

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**ALAMEDA COUNTY WATER DISTRICT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2011**

**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, 2011 and 2010**

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# INTRODUCTORY SECTION

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**DIRECTORS**

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**MANAGEMENT**

JUDY C. HUANG  
President

JOHN H. WEED  
Vice President

JAMES G. GUNTHER

MARTIN L. KOLLER

PAUL SETHY

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

October 7, 2011

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 fiscal year ended June 30, 2011.

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 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, 2011 and 2010. 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 328,000 people in southern Alameda County. The District covers approximately 100 square miles and, as of June 2011, provided water service through over 81,000 connections.

The District's current water production is approximately 47,000 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 well fields 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 226 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.

### **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***

#### **Newly Expanded Desalination Facility Begins Producing Water**

The Newark Desalination Facility (NDF), offline for two years to upgrade its capacity from 5 million gallons per day to 12 million gallons per day, was returned to service on August 24, 2010 and began producing water for District customers.

The NDF, dedicated in 2003, was the first brackish water desalination facility in northern California. It uses reverse osmosis to remove salts and other minerals from brackish (slightly salty) groundwater. The resulting high quality water is blended with other supplies before being delivered to residents and businesses in the District's service area.

Originally designed to convert 5 million gallons of brackish water to potable drinking water every day, the NDF was recently expanded to more than double its capacity. The newly upgraded facility will improve water supply reliability for the entire service area. Because non-local water supplies are sometimes less reliable, it is important to make the most of local supplies. The expanded NDF is an important element in guaranteeing a more dependable water supply for the Tri-City area because the additional water it produces will be completely under local control. The California Department of Water Resources recognized the importance of this local project and awarded the District \$2.8 million through Proposition 50 to help fund its completion.

### **District Receives National Award for Ongoing Safe Water Practices**

The District's Mission San Jose Water Treatment Plant, which purifies water using ultra-filtration membranes, in 2011 received an honor achieved by only 76 water utilities across the country - 10 straight years of achieving the Directors Award of Recognition from the Partnership for Safe Water.

The Partnership for Safe Water is a national volunteer initiative developed by the U.S. Environmental Protection Agency and other water organizations striving to provide their communities with drinking water quality that surpasses the required federal standards. The Directors Award is presented to water systems that have completed a successful review in the Partnership's Self-Assessment and Peer Review phase, in which utilities examine the capabilities of their treatment plant operation and administration and then plan for implementing improvements.

The Partnership currently includes more than 200 water utilities, collectively serving more than 85 million people. This represents 60% of the U.S. population served by surface water systems. The District's ongoing participation in the program includes a rigorous review of treatment practices developed by national experts, as well as a four-step, self-assessment and peer-review process.

### **District Awarded \$1.45 Million to Improve Steelhead Migration in Alameda Creek**

In FY 2010-11, the District was awarded \$1.45 million in grants to improve steelhead trout migration in Alameda Creek. The money was awarded by the California Department of Fish and Game (CDFG) as part of its Fisheries Restoration Grant Program.

The CDFG grants will help fund two projects that will improve passage for steelhead trout in the Alameda Creek Flood Control Channel. In conjunction with other Alameda Creek watershed projects completed, planned, or underway, these projects will make nearly 15 miles of stream habitat available once again to migrating and spawning steelhead.

One million dollars of the grant funds will be used to help construct a fish ladder over the District's lowermost rubber dam and the adjacent Alameda County Flood Control and Water Conservation District's (ACFC) flood control structure, commonly known as the "BART weir." The ladder will allow adult steelhead to pass over these structures on their way to spawning grounds further upstream. The fish ladder is a collaborative effort being jointly undertaken by the District and ACFC.

The remaining \$445,000 will help fund the installation of fish screens on the District's water supply diversion points at Kaiser and Shinn ponds. Fish screens eliminate the potential for migrating steelhead from being carried into and trapped in these groundwater recharge ponds.

These two projects are part of a much larger effort to restore steelhead in the Alameda Creek watershed. Within the last few years, the District has removed a rubber dam and installed two fish screens. ACFC, the San Francisco Public Utilities Commission, Zone 7 Water Agency, and the East Bay Regional Park District have also played an important role in improving conditions in Alameda Creek for the federally threatened steelhead trout and other native fish.

To date, the District has been awarded over \$4 million in grants to remove or modify its water supply structures in order to enhance safe passage for steelhead in the Alameda Creek Flood Control Channel.

### **District Presents Clair A. Hill Scholarship to Margaret Wild**

On May 5, 2010, the Association of California Water Agencies (ACWA) presented the prestigious Clair A. Hill Water Agency Award for Excellence to the District for its innovative "Stop that Running Toilet" school outreach program. As the Award recipient, the District had the honor of presenting the \$5,000 Clair A. Hill Scholarship to a deserving student during the ACWA Spring Conference in May of 2011.

The District began its scholarship outreach efforts in October of 2010. Fifty public and private colleges and universities in California were contacted. By the application deadline in February of 2011, 68 scholarship applications had been received, representing 24 colleges and universities. Out of the 68 applications, the District's Scholarship Committee selected three finalists to submit to the ACWA Scholarship Committee. After much deliberation, ACWA selected Margaret Wild as the recipient of the Clair A. Hill Scholarship for the 2011-2012 school year.

Margaret will be a senior at University of the Pacific in the fall of 2011. She is pursuing a degree in civil engineering with a concentration in water resources. The District formally presented the scholarship to Margaret on May 12, 2011 at the ACWA Spring Conference in Sacramento.

### **School Education Program**

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 2010-2011 fiscal year, the District continued its educational outreach within its service area by:

- Presenting water education programs to over 6,600 students in 220 classrooms.
- Distributing more than 57,000 pieces of printed educational material to teachers and students.
- Sponsoring 64 performances of ZunZun's latest water conservation theater program which was viewed by over 14,837 students at 32 schools.
- Training teachers in the use of popular water education curriculum guides.
- Sponsoring its annual Water Conservation Poster and Slogan Contest in which over 1,100 students vied for the opportunity to have their creations included in the 2011-2012 District Water Conservation Calendar.

### **Water Conservation Programs**

Water Conservation extends our 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 implemented new or continued existing water conservation programs during the fiscal year 2010-2011:

- On-site water 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 conservation kits were distributed to residents of the District's service area.
- Water saving tips were distributed to residential customers through the District's customer newsletter, the *ACWD Aqueduct*.
- The Commercial High Efficiency Toilet Rebate Program continued.
- 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.
- Partnered in the sponsoring of drought tolerant plant/landscaping workshops.
- Conducted a High Water Use Notification Program for residential customers to help them identify ways to reduce their water use.
- Implemented a leak detection through meter reader alert program.
- Monitored water waste through coordination with other District departments.

## **Groundwater Protection Programs**

The District oversees the investigation and remediation at Leaking Underground Fuel Tank and Spills, Leaks, Investigation and Cleanup sites in its service area as part of a cooperative agreement with the California Regional Water Quality Control Board - San Francisco Bay Region. In fiscal year 2010-2011, the District closed a total of 16 cases in the Groundwater Protection Program to protect the quality of the District's groundwater resources.

On December 9, 2010, the District adopted an "Ordinance to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City." Prior to this ordinance, the District regulated the construction, repair, reconstruction, destruction, or abandonment of wells under the authority of local well ordinances that were adopted by each city in 1973. The District's ordinance became possible after SB 133, the "Alameda County Water District Groundwater Protection Act," was approved by both the California Senate and the Assembly and was signed by the Governor on October 11, 2009.

## **Other Accomplishments**

In addition, during the fiscal year 2010-2011, the District:

- Assured the quality of Tri-City area water by conducting approximately 60,000 water quality analyses and complying with all state and federal water quality monitoring regulations.
- Produced 47,382 acre feet of water for use by the residents and businesses in Fremont, Newark, and Union City.
- Produced the 2010 Water Quality Report and mailed it to approximately 118,000 addresses in the District's service area.
- Produced and distributed three editions of the *ACWD Aqueduct*, the District's customer newsletter.
- Was designated a Groundwater Guardian Affiliate by the Groundwater Foundation for the 13<sup>th</sup> straight year.
- Was awarded the National Purchasing Institute's Achievement of Excellence in Procurement Award for the eighth consecutive year.
- Received the Certificate of Achievement of Excellence in Financial Reporting for the 12<sup>th</sup> consecutive year.

## **FINANCIAL INFORMATION**

### ***Local Economy***

The local economy of the District service area has approximately mirrored that of nearby Silicon Valley and of the greater Bay Area where there was a boom some 10 years ago at the setting of the "dot.com" era with low unemployment (2-3%) and a healthy industrial base. The "Great Recession" over the last number of years has caused unemployment to increase (10-11%) and the industrial base to decrease. The economy has had its up and downs of late and the future recovery period is anticipated to be slow. The local economy is as sluggish as the economy at a national and state level. The ongoing recession has negatively affected water sales and is one factor in the steady decrease in water usage over the past several years. The District suffered the closure of the New United Motor Manufacturing, Incorporated (NUMMI), an automotive manufacturing plant in Fremont, on April 1, 2010, and it was anticipated that new businesses such as Tesla Motors and Solyndra may help offset the loss in water demand from NUMMI. Unfortunately during August of 2011 Solyndra declared bankruptcy. This will mean an approximate loss of revenue from water sales of about \$.5 million per year or about 0.8 percent of water sales revenue.

### ***"Future of ACWD" Initiative***

Water demand in the District's service area has decreased significantly in recent years as a result of local and state-wide water conservation initiatives, unseasonably cool summer temperatures, and reduced industrial-related (mostly manufacturing) water demand. This has resulted in a corresponding reduction in the District's operating revenue which has been mitigated by necessary rate increases to ensure the ongoing operations of the District as well as providing necessary revenues to ensure adequate debt service coverage.

Although the District has implemented cost-cutting measures to minimize water rate increases, operating and maintaining a water utility still entails a high percentage of fixed operating costs (e.g., water treatment plants must still be constantly operated and maintained 24 hours per day and leaks in water mains and service connections need to be repaired on a timely basis to ensure adequate public health and safety).

The District has compared its situation with other water utilities, both in the San Francisco Bay Area and nationally, and has found that the local circumstances are not unique. For this reason, the District management has concluded that simply raising water rates and implementing additional and deeper cost cutting measures will not be sustainable in the long term.

Therefore, the District has embarked on strategic initiative intended to achieve the following goals:

- Transition from thinking of itself as simply a water purveyor to being a water services utility
- Reduce overall percentage of fixed cost operations (reduce fixed operating costs relative to overall operating costs)
- Diversify revenue streams
- Increase efficiencies through productivity gains

To achieve these objectives, District Management believes that the culture of the District must evolve to become more flexible, more nimble, and more embracing of change, while remaining focused on public health and safety. Accordingly, District management is engaging with all staff to create new revenue streams (currently, 80% of operating revenue is from water sales). As new revenue streams are developed, District Management believes that the current high levels of service to its customers can not only be maintained, but enhanced.

### ***Technology Improvement Initiative***

A key District initiative over the next several years will be the implementation of the Information Technology Master Plan (ITMP). After extensive effort in 2010 by consultants and District staff, a list of 13 recommendations was developed. Recommendations included upgrades, modifications, or changes to financial software, the customer information system, geographic information systems, laboratory systems, website and social media, servers and system infrastructure, Supervisory Control and Data Acquisition (SCADA) and provisions for business continuity. The total cost of these recommendations is estimated to be \$12 million over the duration of the program. These projects will improve the effectiveness and efficiency of work processes within the District, as well as provide customers with more options and better service. Current projects in progress include the implementation of a new customer information and billing system with a target completion date of March, 2012, planning and preparatory work for an upgrade of the existing financial software system, SCADA project work, and implementation of various improvements and software upgrades to the internal network of personal computers and the District website.

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

The District has conducted two major rate studies over the last year. Extensive research has been done on a water efficiency type rate structure (e.g., tiered rates) to encourage more efficient use of existing water resources. The District is mindful of preserving the existing limited portfolio of water sources and is also looking to prevent the need for purchasing potentially more expensive and scarce new water sources in the future. This rate structure is being evaluated at the present time and is under consideration for a possible future implementation. In addition, a rigorous review of all developer-related charges has been completed and changes will be recommended for implementation to reflect current costs along with consideration of potential future development scenarios within the District's service territory.

### ***Debt Issuance***

The District is anticipating issuing new revenue bonds in early 2012 to provide \$22 million of net proceeds to fund a portion of the District's capital plan. The projects being funded will focus on seismic reliability, as the District is located in a seismically sensitive area, improving water service and fire flows, and improving water supply and production reliability. The District carries an extremely high credit rating of AAA from Standard and Poor's and Aa2 from Moody's. Borrowing rates are at or near those experienced in the 1950s. Since interest rates are currently favorable, the District is also considering refunding the outstanding balance of \$25 million of the 2003 Certificates of Participation. Market conditions are being monitored and a decision on the potential refunding will be made closer to the time of pricing for the new bond proceeds.

### ***Internal Control***

The District's automated financial reporting system was designed with an emphasis on the importance of internal financial controls, including the proper recording of revenues and expenditures and maintenance of budgetary control for the allocation of available resources. 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 budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes the projects, services and activities to be carried out during the fiscal year 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 General Manager has the discretion to transfer appropriations between activities and to approve reserve appropriations within Board authorized procurement limits. All such transfers and reserve appropriations are reported to the Board of Directors on a quarterly basis. Board approval is required for all other increases in appropriations. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained through the use of object codes and account appropriations. Actual expenditures are then compared to these appropriations on a monthly basis.

### ***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 Financial Plan. 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. The Financial Plan 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. General Fund balances are projected to be positive over the next several years.

## 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*

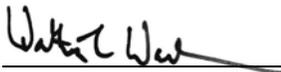
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the twelve consecutive year that 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*

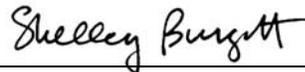
The preparation of this report has been accomplished due to the dedicated and professional efforts of the staff of the Finance Department along with the cooperation of staff from the District's other departments, and guidance from the accounting firm of Macias Gini and O'Connell LLP. We would also like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



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Walter Wadlow  
General Manager



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Shelley Burgett  
Manager of Finance

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

*Alameda County Water District*

*Board of Directors*

*Judy C. Huang*  
President

*John H. Weed*  
Vice President

*James G. Gunther*  
Director

*Martin L. Koller*  
Director

*Paul Sethy*  
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

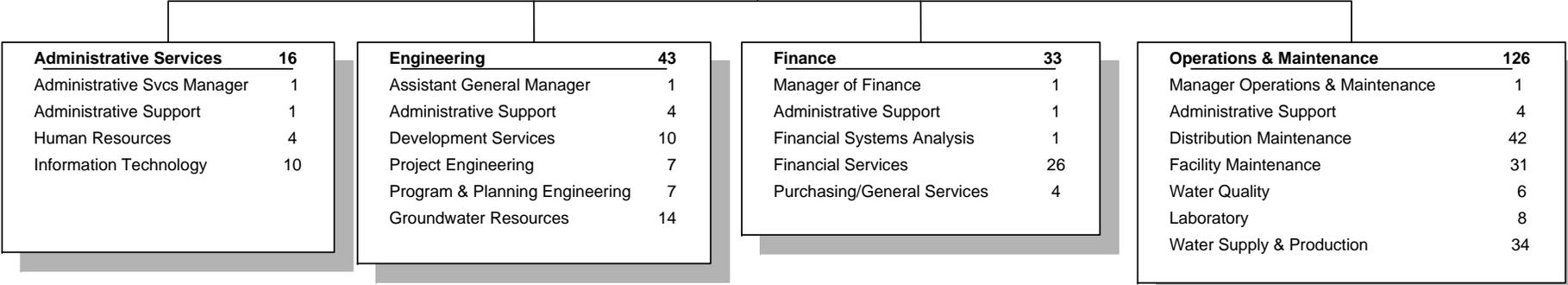
**ALAMEDA COUNTY WATER DISTRICT  
FUNCTIONAL ORGANIZATIONAL CHART  
FY 11/12 & 12/13**

**BOARD OF DIRECTORS**

<b>Office of the General Manager</b>		<b>8</b>
General Manager		1
Administrative Support		2
Water Resources		5

**Total = 226**

IX.



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# FINANCIAL SECTION

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

### Independent Auditor's Report

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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements 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, 2011 and 2010, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2.N. to the financial statements, during the year ended June 30, 2010, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the 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 them.

*Macias Gini & Connell LLP*  
Walnut Creek, California  
October 7, 2011

# **Alameda County Water District**

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

### **For the years ended June 30, 2011 and 2010**

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This section of the Alameda County Water District's (District) comprehensive annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2011 and 2010. This information is presented in conjunction with the audited basic financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011**

- The District's net assets increased by \$6.5 million or 1.6 percent from \$397.8 million to \$404.3 million.
- Operating revenues increased by \$5.8 million or 9.6 percent from \$60.2 million to \$66.0 million.
- Operating expenses increased by \$2.2 million or 3.2 percent from \$68.1 million to \$70.3 million.
- Capital contributions to the District decreased by \$1.8 million or 32.7 percent from \$5.5 million to \$3.7 million.
- The District implemented an 8.0% increase to its commodity rate and service charges effective March 1, 2011.

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

The financial statements consist 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 Assets 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 Assets identify the District's revenues and expenses for the fiscal years ended June 30, 2011 and 2010. 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 Assets (page 10) and the Statements of Revenues, Expenses and Changes in Net Assets (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 assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

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

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

	2011	2010	2011 vs. 2010		2009	2010 vs. 2009	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 119.8	\$ 120.1	\$ (0.3)	-0.2%	\$ 117.4	\$ 2.7	2.3%
Capital assets	341.9	337.8	4.1	1.2%	328.6	9.2	2.8%
<b>Total assets</b>	<b>461.7</b>	<b>457.9</b>	<b>3.8</b>	<b>0.8%</b>	<b>446.0</b>	<b>11.9</b>	<b>2.7%</b>
Long-term debt	46.4	48.3	(1.9)	-3.9%	52.7	(4.4)	-8.3%
Other liabilities	11.0	11.8	(0.8)	-6.8%	11.6	0.2	1.7%
<b>Total liabilities</b>	<b>57.4</b>	<b>60.1</b>	<b>(2.7)</b>	<b>-4.5%</b>	<b>64.3</b>	<b>(4.2)</b>	<b>-6.5%</b>
Invested in capital assets, net of related debt	298.3	292.2	6.1	2.1%	275.9	16.3	5.9%
Restricted for debt service	2.4	2.5	(0.1)	-4.0%	7.7	(5.2)	-67.5%
Unrestricted	103.6	103.1	0.5	0.5%	98.1	5.0	5.1%
<b>Total net assets</b>	<b>\$ 404.3</b>	<b>\$ 397.8</b>	<b>\$ 6.5</b>	<b>1.6%</b>	<b>\$ 381.7</b>	<b>\$ 16.1</b>	<b>4.2%</b>

As the above table indicates, total assets increased by \$3.8 million from \$457.9 million to \$461.7 million during the fiscal year ended June 30, 2011. This is comprised of a decrease of \$0.3 million in current and other assets and an increase of \$4.1 million in capital assets. The increase in capital assets was primarily from the completion of several capital projects during the year. For the fiscal year ended June 30, 2010, total assets increased by \$11.9 million from \$446.0 million to \$457.9 million. This increase is due primarily to an increase of \$9.2 million in capital assets. The increase in each fiscal year, in total net 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.

For fiscal year ended June 30, 2011, total liabilities reflect a decrease of \$2.7 million due mainly to the regularly scheduled annual debt service payment and a decrease in accounts payable and accrued expenses due at the end of the year. For fiscal year ended June 30, 2010, total liabilities reflect a decrease of \$4.2 million due mainly to a reduction in long term debt as a result of refunding the 1998 bonds and scheduled principal payments during the year, and a decrease in the end of year accounts payable and accrued expenses.

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

Table 1 also indicates that total net assets increased by \$6.5 million from \$397.8 million to \$404.3 million for fiscal year ended June 30, 2011. This increase consists of \$6.1 million in net assets invested in capital assets, net of related debt and \$0.5 million in unrestricted net assets. For fiscal year ended June 30, 2010, total net assets increased by \$16.1 million due to increases of \$16.3 million in net assets invested in capital assets, net of related debt, \$5.0 million in unrestricted net assets. These increases were offset by a decrease of \$5.2 million in net assets restricted for debt service. These figures reflect 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 Assets  
(In millions of dollars)

	2011	2010	2011 vs. 2010		2009	2010 vs. 2009	
			\$ Change	% Change		\$ Change	% Change
Operating revenues							
Water sales	\$ 62.6	\$ 56.7	\$ 5.9	10.4%	\$ 56.7	\$ -	0.0%
Other operating revenues	3.4	3.5	(0.1)	-2.9%	7.3	(3.8)	-52.1%
<b>Total operating revenues</b>	<b>66.0</b>	<b>60.2</b>	<b>5.8</b>	<b>9.6%</b>	<b>64.0</b>	<b>(3.8)</b>	<b>-5.9%</b>
Nonoperating revenues							
Property Taxes	7.3	7.5	(0.2)	-2.7%	7.4	0.1	1.4%
Other nonoperating revenues	1.8	3.9	(2.1)	-53.8%	3.9	-	0.0%
LAVWMA Settlement	-	9.5	(9.5)	-	-	9.5	-
<b>Total nonoperating revenues</b>	<b>9.1</b>	<b>20.9</b>	<b>(11.8)</b>	<b>-56.5%</b>	<b>11.3</b>	<b>9.6</b>	<b>85.0%</b>
<b>TOTAL REVENUES</b>	<b>75.1</b>	<b>81.1</b>	<b>(6.0)</b>	<b>(7.4)</b>	<b>75.3</b>	<b>5.8</b>	<b>7.7</b>
Depreciation and amortization expense	12.5	11.0	1.5	13.6%	11.0	-	0.0%
Other operating expenses	57.8	57.1	0.7	1.2%	57.4	(0.3)	-0.5%
Nonoperating expenses	2.0	2.4	(0.4)	-16.7%	2.8	(0.4)	-14.3%
<b>TOTAL EXPENSES</b>	<b>72.3</b>	<b>70.5</b>	<b>1.8</b>	<b>2.6%</b>	<b>71.2</b>	<b>(0.7)</b>	<b>-1.0%</b>
<b>Income before capital contributions</b>	<b>2.8</b>	<b>10.6</b>	<b>(7.8)</b>	<b>-73.6%</b>	<b>4.1</b>	<b>6.5</b>	<b>158.5%</b>
Capital contributions	3.7	5.5	(1.8)	-32.7%	6.2	(0.7)	-11.3%
<b>Changes in net assets</b>	<b>6.5</b>	<b>16.1</b>	<b>(9.6)</b>	<b>-59.6%</b>	<b>10.3</b>	<b>5.8</b>	<b>56.3%</b>
Beginning net assets	397.8	381.7	16.1	4.2%	371.4	10.3	2.8%
<b>Ending net assets</b>	<b>\$ 404.3</b>	<b>\$ 397.8</b>	<b>\$ 6.5</b>	<b>1.6%</b>	<b>\$ 381.7</b>	<b>\$ 16.1</b>	<b>4.2%</b>

The Statements of Revenues, Expenses and Changes in Net Assets identify the various revenue and expense items which impact the change in net assets. As the information in Table 2 indicates, income before capital contributions of \$2.8 million and capital contributions of \$3.7 million were the two items which resulted in an increase of \$6.5 million in net assets by the end of the fiscal year ended June 30, 2011. In the previous fiscal year ended June 30, 2010, income before capital contributions of \$10.6 million and capital contributions of \$5.5 million were the two items which resulted in an increase of \$16.1 million in net assets.

For fiscal year ended June 30, 2011, Table 2 indicates that the District's total revenues decreased by \$6.0 million or 7.4 percent to \$75.1 million from \$81.1 million in the prior year. Operating revenues increased by \$5.8 million or 9.6 percent to \$66.0 million from \$60.2 million due to the dual effects of water demand minimally increasing compared to the prior years coupled with the effects of an annual rate increase. Nonoperating revenues decreased by \$11.8 million or 56.5% which was mainly due to the effects of the comparison to Nonoperating Revenues in 2010 that included a one-time settlement fee from Livermore

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

Amador Valley Waste Management Association (LAVMA). There was also a decrease in investment income (\$1.0 million) due to the continuing weak economy and the resultant lowered interest rates. Total expenses increased by \$1.8 million or 2.6% primarily due to an increase in purchased water cost from the San Francisco Public Utilities Commission plus operating costs of the new desalination facility.

For fiscal year ended June 30, 2010, the District's total revenues increased by \$5.8 million or 7.7 percent to \$81.1 million from \$75.3 million in the prior year. Operating revenues decreased by \$3.8 million, or 5.9 percent, due to lower demands for water which has been influenced by increasing use of voluntary conservation measures plus the effects of a sluggish economy on consumer spending. The decrease in operating revenues was offset by a significant increase of \$9.6 million, or 85.0%, in nonoperating revenues mainly due to a one-time receipt of \$9.4 million from the LAVMA (for more information, see Note 13, page 49). A decrease in investment income (\$1.6 million), and facilities connection charges (\$3.9 million), were offset by increases in fees, rental and other revenues (\$11.0 million). Investment income was lower due to declining interest rates during the fiscal year. There was a decrease in development related fees were due to slow activity in new construction projects. Total expenses decreased by \$0.7 million or 1.0 percent during the fiscal year. This was due to increasing costs in operating expenses including transmission and distribution system maintenance expenses and administration and general expenses offset by a decrease in in the supplemental water supply storage expenses.

### CAPITAL ASSETS

As of June 30, 2011, the District's investment in capital assets totaled \$341.9 million, which is an increase of \$4.1 million or 1.2 percent over the capital asset balance of \$337.8 million at June 30, 2010. The increase in capital assets was primarily the result of the completion of several capital projects during the year. In the previous fiscal year, the District's investment in capital assets increased by \$9.2 million or 2.8 percent over the capital asset balance of \$328.6 million at June 30, 2009. 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)

	2011	2010	2011 vs. 2010		2009	2010 vs. 2009	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.7	\$ 9.7	\$ -	0.0%	\$ 9.7	\$ -	0.0%
Construction in progress	12.3	21.6	(9.3)	-43.1%	26.6	(5.0)	-18.8%
Source of supply	50.1	50.1	-	0.0%	43.9	6.2	14.1%
Pumping plant	20.2	19.6	0.6	3.1%	19.2	0.4	2.1%
Water treatment	151.4	138.1	13.3	9.6%	129.0	9.1	7.1%
Transmission and distribution	244.9	235.5	9.4	4.0%	228.4	7.1	3.1%
General	37.3	35.9	1.4	3.9%	34.7	1.2	3.5%
Supplemental water supply storage	20.8	20.9	(0.1)	-0.5%	20.9	-	0.0%
Subtotal	546.7	531.4	15.3	2.9%	512.4	19.0	3.7%
Less accumulated depreciation/amortization	(204.8)	(193.6)	(11.2)	5.8%	(183.8)	(9.8)	5.3%
Capital assets, net	\$ 341.9	\$ 337.8	\$ 4.1	1.2%	\$ 328.6	\$ 9.2	2.8%

## **CAPITAL ASSETS, Continued**

There were several capital projects completed during the fiscal year 2011, including the Newark Desalination Facility - Phase 2 Expansion, Main Relocations for Kato Road Grade Separation, Niles Boulevard Pipeline, and scheduled computer system and network upgrades. In addition to these completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2011. Those projects included Mowry and Peralta-Tyson (PT) Wellfields - Building Replacements and Well Rehabilitation, Main Relocations for San Francisco Public Utilities Commission Bay Division Pipelines (SFPUC BDPL) #3 and #4, Water Treatment Plant #1 (WTP1) Modifications, Water Treatment Plant #2 (WTP2) Liquid Oxygen (LOX) Conversion and Process Upgrades, Headquarters Facility Building Expansion, Tank and Reservoir Seismic Upgrades, Fishery Studies, and various water main replacements, upgrades and relocations.

Major completed projects contributing to the increase in capital assets during fiscal year 2010 include Alameda Reservoir Water Quality Enhancement Project - Phase 2, Mayhew Reservoir lining replacement, Vineyard Heights tank seismic upgrades, Bunting Pond Fish Screen Project, Aquifer Reclamation Project (ARP) well upgrades, Rubber Dam 2 Decommissioning, ARP to Desal pipeline Phase 2, various SFPUC BDPL #5 related pipeline relocations, and scheduled computer system and network upgrades.

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

Projects scheduled for the upcoming fiscal year 2012 include Mowry and Peralta-Tyson (PT) Wellfield improvements and equipment replacements, upgrades at Water Treatment Plant No. 2 and PT Blending Facilities, tank, reservoir and rubber dam seismic upgrades, Supervisory Control and Data Acquisition (SCADA) system improvements, main and service line replacements, upgrades, and relocations, headquarters facility building modifications, fish screen and fish ladder design and construction projects at various groundwater recharge facilities and rubber dams, J.D. Edwards systems upgrade, projects identified in the District's information systems master plan update, and replacement of the District's customer information and utility billing system.

## **LONG-TERM DEBT**

As of June 30, 2011, the District had \$46.3 million in outstanding debt compared to \$48.3 million on June 30, 2010 and \$52.7 million on June 30, 2009. The decreases in outstanding debt primarily represent principal payments of \$2.0 million and \$2.5 million, respectively in fiscal years ended June 30, 2011 and June 30, 2010. Revenues certificates of participation in the amount of \$25 million were issued in November 2003 to fund costs associated with the construction of a desalination facility and associated pipelines and upgrades to the Mission San Jose Water Treatment Plant. The outstanding debt for the fiscal year ended June 30, 2010 also included a note payable which was issued in 1993 to fund property acquisition costs and was being paid in annual installments. The final payment of \$59 was made in August 2010. In October 2009, the District issued \$26.3 million of 2009 Water System Refunding Revenue Bonds at a lower interest rate to refund the 1998 outstanding refunding bonds.

In April 2009, Standard and Poor's, a nationally recognized independent credit rating agency, upgraded the District's bond rating from AA- to AAA, the highest rating available. The AAA rating and low bond refunding rates enabled the District to refinance its outstanding 1998 refunding revenue bonds in October 2009 and to achieve an overall net present value savings in remaining debt service payments in excess of \$3.98 million. The rating upgrade was in part the result of recognition of the District's diverse and ample water supply and the District's positive financial performance.

Additional information on the District's long-term debt is provided in Note 7 (page 35) 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 9, 2011. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years 2011 and 2012. The District's water rates are reviewed by staff and the Board of Directors on an annual basis. Water rates were last adjusted on March 2011 with the implementation of an increase of 8.0 percent. Rate increases over the past five years have been minimal with the District's rates remaining in the lower one-third of thirty other water agencies surveyed in the Bay Area.

The District is anticipating issuing approximately \$24 million in new revenue bonds in early 2012. The new bond proceeds are planned to be used for capital projects related to seismic reliability, water service and fire flows, water supply and production reliability, water quality, and environmental stewardship.

In addition the District is considering the possibility of issuing \$25 million in refunding bonds to refinance its 2003 Certificates of Participation if market conditions prove to be favorable.

## **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 P.O. Box 5110, Fremont, CA 94537.

## **BASIC FINANCIAL STATEMENTS**

Alameda County Water District  
 Statements of Net Assets  
 Business-Type Activity - Enterprise Fund  
 June 30, 2011 and 2010  
 (In thousands)

	2011	2010
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 96,642	\$ 95,947
Customer and other accounts receivable, net (Note 4)	3,765	5,097
Accrued unbilled revenue	5,713	4,417
Taxes receivable	1,354	1,262
Grants receivable	1,320	1,795
Interest receivable	625	755
Material and supplies	2,479	2,742
Prepaid items	26	-
Total unrestricted assets	111,924	112,015
Restricted cash and investments (Note 3)	5,378	5,388
Total current assets	117,302	117,403
<b>Noncurrent assets:</b>		
Debt issuance costs	634	681
Net other postemployment benefit asset (Note 11)	1,943	2,045
<b>Capital assets: (Note 5)</b>		
Nondepreciable	21,990	31,295
Depreciable, net	319,860	306,484
Total capital assets	341,850	337,779
<b>Total noncurrent assets</b>	344,427	340,505
<b>Total assets</b>	461,729	457,908
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (Note 6)	5,078	5,470
Accrued payroll and related liabilities (Note 6)	2,516	2,941
Contractor and customer deposits	3,025	2,853
Interest payable	154	157
Deferred revenue	91	92
Long-term debt - due within one year (Note 7)	1,961	1,979
<b>Total current liabilities</b>	12,825	13,492
<b>Noncurrent liabilities:</b>		
Accrued payroll and related liabilities (Note 6)	182	236
Long-term debt - due in more than one year (Note 7)	44,376	46,337
<b>Total noncurrent liabilities</b>	44,558	46,573
<b>Total liabilities</b>	57,383	60,065
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	298,301	292,179
Restricted for debt service	2,436	2,515
Unrestricted	103,609	103,149
<b>Total net assets</b>	\$ 404,346	\$ 397,843

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Revenues, Expenses and Changes in Net Assets  
 Business-Type Activity - Enterprise Fund  
 For the years ended June 30, 2011 and 2010  
 (In thousands)

	2011	2010
<b>OPERATING REVENUES:</b>		
Water sales	\$ 62,596	\$ 56,744
Facilities connection charges	1,892	1,768
Fees and rental	610	787
Other	949	950
<b>Total operating revenues</b>	<b>66,047</b>	<b>60,249</b>
<b>OPERATING EXPENSES:</b>		
Sources of supply:		
Water purchases	14,402	14,128
Pumping	3,116	2,592
Other	8,819	7,511
<b>Total sources of supply</b>	<b>26,337</b>	<b>24,231</b>
Water treatment	12,464	11,297
Transmission and distribution	11,343	11,997
Administration of customer accounts	1,507	1,252
Administration and general	6,170	8,335
Depreciation and amortization	12,462	10,942
<b>Total operating expenses</b>	<b>70,283</b>	<b>68,054</b>
<b>Operating loss</b>	<b>(4,236)</b>	<b>(7,805)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	1,416	2,448
Property taxes	7,256	7,479
LAVWMA settlement (Note 13)	-	9,464
Other settlements	450	1,470
Loss on disposal of capital assets	(69)	(75)
Interest expenses	(1,991)	(2,298)
<b>Total nonoperating revenues (expenses)</b>	<b>7,062</b>	<b>18,488</b>
Income before capital contributions	2,826	10,683
Capital contributions	3,677	5,491
Increase in net assets	6,503	16,174
<b>NET ASSETS:</b>		
Beginning of year	397,843	381,669
End of year	<b>\$ 404,346</b>	<b>\$ 397,843</b>

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, 2011 and 2010  
 (In thousands)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 65,981	\$ 61,104
Cash receipts from polybutylene settlement	274	258
Cash receipts from others	450	10,934
Cash payments to suppliers for goods and services	(25,309)	(26,479)
Cash payments to employees for services	(32,945)	(30,394)
<b>Net cash provided by operating activities</b>	<b>8,451</b>	<b>15,423</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	7,164	6,217
<b>Net cash provided by noncapital financing activities</b>	<b>7,164</b>	<b>6,217</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisitions of capital assets	(13,532)	(18,294)
Capital grants received restricted for capital purposes	673	2,254
Proceeds from sale of assets	309	191
Refunding revenue bonds proceeds	-	3,010
Bond issuance costs paid	-	(237)
Payment to refunded bond escrow agent	-	(5,371)
Principal paid on debt	(2,049)	(2,465)
Interest paid on debt	(1,877)	(1,661)
<b>Net cash used in capital and related financing activities</b>	<b>(16,476)</b>	<b>(22,573)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	25,819	43,385
Purchases of investments	(27,597)	(49,022)
Investment income received	2,319	2,669
<b>Net cash provided by (used in) investing activities</b>	<b>541</b>	<b>(2,968)</b>
<b>Net change in cash and cash equivalents</b>	<b>(320)</b>	<b>(3,901)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	17,353	21,254
End of year	<b>\$ 17,033</b>	<b>\$ 17,353</b>

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, 2011 and 2010  
 (In thousands)

	2011	2010
<b>RECONCILIATION TO STATEMENTS OF NET ASSETS:</b>		
Cash and investments	\$ 96,642	\$ 95,947
Restricted cash and investments	5,378	5,388
Less investments not meeting the definition of cash equivalents	(84,987)	(83,982)
<b>Total cash, restricted cash and investments</b>	<b>\$ 17,033</b>	<b>\$ 17,353</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (4,236)	\$ (7,805)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	12,462	10,942
Other nonoperating revenues	450	10,934
Changes in operating assets and liabilities		
Customer and other accounts receivable	1,058	(27)
Accrued unbilled receivable	(1,296)	(69)
Materials and supplies	263	61
Prepaid items	(26)	92
Polybutylene settlement receivable	274	258
Net other postemployment benefit asset	102	363
Accounts payable and accrued expenses	(293)	(589)
Accrued payroll and related liabilities	(479)	312
Contractor and customer deposits	172	951
Net cash provided by operating activities	<b>\$ 8,451</b>	<b>\$ 15,423</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Amortization of premiums and loss on debt refunding	\$ 69	\$ 44
Payment to refunded bond escrow from bond proceeds	-	27,591
Defeasance of refunded revenue bonds from bond escrow	-	(29,594)
Capital contributions	3,478	2,369
Changes in capital assets and liabilities:		
Grants receivable	475	(675)
Retention payable	(99)	(261)
Deferred revenue	(1)	(193)
<b>NONCASH INVESTING ACTIVITIES:</b>		
Change in fair value of investments	773	49

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Plan Net Assets  
 Fiduciary Fund - Other Post Employment Benefit Trust Fund  
 June 30, 2011 and 2010  
 (In thousands)

	2011	2010
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 5,639	\$ 4,546
Interest receivable	1	71
Other assets	-	4
<b>Total assets</b>	<u>5,640</u>	<u>4,621</u>
<b>NET ASSETS</b>		
Held in trust for other post employment benefits	<u>\$ 5,640</u>	<u>\$ 4,621</u>

See accompanying notes to basic financial statements.

Alameda County Water District  
 Statements of Changes in Plan Net Assets  
 Fiduciary Fund - Other Post Employment Benefit Trust Fund  
 For the years ended June 30, 2011 and 2010  
 (In thousands)

	2011	2010
<b>ADDITIONS:</b>		
Investment income	\$ 33	\$ 116
Employer contributions	2,658	2,406
<b>Total additions</b>	<b>2,691</b>	<b>2,522</b>
<b>DEDUCTIONS:</b>		
Benefit payments	1,672	1,397
Increase in net assets	1,019	1,125
<b>NET ASSETS HELD IN TRUST</b>		
<b>FOR OTHER POST EMPLOYMENT BENEFITS:</b>		
Beginning of year	4,621	3,496
End of year	<b>\$ 5,640</b>	<b>\$ 4,621</b>

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, 2011 and 2010**  
**(Dollars in thousands)**

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**1. DESCRIPTION OF THE REPORTING ENTITY**

*A. Description of Operations*

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

*B. Reporting Entity*

The financial reporting entity consists of the Alameda County Water District (the primary government) and its component unit, which is 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 unit, 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 entity is reported as a blended component unit:

- The Alameda County Water District Public Facilities Financing Corporation (the Corporation) was established in 1992 to issue debt for the benefit of the District.

Additional financial data for the Alameda County Water District Public Facilities Financing Corporation may be obtained from the Alameda County Water District office at 43885 South Grimmer Boulevard, Fremont, California, 94537.

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. The OPEB Trust is administered by the OPEB Trust Committee. The Committee is composed of the General Manager, Manager of Finance, Manager of Administrative Services, Financial Services Manager and Supervising Human Resources Analyst and has plenary authority to administer the OPEB Trust.

**Alameda County Water District**  
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**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, liabilities, net assets, 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. The District has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing GASB Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

**Other Post Employment Benefit Trust Fund** accounts for the accumulated resources to be used for other post employment benefit (OPEB) payments.

**Alameda County Water District**  
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**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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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 primarily of U.S. government securities designated for specific projects and required to be segregated pursuant to debt covenants, and restricted cash, which consists primarily of money market accounts, 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**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. Capital Assets**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits and overhead. The District was not required to capitalize interest during fiscal years 2011 and 2010. 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 assets. 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	20-50 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, discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues and are shown as an asset on the Statement of Net Assets. Losses occurring from advance refunding of debt are deferred and 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 assets available, it is the District's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
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**(Dollars in thousands)**

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

**I. Property Tax Revenue**

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

**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 assets.

**K. Net Assets**

In the Statements of Net Assets, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - 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 net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
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**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. Reclassification*

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

*N. Implementation of New GASB Pronouncements*

In 2010, the District adopted the following new accounting pronouncement:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* - This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Upon adoption of GASB 51, the District identified supplemental water supply storage as intangible assets and accordingly reclassified these assets as capital assets.

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

- In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Application of this Statement is effective for the District's fiscal year ending June 30, 2013.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*N. Implementation of New GASB Pronouncements (Continued)*

- In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB Statement No. 61 is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. Application of this Statement is effective for the District's fiscal year ending June 30, 2013.
- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate 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. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The requirements of this Statement are effective for the District's fiscal year ending June 30, 2013.
- In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends 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. The requirements of this Statement are effective for the District's fiscal year ending June 30, 2013.

**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 cash with fiscal agents. 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 postemployment benefits and related expenses.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
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**(Dollars in thousands)**

**3. CASH AND INVESTMENTS, Continued**

*A. Summary of Cash and Investments*

	June 30, 2011			June 30, 2010		
	Enterprise Fund	Trust Fund	Total	Enterprise Fund	Trust Fund	Total
Cash and bank deposits	\$ 15,160	\$ 5,639	\$ 20,799	\$ 12,588	\$ 1,178	\$ 13,766
Investments	81,482	-	81,482	83,359	3,368	86,727
Unrestricted cash and investments	96,642	5,639	102,281	95,947	4,546	100,493
Restricted cash and bank deposits	222	-	222	146	-	146
Restricted investments	5,156	-	5,156	5,242	-	5,242
Restricted cash and investments	5,378	-	5,378	5,388	-	5,388
Total	\$ 102,020	\$ 5,639	\$ 107,659	\$ 101,335	\$ 4,546	\$ 105,881

*B. Authorized Investments*

The District's investment policy is adopted annually by the District's Board in accordance with California Government Code Section 53601, and has as its objectives the following (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 is required in the portfolio's composition.
- **Liquidity:** The portfolio shall remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.
- **Yield:** The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

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

- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- 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.

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

*B. Authorized Investments, Continued*

- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations.
- Medium-term notes issued by corporations organized and operating in the United States.
- United States Treasury notes, bonds, bills or other obligations for which full faith and credit of the United States are pledged for payment.
- The California Asset Management Program (CAMP).

A three-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the District Board.

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.

Pursuant to the OPEB Trust document, the OPEB Trust Committee or its appointed investment manager(s) will direct the OPEB Trustee on its investments. At the direction of the OPEB Trust Committee or its appointed investment manager(s), the Trustee may 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.

*C. Deposits*

The carrying amount of the District's demand deposits were a positive balance of \$575 and a positive balance of \$703 and the bank balances were \$900 and \$920 at June 30, 2011 and 2010, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The District's bank balances 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, 2011.

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.

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

*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.

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, 2011 and 2010 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, 2011 and 2010, the District had \$16,225 and \$15,250, respectively, invested in LAIF, which had invested 5.01% and 5.42% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The District valued its investments in LAIF as of June 30, 2011 and 2010, 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 1.001576470 and 1.001643776 as of June 30, 2011 and 2010, respectively.

As of June 30, 2011 and 2010, the District's investment in the CAMP pool was \$10 and \$1,254, respectively. The total amount invested by all public agencies in CAMP at that date was \$1,993,248 and \$2,468,346, 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, Continued**  
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**3. CASH AND INVESTMENTS, Continued**

*E. Investment Risks*

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy provides that final maturities of securities cannot exceed three 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 and LAIF, are held by a third-party custodian Bank of the West Treasury Operations.

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

*F. Summary of Cash and Investments*

As of June 30, 2011, the District had the following investments and maturities:

Investment Type	Credit Ratings	Fair Value	Maturities (in years)		
			1 year or less	1-2 years	2-3 years
Enterprise Fund:					
Unrestricted cash and investments:					
U.S. Government Agencies securities:					
Federal Farm Credit Bank	Aaa/AAA	\$ 13,712	\$ -	\$ 9,701	\$ 4,011
Federal Home Loan Bank	Aaa/AAA	22,046	4,054	11,717	6,275
Medium-term notes:					
Arden Realty Limited Partnership	Aa2/AA+	2,014	2,014	-	-
Berkshire Hathaway Finance Corp.	Aa2/AA-	8,071	1,156	4,107	2,808
General Electric Capital Corp.	Aa2/AA+	10,358	3,084	7,274	-
MassMutual Global Funding	Aa2/AA	1,028	-	1,028	-
Pfizer Inc.	A1/AA	4,114	4,114	-	-
Wells Fargo & Co.	A1/AA-	3,904	-	3,904	-
Local Agency Investment Funds	Unrated/Unrated	16,225	16,225	-	-
California Asset Management Program	Unrated/AAAm	10	10	-	-
Total unrestricted investments		81,482	30,657	37,731	13,094
Non-negotiable certificates of deposit with:					
Bank of the West	n/a	2,085	1,085	1,000	-
JP Morgan Chase	n/a	3,000	-	3,000	-
Fremont Bank	n/a	7,500	7,500	-	-
U.S. Bank	n/a	2,000	2,000	-	-
Demand deposits	n/a	575	575	-	-
Total unrestricted deposits with banks		15,160	11,160	4,000	-
Total unrestricted cash and investments		\$ 96,642	\$ 41,817	\$ 41,731	\$ 13,094
Restricted investments:					
First American Treasury Obligation Fund	Aaa/AAAm	\$ 222	\$ 222	\$ -	\$ -
Federal Home Loan Bank	Aaa/AAA	5,156	2,633	2,523	-
Total restricted investments		\$ 5,378	\$ 2,855	\$ 2,523	\$ -
OPEB Trust Fund:					
Cash and investments:					
Non-negotiable certificates of deposit with:					
Bank of America	n/a	\$ 4,600	\$ 4,600	\$ -	\$ -
Demand deposits	n/a	1,039	1,039	-	-
Total cash and investments		\$ 5,639	\$ 5,639	\$ -	\$ -

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

**F. Summary of Cash and Investments, Continued**

As of June 30, 2010, 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:					
U.S. Government Agencies securities:					
Federal Farm Credit Bank	Aaa/AAA	\$ 13,455	\$ 5,160	\$ -	\$ 8,295
Federal Home Loan Bank	Aaa/AAA	23,797	8,858	4,218	10,721
Medium-term notes:					
Arden Realty Limited Partnership	Aa2/AA+	2,063	-	2,063	-
Berkshire Hathaway Finance Corp.	Aa2/AA-	2,658	-	1,183	1,475
General Electric Capital Corp.	Aa2/AA+	10,435	4,128	3,174	3,133
JPMorgan Chase & Co.	Aa3/A+	1,013	1,013	-	-
MassMutual Global Funding	Aa2/AA	1,044	-	-	1,044
Pfizer Inc.	A1/AA	4,220	-	4,220	-
Wells Fargo & Co.	Aa2/AA-	8,170	4,210	-	3,960
Local Agency Investment Funds	Unrated/Unrated	15,250	15,250	-	-
California Asset Management Program	Unrated/AAAm	1,254	1,254	-	-
Total unrestricted investments		<u>83,359</u>	<u>39,873</u>	<u>14,858</u>	<u>28,628</u>
Non-negotiable certificates of deposit with:					
Fremont Bank	n/a	9,885	2,385	7,500	-
U.S. Bank	n/a	2,000	-	2,000	-
Demand deposits	n/a	703	703	-	-
Total unrestricted deposits with banks		<u>12,588</u>	<u>3,088</u>	<u>9,500</u>	<u>-</u>
Total unrestricted cash and investments		<u>\$ 95,947</u>	<u>\$ 42,961</u>	<u>\$ 24,358</u>	<u>\$ 28,628</u>
Restricted investments:					
Government securities money market funds	Aaa/AAAm	\$ 146	\$ 146	\$ -	\$ -
Federal Home Loan Bank	Aaa/AAA	5,242	-	2,716	2,526
Total restricted investments		<u>\$ 5,388</u>	<u>\$ 146</u>	<u>\$ 2,716</u>	<u>\$ 2,526</u>
OPEB Trust Fund:					
Cash and investments:					
Medium-term notes:					
General Electric Capital Corp.	Aa2/AA+	\$ 3,368	\$ 3,368	\$ -	\$ -
Non-negotiable certificates of deposit with:					
Bank of the West	n/a	1,170	1,170	-	-
Demand deposits	n/a	8	8	-	-
Total cash and investments		<u>\$ 4,546</u>	<u>\$ 4,546</u>	<u>\$ -</u>	<u>\$ -</u>

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

Customer and other accounts receivable were as follows:

	<u>2011</u>	<u>2010</u>
Utility service	\$ 3,090	\$ 3,371
Groundwater replenishment	49	52
Current portion of polybutylene settlement	-	274
Other	641	1,417
Allowance for doubtful accounts	<u>(15)</u>	<u>(17)</u>
Total customer and other accounts receivable, net	<u>\$ 3,765</u>	<u>\$ 5,097</u>

Other accounts receivable balance of \$641 and \$1,417 for June 30, 2011 and 2010, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**5. CAPITAL ASSETS**

**A. Summary of Capital Asset Activity**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Capital assets, not being depreciated/amortized:					
Land	\$ 9,725	\$ -	\$ -	\$ -	\$ 9,725
Construction in progress	21,570	14,364	(69)	(23,600)	12,265
Capital assets, not being depreciated/amortized	31,295	14,364	(69)	(23,600)	21,990
Capital assets, being depreciated/amortized					
Source of supply	50,116	-	-	9	50,125
Pumping plant	19,647	16	-	528	20,191
Water treatment	138,112	51	-	13,282	151,445
Transmission and distribution	235,460	1,163	(656)	8,897	244,864
General	35,909	1,317	(876)	884	37,234
Supplemental water supply storage	20,859	-	-	-	20,859
Capital assets, being depreciated/amortized	500,103	2,547	(1,532)	23,600	524,718
Less accumulated depreciation/amortization					
Source of supply	(33,082)	(1,446)	-	-	(34,528)
Pumping plant	(12,282)	(741)	-	-	(13,023)
Water treatment	(34,350)	(2,743)	-	-	(37,093)
Transmission and distribution	(93,792)	(4,519)	411	-	(97,900)
General	(15,751)	(2,379)	812	-	(17,318)
Supplemental water supply storage	(4,361)	(634)	-	-	(4,995)
Less accumulated depreciation/amortization	(193,619)	(12,462)	1,223	-	(204,858)
Capital assets, being depreciated/amortized, net	306,484	(9,915)	(309)	23,600	319,860
Total capital assets, net	\$ 337,779	\$ 4,449	\$ (378)	\$ -	\$ 341,850

The District had various active construction projects during the fiscal year 2011 including the following:

Fishery Studies	\$ 1,516
Headquarter Facility Expansion	2,374
WTP2 Liquid Oxygen Conversion, Process, Upgrades & Construction	1,144
Development of Main Replacement Criteria	804
Peralta-Tyson (PT) Blending Chemical Feed Upgrade	340
Rubber Dam 1 Fish Passage, Ladder & Bypass Pipe	728
WTP1 2011 Modifications - Design	1,215
Design-Appian Tank Seismic Upgrade	444
Customer Information System	1,143
Main Relocation for SFPUC Bay	348
Construction - PT2 & 7 Well Building Replacement	431
Various other active projects (individually less than \$280,000)	1,259
Customer installation jobs	519
Total	<u>\$ 12,265</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**5. CAPITAL ASSETS, Continued**

*A. Summary of Capital Asset Activity, Continued*

At June 30, 2011, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$6,272.

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Capital assets, not being depreciated/amortized:					
Land	\$ 9,701	\$ 24	\$ -	\$ -	\$ 9,725
Construction in progress	26,553	17,936	-	(22,919)	21,570
Capital assets, not being depreciated/amortized	<u>36,254</u>	<u>17,960</u>	<u>-</u>	<u>(22,919)</u>	<u>31,295</u>
Capital assets, being depreciated/amortized:					
Source of supply	43,852	11	-	6,253	50,116
Pumping plant	19,255	134	-	258	19,647
Water treatment	129,056	29	-	9,027	138,112
Transmission and distribution	228,418	1,047	(738)	6,733	235,460
General	34,660	1,222	(621)	648	35,909
Supplemental water supply storage	20,859	-	-	-	20,859
Capital assets, being depreciated/amortized	<u>476,100</u>	<u>2,443</u>	<u>(1,359)</u>	<u>22,919</u>	<u>500,103</u>
Less accumulated depreciation/amortization					
Source of supply	(31,597)	(1,485)	-	-	(33,082)
Pumping plant	(11,560)	(722)	-	-	(12,282)
Water treatment	(32,563)	(1,787)	-	-	(34,350)
Transmission and distribution	(89,269)	(5,009)	485	-	(93,793)
General	(15,106)	(1,252)	607	-	(15,751)
Supplemental water supply storage	(3,674)	(687)	-	-	(4,361)
Less accumulated depreciation/amortization	<u>(183,769)</u>	<u>(10,942)</u>	<u>1,092</u>	<u>-</u>	<u>(193,619)</u>
Capital assets, being depreciated/amortized, net	<u>292,331</u>	<u>(8,499)</u>	<u>(267)</u>	<u>22,919</u>	<u>306,484</u>
Total capital assets, net	<u>\$ 328,585</u>	<u>\$ 9,461</u>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$ 337,779</u>

Depreciation and amortization expense for capital assets for the year ended June 30, 2011 and 2010 were \$12,462 and \$10,942, respectively.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(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. As of June 30, 2011, Semitropic's total capital component cost was \$204.7 million adjusted annually by the Construction Costs Index. Under the two agreements, the District's combined share of the total Capital Component Cost is a 15% vesting in the program. 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 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$634 and \$687 for the years ended June 30, 2011 and June 30, 2010, respectively.

The District had a storage allocation of 150,000 acre-feet and had approximately 79,344 and 110,087 acre feet of water at June 30, 2011 and 2010, respectively.

**6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL**

Accounts payable and accrued expenses were as follows:

	2011	2010
Vendors	\$ 3,772	\$ 4,027
Retention payable	23	122
Installer's reimbursement	1,225	1,187
Other	58	134
Total	<u>\$ 5,078</u>	<u>\$ 5,470</u>

The District assesses and collects acreage and footage fees from developers which are included in accounts payable and accrued expenses as installers' reimbursement. 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, 2011 and 2010, were \$1,225 and \$1,187, 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, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL (Continued)**

Accrued payroll and related liabilities were as follows:

	<u>2011</u>	<u>2010</u>
Accrued payroll	\$ 563	\$ 1,126
Accrued vacation	1,847	1,617
Accrued leave and other	<u>288</u>	<u>434</u>
Total	2,698	3,177
Less current portion	<u>(2,516)</u>	<u>(2,941)</u>
Long-term portion	<u>\$ 182</u>	<u>\$ 236</u>

Accrued vacation activity is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,618	\$ 1,441
Additions	1,639	1,489
Reduction	<u>(1,410)</u>	<u>(1,313)</u>
Balance, end of year	<u>\$ 1,847</u>	<u>\$ 1,617</u>

Current portion of accrued vacation, leave and other is approximated by averaging the compensation balances paid out over the past 3 fiscal years.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**7. LONG-TERM DEBT**

Long-term debt activities for the year ended June 30, 2011 were as follows:

Description	Beginning	Additions	Reductions	Ending	Current	Noncurrent
	Balance			Balance		
	July 1, 2010			June 30, 2011		
2003 Certificates of Participation	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
Unamortized premium	174	-	(9)	165	10	155
2009 Water System Refunding						
Revenue Bonds	23,875	-	(1,990)	21,885	2,030	19,855
Unamortized premium	1,182	-	(118)	1,064	118	946
Unamortized deferred loss on refunding	(1,974)	-	197	(1,777)	(197)	(1,580)
Note payable	59	-	(59)	-	-	-
<b>Total</b>	<b>\$ 48,316</b>	<b>\$ -</b>	<b>\$ (1,979)</b>	<b>\$ 46,337</b>	<b>\$ 1,961</b>	<b>\$ 44,376</b>

Long-term debt activities for the year ended June 30, 2010 were as follows:

Description	Beginning	Additions	Reductions	Ending	Current	Noncurrent
	Balance			Balance		
	July 1, 2009			June 30, 2010		
1998 Water System Refunding						
Revenue Bonds	\$ 29,340	\$ -	\$ (29,340)	\$ -	\$ -	\$ -
Unamortized discount and						
deferred loss on refunding	(1,842)	-	1,842	-	-	-
2003 Certificates of Participation	25,000	-	-	25,000	-	25,000
Unamortized premium	184	-	(10)	174	9	165
2009 Water System Refunding						
Revenue Bonds	-	26,340	(2,465)	23,875	1,990	21,885
Unamortized premium	-	1,251	(69)	1,182	118	1,064
Unamortized deferred loss on refunding	-	(2,096)	122	(1,974)	(197)	(1,777)
Note payable	59	-	-	59	59	-
<b>Total</b>	<b>\$ 52,741</b>	<b>\$ 25,495</b>	<b>\$ (29,920)</b>	<b>\$ 48,316</b>	<b>\$ 1,979</b>	<b>\$ 46,337</b>

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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

**1998 Water System Refunding Revenue Bonds and 2009 Water System Revenue Bonds**

On December 1, 1998, the District issued \$46,650 of refunding revenue bonds (the 1998 Revenue Bonds) to refund the 1992 and 1995 Water System Project Certificates of Participation (the Certificates). The installment Bonds have interest rates ranging from 3.5% to 4.75% and are payable in installments ranging from \$1,635 to \$3,400 through June 1, 2020. The 1998 Revenue Bonds are payable solely from and secured by the revenues received from the operation of the District's water system.

On September 30, 2009, the District refinanced its 1998 Revenue Bonds with a remaining debt service of \$29,340 carrying interest rates ranging from 4.3% to 4.75%. The 2009 Water System Refunding Revenue Bonds were issued in the amount of \$26,340 with interest rates ranging from 2.0% to 5% payable in annual installments through June 1, 2020. The Bonds were sold for the total price of \$27,486; equal to \$26,340 par amount, plus \$1,251 in original issue premium paid by investors less \$105 underwriter's discount. The 1998 Revenue Bonds were redeemed on November 13, 2009.

The 2009 Water System 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 at least sufficient to yield in each fiscal year net revenues equal to 125 percent of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement. Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. The total principal and interest remaining to be paid from the bonds is \$25,390. Principal and interest paid for the current year and total water net revenues were \$2,664 and \$62,596, respectively.

The refunding of the 1998 Revenue Bonds resulted in an accounting deferred loss of \$579 combined with the unamortized refunding costs from the 1998 refunding of \$1,517 to be amortized annually through June 1, 2020. The 2009 refunding of the 1998 revenue bonds will result in annual savings of interest payments over the remaining life of the bonds ranging from \$437 to \$699 and a net present value savings to the District in debt service of \$3,984.

The debt service requirements for the 2009 Revenue bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,030	\$ 634	\$ 2,664
2013	2,075	594	2,669
2014	2,335	531	2,866
2015	2,395	473	2,868
2016	2,455	408	2,863
2017-2020	10,595	865	11,460
Total	<u>\$ 21,885</u>	<u>\$ 3,505</u>	<u>\$ 25,390</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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

**2003 Certificates of Participation**

In November 2003, the District issued \$25,000 of Revenues Certificates of Participation (2003 COP Bonds). The District had 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). The District has used the net proceeds and reimbursed itself for these and related capital cost. The Certificates have interest rates ranging from 4.6% to 5.25% and they are payable in installments ranging from \$2,615 to \$3,695 starting from 2021 through 2028. The 2003 COP Bonds are payable solely from and secured by the revenues received from the operation of the District's water system. Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$41,473. Principal and interest paid for the current year and total net water revenues were \$1,203 and \$62,596, respectively.

The debt service requirements for the bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 1,203	\$ 1,203
2013	-	1,203	1,203
2014	-	1,203	1,203
2015	-	1,203	1,203
2016	-	1,203	1,203
2017 - 2021	2,615	6,015	8,630
2022 - 2026	15,175	3,925	19,100
2027 - 2028	7,210	518	7,728
Total	<u>\$ 25,000</u>	<u>\$ 16,473</u>	<u>\$ 41,473</u>

**Arbitrage**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The District has evaluated each debt issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2011 and 2010.

**Note Payable**

In 1993, the District entered into a financial agreement to purchase certain properties. The District issued a note payable in the amount of \$1,000 which matured in August 2010, which bears no interest and the last installment in the amount of \$59 was paid in August 2010.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Special District Risk Management Authority Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, 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, 2011 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, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**9. COMMITMENTS**

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 2011 and 2010 were approximately 28,910 and 18,000 acre-feet, respectively. The maximum entitlement will be 42,000 acre-feet during fiscal year 2011 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 2011 and 2010 were approximately \$5,760 and \$5,042, 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 of higher-than-anticipated operating costs, and is projected by the State to be \$154,748 as of June 30, 2011 which was based on June 30, 2011 amount provided by the State.

Year Ending June 30,	State Water Purchase Commitment (in thousands)
2012	\$ 7,434
2013	7,443
2014	6,803
2015	6,431
2016	6,396
2017 - 2021	31,471
2022 - 2026	31,504
2027 - 2031	30,606
2032 - 2036	26,660
Total Water Purchase	<u>\$ 154,748</u>

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 2011 and 2010 were approximately \$7,710 and \$9,086, 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 2011, the estimated cost of the minimum purchase commitment was approximately \$7,647. In fiscal year 2012, the District expects to purchase 9,038 acre-feet of water for a total price of approximately \$10,781.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**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. 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 1.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as additional contribution. Effective July 1, 2009 the additional contribution percentage increased by 1% for a total District EPMC pickup of 2.5%. For fiscal year 2011 and 2010, the District's EPMC was \$258 and \$243, respectively.

**B. *Funding Policy***

Active plan members are required by state statute to contribute 8% of their annual covered salary. The District was required to contribute for fiscal years 2011 and 2010 at an actuarially determined rate of 20.161% and 19.932% of annual covered payroll for the District's employees, which amounted to \$4,327 and \$3,751 for the years ended June 30, 2011 and 2010.

**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 will be implemented in the June 30, 2009 valuation. CalPERS will implement 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.

**D. *Annual Pension Cost***

For fiscal year 2011 and 2010, the District's annual pension cost of \$4,327 and \$3,751 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2008 and June 30, 2007 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.25% to 14.45% and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. 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.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**10. PENSION PLANS, Continued**

*D. Annual Pension Cost, Continued*

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
2009	\$ 3,481	100%	\$ -
2010	3,751	100%	-
2011	4,327	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, 2009 actuarial valuation, the change in assumptions resulted in an increase in the unfunded actuarial accrued liabilities \$8.1 million for the District to be amortized over a closed 20-year period.

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. The following changes were adopted:

- 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).

As of the June 30, 2009 actuarial valuation, the change in "special" investment assumptions resulted in an increase in the unfunded actuarial accrued liabilities \$4.4 million for the District that will be amortized over fixed and declining 30 year periods.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**10. PENSION PLANS, Continued**

*E. Funding Status as of the Most Recent Actuarial Date (Continued)*

The other significant actuarial assumptions used to prepare the District's June 30, 2009 actuarial valuation include the following:

Valuation date:	June 30, 2009
ARCs:	2011/2012
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Level percent of payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method:	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	7.75% (net of administrative expenses)
Projected Salary Increases:	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation:	3.00%
Payroll Growth:	3.25%
Individual Salary Growth:	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%.

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 Normal Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)/ Excess Assets	Funded Ratio	Annual Covered Payroll	(UAAL)/ Excess Assets as Percentage of Covered Payroll
6/30/2009	\$ 153,918	\$ 117,007	\$ (36,911)	76.0%	\$ 18,646	198.0%

Actuarial valuations for June 30, 2011 and 2010 are not available.

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.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**10. PENSION PLANS, Continued**

*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 \$59 and \$57 in fiscal years 2011 and 2010, respectively, as required under the District's Management, Confidential and Professional (MCP) employee compensation schedule. Effective January 1, 2004, the District's matching calendar year contribution to the 401(a) plan was discontinued in accordance with the Memorandum of Understanding (MOU) for United Public Employees Local 1021, AFL-CIO employees.

**11. OTHER POST EMPLOYMENT BENEFITS**

*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. 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.

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.

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.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

*A. Plan Description, Continued*

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

For employees hired on or after January 1, 2009, the District’s contribution for each retired employee and all eligible dependents and 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

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.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

*A. Plan Description, Continued*

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.

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 Account to fund its OPEB obligations. Contributions to the trust are irrevocable and are used for the sole purpose of funding the District's OPEB liability. The trust is tax-exempt to the maximum extent allowed under Internal Revenue Service code section 115.

*B. Funding Policy*

The OPEB Trust is funded through District contributions and any gains/losses as a result of investments. The District is required to disclose the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level percentage of payroll over a period not to exceed 30 years. Contributions to the OPEB Trust are determined by the OPEB Trust Committee. A total of 163 retirees participated in the plan as of June 30, 2011.

The District's funding policy is to fund the ARC. As of the June 30, 2009 and June 30, 2007 actuarial valuations, the District's fiscal years 2011 and 2010 ARC rate is 13.9% and 15.6% of covered payroll.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**11. OTHER POST EMPLOYMENT BENEFITS, 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, 2009 and June 30, 2007 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:

	2011	2010
Normal Cost	\$ 1,005	\$ 880
UAAL Amortization	1,633	1,796
Annual Required Contribution	2,638	2,676
Interest on Net OPEB Asset	(56)	(66)
Adjustments to Net OPEB Asset	178	159
Annual OPEB Cost (AOC)	2,760	2,769
Contributions made	(2,658)	(2,406)
Change in Net OPEB Asset	102	363
Net OPEB Asset, beginning of year	(2,045)	(2,408)
Net OPEB Asset, end of year	\$ (1,943)	\$ (2,045)

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
6/30/2009	\$ 2,592	\$ 5,000	193%	\$ 2,408
6/30/2010	2,769	2,406	87%	2,045
6/30/2011	2,760	2,658	96%	1,943

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

*D. Funded Status and Funding Progress*

As of June 30, 2009, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$ 32,915
Actuarial value of plan assets	<u>3,496</u>
Unfunded actuarial accrued liability	<u>\$ 29,419</u>
Funded ratio (actuarial value of plan assets/AAL)	10.6%
Annual covered payroll (active plan members)	\$ 19,001
UAAL as a percentage of annual covered payroll	154.8%

*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, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

*E. Actuarial Methods and Assumptions, Continued*

Significant actuarial assumptions are as follows:

Valuation date:	June 30, 2007	June 30, 2009
ARCs:	2008/2009 and 2009/2010	2010/2011 and 2011/2012
Discount rate:	Select and 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%.	Same
Healthcare trend:	Rates of 9.7% to 10.9% trending to 4.5% in year 2017+	Rates of 8.4% to 9.3% trending to 4.5% in year 2017+
Cost method:	Entry Age Normal	Same
Amortization method:	Level percentage of payroll	Same
Funding policy:	District contributes full ARC to Trust	Same
Actuarial value of assets:	N/A	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:	Amortized over fixed 30-year period beginning 2008/2009	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.

**12. 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.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2011 and 2010**  
**(Dollars in thousands)**

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**13. LIVERMORE AMADOR VALLEY WATER MANAGEMENT AGENCY**

The Livermore Amador Valley Water Management Authority (LAVWMA) is a joint powers agency consisting of the Dublin San Ramon Services District (DSRSD) and the cities of Livermore and Pleasanton. LAVWMA owns and operates a pipeline system to export secondary treated effluent from the City of Livermore and DSRSD's wastewater treatment plants to the East Bay Discharger Association collector with ultimate discharge to San Francisco Bay. In wet weather, rain water enters the LAVWMA collection system and storage is used if necessary to prevent any system overflows to Alamo Canal, a tributary to Alameda Creek. To support the growth in the Tri-Valley, LAVWMA has proposed a pipeline expansion and rehabilitation project of their existing export pipeline of secondary treated effluent. With the intent to preserve the integrity of the District's groundwater basins, on December 10, 1998 the Board approved a memorandum of understanding (MOU) between Livermore Amador Valley Water Management Agency and Alameda County Water District. The MOU agreement was made to ensure that ACWD customers are "made whole" with respect to the direct and indirect impacts of the LAVWMA project.

In November 2009 the District received \$9.4 million from LAVWMA to terminate the 1998 MOU agreement.

**14. SUBSEQUENT EVENT**

In August 2011, Standard & Poor's lowered its long-term credit rating from AAA to AA+ on debt of the U.S. government, U.S. government-sponsored enterprises, and public debt issues that have credit enhancement guarantees by U.S. government sponsored enterprises. These credit downgrades relate to the credit risk associated with the District's investments in U.S. agency securities. At June 30, 2011, the District owned \$40,914 in U.S. agency securities.

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

**Alameda County Water District**  
**Required Supplemental Information (Unaudited)**  
**Schedules of Funding Progress**  
**For the years ended June 30, 2011 and 2010**  
**(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.

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	(Unfunded)	Funded Ratio	Annual Covered Payroll	(UAAL)/
			Liability - (UAAL)/ Excess Assets			Excess Assets As Percentage of Covered Payroll
6/30/2007	\$ 126,703	\$ 104,873	\$ (21,830)	82.8%	\$ 15,949	-136.9%
6/30/2008	136,495	112,276	(24,219)	82.3%	17,106	-141.6%
6/30/2009	153,919	117,007	(36,912)	76.0%	18,646	-198.0%

Actuarial valuations as of June 30, 2011 and 2010 are not available

**2. OTHER POST EMPLOYMENT BENEFITS**

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. Contributions to the OPEB Trust are irrevocable and are used for the sole purpose of funding the District's OPEB liability.

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded)	Funded Ratio	Annual Covered Payroll	(UAAL)/
			Liability - (UAAL)/ Excess Assets			Excess Assets As Percentage of 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%

Actuarial valuations as of June 30, 2011 and 2010 are not available

Closed group actuarial cost method

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# STATISTICAL SECTION

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# STATISTICAL SECTION

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

<b>Index</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	54
<b>Revenue Capacity</b> 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.	56
<b>Debt Capacity</b> 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.	61
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	63
<b>Operating Information</b> 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.	65

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

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>OPERATING REVENUES:</b>										
Water Sales	\$ 42,097	\$ 42,833	\$ 48,350	\$ 47,469	\$ 53,355	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596
Facilities Connection Charges	3,177	1,982	1,849	3,864	3,589	3,276	3,874	5,703	1,768	1,892
Other Revenue	1,396	1,516	3,301	3,691	1,963	4,021	2,090	1,576	1,737	1,559
<b>TOTAL OPERATING REVENUES</b>	<b>46,670</b>	<b>46,331</b>	<b>53,500</b>	<b>55,024</b>	<b>58,907</b>	<b>64,582</b>	<b>64,051</b>	<b>64,057</b>	<b>60,249</b>	<b>66,047</b>
<b>OPERATING EXPENSES:</b>										
Source of Supply										
Water Purchases	9,003	9,435	9,532	9,529	9,616	12,985	14,211	14,129	14,128	14,402
Pumping	2,208	2,749	2,604	2,980	2,617	2,666	2,574	2,583	2,592	3,116
Other	4,219	4,440	6,096	6,523	6,002	6,303	6,783	9,707	7,511	8,819
Water Treatment	5,714	6,003	8,944	8,786	9,936	9,732	10,097	11,022	11,297	12,464
Transmission and Distribution	6,865	8,153	9,986	9,423	9,753	10,311	10,089	11,285	11,997	11,343
Admin. of Customer Accounts	2,527	2,526	1,040	995	957	1,056	1,076	1,163	1,252	1,507
Administration and General	4,671	6,175	3,733	4,151	5,310	5,286	6,210	7,605	8,335	6,170
Depreciation and Amortization	8,780	8,960	9,952	9,926	10,402	10,698	10,811	10,968	10,942	12,462
<b>TOTAL OPERATING EXPENSES</b>	<b>43,987</b>	<b>48,441</b>	<b>51,887</b>	<b>52,313</b>	<b>54,593</b>	<b>59,037</b>	<b>61,851</b>	<b>68,462</b>	<b>68,054</b>	<b>70,283</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment Income	3,731	2,602	1,162	1,608	2,524	4,537	5,344	4,032	2,448	1,416
Property Taxes	4,779	4,867	4,849	1,778	2,575	5,820	6,657	7,381	7,479	7,256
Other Revenues (1)	-	-	-	-	-	-	-	-	10,934	450
Other Expenses/Loss on Disposal	(2,144)	(3,927)	(2,702)	(3,287)	(2,827)	(2,943)	(2,897)	(2,915)	(2,373)	(2,060)
<b>TOTAL NONOPERATING REVENUES (EXPENSES):</b>	<b>6,366</b>	<b>3,542</b>	<b>3,309</b>	<b>99</b>	<b>2,272</b>	<b>7,414</b>	<b>9,104</b>	<b>8,498</b>	<b>18,488</b>	<b>7,062</b>
<b>Capital Contributions</b>	<b>3,238</b>	<b>2,306</b>	<b>2,416</b>	<b>2,547</b>	<b>4,185</b>	<b>4,796</b>	<b>3,988</b>	<b>6,237</b>	<b>5,491</b>	<b>3,677</b>
<b>Increase in Net Assets</b>	<b>\$ 12,287</b>	<b>\$ 3,738</b>	<b>\$ 7,338</b>	<b>\$ 5,357</b>	<b>\$ 10,771</b>	<b>\$ 17,755</b>	<b>\$ 15,292</b>	<b>\$ 10,330</b>	<b>\$ 16,174</b>	<b>\$ 6,503</b>
% Water Rate Increase (of latter of FY)	5.00	7.00	7.00	7.00*	5.00*	9.00	4.50	6.00	9.00	8.00
<b>Number of Employees (2)</b>	<b>206</b>	<b>210</b>	<b>217</b>	<b>218</b>	<b>218</b>	<b>212</b>	<b>214</b>	<b>214</b>	<b>219</b>	<b>226</b>

(1) LAVWMA termination of 1998 MOU Agreement and Polybutylene Settlement in FY 2009/10. NUMMI Agreement Payout in FY 2010/11.

(2) Active employees as of June 30, 2011.

Source: Alameda County Water District Finance Department

\*Excludes 6.5% Supplemental Temporary Water Rate Increase

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

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>NET ASSETS:</b>										
Invested in capital assets, net of related debt	\$ 229,151	\$ 249,640	\$ 244,634	\$ 249,646	\$ 252,840	\$ 255,535	\$ 260,757	\$ 275,844	\$ 292,179	\$ 298,301
Restricted for debt service	5,187	5,163	7,700	7,679	7,768	7,781	7,662	7,701	2,515	2,436
Unrestricted	95,351	78,624	88,432	86,797	94,287	109,334	119,523	98,124	103,149	103,609
<b>TOTAL NET ASSETS:</b>	<b>\$ 329,689</b>	<b>\$ 333,427</b>	<b>\$ 340,766</b>	<b>\$ 344,122</b>	<b>\$ 354,895</b>	<b>\$ 372,650</b>	<b>\$ 387,942</b>	<b>\$ 381,669</b>	<b>\$ 397,843</b>	<b>\$ 404,346</b>

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

Source: Alameda County Water District Finance Department

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

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Levies:</b>										
1% Tax Allocation	\$ 2,516	\$ 2,727	\$ 2,809	\$ 286 *	\$ 488 *	\$ 3,418	\$ 3,615	\$ 3,622	\$ 3,541	\$ 3,537
State Water Contract Tax	1,810	1,707	1,546	1,182	1,696	2,079	2,516	3,071	2,595	2,803
General Obligation Bonds Tax	---	---	---	---	---	---	---	---	---	---
<b>Total</b>	<b>\$ 4,326</b>	<b>\$ 4,434</b>	<b>\$ 4,355</b>	<b>\$ 1,468</b>	<b>\$ 2,184</b>	<b>\$ 5,497</b>	<b>\$ 6,131</b>	<b>\$ 6,693</b>	<b>\$ 6,136</b>	<b>\$ 6,340</b>
<b>Collections:</b>										
Percentage of Collection of Levies (%)	110%	110%	111%	121%	118%	106%	109%	116%	101%	113%

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>
2001/02	\$28,743,039	\$28,080	\$3,131,947	\$31,903,066
2002/03	30,891,676	27,498	3,052,604	33,971,778
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
<b>2010/11</b>	<b>43,522,656</b>	<b>5,755</b>	<b>3,093,752</b>	<b>46,622,164</b>

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)**

<u>Fiscal Year</u>	<u>Secured Tax Charge (1)</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>	
2001/02	\$2,241	\$65	2.91	%
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	
<b>2010/11</b>	<b>2,771</b>	<b>56</b>	<b>2.01</b>	

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

Source: Alameda County Auditor-Controller

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

	Eff. 1/1 2002	Eff. 1/1 2003	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
<b>COMMODITY CHARGE/HCF:</b>										
Inside District	\$ 1.630	\$ 1.744	\$ 1.866	\$ 1.997	\$ 2.096	\$ 2.285	\$ 2.388	\$ 2.531	\$ 2.754	\$ 2.974
Outside District	1.875	2.006	2.146	2.296	2.410	2.627	2.745	2.910	3.166	3.419
San Francisco	1.677	1.794	1.955	2.002	2.102	2.292	2.395	2.682	2.918	3.242
<b>BIMONTHLY METER SERVICE CHARGE:</b>										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 8.90	\$ 9.30	\$ 9.60	\$ 9.60	\$ 10.08	\$ 10.08	\$ 10.08	\$ 10.68	\$ 11.62	\$ 12.55
1	13.75	13.75	13.75	13.75	14.44	14.44	14.44	15.31	16.66	17.99
1-1/2	24.30	24.30	24.30	24.30	25.52	25.52	25.52	27.05	29.43	31.78
2	34.85	34.85	34.85	34.85	36.59	36.59	36.59	38.79	42.20	45.58
3	132.15	132.15	132.15	132.15	138.76	138.76	138.76	147.09	160.03	172.83
4	191.40	191.40	191.40	191.40	200.97	200.97	200.97	213.03	231.78	250.32
6	462.00	462.00	462.00	462.00	485.10	485.10	485.10	514.21	559.46	604.22
8	676.50	676.50	676.50	676.50	710.33	710.33	710.33	752.95	819.21	884.75
10	1,144.00	1,144.00	1,209.00	1,209.00	1,269.45	1,269.45	1,269.45	1,345.62	1,464.03	1,581.15
Outside District Water Service										
5/8" & 3/4 " or less	\$ 10.20	\$ 10.65	\$ 11.00	\$ 11.00	\$ 11.59	\$ 11.59	\$ 11.59	\$ 12.28	\$ 13.36	\$ 14.43
1	15.80	15.80	15.80	15.80	16.61	16.61	16.61	17.61	19.16	20.69
1-1/2	27.90	27.90	27.90	27.90	29.35	29.35	29.35	31.11	33.84	36.55
2	40.05	40.05	40.05	40.05	42.08	42.08	42.08	44.61	48.53	52.41
3	151.95	151.95	151.95	151.95	159.57	159.57	159.57	169.15	184.03	198.75
4	220.10	220.10	220.10	220.10	231.12	231.12	231.12	244.98	266.55	287.87
6	531.30	531.30	531.30	531.30	557.87	557.87	557.87	591.34	643.38	694.85
8	778.00	778.00	778.00	778.00	816.88	816.88	816.88	865.89	942.09	1,017.46
10	1,315.60	1,315.60	1,390.35	1,390.35	1,459.87	1,459.87	1,459.87	1,547.46	1,683.63	1,818.32
<b>BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:</b>										
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
6	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
8	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
10	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80
12	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60
16	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water District Finance Department

**Table 7**  
**ALAMEDA COUNTY WATER DISTRICT**  
**TEN LARGEST DISTRIBUTION WATER REVENUE ACCOUNTS (Unaudited)**  
(1=Highest to 10=Lowest)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
City of Fremont	2	2	2	2	2	2	3	2	2	1
Fremont Unified School District	3	3	3	3	3	3	2	1	1	2
Western Digital Technologies	-	-	-	5	4	4	5	5	5	3
Prologis Trust	7	6	6	6	6	5	4	3	3	4
City of Union City	-	10	8	9	8	6	6	6	6	5
School for the Deaf	-	-	-	-	-	-	-	-	-	6
Contempo Homeowners Association	5	5	5	-	5	7	7	9	7	7
Newark Unified School District	4	8	9	8	9	8	8	7	9	8
Solyndra Inc.	-	-	-	-	-	-	-	-	10	9
Ardenwood Forest Apartments	-	-	-	-	-	-	-	-	-	10
New United Motor Manufacturing, Inc.	1	1	1	1	1	1	1	4	4	-
Equity Residential Properties Trust	-	-	-	7	-	-	-	8	8	-
City of Newark	-	-	4	4	-	10	10	10	-	-
Read-Rite Corporation	8	4	-	-	-	-	-	-	-	-
Equity Residential Properties Trust	6	7	7	10	10	9	9	-	-	-
Agilent Technologies	9	-	-	-	-	-	-	-	-	-
Lam Research	10	9	-	-	-	-	-	-	-	-
New Haven School District	-	-	10	-	-	-	-	-	-	-
MMC Technology	-	-	-	-	7	-	-	-	-	-

Source: Alameda County Water District Finance Department

**TABLE 8**  
**ALAMEDA COUNTY WATER DISTRICT**  
**HISTORICAL and PROJECTED REVENUES, OPERATING EXPENSES and DEBT SERVICE COVERAGE**  
**Fiscal Years 2006/07 - 2015/16 (Unaudited)**  
(in thousands)

	Actual					Projected				
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Revenues</b>										
Water Sales	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 66,188	\$ 70,157	\$ 75,757	\$ 81,801	\$ 88,329
Investment Income	4,537	5,344	4,031	2,448	1,416	1,101	1,443	1,990	1,684	1,542
Property Taxes (1)	5,820	6,657	7,381	7,479	7,256	7,140	3,000	3,000	3,000	3,000
Development Fees	3,276	3,873	5,703	1,768	1,892	2,209	2,443	2,590	2,590	2,590
Other Revenue (5)	4,021	2,090	1,576	1,738	1,559	1,423	3,927	722	722	722
<b>Total Revenues</b>	<b>74,939</b>	<b>76,051</b>	<b>75,469</b>	<b>70,177</b>	<b>74,719</b>	<b>78,060</b>	<b>80,970</b>	<b>84,059</b>	<b>89,798</b>	<b>96,183</b>
<b>Expenses</b>										
Pumping Costs	2,666	2,574	2,583	2,592	3,116	2,836	2,960	3,049	3,140	3,235
Other Operating Expenses (2)	4,451	8,247	13,010	9,283	7,642	8,834	9,255	9,533	9,819	10,113
Labor Costs (3)	28,050	25,854	31,360	31,069	32,569	35,630	37,939	39,077	40,250	41,457
Purchased Water (4)	12,985	14,211	14,129	14,128	14,402	17,251	17,818	18,835	19,855	21,930
Aquifer Reclamation Costs	187	154	88	40	92	-	-	-	-	-
<b>Total Expenses</b>	<b>48,339</b>	<b>51,040</b>	<b>61,170</b>	<b>57,112</b>	<b>57,821</b>	<b>64,551</b>	<b>67,972</b>	<b>70,495</b>	<b>73,064</b>	<b>76,736</b>
<b>Net Revenues</b>	<b>\$ 26,600</b>	<b>\$ 25,011</b>	<b>\$ 14,299</b>	<b>\$ 13,065</b>	<b>\$ 16,898</b>	<b>\$ 13,509</b>	<b>\$ 12,997</b>	<b>\$ 13,565</b>	<b>\$ 16,734</b>	<b>\$ 19,447</b>
<b>Maximum Annual Debt Service on Revenue Certificates and Bond</b>										
1998 Refunding Revenue Bond	\$ 3,361	\$ 3,360	\$ 3,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	1,203	1,203	1,203	1,203	1,203	1,203	1,203	1,203	1,203	1,203
2009 Refunding Revenue Bond	-	-	-	2,921	2,664	2,664	2,669	2,866	2,868	2,863
<b>Total Debt Service</b>	<b>\$ 4,564</b>	<b>\$ 4,563</b>	<b>\$ 4,562</b>	<b>\$ 4,124</b>	<b>\$ 3,867</b>	<b>\$ 3,867</b>	<b>\$ 3,872</b>	<b>\$ 4,069</b>	<b>\$ 4,071</b>	<b>\$ 4,066</b>
<b>Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Certificates</b>	<b>5.83x</b>	<b>5.48x</b>	<b>3.13x</b>	<b>3.17x</b>	<b>4.37x</b>	<b>3.49x</b>	<b>3.36x</b>	<b>3.33x</b>	<b>4.11x</b>	<b>4.78x</b>

Notes:

- (1) Includes the effects of the 85% State take-away of Ad-Valorem tax revenues for year 2006. 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.
- (2) Includes annual inflationary increase of 3.00% beginning in 2012.
- (3) Includes fringe benefits and annual inflationary increase as relevant beginning in 2012. OPEB cost included beginning FY 2008/09.
- (4) Per contract schedule.
- (5) Included certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

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

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

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Certificates of Participation</b>										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20	\$ 41,295	\$ 39,775	\$ 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
<b>Total</b>	<b>\$ 41,295</b>	<b>\$ 39,775</b>	<b>\$ 63,200</b>	<b>\$ 61,565</b>	<b>\$ 59,865</b>	<b>\$ 58,095</b>	<b>\$ 56,255</b>	<b>\$ 54,340</b>	<b>\$ 48,875</b>	<b>\$ 46,885</b>
<b>Total Outstanding Debt to Personal Income</b>	74.65	70.49	106.51	99.03	90.26	82.10	76.89	75.90	N/A	N/A
<b>Total Debt Per Capita</b>	\$ 128	\$ 123	\$ 196	\$ 191	\$ 185	\$ 178	\$ 170	\$ 163	\$ 150	N/A

Sources: (1) State of California, Department of Finance. Data for 2011 not available.

(2) U.S. Department of Commerce, Bureau of Economic Analysis. Most recent data is for 2009.

(3) Alameda County Water District Finance Department

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

<b>CITY OF FREMONT<sup>(1)</sup></b>					
<u>Employer</u>	<u>2010</u>		<u>Employer</u>	<u>2001</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 Dist	3,000	3.02 %	New United Motor Mfg., Inc.	4,700	4.29 %
Washington Hospital	1,800	1.81	Washington Hospital	1,347	1.23
Boston Scientific/Target Therapeutics,	1,800	1.81	City of Fremont	1,200	1.09
Western Digital	1,800	1.81	Sysco Food Services	1,100	1.00
Seagate Magnetics	1050	1.06	HMT Technology Corp.	1,050	0.96
AXT, Inc.	950	0.96	Ohlone College	750	0.68
Lam Research	950	0.96	Synnex Info Technologies	600	0.55
Oplink Communications	900	0.91	Smart Modular Tech, Inc.	571	0.52
Solyndra	800	0.81	Walters & Wolf Glass Co.	550	0.50
Sysco Food Services	750	0.76	Lucky Stores, Inc.	530	0.48
<b>Total City Employment</b>	<b>98,775</b>		<b>Total City Employment</b>	<b>109,680</b>	

<b>CITY OF UNION CITY<sup>(2)</sup></b>					
<u>Employer</u>	<u>2010</u>		<u>Employer</u>	<u>2001</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>		<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Axygen Bioscience Inc.	1,200	3.96 %	Southern Wine & Spirits	650	1.93 %
New Haven Unified School District	1,139	3.76	Wal-Mart	450	1.34
Wal-Mart	500	1.65	American Licorice	365	1.09
Young's Market Co. LLC	400	1.32	Apria Health Care	350	1.04
City of Union City	353	1.17	San Francisco Chronicle	300	0.89
American Licorice	350	1.16	U.S. Food Service	300	0.89
Southern Wine and Spirits	350	1.16	Orcon Corp.	225	0.67
Hearst Corp	300	0.99	Coca-Cola Bottling Company	225	0.67
Rapid Displays	300	0.99	Radisson Hotel	211	0.63
Hearst Communications	300	0.99	U.S. Pipe Foundry	211	0.63
<b>Total City Employment</b>	<b>30,300</b>		<b>Total City Employment</b>	<b>33,618</b>	

<b>CITY OF NEWARK<sup>(3)</sup></b>					
<u>Employer</u>	<u>2010</u>		<u>Employer</u>	<u>2001</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 Dist	700	3.44 %	Sun Microsystems	2,000	9.10 %
WorldPac	280	1.37	Ross Stores	1,000	4.55
Full Bloom Baking Company	280	1.37	Solectron Corp.	500	2.28
Risk Management Solutions	270	1.33	Hewlett Packard	450	2.05
Smart Modular Technologies	249	1.22	BT Office Products	365	1.66
Cargill Salt	182	0.89	Ingram Micro	320	1.46
City of Newark	176	0.86	ADVO	300	1.37
Valassis (formerly ADVO)	166	0.81	Nordstrom, Inc.	275	1.25
Staples (formerly Corporate Express)	154	0.76	Pacific Link	260	1.18
Home Depot	129	0.63	Cargill Salt	230	1.05
<b>Total City Employment</b>	<b>20,377</b>		<b>Total City Employment</b>	<b>21,975</b>	

Note: (1) Number of Employees and Percent of Total Employment unavailable for 2011.  
(2) Number of Employees and Percent of Total Employment unavailable for 2011.  
(3) Number of Employees and Percent of Total Employment unavailable for 2011.

Source: (1) Year 2010 - City of Fremont, CAFR FY 2009/10, Year 2001 - Fremont Chamber of Commerce, Oct 2000  
(2) Year 2010 - City of Union City, CAFR FY 2009/10, Year 2001 - Union City Chamber of Commerce, Oct 2000  
(3) Year 2010 - City of Newark, CAFR FY 2009/10, Year 2001 - City of Newark Economical Dev Div, Oct 2000  
Year 2001 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)
2001	318	\$56,122	\$38	3.8 %
2002	323	55,317	38	5.3
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
<b>2010</b>	<b>326</b>	<b>N/A</b>	<b>N/A</b>	<b>9.0</b>

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)**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>UTILITY PLANT:</b>										
Land	\$ 9,658	\$ 9,594	\$ 9,594	\$ 9,628	\$ 9,668	\$ 9,654	\$ 9,677	\$ 9,701	\$ 9,725	\$ 9,725
Source of Supply	39,128	41,799	41,946	42,190	42,572	43,152	43,783	43,852	50,116	50,125
Pumping Plant	17,107	17,534	17,580	18,284	18,313	18,803	18,946	19,255	19,647	20,191
Water Treatment	79,823	88,904	89,059	109,157	114,030	114,777	115,024	115,833	138,112	151,445
Transmission and Distribution	187,157	192,584	200,209	205,417	211,317	218,371	219,098	228,418	235,460	244,864
General	19,432	19,779	24,771	27,781	32,613	33,274	33,818	34,661	35,909	37,234
Construction in Progress	30,663	39,556	53,788	36,846	31,112	34,908	42,788	49,281	21,570	12,265
	382,968	409,750	436,947	449,303	459,625	472,939	483,134	501,001	510,539	525,849
Less Accumulated Depreciation	115,080	123,166	132,188	141,019	149,976	161,939	168,605	178,051	189,258	199,863
<b>NET UTILITY PLANT</b>	<b>\$ 267,888</b>	<b>\$ 286,584</b>	<b>\$ 304,759</b>	<b>\$ 308,284</b>	<b>\$ 309,649</b>	<b>\$ 311,000</b>	<b>\$ 314,529</b>	<b>\$ 322,950</b>	<b>\$ 321,281</b>	<b>\$ 325,986</b>

Note:

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

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

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

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

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

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

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

Excludes supplemental water supply storage.

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>
2001/02	45.35
2002/03	45.29
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
<b>2010/11</b>	<b>38.52</b>

Source: Alameda County Water District Finance Department