



May 1, 2022

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

We are engaged to audit the financial statements of the Alameda County Water District (the “District”) for the year ended June 30, 2022. Professional standards require that we provide you with the following information related to our audit and the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”)

As stated in our engagement letter dated May 1, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatements, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the District’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District’s compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the District’s compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management’s Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratio for CalPERS Pension Plan, the Schedule of Contributions for CalPERS Pension Plan, the Schedule of Changes in OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan, and Schedule of Contributions for Other Post-Employment Benefits Plan which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Alameda County Water District

May 1, 2022

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We have not been engaged to report on the introductory section and the statistical section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of waste and abuse is subjective, Government Auditing Standards do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

Significant risks, which include fraud risks, are those that require special audit consideration because of the nature of the risk or the likelihood and potential magnitude (including quantitative and qualitative considerations) of related misstatements. When considering if an identified risk is a significant risk, we determine if it relates to (1) significant economic, accounting, or other developments needing specific attention; (2) complex transactions; (3) significant related-party transactions; (4) measurements that are subjective or uncertain, especially estimates with a high degree of uncertainty; or (5) significant unusual transactions. We have identified the following audit areas as having significant risk of material misstatement:

- Management override of internal control
- Improper recognition of revenue in the financial statements
- Unrecorded expenditure in the financial statements due to improper cutoff
- Understatement of Pension and OPEB liabilities due to inaccurate or incomplete census data provided to actuary

We expect to begin our audit on approximately June 3, 2022 and issue our report by December 31, 2022. Vanessa Burke is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California



December 1, 2022

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

We have audited the financial statements of the business-type activities of the Alameda County Water District (the “District”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter with you dated May 1, 2022. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

New Accounting Standards

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District’s financial reporting for 2022.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the District’s fiscal year ending June 30, 2022. Implementation of this Statement did not have a significant effect on the District’s financial reporting for 2022.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the District’s financial reporting for 2022.

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on the District’s financial reporting for 2022.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a significant effect on the District’s financial reporting for 2022.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the District’s financial statements were:

- Management estimates fair market value of its investments using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on certain valuation inputs used to measure fair value. The District’s investments, except for LAIF and CAMP, is based on information provided by the US Bank, the custodian for the District’s investments in U.S. Government securities and agency obligations, medium-term notes, municipal bonds and negotiable certificates of deposit. These investments are valued by use of matrix pricing techniques. LAIF and CAMP are valued based on the District’s proportionate share of amortized cost.
- Management’s estimate for the allowance for doubtful accounts is based on the District’s historical data with the collectability of its accounts receivable.

- Management’s estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the annual other post-employment benefit (“OPEB”) cost is based on the actuarial valuation. We evaluated the key factors and assumptions used to develop the net OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 3 – Cash and Investments
- Note 4 – Account Receivable
- Note 7 – Long-Term Debt
- Note 9 – Commitments
- Note 10 – Pension Plans
- Notes 11 & 12 – Other Post-Employment Benefits – Retiree Health Care/MCP Bonus Program
- Note 15 – Prior Period Adjustments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2022.

To the Board of Directors of Directors
of the Alameda County Water District
Fremont, California
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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion & Analysis, the Schedule of Changes in Net Pension Liability and Related Ratio for CalPERS Pension Plan, the Schedule of Contributions for CalPERS Pension Plan, the Schedule of Changes in OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan, and Schedule of Contributions for Other Post-Employment Benefits Plan which is required supplementary information (“RSI”) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Alameda County Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California

Alameda County Water District

Fremont, California

Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule

For the Year Ending June 30, 2023





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of Alameda County Water District (the "District") for the year ending June 30, 2023. The management at the District is responsible for the Appropriations Limit Schedule.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements set forth in Section 1.5 of Article XIII-B of the California Constitution. The procedures, which were suggested by the League of California Cities and presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution* were performed solely to assist you in meeting the requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. We obtained the completed worksheets used by the District to calculate its appropriations limit for the year ending June 30, 2023, and compared the limits and annual calculation factors were adopted by resolution 22-039 of the Board of Directors. We also compared that the population and inflation options were selected by a recorded vote of the Board of Directors.

Finding: No exceptions were noted as a result of these procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and compared the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of these procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the District.

Finding: No exceptions were noted as a result of these procedures.

4. We agreed the appropriations limit presented in the accompanying Appropriations Limit Schedule to the appropriations limit adopted by the Board of Directors during the year.

Finding: No exceptions were noted as a result of these procedures.

To the Board of Directors
of the Alameda County Water District
Fremont, California
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We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respective on the accompanying Appropriations Limit Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

The PwC Group, LLP

Walnut Creek, California
December 1, 2022

Alameda County Water District
Appropriations Limit Schedule
For the Year Ending June 30, 2023

| | Amount | Source |
|------------------------------------|----------------------|---|
| A. Appropriations Limit FY 2021-22 | \$ 90,913,068 | Prior year appropriation limit adopted by the District |
| B. Calculation Factors: | | |
| 1) Population increase % | 0.9986 | California Department of Finance |
| 2) Inflation increase % | 1.0755 | California Department of Finance |
| 3) Total adjustment % | <u>1.0740</u> | (B1 x B2) |
| C. Annual Adjustment Increase | 6,727,567 | {(B3-1) x A} |
| D. Other Adjustments: | | |
| 1) Loss responsibility (-) | - | N/A |
| 2) Transfer to private (-) | - | N/A |
| 3) Transfer to fees (-) | - | N/A |
| 4) Assumed responsibility (+) | - | N/A |
| E. Total Adjustments | <u>6,727,567</u> | (C+D) |
| F. Appropriations Limit FY 2022-23 | <u>\$ 97,640,635</u> | (A+E) |

Alameda County Water District
Notes to the Appropriations Limit Schedule
For the Year Ending June 30, 2023

Note 1 – Purpose of Limited Procedures Review

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

Note 2 – Method of Calculation

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

Note 3 – Population Factors

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the District for the year 2022-2023, represents the weighted average annual population percent change in the cities of Fremont, Newark, and Union City.

Note 4 – Inflation Factors

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the California Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the District for the year 2022-2023, represents the percentage change in California per capita personal income.

Note 5 – Other Adjustments

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The District had no such adjustments for the year 2022-2023.



INDEPENDENT AUDITORS' REPORT



To the Board of Directors and Management
of the Alameda County Water District
Fremont, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Alameda County Water District (“District”), which comprise the statement of net position as of June 30, 2022, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2022. We performed auditing procedures over the District’s compliance with laws, regulations and provisions of contract that the District complied with the terms, covenants, provisions, or conditions of the Water System Revenue Bonds, Series 2015 dated June 1, 2015 and related 2015 Installment Purchase Contract (“2015 Revenue Bonds”), and the Water System Revenue Bonds, Series 2022 dated April 1, 2022, and related 2022 Installment Purchase Contract (“2022 Revenue Bonds”) insofar as they relate to accounting matters, and have issued our report thereon dated December 1, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that District failed to comply with the following terms, covenants, provisions, or conditions inclusive, of 2015 Installment Purchase Contract dated March 1, 2015, or 2022 Installment Purchase Contract dated April 1, 2022 insofar as they relate to accounting matters.

The following terms, covenants, provisions or conditions are applicable to the 2015 Revenue Bonds Installment Purchase Contract:

- **Section 5.11 - Insurance:** The District will procure and maintain insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System so long as such insurance is available from reputable insurance companies.
- **Section 5.15 - Amount of Charges, Fees, and Rates:** The District will fix, prescribe and collect charges, fees and rates for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield, during each Fiscal Year, Net Revenues equal to one hundred twenty-five per cent (125%) of the Debt Service for such Fiscal Year.
- **Section 5.20 - Continuing Disclosure:** The Water District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Under the Continuing Disclosure Agreement, the District will provide certain financial information and operating data relating to the Water District by not later than seven months after the end of the District’s fiscal year (which is currently June 30) in each year commencing with the report for the Fiscal Year 2014-15 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will all be filed with the Municipal Securities Rulemaking Board.

The following terms, covenants, provisions or conditions are applicable to the 2022 Revenue Bonds Installment Purchase Contract:

- **Section 5.11 - Insurance:** The District will procure and maintain insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System so long as such insurance is available from reputable insurance companies.
- **Section 5.15 - Amount of Charges, Fees, and Rates:** The District will fix, prescribe and collect charges, fees and rates for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield, during each Fiscal Year, Net Revenues equal to one hundred twenty-five per cent (125%) of the Debt Service for such Fiscal Year.
- **Section 5.20 - Continuing Disclosure:** The Water District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Under the Continuing Disclosure Agreement, the District will provide certain financial information and operating data relating to the Water District by not later than seven months after the end of the District's fiscal year (which is currently June 30) in each year commencing with the report for the Fiscal Year 2021-22 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will all be filed with the Municipal Securities Rulemaking Board.

Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of directors, management of District and the District's bond trustee and is not intended to be and should not be used by anyone other than these specified parties.

The PwC Group, LLP

Walnut Creek, California
December 1, 2022