



Alameda County Water District
Fremont, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Years Ended ~ June 30, 2013 and June 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

ALAMEDA COUNTY WATER DISTRICT

FOR THE YEARS ENDED

JUNE 30, 2013 and JUNE 30, 2012

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

PREPARED BY THE FINANCE DEPARTMENT

**Alameda County Water District
 Comprehensive Annual Financial Report
 For the years ended June 30, 2013 and 2012**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	viii
Directory of District Officials	ix
Organization Chart.....	x
<u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Business-Type Activity – Enterprise Fund:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position.....	11
Statements of Cash Flows	12
Fiduciary Fund – Other Post Employment Benefit Trust Fund:	
Statements of Plan Net Position.....	14
Statements of Changes in Plan Net Position.....	15
Notes to Basic Financial Statements	17
Required Supplementary Information (Unaudited):	
Schedules of Funding Progress and Schedule of Employer Contributions (OPEB):	
Defined Benefit Pension Plan.....	58
Other Post-Employment Benefits – Retiree Health Care	58
Other Post-Employment Benefits – MCP Bonus Program.....	59
<u>STATISTICAL SECTION (Unaudited)</u>	
Index	61
Ten Year Summary of Revenues, Expenses and Rate Increases	62
Ten Year Summary of Net Position.....	63
Ten Year Summary of Property Tax Levies/Collections	64
Ten Year Summary of Assessed Valuation	65
Ten Year Summary of Secured Tax Charges and Delinquencies.....	66
Ten Year Summary of Schedule of Water Rates-Bimonthly Readings and Billings.....	67
Ten Largest Distribution Water Revenue Accounts	68
Historical and Projected Net Revenues and Debt Service Coverage	69
Ten Year Summary of Outstanding Debt.....	70
Largest Employers within the District.....	71
Ten Year Summary of Demographic and Economic Statistics	72
Ten Year Summary of Property, Plant & Equipment	73
Ten Year Summary of Water Demand.....	74

INTRODUCTORY SECTION



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DIRECTORS

- JAMES G. GUNTHER
President
- PAUL SETHY
Vice President
- JUDY C. HUANG
- MARTIN L. KOLLER
- JOHN H. WEED

MANAGEMENT

- WALTER L. WADLOW
General Manager
- ROBERT SHAVER
Assistant General Manager-Engineering
- SHELLEY BURGETT
Manager of Finance
- STEVE PETERSON
Manager of Operations and Maintenance
- ALTARINE C. VERNON
Manager of Administrative Services

September 20, 2013

To the Board of Directors and Our Customers:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Alameda County Water District (the District) for the years ended June 30, 2013 and 2012.

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 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, 2013 and 2012. Responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the District.

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

THE REPORTING ENTITY

The District was established as a special district in 1913 by a vote of the people to ensure a continuous supply of quality water for agricultural and urban purposes. 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 the groundwater supply underlying the cities of Fremont, Newark and Union City in southern Alameda County.

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 produces, stores, treats and distributes water for a population of approximately 334,600 people in southern Alameda County. The District covers approximately 100 square miles and, as of June 2013, provided water service through over 83,300 connections.

The District’s current water production is approximately 48,700 acre-feet per year. Water is provided to the District from four sources: groundwater from the Niles Cone Groundwater Basin (including fresh groundwater from two wellfields and desalination of brackish groundwater), surface water from the Del Valle Reservoir, water imported from the State of California’s State Water Project and water imported from the San Francisco Regional Water System. The amount of water available from these sources is highly variable in any given year due to hydrologic conditions and other factors. Assuming wet local conditions and full delivery of imported water supplies, these four sources may provide up to a maximum of approximately 90,000 acre-feet per 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, Administrative Services, Engineering, Finance, and Operations & Maintenance. The General Manager's Office organizes and directs District activities in accordance with the Board's policies. The District has an authorized staff of 238 full-time employees.

The Alameda County Water District Public Facilities Financing Corporation, a component unit of the District, was established in 1992 to issue debt for the benefit of the District. In addition the Alameda County Water District Financing Authority, a joint powers authority with Union Sanitary District, was formed in 2011 to enable the issuance of the 2012 Water System Revenue Bonds.

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

Improved Customer Service

The District's newly redesigned website, featuring a host of new interactive elements and a new look and feel, debuted on November 15, 2012. This platform has enabled customers to have easier access to more District information and also the ability to link to the new Customer Information System with self-service options such as enrolling for paperless billing and viewing the customer bill on-line.

The District also entered the age of social media when its Facebook and Twitter accounts debuted in November 2012. This was another major step in the District's ability to communicate with customers and expanded the District's capabilities to disseminate information quickly and to a larger audience.

Through its ongoing "Future of ACWD" initiative, the District entered into an agreement with Home Emergency Insurance Solutions (HEIS) to offer residential customers an optional insurance policy to repair leaks on the customer's exterior pipeline between the water meter and home. HEIS is responsible for all aspects of the program; marketing, billing, claims, and conflict resolutions. The District is responsible for including an introductory letter in the marketing material and receives 10% of the monthly premiums paid. The program is projected to generate \$525,500 of non-water commodity revenue in the first five years.

The District completed implementation of new development related fees and charges to greatly streamline and simplify the District's development fee schedule and related policies. The resulting schedule of development fees and charges enables customers to more easily budget for their projects while ensuring

continued equity among customers and sustainable funding of growth related improvements for the changing nature of development within the District's service area.

Maintained High Water Quality

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

During the fiscal year ended June 30, 2013, the District accomplished the following groundwater quality initiatives:

- Closed 17 cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Received a perfect score on a proposal (Niles Cone Saltwater Intrusion and Aquifer Characterization Project) submitted to the State Department of Water Resources for a \$225,000 Local Groundwater Management Assistance Grant to construct 6 groundwater monitoring wells and collect groundwater samples for chemical characterization analysis.
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 15th year in a row.

Over the past twenty years, the District has made significant capital investments to its production facilities and distribution system. These improvements now allow the District to serve all of its customers with water that, on average, does not exceed hardness levels of 150 ppm. In addition, the District assured the quality of Tri-City area water by conducting approximately 34,000 water quality analyses and by complying with all state and federal water quality monitoring regulations.

Ensured Water Supply, Production, and Distribution Reliability

During the fiscal year ended June 30, 2013, the District produced 48,700 acre feet of water for use by the residents and businesses in Fremont, Newark, and Union City.

Many of the District's water mains are over 50-years old. Accordingly, The District is initiating a comprehensive long-range water main replacement program. The District's long range financial plan includes, as a minimum, \$10 million annually in water main-related infrastructure investments for the foreseeable future. Initially, the focus of the program is to 1) increase the overall seismic reliability of the District's distribution system by strategically making improvements in areas of potential seismic induced-earth movement and 2) improve fire flows in the older portions of the service area that are currently served by mains that do not meet current standards.

The District also improved the reliability of distribution storage by replacing the existing liner in the Alameda Reservoir. Alameda Reservoir is the District's second largest storage facility with a capacity of 18 million gallons and the existing liner had reached the end of its useful life. The new liner has a proven track record in similar installations and can stretch and compensate for earth movement in a seismic event.

Improved Agency Productivity and Efficiency

The District implemented an Advanced Metering Infrastructure (AMI) pilot to evaluate the range and reliability of a fixed-network automated meter reading system. The long range plan is to install the automated meter reading system on all commercial and industrial accounts to allow monthly billing, customer monitoring of their water use to encourage water conservation, and reduction of meter reading costs.

The District will be upgrading its current Enterprise Assessment Management System (EAMS) by providing a Graphical Interface System (GIS) based work management system for the horizontal assets, i.e.

pipelines, valves and other appurtenances, and upgrading to a current version of the existing JD Edwards EAMS module for the vertical assets, which includes the mechanical, electrical and instrumentation equipment in facilities throughout the District.

Through its “Future of ACWD” program, the District began implementing 17 employee-generated ideas to increase productivity and develop new revenue streams. The overall goal of the program is to allow employees to help create a more resilient business model for the District.

Additionally in the fiscal year ended June 30, 2013, the District received the Certificate of Achievement of Excellence in Financial Reporting for the 14th consecutive year.

Promoted Conservation and Improved Public Awareness of Water Issues

Water Conservation extends water supplies, benefits the environment, helps keep water rates down, and allows the District to “bank” water for dry years. To encourage customers to save water, the District continued the following ongoing water conservation programs during the fiscal year ended June 30, 2013:

- On-site indoor and outdoor water use efficiency surveys were offered to residential, business, and industrial customers.
- Rebates for replacing turf grass with water efficient landscaping were offered to residential and commercial customers.
- Rebates for the purchase of water conserving clothes washers were offered to residential and commercial customers.
- Rebates for the purchase of weather-based irrigation controllers were offered to commercial customers.
- Water conserving devices and measures (showerheads, faucet aerators, flappers and leak detection tablets) were distributed to residential and commercial customers in the District’s service area.
- Water saving tips and other conservation-related information were distributed to customers through the District’s customer newsletter, the ACWD *Aqueduct*, the website and through the new, redesigned customer water bill.
- Water conservation literature was distributed to all customers as requested.
- Additional information about a customer’s water usage, as compared to the average in their lot size grouping, was provided on the redesigned water bill.
- Rebates for the purchase of High Efficiency Toilets (HETs) and Urinals (HEUs) were offered to commercial, institutional and industrial customers.
- Through the Designated Landscape Program, which provides landscape water use reports and on-site landscape surveys, District staff worked with large landscape accounts to improve irrigation efficiency. Awards were offered to participants that demonstrated water use efficiency.
- Water efficient landscape planning and conversion workshops and classes were held in partnership with other agencies.
- The District’s Drought Tolerant Demonstration Garden and employee composting program were maintained and promoted to customers to encourage water efficient landscaping.
- High Water Use Notices were sent to residential customers to help them identify ways to reduce their water use.
- Leak detection through meter reader alerts was performed.
- Press releases were distributed to promote conservation and the conservation programs available to District customers.
- Conservation staff presented conservation related information to the public through community group meetings and events.

The District’s School Education Program provides local school classrooms with educational resources that stress the various facets of water science and water management, with the objective of producing citizens capable of making informed decisions regarding state and local water resources. During the fiscal year ended June 30, 2013, the District continued its educational outreach within its service area by:

- Presenting water education programs to over 4,200 students in 144 classrooms.
- Promoting Groundwater Awareness Week by giving a presentation to two Advanced Placement Environmental Science classes at a local high school.
- Conducting a tour of ACWD's groundwater facilities for a California State University, East Bay hydrogeology class.
- Distributing more than 53,250 pieces of printed educational material to teachers and students.
- Sponsoring 56 performances of ZunZun's latest water conservation theater program which was viewed by over 15,000 students at 28 schools.
- Training teachers in the use of popular water education curriculum guides.
- Sponsoring its annual Water Conservation Poster and Slogan Contest in which over 1,450 students vied for the opportunity to have their creations included in the 2013-2014 ACWD Water Conservation Calendar.

Social Responsibility

The District coordinated a volunteer day with Excelitas Technologies of Fremont during which more than 125 Excelitas volunteers and 40 District employees painted murals on District facilities and picked up litter in Niles Community Park, Quarry Lakes Regional Recreation Area, and along the Alameda Creek Trail. The event took place on May 30, 2013.

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 water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies have worked for more than a decade to make the creek a more fish-friendly waterway. To date several facilities have been constructed towards this goal: the removal of one rubber dam; construction of fish ladders at two rubber dams; and the installation of fish screens at off-stream diversions. The District anticipates that this work will be completed in 2016.

FINANCIAL INFORMATION

Local Economy

The local economy of the District service area has been a reflection of the nearby Silicon Valley and of the greater Bay Area. The economy has struggled, but there appears to be hopeful signs of a meaningful recovery. There have been signs that the San Francisco Bay Area technology related businesses have been increasing their level of hiring and there are indications that housing prices are slowly increasing in value once again. For instance, Fremont's unemployment rate is a low 5%, and property taxes are projected to increase 4.5%. In addition, there has been an increase in water demand over the past three years. There seems to be a general pick-up in economic activity across the service area.

The Fremont area in particular is growing with Seagate Technology purchasing the former Solyndra solar factory facility for \$90 million, and plans to spend another \$90 million to install new equipment. Tesla Motors continues to grow with a 35-acre property purchase near its factory. And Thermo Fisher Scientific purchased 22 acres, adjacent to the Tesla Motors site, to build a new facility. There is currently a study related to the strategic development of 850 acres around the Warm Springs area that will include a new BART station opening in 2015, and projects the possibility of providing approximately 10,000 jobs in that area. Another major initiative has begun to develop a Fremont downtown area with approximately 5.2 million square feet of new mixed-use buildings. And the Pacific Commons area continues to be active with Costco, a new Target Corporation store, and a new multiplex cinema theatre. Union City also plans to develop its 200 acre Intermodal Station District into high-density housing, retail shopping, commercial business, open space, and a major transportation station.

Technology Improvement Initiative

A major upgrade/re-implementation of the District ERP system, JD Edwards started in September 2012 and the project is moving along with an anticipated go-live date in July 2014. Further improvements and post-go live enhancements continued on the new customer information and billing system (CIS) which went live in March 2012. As noted earlier, the District's new website went live in November 2012.

Improvements to the District's IT infrastructure continued during fiscal year 2013 with data center upgrades that include replacement of the uninterruptible power supply (UPS) unit, installation of a new variable refrigerant flow HVAC system, and installation of a new dry, pre-action fire suppression system. The District also started work on a cyber-security vulnerability assessment project which is expected to be completed by December 2013.

Following the recommendations of the Information Technology Master Plan, the District completed a comprehensive SCADA Master Plan in 2013. This provides a plan for future development of infrastructure, processes, organization and staff to support and facilitate water operations. The cost of the projects recommended in the SCADA Master Plan is \$5.3 million over 7 years. These improvements will provide system reliability and efficiency into the future.

Rates and Charges

Water rates are reviewed annually and rates are changed to meet cost-of-service requirements. The District's water rates continue to be in the lower third of 30 Bay Area retail water purveyors surveyed each year. The service charge component of the rate structure has been increased relative to the commodity rate component to start more accurately reflecting that the District's costs have a higher proportion of fixed costs than variable costs. This proportionality is not unique to the District but is generally true for all water producing agencies, districts or businesses.

Internal Control

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

Budgetary Control

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

Long-Term Financial Planning

The District utilizes three main comprehensive long range integrated planning models: the Integrated Resources Plan (IRP), Capital Improvement Program (CIP) and the Financial Planning Model (FPM). The IRP process evaluates a wide range of water supply and water conservation options as well as land use projections in the District's service area to develop the District's long range water supply strategy necessary to meet projected demands. The CIP includes project schedules and projected costs for production facilities identified in the IRP and other projects 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 the next number of years. The District has implemented a financial planning cycle that includes an overall review of the operating and capital plan in March, budget development during late spring with adoption of the budget in June and rate design and processing through the fall with rate adoption in February.

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 government, the District's bond holders and the general public. The District contracted with the accounting firm of Macias Gini and O'Connell LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Award

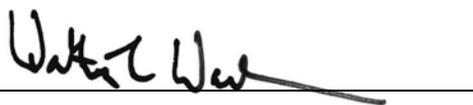
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 14th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



Walter Wadlow
General Manager



Shelley Burgett
Manager of Finance



Government Finance Officers Association

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

Presented to

**Alameda County Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Alameda County Water District

Board of Directors

James G. Gunther
President

Paul Sethy Vice President

Judy C. Huang
Director

Martin L. Koller
Director

John H. Weed
Director

Principal Management Personnel

Walter Wadlow
General Manager

Robert Shaver
Assistant General Manager -Engineering

Steven Peterson
Manager of Operations & Maintenance

Altarine Vernon
Manager of Administrative Services

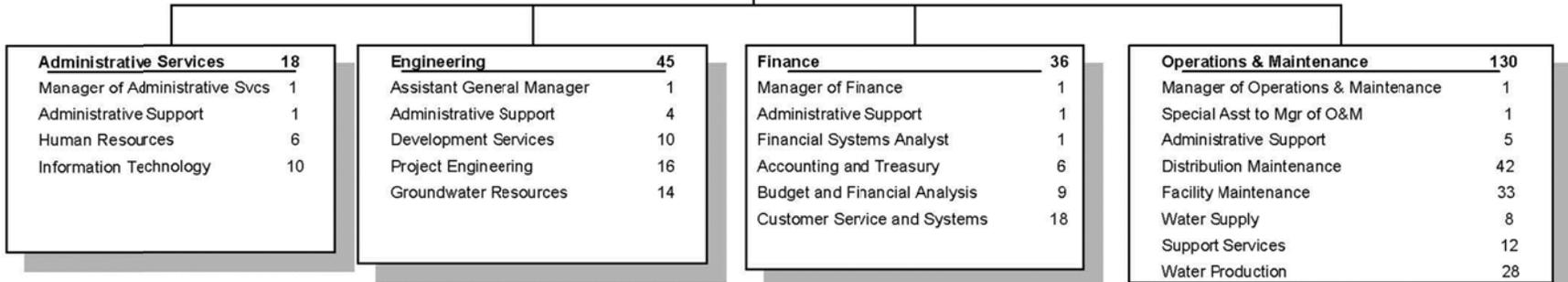
Shelley Burgett
Manager of Finance

**ALAMEDA COUNTY WATER DISTRICT
FUNCTIONAL ORGANIZATIONAL CHART
FY 13/14**

BOARD OF DIRECTORS

Office of the General Manager	9
General Manager	1
Administrative Support	2
Water Resources	6

Total = 238



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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity and the other post employment benefit trust fund of the Alameda County Water District (District) as of and for the years ended June 30, 2013 and 2012, 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the other post employment benefits trust fund of the District as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As described in Note 2.M. to the financial statements, effective July 1, 2011, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 funding progress, and schedules of employer contributions 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 GASB 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 audit 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 audits were conducted for the purpose of forming opinions 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 audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California
September 20, 2013

Alameda County Water District

Management's Discussion and Analysis (Unaudited)

For the years ended June 30, 2013 and 2012

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, 2013 and 2012. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

- The District's net position increased by \$9.2 million or 2.3 percent from \$406.4 million to \$415.6 million.
- Operating revenues increased by \$6.9 million or 9.3 percent from \$73.9 million to \$80.8 million.
- Operating expenses increased by \$5.3 million or 6.8 percent from \$77.5 million to \$82.8 million.
- Capital contributions to the District increased by \$2.6 million or 89.7 percent from \$2.9 million to \$5.5 million.
- The District issued the 2012 Water System Revenue Bonds in fiscal year 2012 which refunded the 2003 Certificates of Participation and provided bond proceeds for funding the construction of seismic reliability and other projects. This resulted in an increase in construction work in progress activity of \$11.3 million or 110.2 percent from \$10.3 million to \$21.6 million.
- The District implemented a zero percent increase to its commodity rate and a 100.0 percent increase to its service charges effective February 1, 2013. This resulted in an overall average rate increase to a residential customer of 17.1 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2013 and 2012. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position (page 10) and the Statements of Revenues, Expenses and Changes in Net Position (page 11) 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, and liabilities. 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)

	2013	2012	2013 vs. 2012		2011	2012 vs. 2011	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 136.8	\$ 135.7	\$ 1.1	0.8%	\$ 119.2	\$ 16.5	13.8%
Capital assets	358.8	348.8	10.0	2.9%	341.9	6.9	2.0%
Total assets	495.6	484.5	11.1	2.3%	461.1	23.4	5.1%
Deferred outflows of resources	3.0	3.3	(0.3)	-9.1%	1.8	1.5	83.3%
Long-term debt	66.3	68.8	(2.5)	-3.6%	48.2	20.6	42.7%
Other liabilities	16.7	12.6	4.1	32.5%	12.6	-	0.0%
Total liabilities	83.0	81.4	1.6	2.0%	60.8	20.6	33.9%
Net investment in capital assets	310.8	305.0	5.8	1.9%	298.3	6.7	2.2%
Restricted for debt service	2.6	2.6	-	0.0%	2.4	0.2	8.3%
Unrestricted	102.2	98.8	3.4	3.4%	101.4	(2.6)	-2.6%
Total net position	\$ 415.6	\$ 406.4	\$ 9.2	2.3%	\$ 402.1	\$ 4.3	1.1%

As the above table indicates, total assets increased by \$11.1 million from \$484.5 million to \$495.6 million during the fiscal year ended June 30, 2013. This is comprised of a slight increase in current and other assets and an increase of \$10.0 million in capital assets. The increase in capital assets is primarily due to the 2012 Water System Revenue Bonds bond proceeds being utilized to accelerate the construction of projects in the area of seismic reliability and system maintenance and the completion of several capital projects during the year. For the fiscal year ended June 30, 2012, total assets increased by \$23.4 million from \$461.1 million to \$484.5 million. This increase is comprised of an increase of \$16.5 million in current and other assets and a \$6.9 million increase in capital assets. The increase in each fiscal year, in total assets, reflect favorable operations and use of planned accumulation of reserves for upcoming major capital projects that are identified in the District's long range Capital Improvement Program.

Deferred outflows of resources is the amount of the unamortized deferred loss on refunding that was formerly included in the long term debt total. This change was made because of the adoption of GASB Statement No. 65 as discussed in Note 2 to the basic financial statements that classifies certain transactions in a new category called deferred outflows of resources.

FINANCIAL ANALYSIS OF THE DISTRICT, Continued

For fiscal year ended June 30, 2013, total liabilities reflect an increase of \$1.6 million due mainly to an increase in contractor and customer deposits because of increased construction levels in the community and an increase in payables due to the District's acceleration of construction projects. This has been offset by a decrease in long term debt due to the annual debt payment. For fiscal year ended June 30, 2012, total liabilities reflect an increase of \$20.6 million mainly due to the issuance of the 2012 Water System Revenue Bonds.

Table 1 also indicates that total net position increased by \$9.2 million from \$406.4 million to \$415.6 million for fiscal year ended June 30, 2013. This increase consists of an increase of \$5.8 million in net investment in capital assets, and a \$3.4 million increase in unrestricted net position. For fiscal year ended June 30, 2012, total net position increased by \$4.3 million due to increases of \$6.7 million in net investment in capital assets, and an increase of \$0.2 million in net position restricted for debt service and a decrease of \$2.6 million in unrestricted net position. The overall increase in total net position reflects the District's continued emphasis on improving its capital infrastructure and prudent long range financial planning.

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

	2013	2012	2013 vs. 2012		2011	2012 vs. 2011	
			\$ Change	% Change		\$ Change	% Change
Operating revenues							
Water sales	\$ 76.9	\$ 70.1	\$ 6.8	9.7%	\$ 62.6	\$ 7.5	12.0%
Other operating revenues	3.9	3.8	0.1	2.6%	3.4	0.4	11.8%
Total operating revenues	<u>80.8</u>	<u>73.9</u>	<u>6.9</u>	<u>9.3%</u>	<u>66.0</u>	<u>7.9</u>	<u>12.0%</u>
Nonoperating revenues							
Property taxes	7.9	7.9	-	0.0%	7.3	0.6	8.2%
Other nonoperating revenues	-	1.0	(1.0)	-100.0%	1.8	(0.8)	-44.4%
Total nonoperating revenues	<u>7.9</u>	<u>8.9</u>	<u>(1.0)</u>	<u>-11.2%</u>	<u>9.1</u>	<u>(0.2)</u>	<u>-2.2%</u>
TOTAL REVENUES	<u>88.7</u>	<u>82.8</u>	<u>5.9</u>	<u>7.1%</u>	<u>75.1</u>	<u>7.7</u>	<u>10.3%</u>
Expenses							
Depreciation and amortization expense	12.8	12.3	0.5	4.1%	12.5	(0.2)	-1.6%
Other operating expenses	70.0	65.2	4.8	7.4%	57.8	7.4	12.8%
Nonoperating expenses	2.2	3.9	(1.7)	-43.6%	2.0	1.9	95.0%
TOTAL EXPENSES	<u>85.0</u>	<u>81.4</u>	<u>3.6</u>	<u>4.4%</u>	<u>72.3</u>	<u>9.1</u>	<u>12.6%</u>
Income before capital contributions	3.7	1.4	2.3	164.3%	2.8	(1.4)	-50.0%
Capital contributions	5.5	2.9	2.6	89.7%	3.7	(0.8)	-21.6%
Changes in net position	<u>9.2</u>	<u>4.3</u>	<u>4.9</u>	<u>114.0%</u>	<u>6.5</u>	<u>(2.2)</u>	<u>-33.8%</u>
Beginning net position, as restated	406.4	402.1	4.3	1.1%	395.6	6.5	1.6%
Ending net position	<u>\$ 415.6</u>	<u>\$ 406.4</u>	<u>\$ 9.2</u>	<u>2.3%</u>	<u>\$ 402.1</u>	<u>\$ 4.3</u>	<u>1.1%</u>

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 \$3.7 million and capital contributions of \$5.5 million resulted in an overall increase of \$9.2 million in net position for the end of the fiscal year ended June 30, 2013. In addition, the District recorded prior period adjustments on July 1, 2010 in the amount of \$0.7 million to retroactively report the effect of the implementation of GASB Statement No. 65 and to record an adjustment in the amount of \$1.5 million to recognize the obligation related to the District's Management, Confidential and Professional Bonus Program as discussed in note 12 of the financial statements. GASB 65 prescribes that

FINANCIAL ANALYSIS OF THE DISTRICT, Continued

debt issuance costs should be recognized in the year incurred and not deferred. In the previous fiscal year ended June 30, 2012, income before capital contributions of \$1.4 million and capital contributions of \$2.9 million resulted in an overall increase of \$4.3 million in net position.

For fiscal year ended June 30, 2013, Table 2 indicates that the District's total revenues increased by \$5.9 million or 7.1 percent to \$88.7 million from \$82.8 million in the prior year. Operating revenues increased by \$6.9 million or 9.3 percent to \$80.8 million from \$73.9 million due to the dual effects of water demand minimally increasing coupled with the effects of an annual rate increase. Non-operating revenues decreased by \$1.0 million or 11.2 percent which was mainly due to a decrease in investment income because the market value of investments declined as interest rates increased over the past year.

Total expenses increased by \$3.6 million or 4.4 percent primarily due to an increase in purchased water cost and employee benefit expenses for the year ended June 30, 2013.

For fiscal year ended June 30, 2012, the District's total revenues increased by \$7.7 million or 10.3 percent to \$82.8 million from \$75.1 million in the prior year. Operating revenues increased by \$7.9 million, or 12.0 percent, due mainly to the dual effects of water demand minimally increasing coupled with the effects of an annual rate increase. Non-operating revenues decreased by \$0.2 million or 2.2 percent because of decrease in investment income as the economy and interest rates continued to decline. Total expenses increased \$9.1 million or 12.6 percent primarily due to an increase in purchased water cost and employee benefit expenses for the year ended June 30, 2012.

CAPITAL ASSETS

As of June 30, 2013, the District's investment in capital assets totaled \$358.8 million, which is an increase of \$10.0 million or 2.9 percent over the capital asset balance of \$348.8 million at June 30, 2012. The increase in capital assets was primarily the result of the completion of several capital projects during the year plus many projects in construction work in progress due to the funding provided by the 2012 Water System Revenue Bonds. In the previous fiscal year, the District's investment in capital assets increased by \$6.9 million or 2.0 percent over the capital asset balance of \$341.9 million at June 30, 2011. Capital assets include all of the District's major capital assets, including infrastructure assets, water treatment facilities, water mains, pipes and storage reservoirs, land, District headquarters and other structures, as well as vehicles and other equipment with a value of \$5,000 or more. 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)

	2013	2012	2013 vs. 2012		2011	2012 vs. 2011	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.7	\$ 9.7	\$ -	0.0%	\$ 9.7	\$ -	0.0%
Construction in progress	21.6	10.3	11.3	109.7%	12.3	(2.0)	-16.3%
Source of supply	51.1	51.1	-	0.0%	50.1	1.0	2.0%
Pumping plant	21.5	21.3	0.2	0.9%	20.2	1.1	5.4%
Water treatment	152.3	152.3	-	0.0%	151.4	0.9	0.6%
Transmission and distribution	263.0	253.9	9.1	3.6%	244.9	9.0	3.7%
General	48.1	46.1	2.0	4.3%	37.3	8.8	23.6%
Supplemental water supply storage	20.9	20.8	0.1	0.5%	20.8	-	0.0%
Subtotal	588.2	565.5	22.7	4.0%	546.7	18.8	3.4%
Less accumulated depreciation/amortization	(229.4)	(216.7)	(12.7)	5.9%	(204.8)	(11.9)	5.8%
Capital assets, net	\$ 358.8	\$ 348.8	\$ 10.0	2.9%	\$ 341.9	\$ 6.9	2.0%

CAPITAL ASSETS, Continued

There were several capital projects completed during the fiscal year 2013, including the Niles Boulevard Pipeline Project, Headquarters Computer Room Improvements, Alameda Reservoir Lining Replacement, Kato Road Pipeline Relocation, and various water main replacements, upgrades and relocations. 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, 2013. Those projects included Rubber Dam Improvements, Fish Screen Projects, Main Relocation for SFPUC Project, Peralta Tyson Wellfield Generator, Hayward Fault Crossing Main Replacement Project, JD Edwards Software Upgrade and various other capital projects related to water main and meter replacements.

Major completed projects contributing to the increase in capital assets during fiscal year 2012 include the Mowry and Peralta-Tyson Wellfield Improvements, Warm Springs Main Extension - Prune to Brown, Customer Information System Implementation and various water main replacements, upgrades and relocations.

Additional information on the District's capital assets and construction commitments is provided in Note 5 (page 33) of the financial statements.

Projects scheduled for the upcoming fiscal year 2014 include Tyson Wellfield Generators, Mayhew Reservoir Roof Replacement, Seismic Improvement Program, Water Main Replacement-Canyon Heights, WTP2-Power Facility Turbine Upgrade, WTP2 Lox Conversion, Fish Screen Projects, Rubber Dam Improvements, J.D. Edwards Upgrade and various other smaller main relocations and capital upgrades.

LONG-TERM DEBT

As of June 30, 2013, the District had \$66.3 million in outstanding debt compared to \$68.8 million on June 30, 2012 and \$48.1 million on June 30, 2011. The decrease in 2013 was due to scheduled debt service payments in fiscal year 2013. The increase of \$20.7 million in 2012 was primarily due to the issuance of the 2012 Water System Revenue Bonds that advance refunded the 2003 Certificates of Participation and provided bond proceeds for funding capital projects.

The low interest rate environment in 2012 and the District's AAA bond rating resulted in a \$4.0 million net present value savings for the advance refunding of 2003 Certificates of Participation. In addition to the borrowing of \$23.0 million par amount for the advance refunding, the District borrowed \$22.2 million par amount for funding capital projects. The total par amount of the 2012 Water System Revenue Bonds was \$45.2 million.

Additional information on the District's long-term debt is provided in Note 7 (page 38) of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the District's two-year budget on June 13, 2013. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years 2013 and 2014. The District's water rates are reviewed by staff and the Board of Directors on an annual basis. Water rates were adjusted in February 2013 with the implementation of a 100.0 percent increase in the service charge and zero percent increase to the commodity rate. This resulted in an average residential customer rate increase of 17.1 percent. There has been a gradual increase in the service charge over the past few years, relative to the commodity rate, to start moving the overall rate structure to more closely reflect the proportion of the District's fixed and variable costs. Rate increases over the past five years have resulted in the District's rates remaining in the lower one-third of thirty other water agencies surveyed in the Bay Area.

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

Alameda County Water District
 Statements of Net Position
 Business-Type Activity - Enterprise Fund
 June 30, 2013 and 2012
 (In thousands)

	2013	2012
ASSETS AND DEFERRED OUTFLOWS		
Assets:		
Current assets:		
Cash and investments (Note 3)	\$ 96,593	\$ 90,725
Customer and other accounts receivable, net (Note 4)	7,470	4,786
Accrued unbilled revenue	8,162	9,011
Taxes receivable	840	973
Grants receivable	1,012	885
Interest receivable	357	523
Material and supplies	2,401	2,288
Prepaid items	29	50
Total unrestricted assets	116,864	109,241
Restricted investments (Note 3)	18,112	24,485
Total current assets	134,976	133,726
Noncurrent assets:		
Net other postemployment benefit asset (Note 11)	1,872	1,909
Capital assets: (Note 5)		
Nondepreciable	31,339	20,009
Depreciable, net	327,425	328,820
Total capital assets	358,764	348,829
Total noncurrent assets	360,636	350,738
Total assets	495,612	484,464
Deferred outflows - Deferred loss on refunding debt	3,021	3,328
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	6,876	5,073
Accrued payroll and related liabilities (Note 6)	2,829	2,607
Contractor and customer deposits	4,983	2,626
Interest payable	181	187
Unearned revenue	40	-
Long-term debt - due within one year (Note 7)	2,799	2,529
Total current liabilities	17,708	13,022
Noncurrent liabilities:		
Accrued payroll and related liabilities (Note 6)	1,788	2,087
Long-term debt - due in more than one year (Note 7)	63,504	66,304
Total noncurrent liabilities	65,292	68,391
Total liabilities	83,000	81,413
NET POSITION		
Net investment in capital assets	310,757	304,983
Restricted for debt service	2,656	2,639
Unrestricted	102,220	98,757
Total net position	\$ 415,633	\$ 406,379

See accompanying notes to basic financial statements.

Alameda County Water District
Statements of Revenues, Expenses and Changes in Net Position
Business-Type Activity - Enterprise Fund
For the years ended June 30, 2013 and 2012
(In thousands)

	2013	2012
OPERATING REVENUES:		
Water sales	\$ 76,903	\$ 70,098
Facilities connection charges	1,977	2,118
Fees and rental	823	739
Other	1,091	923
Total operating revenues	80,794	73,878
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	21,367	18,747
Pumping	2,954	3,338
Other	8,828	8,875
Total sources of supply	33,149	30,960
Water treatment	12,586	12,119
Transmission and distribution	10,650	10,953
Administration of customer accounts	1,680	1,390
Administration and general	11,965	9,679
Depreciation and amortization	12,845	12,262
Total operating expenses	82,875	77,363
Operating loss	(2,081)	(3,485)
NONOPERATING REVENUES (EXPENSES):		
Investment income	(46)	672
Property taxes	7,917	7,936
Other settlements	68	215
Gain on disposal of capital assets	39	66
Loss on abandonment of capital projects	-	(1,251)
Cost of issuance expense	-	(1,032)
Interest expenses	(2,172)	(1,662)
Total nonoperating revenues (expenses)	5,806	4,944
Income before capital contributions	3,725	1,459
Capital contributions	5,529	2,849
Changes in net position	9,254	4,308
NET POSITION		
Beginning of year, as previously reported	406,379	404,346
Restatement of beginning net position (Notes 2 and 12)	-	(2,275)
Beginning of year, as restated	406,379	402,071
End of year	\$ 415,633	\$ 406,379

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Cash Flows
 Business-Type Activity - Enterprise Fund
 For the years ended June 30, 2013 and 2012
 (In thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 81,316	\$ 69,160
Cash receipts from others	68	215
Cash payments to suppliers for goods and services	(32,704)	(29,078)
Cash payments to employees for services	(37,971)	(35,355)
Net cash provided by operating activities	10,709	4,942
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	8,050	8,317
Net cash provided by noncapital financing activities	8,050	8,317
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(15,403)	(18,862)
Capital grants received restricted for capital purposes	521	1,367
Proceeds from sale of assets	58	157
Refunding revenue bonds proceeds	-	21,536
Bond issuance costs paid	-	(1,032)
Principal paid on debt	(2,315)	(2,030)
Interest paid on debt	(2,245)	(1,979)
Net cash used in capital and related financing activities	(19,384)	(843)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	82,403	30,056
Purchases of investments	(100,429)	(17,460)
Investment income received	1,316	2,044
Net cash provided by (used in) investing activities	(16,710)	14,640
Net change in cash and cash equivalents	(17,335)	27,056
CASH AND CASH EQUIVALENTS:		
Beginning of year	44,089	17,033
End of year	\$ 26,754	\$ 44,089

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Cash Flows
 Business-Type Activity - Enterprise Fund
 For the years ended June 30, 2013 and 2012
 (In thousands)

	2013	2012
RECONCILIATION TO STATEMENTS OF NET ASSETS:		
Cash and investments	\$ 96,593	\$ 90,725
Restricted cash and investments	18,112	24,485
Less investments not meeting the definition of cash equivalents	(87,951)	(71,121)
Total cash, restricted cash and investments	\$ 26,754	\$ 44,089
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (2,081)	\$ (3,485)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	12,845	12,262
Other nonoperating revenues	68	215
Other items	-	287
Changes in operating assets and liabilities		
Customer and other accounts receivable	(2,684)	(1,021)
Accrued unbilled receivable	849	(3,298)
Materials and supplies	(113)	191
Prepaid items	21	(24)
Net other postemployment benefit asset	37	34
Accounts payable and accrued expenses	(513)	(175)
Accrued payroll and related liabilities	(77)	355
Contractor and customer deposits	2,357	(399)
Net cash provided by operating activities	\$ 10,709	\$ 4,942
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of premiums and loss on debt refunding	\$ 93	\$ 79
Payment to refunded bond escrow from bond proceeds	-	26,757
Defeasance of refunded certificates of participation bonds from bond escrow	-	(25,432)
Capital contributions	4,921	1,826
Capital assets trade ins	32	-
Capitalized interest	159	13
Changes in capital related assets and liabilities:		
Grants receivable	(127)	435
Accounts payable and retention payable	2,316	170
Unearned revenues	40	(91)
NONCASH INVESTING ACTIVITIES:		
Change in fair value of investments	1,196	1,270

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Plan Net Position
 Fiduciary Fund - Other Post Employment Benefit Trust Fund
 June 30, 2013 and 2012
 (In thousands)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and investments (Note 3)	\$ -	\$ 5,661
NET POSITION		
Held in trust for other post employment benefits	\$ -	\$ 5,661

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Changes in Plan Net Position
 Fiduciary Fund - Other Post Employment Benefit Trust Fund
 For the years ended June 30, 2013 and 2012
 (In thousands)

	2013	2012
ADDITIONS:		
Investment income	\$ -	\$ 19
Employer contributions	-	1,737
Total additions	-	1,756
DEDUCTIONS:		
Benefit payments	-	1,735
Contributions to the California Employer's Retiree Benefit Trust Fund Program	5,661	-
Total deductions	5,661	1,735
Change in net position	(5,661)	21
NET POSITION HELD IN TRUST FOR OTHER POST EMPLOYMENT BENEFITS:		
Beginning of year	5,661	5,640
End of year	<u>\$ -</u>	<u>\$ 5,661</u>

See accompanying notes to basic financial statements.

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Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

1. DESCRIPTION OF THE REPORTING ENTITY

A. Description of Operations

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

B. Reporting Entity

The financial reporting entity consists of the Alameda County Water District (the primary government) and its component units, which are discussed below. Component units are legally separate organizations for which the Board of Directors is financially accountable, or other organizations whose nature and significant relationship with the District are 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 units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the District's operations and data from these units are combined with data of the District. The following entities are reported as blended component units:

- The Alameda County Water District Public Facilities Financing Corporation (the Corporation) was established in 1992 for the sole purpose of issuing debt for the benefit of the District. The 2003 Certificates of Participation were enabled by the formation of this entity.
- 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 Water System Revenue Bonds were enabled by the formation of this entity.

Additional financial data for both the Corporation and the Authority may be obtained from the Alameda County Water District office at 43885 South Grimmer Boulevard, Fremont, California, 94538.

The financial activities of the Benefit Trust for the Alameda County Water District (OPEB Trust) are blended in the basic financial statements because the OPEB Trust exclusively serves the employees of the District. In May 2012, the District entered into an agreement with CalPERS in order to participate in the California Employer's Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer post employment health plan, to prefund the District's other post employment benefits through CalPERS, as a successor trust to the self-administered OPEB Trust (See Note 11).

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

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 and OPEB trust fund. Separate statements for each fund category - enterprise and fiduciary - are presented. 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.

Enterprise Fund - 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 outflow of resources, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Other Post Employment Benefit Trust Fund accounts for the accumulated resources to be used for other post employment benefit (OPEB) payments. The funds from the self-administered OPEB Trust were transferred on July 25, 2012, in the amount of \$5,661 to the CERBT, as a successor Trust, and the self-administered OPEB Trust was closed (see Note 11).

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Cash and Investments

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

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures - an Amendment of GASB Statement No. 3*, certain disclosure requirements for deposits and investment risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

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

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

C. Accrued Unbilled Revenue

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

D. Materials and Supplies

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5 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 2013 and 2012, the District funded certain capital projects and interest in the amount of \$159 and \$13 was capitalized in 2013 and 2012, 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. Losses occurring from advance refundings of debt are classified as a deferred outflow 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 that result from the ongoing principal operations of the District. Operating revenues consisted primarily of charges for services. Nonoperating revenues and expenses consisted of those revenues and expenses that are related to financing and investing type of activities and resulted from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Tax Revenue

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

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

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. Staff projects such costs annually and request that the County collect that amount, approximately \$2 to \$3 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.

J. Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which approximated fair value at the time of the District's acquisition, and recorded as capital contributions when received. 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. The funds are also 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 positions are classified in the following categories:

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. 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 and liabilities 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.

M. New GASB Pronouncements Adopted

The District retroactively implemented the following accounting standards:

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. As of July 1, 2011, the District adopted this statement which did not have a significant impact to its financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amended the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of July 1, 2011, the District adopted this statement which did not have a significant impact to its financial statements.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2011, the District early implemented this statement and restated the beginning net position in the amount of \$634 to write off the unamortized bond issuance costs previously reported as an asset. In addition, at July 1, 2011, the District reclassified the unamortized loss on refunding in the amount of \$1,777 from a liability to deferred outflows of resources.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of New GASB Pronouncements

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

- In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this Statement are effective for the District's fiscal year ending June 30, 2014.
- In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA-or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Recording of a liability in the financial statements of employers for defined-benefit plans.
- Requiring more extensive note disclosures and required supplementary information.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of New GASB Pronouncements, Continued

- The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.
- In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the District's year ending June 30, 2015.
- In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Application of this statement is effective for the District's year ending June 30, 2014.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

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 cash. 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. In addition, the District also segregated cash and investments in an OPEB Trust. These investments are restricted to provide for the future payment of other post employment benefits and related expenses.

A. Summary of Cash and Investments

	June 30, 2013	June 30, 2012		Total
	Enterprise Fund	Enterprise Fund	Trust Fund	
Unrestricted cash and bank deposits	\$ 6,682	\$ 8,243	\$ 5,661	\$ 13,904
Unrestricted investments	89,911	82,482	-	82,482
Unrestricted cash and investments	96,593	90,725	5,661	96,386
Restricted investments	18,112	24,485	-	24,485
Total	\$ 114,705	\$ 115,210	\$ 5,661	\$ 120,871

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 was adopted in July 2013 and has the following objectives (in order of priority):

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

B. Authorized Investments, Continued

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

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

B. Authorized Investments, Continued

Prior to July 25, 2012, the District's OPEB funds were in a self-administered OPEB Trust. Pursuant to the OPEB Trust document, the OPEB Trust Committee or its appointed investment manager(s) would direct the OPEB Trustee on its investments. At the direction of the OPEB Trust Committee or its appointed investment manager(s), the Trustee would sell, write options on, convey or transfer, invest and reinvest any part thereof in each and every kind of property, whether real, personal or mixed, tangible or intangible, whether income or non-income producing and wherever situated, including but not limited to, time deposits, shares of common and preferred stock, mortgages, bonds, leases, notes, debentures, equipment or collateral trust certificates, rights, warrants, convertible or exchangeable securities and other corporate, individual or government securities or obligations, annuity, retirement or other insurance contracts, or mutual funds. On July 25, 2012, the OPEB Trust funds were transferred to the California Employer's Retiree Benefit Trust Program (CERBT).

C. Deposits

The carrying amount of the District's demand deposits were a positive balance of \$1,597 and a negative balance of \$842 and the bank balances were \$3,868 and \$1,723 at June 30, 2013 and 2012, 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, 2013.

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

D. Investments

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

D. Investments, Continued

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) which is regulated by California Government Code and is under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. The District's investments with LAIF at June 30, 2013 and 2012 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, 2013 and 2012, the District had unrestricted cash and investments of \$16,343 and \$29,984, respectively, invested in LAIF, which had invested 1.96% and 3.47% of the pooled investment funds in Structured Notes and Asset-Backed Securities. As of June 30, 2013 and 2012, the District had restricted cash and investments of \$8,263 and \$14,771, respectively, invested in LAIF which related to the 2012 Water System Revenue Bonds issued in February 2012. The District had a total of \$24,606 and \$44,755 invested in LAIF as of June 30, 2013 and 2012, respectively. The District valued its investments in LAIF as of June 30, 2013 and 2012, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.000273207 and 1.001219643 as of June 30, 2013 and 2012, respectively.

As of June 30, 2013 and 2012, the District had unrestricted cash and investments in the CAMP pool of \$10 and \$10, respectively. As of June 30, 2013 and 2012, the District had restricted cash and investments of \$464 and \$117, respectively, invested in the CAMP pool which related to the 2012 Water System Revenue Bonds issued in February 2012. The District had a total of \$474 and \$127 invested in the CAMP pool as of June 30, 2013 and 2012, respectively. The District had restricted cash and investments of \$6,548 and \$6,771 invested in the medium-term notes which were held by the CAMP managed account on June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the total amount invested by all public agencies in CAMP at that date was \$2,158,773 and \$1,976,375, respectively. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

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. Specific maturities of investments depend on liquidity needs.

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.

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

F. Cash and Investments Composition

As of June 30, 2013, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Enterprise Fund:							
Unrestricted cash and investments:							
Non-negotiable certificates of deposit with:							
Fremont Bank	n/a	\$ 1,085	\$ 1,085	\$ -	\$ -	\$ -	\$ -
JP Morgan Chase	n/a	2,000	1,000	1,000	-	-	-
U.S. Bank	n/a	2,000	2,000	-	-	-	-
Demand deposits	n/a	1,597	1,597	-	-	-	-
Total unrestricted cash and bank deposits		6,682	5,682	1,000	-	-	-
Negotiable certificates of deposit							
Bank of Nova Scotia	P-1 / A-1	1,001	-	1,001	-	-	-
Rabobank Nederland NV NY	Aa2 / AA-	1,791	-	1,791	-	-	-
Skandinavisda Enskilda NY	A1 / A+	1,729	-	1,729	-	-	-
Standard Chartered BK NY	P-1 / A-1+	1,000	1,000	-	-	-	-
Svenska Handelsbanken NY	P-1 / A-1+	1,501	-	1,501	-	-	-
Municipal Bond							
CA State DWR Taxable Rev Bond	Aa1 / AAA	299	-	-	-	299	-
CA State Taxable Go Bond	A1 / A	409	-	-	409	-	-
U.S. Government agencies securities:							
Federal Home Loan Mortgage Corp	Aaa / AA+	4,798	-	-	656	2,072	2,070
Federal National Mortgage Association	Aaa / AA+	14,551	-	-	6,961	4,570	3,020
U.S. Treasury Securities	Aaa / AA+	30,301	-	13,993	14,816	1,492	-
Medium-term notes:							
Apple Inc. Corp.	Aa1 / AA+	763	-	-	-	-	763
Bank of New York Mellon	Aa3 / A+	1,257	-	-	1,257	-	-
Berkshire Hathaway Finance Corp.	Aa2 / AA	1,160	-	-	-	523	637
Chevron Corp Global	Aa1 / AA	1,559	-	-	-	-	1,559
Colgate Palmolive Corp	Aa3 / AA-	1,294	-	-	-	-	1,294
Walt Disney Co. Corp.	A2 / A	1,261	-	-	-	1,261	-
General Electric Capital Corp.	A1 / AA+	1,392	-	-	-	1,392	-
IBM Corp	Aa3 / AA-	594	-	-	-	-	594
John Deere Capital Corp.	A2 / A	547	-	-	547	-	-
JP Morgan Chase & Co.	A2 / A	1,242	-	-	1,242	-	-
Microsoft Corp.	Aaa / AAA	421	-	-	-	-	421
PepsiCo Inc. Corp.	A1 / A-	397	-	-	397	-	-
Procter & Gamble Co. Corp.	Aa3 / AA-	860	-	-	-	860	-
Texas Instruments Inc. Corp.	A1 / A+	1,037	-	-	1,037	-	-
Toyota Motor Corp.	Aa3 / AA-	761	-	-	761	-	-
U.S. Bancorp	A1 / A+	1,026	-	-	-	1,026	-
Wal-Mart Stores	Aa2 / AA	607	-	-	-	-	607
Local Agency Investment Funds	Unrated / Unrated	16,343	16,343	-	-	-	-
California Asset Management Program	Unrated / AAAm	10	10	-	-	-	-
Total unrestricted investments		89,911	17,353	20,015	28,083	13,495	10,965
Total unrestricted cash and investments		\$ 96,593	\$ 23,035	\$ 21,015	\$ 28,083	\$ 13,495	\$ 10,965
Restricted investments:							
First American Treasury Obligation Fund	Aaa / AAAm	\$ 78	\$ 78	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies securities:							
Federal Home Loan Bank	Aaa / AA+	2,759	2,759	-	-	-	-
Medium-term notes:							
Caterpillar Financial	A2 / A	2,174	2,174	-	-	-	-
General Electric Capital Corp	A1 / AA+	2,173	2,173	-	-	-	-
JP Morgan Chase & Co.	A2 / A	2,201	2,201	-	-	-	-
Local Agency Investment Funds	Unrated / Unrated	8,263	8,263	-	-	-	-
California Asset Management Program	Unrated / AAAm	464	464	-	-	-	-
Total restricted investments		\$ 18,112	\$ 18,112	\$ -	\$ -	\$ -	\$ -

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

F. Cash and Investments Composition, Continued

As of June 30, 2012, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)		
			1 year or less	1-2 years	2-3 years
Enterprise Fund:					
Unrestricted cash and investments:					
Non-negotiable certificates of deposit with:					
Bank of the West	n/a	\$ 1,000	\$ 1,000	\$ -	\$ -
Fremont Bank	n/a	1,085	1,085	-	-
JP Morgan Chase	n/a	5,000	3,000	1,000	1,000
U.S. Bank	n/a	2,000	-	2,000	-
Demand deposits	n/a	(842)	(842)	-	-
Total unrestricted cash and bank deposits		8,243	4,243	3,000	1,000
U.S. Government agencies securities:					
Federal Farm Credit Bank	Aaa/AA+	13,485	9,459	4,026	-
Federal Home Loan Bank	Aaa/AA+	18,838	11,565	7,273	-
Medium-term notes:					
Berkshire Hathaway Finance Corp.	Aa2/AA+	6,698	3,972	2,726	-
General Electric Capital Corp.	A1/AA+	8,713	8,713	-	-
MassMutual Global Funding	Aa2/AA	1,001	1,001	-	-
Wells Fargo & Co.	A2/A+	3,753	3,753	-	-
Local Agency Investment Funds	Unrated/Unrated	29,984	29,984	-	-
California Asset Management Program	Unrated/AAA	10	10	-	-
Total unrestricted investments		82,482	68,457	14,025	-
Total unrestricted cash and investments		\$ 90,725	\$ 72,700	\$ 17,025	\$ 1,000
Restricted investments:					
First American Treasury Obligation Fund	Aaa/AAA	\$ 49	\$ 49	\$ -	\$ -
U.S. Government Agencies securities:					
Federal Home Loan Bank	Aaa/AA+	2,777	-	2,777	-
Medium-term notes:					
Caterpillar Financial	A2/A	2,280	-	2,280	-
General Electric Capital Corp.	A1/AA+	2,254	-	2,254	-
JP Morgan Chase & Co.	A2/A	2,237	-	2,237	-
Local Agency Investment Funds	Unrated/Unrated	14,771	14,771	-	-
California Asset Management Program	Unrated/AAA	117	117	-	-
Total restricted investments		\$ 24,485	\$ 14,937	\$ 9,548	\$ -
OPEB Trust Fund:					
Cash and investments:					
Fremont Bank Money Market Fund	n/a	\$ 5,617	\$ 5,617	\$ -	\$ -
Demand deposits	n/a	44	44	-	-
Total cash and investments		\$ 5,661	\$ 5,661	\$ -	\$ -

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

Customer and other accounts receivable were as follows:

	2013	2012
Utility service	\$ 6,408	\$ 4,210
Groundwater replenishment	53	74
Other	1,041	523
Allowance for doubtful accounts	(32)	(21)
Total customer and other accounts receivable, net	<u>\$ 7,470</u>	<u>\$ 4,786</u>

Other accounts receivable balance of \$1,041 and \$523 for June 30, 2013 and 2012, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

5. CAPITAL ASSETS

A. Summary of Capital Asset Activity

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Capital assets, not being depreciated/amortized:					
Land	\$ 9,727	\$ -	\$ -	\$ -	\$ 9,727
Construction in progress	10,282	19,312	-	(7,982)	21,612
Capital assets, not being depreciated/amortized	20,009	19,312	-	(7,982)	31,339
Capital assets, being depreciated/amortized					
Source of supply	51,092	-	-	-	51,092
Pumping plant	21,324	-	(4)	149	21,469
Water treatment	152,302	-	(6)	-	152,296
Transmission and distribution	253,908	2,885	(79)	6,243	262,957
General	46,075	634	(185)	1,590	48,114
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated/amortized	545,561	3,519	(274)	7,982	556,788
Less accumulated depreciation/amortization					
Source of supply	(35,985)	(1,416)	-	-	(37,401)
Pumping plant	(13,783)	(788)	1	-	(14,570)
Water treatment	(40,089)	(3,023)	1	(670)	(43,781)
Transmission and distribution	(102,451)	(4,844)	52	670	(106,573)
General	(18,802)	(2,140)	169	-	(20,773)
Supplemental water supply storage	(5,631)	(634)	-	-	(6,265)
Less accumulated depreciation/amortization	(216,741)	(12,845)	223	-	(229,363)
Capital assets, being depreciated/amortized, net	328,820	(9,326)	(51)	7,982	327,425
Total capital assets, net	\$ 348,829	\$ 9,986	\$ (51)	\$ -	\$ 358,764

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

5. CAPITAL ASSETS, Continued

A. Summary of Capital Asset Activity, Continued

The District had various active construction projects as of June 30, 2013 including the following:

Fishery Study	\$ 1,280
Development of Main Replacement Criteria	849
Design-Rubber Dam #3 Fish Ladder	590
Design-Appian Tank Seismic Upgrade	582
Design-Rubber Dam #1 Fish Ladder	1,165
Rubber Dam #1 Seismic Upgrade	238
Main Relocation for SFPUC Bay	374
WTP2 Power Facility Turbine Upgrade	217
Design-Shinn Pond Fish Screen	657
JD Edwards Upgrade	709
Kaiser Pond Fish Screen (Bond Job)	1,531
WTP2 LOX Conversion, Process, Upgrade & Construction (Bond Job)	1,902
Design-Shinn Gravity Rediversion (Bond Job)	1,970
Design-Appian Tank Seismic Upgrade (Bond Job)	978
Final Design/Construction Main Relocation (Bond Job)	1,047
Peralta/Tyson Wellfield (Bond Job)	1,096
Hayward Fault Crossing Phase 1 (Bond Job)	1,308
Design-Upper Canyon Height (Bond Job)	543
Design-Blending Facility PLC Upgrade (Bond Job)	213
Construction-Blending Facility Chem Feed (Bond Job)	561
Design-Mayhew Reservoir Roof Replacement (Bond Job)	374
Various Other Active Projects (individually less than \$200)	2,594
Customer Installation Jobs	834
Total	<u>\$ 21,612</u>

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

5. CAPITAL ASSETS, Continued

A. Summary of Capital Asset Activity, Continued

At June 30, 2013, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$30,752.

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Capital assets, not being depreciated/amortized:					
Land	\$ 9,725	\$ 2	\$ -	\$ -	\$ 9,727
Construction in progress	12,265	18,941	(1,497)	(19,427)	10,282
Capital assets, not being depreciated/amortized	<u>21,990</u>	<u>18,943</u>	<u>(1,497)</u>	<u>(19,427)</u>	<u>20,009</u>
Capital assets, being depreciated/amortized					
Source of supply	50,125	-	-	967	51,092
Pumping plant	20,191	93	-	1,040	21,324
Water treatment	151,444	-	(47)	905	152,302
Transmission and distribution	244,864	802	(161)	8,403	253,908
General	37,234	1,031	(302)	8,112	46,075
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated/amortized	<u>524,718</u>	<u>1,926</u>	<u>(510)</u>	<u>19,427</u>	<u>545,561</u>
Less accumulated depreciation/amortization					
Source of supply	(34,528)	(1,457)	-	-	(35,985)
Pumping plant	(13,024)	(759)	-	-	(13,783)
Water treatment	(37,093)	(2,997)	1	-	(40,089)
Transmission and distribution	(97,901)	(4,656)	106	-	(102,451)
General	(17,317)	(1,757)	272	-	(18,802)
Supplemental water supply storage	(4,995)	(636)	-	-	(5,631)
Less accumulated depreciation/amortization	<u>(204,858)</u>	<u>(12,262)</u>	<u>379</u>	<u>-</u>	<u>(216,741)</u>
Capital assets, being depreciated/amortized, net	<u>319,860</u>	<u>(10,336)</u>	<u>(131)</u>	<u>19,427</u>	<u>328,820</u>
Total capital assets, net	<u>\$ 341,850</u>	<u>\$ 8,607</u>	<u>\$ (1,628)</u>	<u>\$ -</u>	<u>\$ 348,829</u>

Depreciation and amortization expense for capital assets for the years ended June 30, 2013 and 2012 were \$12,845 and \$12,262, respectively.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

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 costs of the District's water storage in the amount of \$20,860 at June 30, 2013 and 2012 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$634 and \$636 for the years ended June 30, 2013 and June 30, 2012, respectively.

The District had a storage allocation of 150,000 acre-feet and had approximately 140,397 and 135,647 acre feet of water at June 30, 2013 and 2012, respectively.

6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL

Accounts payable and accrued expenses were as follows:

	2013	2012
Vendors	\$ 5,002	\$ 3,268
Retention payable	246	192
Installer's reimbursement	1,299	1,261
Other	329	352
Total	<u>\$ 6,876</u>	<u>\$ 5,073</u>

Prior to April 1, 2013, the District assessed and collected separate acreage and footage fees from developers which are included in accounts payable and accrued expenses as installers' reimbursement. Effective April 1, 2013, the District replaced the separated fee structure and combined them into a single meter size based fee. 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, 2013 and 2012, were \$1,299 and \$1,261, respectively. In the event that the designated future cash receipts from contractors are not adequate to fully reimburse the developers for the eligible construction cost incurred by the end of the ten-year period, the District will have no future obligation to the developers.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL, Continued

Accrued payroll and related liabilities were as follows:

	2013	2012
Accrued payroll	\$ 547	\$ 442
Accrued vacation	1,903	2,002
MCP Bonus Program (see Note 12)	1,697	1,761
Accrued leave and other	470	489
Total	<u>4,617</u>	<u>4,694</u>
Less current portion	<u>(2,829)</u>	<u>(2,607)</u>
Long-term portion	<u>\$ 1,788</u>	<u>\$ 2,087</u>

Accrued vacation activity is as follows:

	2013	2012
Balance, beginning of year	\$ 2,002	\$ 1,847
Additions	1,758	1,729
Reduction	<u>(1,857)</u>	<u>(1,574)</u>
Balance, end of year	<u>\$ 1,903</u>	<u>\$ 2,002</u>

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

7. LONG-TERM DEBT

Long-term debt activities for the year ended June 30, 2013 were as follows:

Description	Beginning	Additions	Reductions	Ending	Current	Noncurrent
	Balance			Balance		
	July 1, 2012			June 30, 2013		
2009 Water System Refunding						
Revenue Bonds	\$ 19,855	\$ -	\$ (2,075)	\$ 17,780	\$ 2,335	\$ 15,445
Unamortized premium	946	-	(118)	828	118	710
2012 Water System Revenue Bonds	45,240	-	(240)	45,000	250	44,750
Unamortized premium	2,792	-	(96)	2,696	96	2,600
Total	\$ 68,833	\$ -	\$ (2,529)	\$ 66,304	\$ 2,799	\$ 63,504

Long-term debt activities for the year ended June 30, 2012 were as follows:

Description	Beginning	Additions	Reductions	Ending	Current	Noncurrent
	Balance			Balance		
	July 1, 2011, as restated			June 30, 2012		
2003 Certificates of Participation	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -	\$ -
Unamortized premium	165	-	(165)	-	-	-
2009 Water System Refunding						
Revenue Bonds	21,885	-	(2,030)	19,855	2,075	17,780
Unamortized premium	1,064	-	(118)	946	118	828
2012 Water System Revenue Bonds	-	45,240	-	45,240	240	45,000
Unamortized premium	-	2,832	(40)	2,792	96	2,696
Total	\$ 48,114	\$ 48,072	\$ (27,353)	\$ 68,833	\$ 2,529	\$ 66,304

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

7. LONG-TERM DEBT, Continued

2009 Water System Refunding Revenue Bonds

The 2009 Water System Refunding Revenue 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 from the bonds is \$20,057. Principal and interest paid for the year ended June 30, 2013 and total water net revenues were \$2,669 and \$76,903, respectively. Principal and interest paid for the year ended June 30, 2012 and total water net revenues were \$2,664 and \$70,098, respectively.

The debt service requirements for the 2009 Water System Refunding Revenue Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,335	\$ 531	\$ 2,866
2015	2,395	473	2,868
2016	2,455	408	2,863
2017	2,525	342	2,867
2018	2,600	264	2,864
2019-2020	5,470	259	5,729
Total	<u>\$ 17,780</u>	<u>\$ 2,277</u>	<u>\$ 20,057</u>

2003 Certificates of Participation and 2012 Water System Revenue Bonds

In November 2003, the District issued \$25,000 of Revenues Certificates of Participation (2003 COP Bonds). The District built a desalination facility and associated pipelines and upgraded its Mission San Jose Water Treatment Plant treatment process to an ultra filtration membrane process (Project) with the bond proceeds. The Certificates had interest rates ranging from 4.6% to 5.25% and were payable in installments ranging from \$2,615 to \$3,695 starting from 2021 through 2028. Interest paid for the year ended June 30, 2012 was \$822.

On February 7, 2012, the 2012 Water System Revenue Bonds were issued in the total par amount of \$45,240 with interest rates ranging from 3% to 5% payable in annual installments through June 2041. The Bonds were issued to refinance the 2003 COP Bonds and to also provide new money to finance other capital projects.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

7. LONG-TERM DEBT, Continued

2003 Certificates of Participation and 2012 Water System Revenue Bonds, Continued

The total par amount of the 2012 Water System Revenue Bonds associated with the refinance of the 2003 COP Bonds is \$22,985. The remaining total debt service on the 2003 COP Bonds was \$40,871 and the refunding portion of the new debt has total debt service remaining of \$33,676. The difference in total debt service between the original 2003 COP Bonds and the refunding portion of the new debt is \$7,195. This was an advance refunding of the 2003 COP Bonds. A portion of the net proceeds from the issuance of 2012 Water System Revenue Bonds were used to purchase State and Local Government Series Securities (SLGSS) which were deposited in an escrow account with U.S. Bank to cover the remaining debt service payments of the 2003 COP Bonds through the call date of June 1, 2013. The advance refunding met the requirements of an in-substance debt defeasance. The present value savings of the refunding is \$4,022.

The total par amount of the 2012 Water System Revenue Bonds associated with the new money is \$22,255. The new money bond proceeds in the amount of \$20,725 were deposited in the 2012 Acquisition account and are being used to finance capital projects related to improving seismic reliability, replacing aging infrastructure, improving water supply reliability, and improving water quality and production reliability.

The 2012 Water System Revenue Bonds were sold for a total price of \$48,073; equal to the \$45,240 par amount, plus \$2,832 in net original issue premium. The refunding resulted in an accounting deferred loss of \$1,795 that will be amortized annually through June 1, 2028. This debt is payable solely from and secured by the revenues received from the operations of the District's water system. Principal and interest paid for the year ended June 30, 2013 and June 30, 2012 were \$1,891 and \$523.

The debt service requirements for the 2012 Water System Revenue Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 250	\$ 1,643	\$ 1,893
2015	255	1,636	1,891
2016	265	1,628	1,893
2017	275	1,618	1,893
2018	280	1,607	1,887
2019 - 2023	7,790	7,537	15,327
2024 - 2028	13,630	5,080	18,710
2029 - 2033	7,385	3,314	10,699
2034 - 2038	8,780	2,009	10,789
2039 - 2041	6,090	432	6,522
Total	<u>\$ 45,000</u>	<u>\$ 26,504</u>	<u>\$ 71,504</u>

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

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, 2013 and 2012.

8. RISK MANAGEMENT

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

Prior to August 1, 2002, the District managed and financed some of these risks by purchasing commercial insurance for their worker's compensation and employer's liability. On August 1, 2002, the District joined the Special Districts Workers Compensation Authority (the 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, 2013 are as follows:

Coverage Description	Deductibles	Insurance Coverage
General Liability	\$ 50	\$ 10,000
Automobile	50	10,000
Excess Liability	-	10,000
Property	50	1,000,000
Workers' Compensation	-	Statutory
Employee Dishonesty	-	400

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

9. COMMITMENTS

State of California - In 1961, the District entered into a contract with the State of California (the State) to purchase water through the year 2035. After the initial term, the contract is renewable indefinitely by the District under essentially the same conditions as the original contract upon six months prior written notice to the State. The District's actual water usage for fiscal years 2013 and 2012 were approximately 23,646 and 25,652 acre-feet, respectively. The maximum entitlement will be 42,000 acre-feet during fiscal year 2012 and thereafter. In any year when the entitlement is in excess of the District's needs, the State will attempt to sell such excess and credit the District. The costs to the District for water purchased under this contract for fiscal years 2013 and 2012 were approximately \$7,008 and \$6,778, respectively, and were charged to operations as incurred.

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

The District's commitment under the State water contract will remain in effect until 2036 or until the cost of the State's facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$154,782 as of June 30, 2013 which was based on June 30, 2013 amount provided by the State.

Year Ending June 30,	State Water Purchase Commitment (in thousands)
2014	\$ 7,567
2015	7,524
2016	7,241
2017	6,996
2018	6,909
2019 - 2023	34,556
2024 - 2028	34,337
2029 - 2033	33,129
2034 - 2036	16,523
Total Water Purchase	<u>\$ 154,782</u>

San Francisco Water Department - The District entered into a contract with the San Francisco Water Department (SFWD) in June 1984. That contract was renewed in July 2009 to purchase certain minimum amounts of water over another 25-year period. The costs to the District for water purchased under this contract for fiscal years 2013 and 2012 were approximately \$13,259 and \$11,032, 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 SFWD is unable to supply sufficient water to all users, the available water will be apportioned among the users ratably, with the District liable only for water actually delivered. For fiscal year 2013, the estimated cost of the minimum purchase commitment was approximately \$11,306. In fiscal year 2014, the District expects to purchase 8,658 acre-feet of water for a total price of approximately \$10,993.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

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 thereby realizing a present value savings of approximately \$62.3 million over all member agencies. For the District, this translates into an annual net savings of 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 San Francisco's wholesale commodity charge. The capital cost recovery payments were being repaid at a fixed interest rate of 5.13% and were part of the Wholesale Revenue Requirement to the Water Supply Agreement negotiated with San Francisco in 2009. The bonds refinanced this debt at an average interest rate of 3.14%.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies. San Francisco 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 end in 2034. The surcharge is on the San Francisco wholesale water bill and is accounted for by the District as water purchases expense.

BAWSCA's annual debt service amount is \$24,675. The District's annual bond surcharge is estimated to be \$1,381 based on all member agencies actual wholesale water use in fiscal year ended June 30, 2012. 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 ending June 30, 2014 water use will be included in the fiscal year ending June 30, 2016 bond surcharge. The current best projection on the District's annual surcharge for the future would be \$1,381.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

10. PENSION PLANS

A. *Plan Description*

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District resolution. Copies of CalPERS' annual financial report may be obtained from their Executive Office at 400 P Street, Sacramento, California 95814 or by visiting www.calpers.ca.gov. A separate report for the District's Plan within CalPERS is not available.

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) plan for employees in its Management, Confidential and Professional group. Under this plan, the District picks up 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as additional contribution. For fiscal year 2013 and 2012, the District's EPMC was \$297 and \$281, respectively.

The California Legislature passed Assembly Bill (AB) 340 pension reform legislation which became effective on January 1, 2013. The legislative changes classify active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to the new legislation passed with AB 340.

B. *Funding Policy*

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District was required to contribute for fiscal years 2013 and 2012 at an actuarially determined rate of 24.597% and 24.566% of annual covered payroll for the District's employees, which amounted to \$5,642 and \$5,547 for the years ended June 30, 2013 and 2012.

C. *CalPERS Three-Year Phase-In*

In response to the current financial market volatility that has impacted the CalPERS trust fund and future employer rates, CalPERS Board has adopted a new smoothing policy which was implemented in the June 30, 2009 valuation. CalPERS implemented a three-year phase-in of the 2008-2009 investment loss because it is expected that three years will be a sufficient length of time for the economy to recover.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

10. PENSION PLANS, Continued

D. Annual Pension Cost

For fiscal year 2013 and 2012, the District’s annual pension cost of \$5,642 and \$5,547 for CalPERS was equal to the District’s required and actual contributions. The required contributions were determined as part of the June 30, 2010 and June 30, 2009 actuarial valuations using the entry age normal actuarial cost method. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability.

Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. Initial unfunded liabilities are amortized over a closed period that depends on the plan’s date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains or losses each year.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 4,327	100%	\$ -
2012	5,547	100%	-
2013	5,642	100%	-

E. Funding Status as of the Most Recent Actuarial Date

The CalPERS’ Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. Nearly all of the demographic assumptions have changed, including salary increase assumptions (3.55% to 14.45% depending on Age, Service, and type of employment) and rates for mortality, disability, termination and retirement. As of the June 30, 2010 actuarial valuation, there were no changes made to the actuarial assumptions since the prior year’s actuarial valuation. As of the June 30, 2011 actuarial valuation, the economic assumptions changed as a result of a study and independent evaluation conducted by CalPERS. Changes to the economic assumptions included the investment rate of return, salary increase assumptions, inflation factor and payroll growth.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

10. PENSION PLANS, Continued

E. Funding Status as of the Most Recent Actuarial Date, Continued

In June 2009, the CalPERS' Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses in order to phase in over a three year period the impact of the 24% investment loss experienced by CalPERS in fiscal year 2008-2009. As of the 2011 actuarial valuation, we are in the third year of a 3-year temporary change to the asset smoothing method and the amortization of gains and losses. The following changes adopted were:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009.
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010.
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter.
- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010, and 2010-2011 over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization).

The other significant actuarial assumptions used to prepare the District's actuarial valuations include the following:

Valuation date:	June 30, 2011	June 30, 2009 and 2010
Annual Required Contribution:	2013/2014	2011/2012 and 2012/2013
Actuarial Cost Method:	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method:	Level percent of payroll	Level percent of payroll
Average Remaining Period	21 Years as of the Valuation Date	21 Years as of the Valuation Date
Asset Valuation Method:	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return:	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases:	3.30% to 14.20% depending on Age, Service, and type of employment	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation:	2.75%	3.00%
Payroll Growth:	3.00%	3.25%
Individual Salary Growth:	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

10. PENSION PLANS, Continued

E. Funding Status as of the Most Recent Actuarial Date, Continued

The District contributes to the CalPERS, as an agent multiple – employer public employee defined benefit pension plan. The amounts reflected herein represent the District’s portion as reported by CalPERS.

Valuation Date	Entry Age	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
	Normal Accrued Liability					
6/30/2011	\$ 171,513	\$ 130,852	\$ (40,661)	76.3%	\$ 20,985	-193.8%

Actuarial valuations for June 30, 2013 and 2012 are not available.

In March 2013, the CalPERS discount rate was decreased from 7.75% to 7.50%. This decrease implies lower returns on future CalPERS investments. Consequently, member agencies will need to contribute more to make up for the shortfall. CalPERS gave agencies a choice of whether to phase-in this increase in their contribution rate in either one, or two years. This rate increase would be effective over the fiscal year ending June 30, 2014. In the District’s case, it was a choice of contributing at an increased overall rate of either 24.533% for a one-year phase-in, or 24.465% for a two-year phase-in. The difference between the two contribution rates for the fiscal year ending June 30, 2014, is 0.068% or approximately \$16. Given the small difference and greater simplicity of the one-year phase-in, the District chose the one-year phase-in option at the overall contribution rate of 24.533% for the fiscal year ending June 30, 2014.

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. 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.

F. 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 \$57 and \$59 in fiscal years 2013 and 2012, respectively, as required under the District’s Management, Confidential and Professional (MCP) employee compensation schedule. Effective January 1, 2004, the District’s matching calendar year contribution to the 401(a) plan was discontinued in accordance with the Memorandum of Understanding (MOU) for United Public Employees Local 1021, AFL-CIO employees.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE

A. Plan Description

In addition to the pension benefits described in Note 10, the District provides health plan coverage for eligible retirees and their dependents pursuant to CalPERS Health Benefit Program eligibility requirements. Prior to May 2012, the District's OPEB Plan is a single employer defined benefit plan. The District does not issue a separate report on its OPEB Plan.

In March 2009, the Board adopted a self-administered Other Postemployment Benefits (OPEB) Trust Account to fund the District's OPEB obligations. The OPEB Trust Account is operated and administered by the District for the exclusive benefit of eligible retirees and their qualified dependents and survivors for other non-pension post employment benefits, including medical, dental, vision, and life insurance. Contributions to the Trust Account are irrevocable, and assets under the Trust may not be diverted for any purpose other than funding the District's OPEB liability for eligible persons.

In May 2012, the District entered into an agreement with CalPERS in order to participate in the California Employer's Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund the District's other postemployment benefits through CalPERS, as a successor trust to the self-administered OPEB Trust. On July 25, 2012, the District transferred its trust assets in the amount of \$5,661 to the CERBT and closed its self-administered OPEB Trust.

For employees hired before August 1, 2002, the District's contribution for each retired employee and all eligible dependents and eligible 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.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

A. Plan Description, Continued

For employees hired on or after August 1, 2002, the percentage of employer contribution payable for post retirement 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 California PERS participating agency, and a minimum of five years of service, of the ten years of service must be performed exclusively for the District. The District contributes the minimum employer contribution (MEC) required amounts under the Public Employee’s Medical and Hospital Care Act Minimum Employer Contribution rules as determined by CalPERS on an annual basis.

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

For employees hired on or after January 1, 2009, the District’s contribution for each retired employee and all eligible dependents and eligible 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 post employment health benefits shall be based on the employee’s completed years of service exclusively with the District as described below.

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

A. Plan Description, Continued

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

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

The District provides Vision benefits to employees who retire from District service and to 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 \$2,000 benefit for union retirees and a flat \$4,000 benefit for other retirees. All employees hired on or after April 1, 2009, shall not be eligible for retiree life insurance.

B. Funding Policy

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

The District's funding policy is to fund the ARC. As of the June 30, 2011 and June 30, 2009 actuarial valuations, the District's fiscal years 2013 and 2012 ARC rate is 16.9% and 14.6% of covered payroll.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

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

The District's annual OPEB cost (AOC) is equal to (a) the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, less (b) one year's interest on the beginning balance of the net OPEB asset, and plus (c) an adjustment to ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actual liabilities or funding excess amortized over thirty years. The District's annual ARC and AOC were determined as part of the June 30, 2011 and June 30, 2009 actuarial valuations.

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:

	2013	2012
Normal Cost	\$ 1,314	\$ 1,088
UAAL Amortization	2,428	1,768
Annual Required Contribution	3,742	2,856
Interest on Net OPEB Asset	(138)	(151)
Adjustments to Net OPEB Asset	176	185
Annual OPEB Cost (AOC)	3,779	2,890
Contributions made	(3,742)	(2,856)
Change in Net OPEB Asset	37	34
Net OPEB Asset, beginning of year	(1,909)	(1,943)
Net OPEB Asset, end of year	<u>\$ (1,872)</u>	<u>\$ (1,909)</u>

The total ARC for 2013 is \$3,742. Of this amount, the District made a contribution amount of \$1,902 for retirees' health premium in 2013. The remaining balance of the ARC of \$1,840 was deposited in CERBT in June 2013.

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
6/30/2011	\$ 2,760	\$ 2,658	96%	\$ 1,943
6/30/2012	2,890	2,856	99%	1,909
6/30/2013	3,779	3,742	99%	1,872

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$41,565
Actuarial value of plan assets	5,620
Unfunded actuarial accrued liability	<u>\$35,945</u>
Funded ratio (actuarial value of plan assets/AAL)	13.5%
Annual covered payroll (active plan members)	\$22,175
UAAL as a percentage of annual covered payroll	162.1%

E. Actuarial Methods and Assumptions

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE, Continued

E. Actuarial Methods and Assumptions, Continued

Significant actuarial assumptions are as follows:

ARCs:	2010/2011 and 2011/2012	2012/2013 and 2013/2014
Discount rate:	Select an ultimate discount rate based on prefunding through separate trust and then moving to CERBT in 2011/2012: 2008/09 2.75%; 2009/10 2.75%; 2010/11 2.75% and 2011/12+ 7.75%.	Prefunded with CERBT investment option #1. 7.25%
General inflation:	3.00%	3.00%
Payroll increase:	3.25%	3.25%
Healthcare trend:	Rates of 8.4% to 9.3% trending to 4.5% in year 2017+	Rates of 8.0% to 9.4% trending to 5.0% in 2020+
Cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll
Funding policy:	District contributes full ARC to Trust	District contributes full ARC to Trust
Actuarial value of assets:	Assets gains/losses recognized over 5 years; Shorter period but same method as CalPERS Pension; and Corridor 80% of 120% of market value.	Assets gains/losses recognized over 5 years; Shorter period but same method as CalPERS Pension; and Corridor 80% of 120% of market value.
Amortization period:	28-year fixed (closed) period for initial UAAL from 06/30/2010; 20-year closed period for plan changes; 15-year closed period for method and assumption changes.	Initial UAAL 30 year fixed (closed) period (27 years remaining for 2012/13 ARC). Assumption Changes, Experience Gains/Losses & Contribution Gains/Losses-15 year fixed (closed) period. Maximum 30 year combined period.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

12. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM

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

At retirement, members of the MCP group that were hired before July 1, 1994 are eligible for a retirement bonus calculated at the rate of 3 working days per each full 6 months of continuous service to the District. The bonus is based on the employee's pay rate at the time of retirement. If an employee who is eligible for service retirement dies, his/her designated beneficiary will receive the employee's retirement bonus. Employees hired on or after July 1, 1994, shall receive the retirement bonus based on the following: 2 days per year after 10 years' service; 4 days per year after 15 years' service; and 6 days per year after 20 years' service. At June 30, 2013 and 2012, the District had 29 and 33 eligible members in this closed program.

During the year ended June 30, 2013, the District re-evaluated the tax, accounting and financial reporting impact associated with this program and determined that the MCP Bonus Program should be presented under GASB Statement No. 45. As a result, beginning net position at June 30, 2012 has been restated by \$1,641 to record the District's MCP Bonus Program obligation.

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 year ended June 30, 2013 and 2012, the District contributed \$268 and \$114, respectively, towards this program for 4 and 3 retired members, respectively.

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

	2013	2012
Annual Required Contribution	\$ 134	\$ 168
Interest on Net OPEB Obligation	70	66
Annual OPEB Cost (expense)	204	234
Contributions made	(268)	(114)
Change in Net OPEB Obligation	(64)	120
Net OPEB Obligation, beginning of year	1,761	1,641
Net OPEB Obligation, end of year	\$ 1,697	\$ 1,761

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

12. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM (Continued)

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

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 189	\$ 140	74%	\$ 1,641
6/30/2012	234	114	49%	1,761
6/30/2013	204	268	131%	1,697

Funded Status and Funding Programs - As of June 30, 2013 and 2012, the actuarial accrued liability for MCP Bonus Program benefits was \$1,697 and \$1,761, respectively, all of which was unfunded. At June 30, 2013 and 2012, the covered payroll (annual payroll of active employees covered by the MCP Bonus Program) was \$4,560 and \$4,859, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was -37.2 percent and -36.2 percent, respectively.

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

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

- Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 58, or at the first subsequent year in which the member would qualify for benefits.
- Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 19W9 United States Life Tables for Males and Females were used.
- 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 2.0 percent was based on projected wage increases of the MCP Bonus Program participants.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

12. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM (Continued)

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

13. LITIGATION

In the normal course of business, the District is a defendant in various lawsuits. Defense of the lawsuits is being handled by the District's insurance carriers and losses, if any, are expected to be covered by insurance. District officials are of the opinion that none of these lawsuits will have a material adverse effect on the District's financial position.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Alameda County Water District
Required Supplemental Information (Unaudited)
Schedules of Funding Progress and Employer Contributions (OPEB)
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

1. DEFINED BENEFIT PENSION PLAN

The District contributes to CalPERS, as an agent multiple-employer public employee defined benefit pension plan. The amounts reflected herein represent the District's portion as reported by CalPERS.

Schedule of Funding Progress

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
6/30/2009	\$ 153,919	\$ 117,007	\$ (36,912)	76.0%	\$ 18,646	-198.0%
6/30/2010	162,814	123,302	(39,512)	75.7%	19,874	-198.8%
6/30/2011	171,513	130,852	(40,661)	76.3%	20,985	-193.8%

2. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE

In fiscal year 2009, the District implemented GASB Statement No. 45, which provides for recognition of the estimated cost of non-pension, other post employment benefits (OPEB). In March 2009, the District adopted a self-administered OPEB Trust to fund its OPEB obligations. In June 2012, the District entered into an agreement with CalPERS in order to participate in the California Employer's Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund the District's other postemployment benefits through CalPERS, as a successor trust to the District's self-administered OPEB Trust. In July 2012, the District transferred its Trust assets to CERBT and closed its self-administered OPEB Trust.

Schedule of Funding Progress

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL) / Annual Covered Payroll
6/30/2007	\$ 31,538	\$ -	\$ (31,538)	0.0%	\$ 16,634	-189.6%
6/30/2009	32,915	3,496	(29,419)	10.6%	19,001	-154.8%
6/30/2011	41,565	5,620	(35,945)	13.5%	22,175	-162.1%

Actuarial valuations as of June 30, 2013 is not available.

Closed group actuarial cost method.

Alameda County Water District
Required Supplemental Information (Unaudited)
Schedules of Funding Progress and Employer Contributions (OPEB)
For the years ended June 30, 2013 and 2012
(Dollars in thousands)

2. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE (Continued)

Schedule of Employer Contributions

Fiscal Year Ended	Annual		Percentage Contributed
	Required Contribution	Actual Contribution	
June 30, 2009	\$ 2,592	\$ 5,000	192.9%
June 30, 2010	2,676	2,406	89.9%
June 30, 2011	2,638	2,658	100.8%
June 30, 2012	2,856	2,856	100.0%
June 30, 2013	3,742	3,742	100.0%

3. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM

Schedule of Funding Progress

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL) / Annual Covered Payroll
6/30/2011	\$ 1,641	\$ -	\$ (1,641)	0.0%	\$ 4,704	-34.9%
6/30/2012	1,761	-	(1,761)	0.0%	4,859	-36.2%
6/30/2013	1,697	-	(1,697)	0.0%	4,560	-37.2%

Schedule of Employer Contributions

Fiscal Year Ended	Annual		Percentage Contributed
	Required Contribution	Actual Contribution	
June 30, 2011	\$ 126	\$ 140	111.1%
June 30, 2012	168	114	67.9%
June 30, 2013	134	268	200.0%

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STATISTICAL SECTION

STATISTICAL SECTION

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

Index	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	62
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenues source, the water revenues. Also included in this section is information on the District's second significant source of local revenues, the property tax.	64
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	69
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	71
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	73

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

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
OPERATING REVENUES:										
Water Sales	\$ 48,350	\$ 47,469	\$ 53,355	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903
Development Fees	1,849	3,864	3,589	3,276	3,874	5,703	1,768	1,892	2,118	1,977
Other Revenue	3,301	3,691	1,963	4,021	2,090	1,576	1,737	1,559	1,662	1,914
TOTAL OPERATING REVENUES	53,500	55,024	58,907	64,582	64,051	64,057	60,249	66,047	73,878	80,794
OPERATING EXPENSES:										
Source of Supply										
Water Purchases	9,532	9,529	9,616	12,985	14,211	14,129	14,128	14,402	18,747	21,367
Pumping	2,604	2,980	2,617	2,666	2,574	2,583	2,592	3,116	3,338	2,954
Other	6,096	6,523	6,002	6,303	6,783	9,707	7,511	8,819	8,875	8,828
Water Treatment	8,944	8,786	9,936	9,732	10,097	11,022	11,297	12,464	12,119	12,586
Transmission and Distribution	9,986	9,423	9,753	10,311	10,089	11,285	11,997	11,343	10,953	10,650
Admin. of Customer Accounts	1,040	995	957	1,056	1,076	1,163	1,252	1,507	1,390	1,680
Administration and General	3,733	4,151	5,310	5,286	6,210	7,605	8,335	6,172	9,679	11,965
Depreciation and Amortization	9,952	9,926	10,402	10,698	10,811	10,968	10,942	12,462	12,262	12,845
TOTAL OPERATING EXPENSES	51,887	52,313	54,593	59,037	61,851	68,462	68,054	70,285	77,363	82,875
NONOPERATING REVENUES (EXPENSES):										
Investment Income	1,162	1,608	2,524	4,537	5,344	4,032	2,448	1,416	672	(46)
Property Taxes	4,849	1,778	2,575	5,820	6,657	7,381	7,479	7,256	7,936	7,917
Other Revenues (1)	-	-	-	-	-	-	10,934	450	215	68
Other Expenses/Loss on Disposal	(2,702)	(3,287)	(2,827)	(2,943)	(2,897)	(2,915)	(2,373)	(2,060)	(3,879)	(2,133)
TOTAL NONOPERATING REVENUES (EXPENSES):	3,309	99	2,272	7,414	9,104	8,498	18,488	7,062	4,944	5,806
Capital Contributions	2,416	2,547	4,185	4,796	3,988	6,237	5,491	3,677	2,849	5,529
Increase in Net Positions	\$ 7,338	\$ 5,357	\$ 10,771	\$ 17,755	\$ 15,292	\$ 10,330	\$ 16,174	\$ 6,501	\$ 4,308	\$ 9,254
% Water Rate Increase (of latter of FY)	7.00	7.00*	5.00*	9.00	4.50	6.00	8.80	8.00	8.00**	17.1***
Number of Employees (2)	217	218	218	212	214	214	219	226	225	229

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

(2) Active employees as of June 30, 2013.

Source: Alameda County Water District Finance Department

*Excludes 6.5% Supplemental Temporary Water Rate Increase

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

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

Table 2
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF NET POSITION (Unaudited)
(in thousands)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 ⁽¹⁾	2009/10	2010/11 ⁽²⁾	2011/12 ⁽²⁾	2012/13
NET POSITION:										
Net investment in capital assets	\$ 244,634	\$ 249,646	\$ 252,840	\$ 255,535	\$ 260,757	\$ 275,844	\$ 292,179	\$ 298,301	\$ 304,983	\$ 310,757
Restricted for debt service	7,700	7,679	7,768	7,781	7,662	7,701	2,515	2,436	2,639	2,656
Unrestricted	88,432	86,797	94,287	109,334	119,523	98,124	103,149	101,334	98,757	102,220
TOTAL NET POSITION	\$ 340,766	\$ 344,122	\$ 354,895	\$ 372,650	\$ 387,942	\$ 381,669	\$ 397,843	\$ 402,071	\$ 406,379	\$ 415,633

63

Note: ⁽¹⁾ The District restated its 2008/09 net position balance to reflect an impairment of its Water Treatment Plant 1, the impact of GASB Statement No. 51 implementation and an adjustment to the District's accumulated supplemental water supply storage capitalized costs.
⁽²⁾ The District restated its 2010/11 and 2011/12 net position balances to record its obligation related to the Management, Confidential and Professional Bonus Program and the impact of the GASB Statement No. 65 implementation.

Source: Alameda County Water District Finance Department

Table 3
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF PROPERTY TAX LEVIES/COLLECTIONS (Unaudited)
(in thousands)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Levies:										
1% Tax Allocation	\$ 2,809	\$ 286 *	\$ 488 *	\$ 3,418	\$ 3,615	\$ 3,622	\$ 3,541	\$ 3,537	\$ 3,500	\$ 3,569
State Water Contract Tax	1,546	1,182	1,696	2,079	2,516	3,071	2,595	2,803	3,010	3,189
Total	\$ 4,355	\$ 1,468	\$ 2,184	\$ 5,497	\$ 6,131	\$ 6,693	\$ 6,136	\$ 6,340	\$ 6,510	\$ 6,758
Collections:										
Percentage of Collection of Levies (%)	111%	121%	118%	106%	109%	116%	101%	113%	128%	119%

Source: Alameda County Water District Finance Department

* Portions of District's allocation of countywide 1% tax levy (\$ 2,817) transferred to Educational Revenue Augmentation Fund (ERAF) by State.

Table 4
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF ASSESSED VALUATION (Unaudited)
(in thousands)

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2003/04	\$ 32,948,036	\$ 17,471	\$ 2,770,387	\$ 35,735,893
2004/05	34,731,705	21,598	2,418,796	37,172,099
2005/06	37,453,609	20,099	2,556,504	40,030,212
2006/07	40,105,912	17,559	2,559,158	42,682,628
2007/08	42,888,414	5,812	2,616,332	45,510,558
2008/09	44,849,292	5,620	2,750,418	47,605,330
2009/10	43,825,950	5,620	3,047,425	46,878,995
2010/11	43,522,656	5,755	3,093,752	46,622,164
2011/12	43,072,743	5,755	2,975,251	46,053,748
2012/13	43,846,946	70,042	3,053,241	46,970,229

Source: California Municipal Statistics, Inc. and Alameda County Auditor-Controller's Office

Table 5
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
2002/03	\$ 2,391	\$ 68	2.85 %
2003/04	1,455	23	1.61
2004/05	1,110	17	1.56
2005/06	1,665	28	1.67
2006/07	2,037	61	3.00
2007/08	2,460	93	3.80
2008/09	2,998	109	3.65
2009/10	2,544	64	2.51
2010/11	2,771	56	2.01
2011/12	3,180	59	1.87

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

Data for FY 2012-13 is not yet available.

Source: Alameda County Auditor-Controller

Table 6
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF SCHEDULE OF WATER RATES-BIMONTHLY READINGS AND BILLINGS (Unaudited)

	Eff. 1/1 2004	Eff. 1/1 2005	Eff. 1/1 2006	Eff. 2/1 2007	Eff. 2/1 2008	Eff. 2/1 2009	Eff. 2/1 2010	Eff. 3/1 2011	Eff. 2/1 2012	Eff. 2/1 2013
COMMODITY CHARGE/HCF:										
Inside District	\$ 1.866	\$ 1.997	\$ 2.096	\$ 2.285	\$ 2.388	\$ 2.531	\$ 2.754	\$ 2.974	\$ 3.152	\$ 3.152
Outside District	2.146	2.296	2.410	2.627	2.745	2.910	3.166	3.419	3.624	3.624
San Francisco	1.955	2.002	2.102	2.292	2.395	2.682	2.918	3.242	3.673	- ⁽¹⁾
BIMONTHLY METER SERVICE CHARGE:										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 9.60	\$ 9.60	\$ 10.08	\$ 10.08	\$ 10.08	\$ 10.68	\$ 11.62	\$ 12.55	\$ 14.93	\$ 29.86
1	13.75	13.75	14.44	14.44	14.44	15.31	16.66	17.99	21.41	42.82
1-1/2	24.30	24.30	25.52	25.52	25.52	27.05	29.43	31.78	37.82	75.64
2	34.85	34.85	36.59	36.59	36.59	38.79	42.20	45.58	54.24	108.48
3	132.15	132.15	138.76	138.76	138.76	147.09	160.03	172.83	205.67	411.34
4	191.40	191.40	200.97	200.97	200.97	213.03	231.78	250.32	297.88	595.76
6	462.00	462.00	485.10	485.10	485.10	514.21	559.46	604.22	719.02	1,438.04
8	676.50	676.50	710.33	710.33	710.33	752.95	819.21	884.75	1,052.85	2,105.70
10	1,209.00	1,209.00	1,269.45	1,269.45	1,269.45	1,345.62	1,464.03	1,581.15	1,881.57	3,763.14
Outside District Water Service										
5/8" & 3/4 " or less	\$ 11.00	\$ 11.00	\$ 11.59	\$ 11.59	\$ 11.59	\$ 12.28	\$ 13.36	\$ 14.43	\$ 17.17	\$ 34.34
1	15.80	15.80	16.61	16.61	16.61	17.61	19.16	20.69	24.62	49.24
1-1/2	27.90	27.90	29.35	29.35	29.35	31.11	33.84	36.55	43.49	86.99
2	40.05	40.05	42.08	42.08	42.08	44.61	48.53	52.41	62.37	124.75
3	151.95	151.95	159.57	159.57	159.57	169.15	184.03	198.75	236.52	473.04
4	220.10	220.10	231.12	231.12	231.12	244.98	266.55	287.87	342.56	685.12
6	531.30	531.30	557.87	557.87	557.87	591.34	643.38	694.85	826.87	1,653.75
8	778.00	778.00	816.88	816.88	816.88	865.89	942.09	1,017.46	1,210.78	2,421.56
10	1,390.35	1,390.35	1,459.87	1,459.87	1,459.87	1,547.46	1,683.63	1,818.32	2,163.81	4,327.61
BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:										
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
6	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
8	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
10	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80
12	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60
16	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water District Finance Department

Note: ⁽¹⁾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 7
ALAMEDA COUNTY WATER DISTRICT**

**LARGEST DISTRIBUTION WATER REVENUE ACCOUNTS (Unaudited)
TEN YEAR HISTORY
(1=Highest to 10=Lowest)**

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
City of Fremont	2	2	2	2	3	2	2	1	2	1
Fremont Unified School District	3	3	3	3	2	1	1	2	3	2
Prologis Trust	6	6	6	5	4	3	3	4	4	3
Western Digital Technologies	-	5	4	4	5	5	5	3	1	4
Newark Unified School District	9	8	9	8	8	7	9	8	5	5
City of Union City	8	9	8	6	6	6	6	5	6	6
Contempo Homeowners Association	5	7	5	7	7	9	7	7	8	7
Ardenwood Forest Apartments	-	-	-	-	-	-	-	10	-	8
New Haven School District	10	-	-	-	-	-	-	-	10	9
City of Newark	4	4	-	10	10	10	-	-	-	10
Equity Residential Properties Trust	7	10	10	9	9	8	8	-	-	-
MMC Technology	-	-	7	-	-	-	-	-	-	-
New United Motor Manufacturing, Inc.	1	1	1	1	1	4	4	-	-	-
School for the Deaf	-	-	-	-	-	-	-	6	7	-
Seagate Magnetics	-	-	-	-	-	-	-	-	9	-
Solyndra Inc.	-	-	-	-	-	-	10	9	-	-

Source: Alameda County Water District Finance Department

Table 8
ALAMEDA COUNTY WATER DISTRICT
HISTORICAL and PROJECTED NET REVENUES and DEBT SERVICE COVERAGE
Fiscal Years 2008/09 - 2017/18 (Unaudited)
(in thousands)

	Actual					Projected				
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Revenues										
Water Sales	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 80,682	\$ 87,831	\$ 95,758	\$ 104,262	\$ 113,087
Investment Income (1)	4,031	2,448	1,416	672	(46)	340	325	312	282	279
Property Taxes (2)	7,381	7,479	7,256	7,936	7,917	8,184	8,080	8,034	8,084	8,104
Development Fees	5,703	1,768	1,892	2,118	1,977	2,404	2,345	1,646	1,307	1,248
Other Revenue (3)	1,576	1,738	1,559	1,877	1,982	1,700	1,707	1,717	1,730	1,738
Total Revenues	75,469	70,177	74,719	82,701	88,733	93,310	100,289	107,466	115,666	124,456
Maintenance and Operation Costs										
Pumping Power Costs	2,583	2,592	3,116	3,338	2,954	3,114	3,274	3,452	3,634	3,821
Other Operating Expenses (4)	9,334	9,283	7,642	7,272	7,841	6,555	7,224	8,884	10,242	11,649
Labor Costs (5)	31,360	31,069	32,571	35,744	37,868	44,192	46,043	49,139	51,905	54,784
Purchased Water (6)	14,129	14,128	14,402	18,747	21,367	19,443	22,185	22,825	23,020	24,754
Aquifer Reclamation Costs	88	40	92	-	-	-	-	-	-	-
Total Expenses	57,494	57,112	57,823	65,101	70,030	73,305	78,727	84,300	88,800	95,009
Net Revenues	\$ 17,975	\$ 13,065	\$ 16,896	\$ 17,600	\$ 18,703	\$ 20,005	\$ 21,561	\$ 23,166	\$ 26,866	\$ 29,447
Maximum Annual Debt Service on Revenue Certificates and Bond										
1998 Refunding Revenue Bond	\$ 3,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	1,203	1,203	1,203	822	-	-	-	-	-	-
2009 Refunding Revenue Bond	-	2,921	2,664	2,664	2,669	2,866	2,868	2,863	2,863	2,863
2012 Revenue Bond	-	-	-	523	1,891	1,893	1,891	1,893	2,863	2,863
Total Debt Service	\$ 4,562	\$ 4,124	\$ 3,867	\$ 4,009	\$ 4,560	\$ 4,759	\$ 4,759	\$ 4,756	\$ 5,726	\$ 5,726
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Certificates	3.94x	3.17x	4.37x	4.39x	4.10x	4.20x	4.53x	4.87x	4.69x	5.14x

Notes:

- (1) Negative interest due to one-time portfolio restructuring.
- (2) This table demonstrates historical and projected debt service coverage taking into account the inclusion of property taxes collected by the District, while also taking into account expenses paid for by such taxes.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.
- (4) Includes annual inflationary increase of 3.00% beginning in 2014.
- (5) Includes fringe benefits and annual inflationary increase as relevant beginning in 2014. OPEB cost included beginning FY 2008/09 and MCP Bonus Program beginning FY 2011/12.
- (6) Per contract schedule.

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

Table 9
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF OUTSTANDING DEBT (Unaudited)
(in thousands)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Certificates of Participation										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20*	\$ 38,200	\$ 36,565	\$ 34,865	\$ 33,095	\$ 31,255	\$ 29,340	-	-	-	-
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28**	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	-	-
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	-	-	-	-	-	-	\$ 23,875	\$ 21,885	\$ 19,855	\$ 17,780
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	-	-	-	-	-	-	\$ 45,240	\$ 45,000
Total	\$ 63,200	\$ 61,565	\$ 59,865	\$ 58,095	\$ 56,255	\$ 54,340	\$ 48,875	\$ 46,885	\$ 65,095	\$ 62,780

Total Outstanding Debt to Personal Income	106.51	99.03	90.26	82.10	76.89	75.90	67.18	61.77	N/A	N/A
Total Debt Per Capita	\$ 196	\$ 191	\$ 185	\$ 178	\$ 170	\$ 163	\$ 150	\$ 143	\$ 197	\$ 187

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

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

Sources: (1) State of California, Department of Finance.

(2) U.S. Department of Commerce, Bureau of Economic Analysis. Most recent data is for 2010.

(3) Alameda County Water District Finance Department

Table 10
ALAMEDA COUNTY WATER DISTRICT
LARGEST EMPLOYERS WITHIN THE DISTRICT (Unaudited)

CITY OF FREMONT⁽¹⁾

<u>Employer</u>	<u>2012 *</u>		<u>Employer</u>	<u>2003</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>		<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Fremont Unified School District	3,000	3.27 %	New United Motor Mfg., Inc.	5,000	4.77 %
Washington Hospital	1,817	1.98	Fremont Unified School District	3,104	2.96
Lam Research Corp.	1,500	1.31	Lam Research Corp	2,750	2.62
Tesla	1,500	1.20	Komag, Inc.	1,902	1.81
Western Digital	1,300	1.16	Washington Hospital	1,300	1.24
Boston Scientific/Target Therapeutics, Inc.	1,200	1.06	Seagate Magnetics	1,200	1.14
Seagate Magnetics	1,050	1.00	Staff Search	1,200	1.14
AXT Incorporated	950	0.93	Avanex Corp	1,100	1.05
City of Fremont	848	0.87	Asyst Technologies, Inc.	1,000	0.95
Sysco Food Services	740	0.87	Solectron	1,000	0.95
Total City Employment	101,671		Total City Employment	104,887	

CITY OF UNION CITY⁽²⁾

<u>Employer</u>	<u>2012 *</u>		<u>Employer</u>	<u>2003</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>		<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Southern Wine and Spirits	1,150	3.71 %	New Haven School District	1,228	3.83 %
New Haven Unified School District	998	3.22	Southern Wine & Spirits	650	2.02
Wal-Mart	780	2.52	Wal-Mart	450	1.40
Axygen Scientific, Inc.	370	1.19	Office Depot Corp	450	1.40
Abaxis, Inc.	370	1.19	Sysco Avard Food Services	375	1.17
Kaiser Permanente	330	1.06	American Licorice	365	1.14
City of Union City	322	1.04	Apria Healthcare	350	1.09
Ajax Custom Manufacturing	300	0.97	City of Union City	336	1.05
OSI, Inc.	300	0.97	San Francisco Newspaper Agency	300	0.93
Blommer Chocolate, Inc.	290	0.94	Shin-Etsu Polymer America, Inc.	225	0.70
Total City Employment	31,000		Orcon Corp.	225	0.70
			Coca-Cola Bottling Company	225	0.70
			Young's Market	225	0.70
			Total City Employment	32,100	

CITY OF NEWARK⁽³⁾

<u>Employer</u>	<u>2012 *</u>		<u>Employer</u>	<u>2003</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>		<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Newark Unified School District	700	3.44 %	Sun Microsystems	3,700	17.74 %
Logitech	621	3.05	Newark Unified School District	700	3.36
WorldPac	280	1.37	Staples (formerly Corporate	600	2.88
Full Bloom Baking Company	280	1.37	ModusLink	300	1.44
Risk Management Solutions	270	1.33	City of Newark	280	1.34
Smart Modular Technologies	249	1.22	WorldPac	290	1.39
Morpho Detection	208	1.02	Valassis (formerly ADVO)	270	1.29
City of Newark	183	0.90	Nancy's Specialty Foods	250	1.20
Cargill Salt	182	0.89	Cargill Salt	230	1.10
Valassis (formerly ADVO)	166	0.81	Risk Management Solutions	200	0.96
Total City Employment	20,377		Total City Employment	20,852	

Note: *Number of Employees and Percent of Total Employment unavailable for 2013.

Source: (1) Year 2012 - City of Fremont, CAFR FY 2011/12, Year 2003 - Fremont Chamber of Commerce, Oct 2003

(2) City of Union City, CAFR FY 2011/12

(3) City of Newark, CAFR FY 2011/12

Total City Employment - U.S. Department of Labor, Bureau of Labor Statistics

Table 11
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
(in thousands)

Calendar Year	Population As of 1/1 (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2003	323	56,424	39	5.4 %
2004	322	59,339	41	4.6
2005	323	62,166	43	4.0
2006	324	66,325	46	3.5
2007	327	70,761	49	3.7
2008	330	73,160	50	4.9
2009	334	71,596	48	8.5
2010	326	72,757	48	9.0
2011	328	75,908	50	8.3
2012	331	N/A	N/A	7.2

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 12
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF PROPERTY, PLANT & EQUIPMENT (Unaudited)
(in thousands)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
UTILITY PLANT:										
Land	\$ 9,594	\$ 9,628	\$ 9,668	\$ 9,654	\$ 9,677	\$ 9,701	\$ 9,725	\$ 9,725	\$ 9,727	\$ 9,727
Source of Supply	41,946	42,190	42,572	43,152	43,783	43,852	50,116	50,125	51,092	51,092
Pumping Plant	17,580	18,284	18,313	18,803	18,946	19,255	19,647	20,191	21,324	21,469
Water Treatment	89,059	109,157	114,030	114,777	115,024	115,833	138,112	151,445	152,302	152,296
Transmission and Distribution	200,209	205,417	211,317	218,371	219,098	228,418	235,460	244,864	253,908	262,957
General	24,771	27,781	32,613	33,274	33,818	34,661	35,909	37,234	46,075	48,114
Construction in Progress	53,788	36,846	31,112	34,908	42,788	49,281	21,570	12,265	10,282	21,612
	436,947	449,303	459,625	472,939	483,134	501,001	510,539	525,849	544,710	567,267
Less Accumulated Depreciation	132,188	141,019	149,976	161,939	168,605	178,051	189,258	199,863	211,110	223,098
NET UTILITY PLANT	\$ 304,759	\$ 308,284	\$ 309,649	\$ 311,000	\$ 314,529	\$ 322,950	\$ 321,281	\$ 325,986	\$ 333,600	\$ 344,169

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 13
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF WATER DEMAND
(Unaudited)

<u>Fiscal Year</u>	<u>Million Gallons Per Day (MGD)</u>
2003/04	46.45
2004/05	43.22
2005/06	44.23
2006/07	44.66
2007/08	43.80
2008/09	42.80
2009/10	38.43
2010/11	38.52
2011/12	39.23
2012/13	41.68

Source: Alameda County Water District Finance Department