	Home Depot	129	0.63
<b>Total City Employment</b>	<b>23,900</b>		<b>Total City Employment</b>	<b>20,377</b>	

Note: \*Number of Employees and Percent of Total Employment unavailable for 2018.

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

Source: (1) Year 2017 - City of Fremont, CAFR FY 2016/17; U.S. Dept of Labor, Bureau of Labor Statistics

(2) City of Union City, CAFR FY 2016/17

**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)	Unemployment Rate (3)	
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	109	66		3.5
2017	353	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)**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>UTILITY PLANT:</b>										
Land	\$ 9,701	\$ 9,725	\$ 9,725	\$ 9,727	\$ 9,727	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610
Source of Supply	43,852	50,116	50,125	51,092	51,092	57,782	64,229	68,993	68,050	68,404
Pumping Plant	19,255	19,647	20,191	21,324	21,469	24,152	24,217	24,549	24,983	25,130
Water Treatment	115,833	138,112	151,445	152,302	152,296	157,393	160,238	160,610	160,735	161,192
Transmission and Distribution	228,418	235,460	244,864	253,908	262,957	275,001	300,836	320,721	329,208	337,274
General	34,661	35,909	37,234	46,075	48,114	48,172	49,684	50,836	52,005	52,682
Construction in Progress	49,281	21,570	12,265	10,282	21,612	31,930	18,938	16,320	19,793	29,305
	501,001	510,539	525,849	544,710	567,267	604,040	627,752	651,639	664,384	683,597
Less Accumulated Depreciation	178,051	189,258	199,863	211,110	223,098	231,715	244,254	257,356	269,759	282,826
<b>NET UTILITY PLANT</b>	<b>\$ 322,950</b>	<b>\$ 321,281</b>	<b>\$ 325,986</b>	<b>\$ 333,600</b>	<b>\$ 344,169</b>	<b>\$ 372,325</b>	<b>\$ 383,498</b>	<b>\$ 394,283</b>	<b>\$ 394,625</b>	<b>\$ 400,771</b>

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)
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
2017/18	33.96

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

Fiscal Year Ended June 30	Number of Meters
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
2018	84,255

Source: Alameda County Water District Finance Department