



Alameda County Water District  
Fremont, California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended ~ June 30, 2012

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**ALAMEDA COUNTY WATER DISTRICT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2012**

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

**PREPARED BY THE FINANCE DEPARTMENT**



**Alameda County Water District  
 Comprehensive Annual Financial Report  
 For the years ended June 30, 2012 and 2011**

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# INTRODUCTORY SECTION

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**DIRECTORS**

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

43885 SOUTH GRIMMER BOULEVARD • P.O. BOX 5110, FREMONT, CALIFORNIA 94537-5110  
(510) 668-4200 • FAX (510) 770-1793 • www.acwd.org

**MANAGEMENT**

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

November 20, 2012

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, 2012.

We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position and the cash flows of the District and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. Additionally, the financial section of the report includes a detailed discussion and analysis by management of the District's financial performance for fiscal years ended June 30, 2012 and 2011. 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 331,000 people in southern Alameda County. The District covers approximately 100 square miles and, as of June 2012, provided water service through over 81,000 connections.

The District's current water production is approximately 48,300 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 229 full-time employees.

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

### **Alameda County Water District Mission Statement**

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

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

### **SIGNIFICANT EVENTS AND ACCOMPLISHMENTS**

#### ***Improved Customer Service***

The District strives to provide excellent customer service and looks for opportunities for improvements. During the fiscal year ending June 30, 2012, the District upgraded its customer service counters, restrooms, and parking areas to be fully compliant with the Americans with Disabilities Act.

In addition, the District completed a two year project to implement a new Customer Information System. This new system will ultimately allow customers to more easily and conveniently conduct business with the District.

#### ***Maintained High Water Quality***

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

During the fiscal year ending June 30, 2012, the District accomplished the following groundwater quality initiatives:

- Closed 14 cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Worked with State Legislators on two pieces of legislation (AB 358 and AB 1701), as well as State and Local regulatory agencies, on proposed clean-up policies to ensure that responsible parties are still required to clean up contaminated sites in the District's service area.
- Was designated a Groundwater Guardian Affiliate by the Groundwater Foundation for the 14<sup>th</sup> year in a row.

In addition, the District assured the quality of Tri-City area water by conducting approximately 60,000 water quality analyses and by complying with all state and federal water quality monitoring regulations.

#### ***Ensured Water Supply, Production, and Distribution Reliability***

During the fiscal year ending June 30, 2012, the District produced 48,300 acre feet of water for use by the residents and businesses in Fremont, Newark, and Union City.

The District also completed a 24-inch diameter, 5,100 linear feet water main to improve water transmission and maintain adequate pressure in the southern portion of its distribution system, as well as to serve the future Warm Springs BART Station.

#### ***Improved Agency Productivity and Efficiency***

Through its "Future of ACWD" program, the District began implementing 17 employee-generated ideas to develop new revenue streams by offering optional services, increasing efficiency, and reducing costs. Specific measures being implemented include: partnering with a residential service line insurance firm, encouraging timely payment of water bills, expanded use of renewable energy projects, and elimination of take-home vehicles.

The District renovated portions of its Headquarters Building to take advantage of space that was made available after completing its new state-of-the-art water quality laboratory several years ago. This allows all staff to be housed within the main Headquarters Building, which facilitates better communications between work units.

Additionally in the fiscal year ending June 30, 2012, the District accomplished the following:

- Implemented a new Financial Planning Model with a comprehensive and interactive dashboard. This newly updated tool is enabling in-depth financial discussions because of the ability to provide an easily understood visual view of financial issues.
- Successfully issued \$45.2 million in 2012 Water Revenue Bonds, which included an advanced refunding of the 2003 Certificates of Participation. The refunding resulted in a \$4 million net present value savings. In addition the District was reconfirmed with an AAA bond rating from Standard and Poor's. Bond proceeds are being used to finance capital projects related to improving seismic reliability and improving water quality and water supply reliability.
- Was awarded the National Purchasing Institute's Achievement of Excellence in Procurement Award for the ninth consecutive year.
- Received the Certificate of Achievement of Excellence in Financial Reporting for the 13th consecutive year.

### *Promoted Conservation and Improved Public Awareness of Water Issues*

Water Conservation extends water supplies, benefits the environment, helps keep water rates down, and allows the District to “bank” water for dry years. To encourage customers to save water, the District implemented the following new and continuing water conservation programs during the fiscal year ending June 30, 2012:

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

The District’s School Education Program provides local school classrooms with educational resources that stress the various facets of water science and water management, with the objective of producing citizens capable of making informed decisions regarding state and local water resources. During the fiscal year ending June 30, 2012, the District continued its educational outreach within its service area by:

- Presenting water education programs to over 3,100 students in 108 classrooms.
- Distributing more than 50,500 pieces of printed educational material to teachers and students.
- Sponsoring 63 performances of ZunZun’s latest water conservation theater program which was viewed by over 15,820 students at 31 schools.
- Training teachers in the use of popular water education curriculum guides.
- Sponsoring its annual Water Conservation Poster and Slogan Contest in which over 1,200 students vied for the opportunity to have their creations included in the 2012-2013 ACWD Water Conservation Calendar.

## FINANCIAL INFORMATION

### *Local Economy*

The local economy of the District service area has been a reflection of the nearby Silicon Valley and of the greater Bay Area. The recession over the last number of years has caused unemployment to increase and the industrial base to decrease. The economy has struggled and the future recovery is still anticipated to be slow. However, there have been signs that the San Francisco Bay Area technology related businesses have been increasing their level of hiring and there are indications that housing prices are slowly increasing in value once again. The ongoing recession had a negative impact on water sales but during the past two years, there has been a slight increase in demand. New United Motor Manufacturing, Incorporated (NUMMI), an automotive manufacturing plant in Fremont, closed on April 1, 2010, and during August of 2011, Solyndra, a solar panel manufacturer, declared bankruptcy. These business downturns have been partially offset by Tesla Motors, an electric car manufacturer that is currently producing cars in part of the former NUMMI plant.

The Fremont area in particular is growing with a new commercial development in the Pacific Commons area including a Target Corporation store and a multiplex cinema theatre. Two new grocery stores have opened this last year and another one is anticipated to open next year. A major initiative has begun to develop a Fremont downtown area with approximately 5.2 million square feet of new mixed-use buildings. Additionally, a study is being conducted to strategically develop 850 acres around the Warm Springs area that will include a new BART station opening in 2015. Union City also plans to develop its 200 acre Intermodal Station District into high-density housing, retail shopping, commercial business, open space, and a major transportation station.

### *“Future of ACWD” Initiative*

Last year, the District embarked on a 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 and diversify revenue streams.
- Increase efficiencies through productivity gains.

This initiative was started because 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).

In the past year, over 300 suggestions were submitted by employees in response to this initiative. These ideas were analyzed for feasibility and then were prioritized. This effort has resulted in 17 ideas currently in different stages of implementation and many more ideas on the prioritization list are ready for future consideration and possible implementation.

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

Significant progress has been made on the key District initiative which is 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.

The new customer information and billing system implementation met the go-live date of March, 2012. Preparatory work was completed for a major JD Edwards upgrade and the implementation work started in September, 2012. The website project is moving along with an anticipated completion date in November, 2012.

The District's computer network was also brought up to the latest standards during the fiscal year ending June 30, 2012. Further improvements to the infrastructure and server room will begin in October 2012, and are anticipated to be completed by February 2013.

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

A rigorous review of all developer-related charges was completed this year and changes to certain developer and connection charges will be implemented in April 2013, to more efficiently charge developers within the context of the current and future development and economic landscape. Water rates are reviewed annually and rates are changed to meet cost-of-service requirements. The District's water rates continue to be in the lower third of 30 Bay Area retail water purveyors surveyed each year.

### ***Debt Issuance***

The District issued the 2012 Water System Revenue Bonds in early 2012 to refund the 2003 Certificates of Participation and to provide \$23 million of net proceeds to fund a portion of the District's capital plan. The projects being funded have a 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. The District was able to take advantage of the low borrowing rates and achieved a \$4 million net present value savings on the refunding which is a 16% savings on the refunded bonds.

### ***Internal Control***

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

### ***Budgetary Control***

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

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

The District utilizes three main comprehensive long range integrated planning models: the Integrated Resources Plan (IRP), Capital Improvement Program (CIP) and 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. The Financial Plan software was redesigned this year and now includes interactive charts and graphs that provide visual aids during financial planning sessions. The District has implemented a financial planning cycle that includes an overall review of the operating and capital plan in March, budget development during late spring with adoption of the budget in June and rate design and processing through the fall with rate adoption in February.

## **OTHER INFORMATION**

### ***Independent Audit***

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

### ***Award***

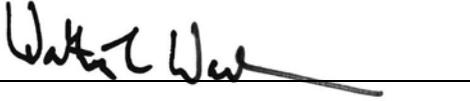
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 13<sup>th</sup> consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

*Acknowledgments*

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

Handwritten signature of Walter Wadlow in black ink, written over a horizontal line.

Walter Wadlow  
General Manager

Handwritten signature of Shelley Burgett in black ink, written over a horizontal line.

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, 2011

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.



*Linda C. Danson*

President

*Jeffrey R. Emery*

Executive Director

*Alameda County Water District*

*Board of Directors*

*John H. Weed*  
President

*James G. Gunther*  
Vice President

*Judy C. Huang*  
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

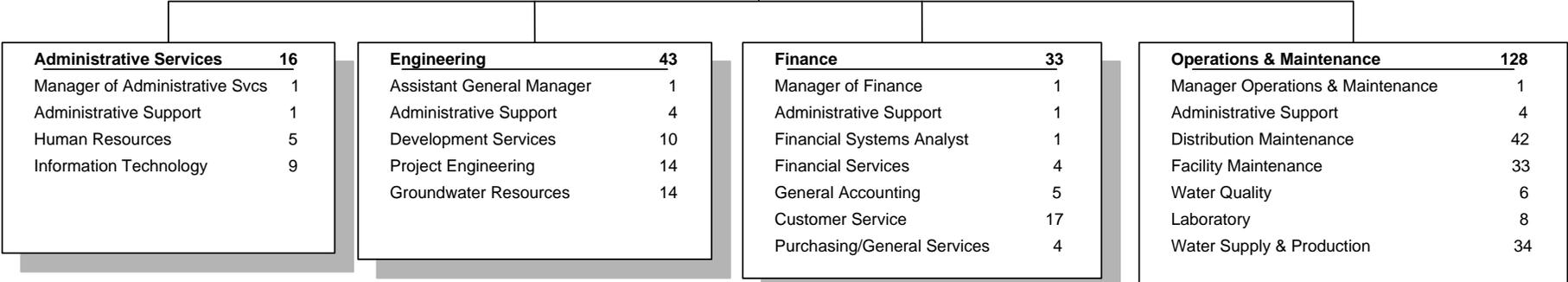
**ALAMEDA COUNTY WATER DISTRICT  
FUNCTIONAL ORGANIZATIONAL CHART  
FY 12/13**

**BOARD OF DIRECTORS**

<b>Office of the General Manager</b>		<b>9</b>
General Manager		1
Administrative Support		2
Water Resources		6

**Total = 229**

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, 2012 and 2011, which collectively comprise the District's basic financial statements 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 audit 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the other post employment benefits trust fund of the District as of June 30, 2012 and 2011, and the respective changes in 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 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 and schedule of employer contributions identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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  
November 20, 2012

**Alameda County Water District  
Management's Discussion and Analysis (Unaudited)  
For the years ended June 30, 2012 and 2011**

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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, 2012 and 2011. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2012**

- The District's net assets increased by \$5.0 million or 1.2 percent from \$404.3 million to \$409.3 million.
- Operating revenues increased by \$7.9 million or 12.0 percent from \$66.0 million to \$73.9 million.
- Operating expenses increased by \$7.0 million or 10.0 percent from \$70.3 million to \$77.3 million.
- Capital contributions to the District decreased by \$0.8 million or 21.6 percent from \$3.7 million to \$2.9 million.
- The District issued the 2012 Water System Revenue Bonds which resulted in an increase in long term debt of \$19.1 million or 41.2 % from \$46.4 million to \$65.5 million.
- The District implemented a 6.0% increase to its commodity rate and a 19% increase to its service charges effective February 1, 2012. This resulted in an overall average rate increase of 8%.

**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, 2012 and 2011. 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)

	2012	2011	2012 vs. 2011		2010	2011 vs. 2010	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 136.8	\$ 119.8	\$ 17.0	14.2%	\$ 120.1	\$ (0.3)	-0.2%
Capital assets	348.8	341.9	6.9	2.0%	337.8	4.1	1.2%
<b>Total assets</b>	<b>485.6</b>	<b>461.7</b>	<b>23.9</b>	<b>5.2%</b>	<b>457.9</b>	<b>3.8</b>	<b>0.8%</b>
Long-term debt	65.5	46.4	19.1	41.2%	48.3	(1.9)	-3.9%
Other liabilities	10.8	11.0	(0.2)	-1.8%	11.8	(0.8)	-6.8%
<b>Total liabilities</b>	<b>76.3</b>	<b>57.4</b>	<b>18.9</b>	<b>32.9%</b>	<b>60.1</b>	<b>(2.7)</b>	<b>-4.5%</b>
Invested in capital assets, net of related debt	305.0	298.3	6.7	2.2%	292.2	6.1	2.1%
Restricted for debt service	2.6	2.4	0.2	8.3%	2.5	(0.1)	-4.0%
Unrestricted	101.7	103.6	(1.9)	-1.8%	103.1	0.5	0.5%
<b>Total net assets</b>	<b>\$ 409.3</b>	<b>\$ 404.3</b>	<b>\$ 5.0</b>	<b>1.2%</b>	<b>\$ 397.8</b>	<b>\$ 6.5</b>	<b>1.6%</b>

As the above table indicates, total assets increased by \$23.9 million from \$461.7 million to \$485.6 million during the fiscal year ended June 30, 2012. This is comprised of an increase of \$17.0 million in current and other assets and an increase of \$6.9 million in capital assets. The increase in current and other assets is primarily due to the 2012 Water System Revenue Bonds issue that provided \$22.2 million par amount to fund capital projects over the next three years. The increase in capital assets was primarily from the completion of several capital projects during the year. For the fiscal year ended June 30, 2011, total assets increased by \$3.8 million from \$457.9 million to \$461.7 million. This increase is comprised of a decrease of \$0.3 million in current assets and a \$4.1 million increase in capital assets. The increase in each fiscal year, in total assets, reflect favorable operations and use of planned accumulation of reserves for upcoming major capital projects that are identified in the District's long range Capital Improvement Program.

For fiscal year ended June 30, 2012, total liabilities reflect an increase of \$18.9 million due mainly to the increase in indebtedness due to the issuance of the 2012 Water System Revenue Bonds. For fiscal year ended June 30, 2011, total liabilities reflect a decrease of \$2.7 million due to the regularly scheduled annual debt service payment and a decrease in accounts payables and accrued expenses at the end of the year.

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

Table 1 also indicates that total net assets increased by \$5.0 million from \$404.3 million to \$409.3 million for fiscal year ended June 30, 2012. This increase consists of an increase of \$6.7 million in net assets invested in capital assets, net of related debt, an increase of \$0.2 million in restricted for debt service and a \$1.9 million decrease in unrestricted net assets. For fiscal year ended June 30, 2011, total net assets increased by \$6.5 million due to increases of \$6.1 million in net assets invested in capital assets, net of related debt and \$0.5 million in unrestricted net assets and a decrease of \$0.1 million in net assets restricted for debt service. The overall increase in total net assets reflects the District's continued emphasis on improving its capital infrastructure and prudent long range financial planning.

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

	2012	2011	2012 vs. 2011		2010	2011 vs. 2010	
			\$ Change	% Change		\$ Change	% Change
<b>Operating revenues</b>							
Water sales	\$ 70.1	\$ 62.6	\$ 7.5	12.0%	\$ 56.7	\$ 5.9	10.4%
Other operating revenues	3.8	3.4	0.4	11.8%	3.5	(0.1)	-2.9%
<b>Total operating revenues</b>	<u>73.9</u>	<u>66.0</u>	<u>7.9</u>	<u>12.0%</u>	<u>60.2</u>	<u>5.8</u>	<u>9.6%</u>
<b>Nonoperating revenues</b>							
Property Taxes	7.9	7.3	0.6	8.2%	7.5	(0.2)	-2.7%
Other nonoperating revenues	1.0	1.8	(0.8)	-44.4%	3.9	(2.1)	-53.8%
LAVWMA Settlement	-	-	-	-	9.5	(9.5)	-
<b>Total nonoperating revenues</b>	<u>8.9</u>	<u>9.1</u>	<u>(0.2)</u>	<u>-2.2%</u>	<u>20.9</u>	<u>(11.8)</u>	<u>-56.5%</u>
<b>TOTAL REVENUES</b>	<u>82.8</u>	<u>75.1</u>	<u>7.7</u>	<u>10.3%</u>	<u>81.1</u>	<u>(6.0)</u>	<u>-7.4%</u>
<b>Depreciation and amortization expense</b>	12.3	12.5	(0.2)	-1.6%	11.0	1.5	13.6%
<b>Other operating expenses</b>	65.0	57.8	7.2	12.5%	57.1	0.7	1.2%
<b>Nonoperating expenses</b>	3.4	2.0	1.4	70.0%	2.4	(0.4)	-16.7%
<b>TOTAL EXPENSES</b>	<u>80.7</u>	<u>72.3</u>	<u>8.4</u>	<u>11.6%</u>	<u>70.5</u>	<u>1.8</u>	<u>2.6%</u>
<b>Income before capital contributions</b>	2.1	2.8	(0.7)	-25.0%	10.6	(7.8)	-73.6%
<b>Capital contributions</b>	2.9	3.7	(0.8)	-21.6%	5.5	(1.8)	-32.7%
<b>Changes in net assets</b>	5.0	6.5	(1.5)	-23.1%	16.1	(9.6)	-59.6%
<b>Beginning net assets</b>	404.3	397.8	6.5	1.6%	381.7	16.1	4.2%
<b>Ending net assets</b>	<u>\$ 409.3</u>	<u>\$ 404.3</u>	<u>\$ 5.0</u>	<u>1.2%</u>	<u>\$ 397.8</u>	<u>\$ 6.5</u>	<u>1.6%</u>

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 \$2.1 million and capital contributions of \$2.9 million resulted in an overall increase of \$5.0 million in net assets for the end of the fiscal year ended June 30, 2012. In the previous fiscal year ended June 30, 2011, income before capital contributions of \$2.8 million and capital contributions of \$3.7 million resulted in an overall increase of \$6.5 million in net assets.

For fiscal year ended June 30, 2012, Table 2 indicates that the District's total revenues increased by \$7.7 million or 10.3 percent to \$82.8 million from \$75.1 million in the prior year. Operating revenues increased by \$7.9 million or 12.0 percent to \$73.9 million from \$66.0 million due to the dual effects of water demand minimally increasing coupled with the effects of an annual rate increase. Nonoperating revenues decreased by \$0.2 million or 2.2% which was mainly due to a decrease in investment income as the economy and interest rates continued to decline.

## FINANCIAL ANALYSIS OF THE DISTRICT, Continued

Total expenses increased by \$8.4 million or 11.6% primarily due to an increase in purchased water cost and employee benefit expenses for the year ended June 30, 2012.

For fiscal year ended June 30, 2011, 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, due mainly to demands for water increasing slightly coupled with a rate increase. Nonoperating revenues decreased \$11.8 million or 56.5% because of the comparison to the 2010 one-time settlement from Livermore Amador Valley Waste Management Association (LAVMA). Total expenses increased by 1.8 million or 2.6% primarily due to an increase in purchased water cost plus operating costs of the new desalination facility.

### CAPITAL ASSETS

As of June 30, 2012, the District's investment in capital assets totaled \$348.8 million, which is an increase of \$6.9 million or 2.0 percent over the capital asset balance of \$341.9 million at June 30, 2011. 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 \$4.1 million or 1.2 percent over the capital asset balance of \$337.8 million at June 30, 2010. 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)

	2012	2011	2012 vs. 2011		2010	2011 vs. 2010	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.7	\$ 9.7	\$ -	0.0%	\$ 9.7	\$ -	0.0%
Construction in progress	10.3	12.3	(2.0)	-16.3%	21.6	(9.3)	-43.1%
Source of supply	51.1	50.1	1.0	2.0%	50.1	-	0.0%
Pumping plant	21.3	20.2	1.1	5.4%	19.6	0.6	3.1%
Water treatment	152.3	151.4	0.9	0.6%	138.1	13.3	9.6%
Transmission and distribution	253.9	244.9	9.0	3.7%	235.5	9.4	4.0%
General	46.1	37.3	8.8	23.6%	35.9	1.4	3.9%
Supplemental water supply storage	20.8	20.8	-	0.0%	20.9	(0.1)	-0.5%
Subtotal	565.5	546.7	18.8	3.4%	531.4	15.3	2.9%
Less accumulated depreciation/amortization	(216.7)	(204.8)	(11.9)	5.8%	(193.6)	(11.2)	5.8%
Capital assets, net	<u>\$ 348.8</u>	<u>\$ 341.9</u>	<u>\$ 6.9</u>	<u>2.0%</u>	<u>\$ 337.8</u>	<u>\$ 4.1</u>	<u>1.2%</u>

## **CAPITAL ASSETS, Continued**

There were several capital projects completed during the fiscal year 2012, including the Mowry and Peralta-Tyson Wellfield Improvements, Warm Springs Main Extension - Prune to Brown, Customer Information System Implementation and various water main replacements, upgrades and relocations. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2012. Those projects included the Pipeline Relocation-Warren Avenue, Rubber Dam Improvements, Fish Screen Projects, Main Relocation for SFPUC Project, Seismic Reliability Projects and various other capital projects related to water main and meter replacements.

Major completed projects contributing to the increase in capital assets during fiscal year 2011 include the Newark Desalination Facility Phase 2 Expansion, Water Treatment Plant#2 (WTP2) Linear Oxygen (LOX) Conversion and Process Upgrades, Main Relocations for Kato Road Grade Separation, and Niles Boulevard Pipeline and scheduled computer system and network upgrades.

Additional information on the District's capital assets and construction commitments is provided in Note 5 (page 32) of the financial statements.

Projects scheduled for the upcoming fiscal year 2013 include the SCADA System Major Improvements, Niles Boulevard Pipeline Project, Tyson Wellfield Generators, Alameda Reservoir Lining Replacement, Mayhew Reservoir Roof Replacement, Seismic Improvement Program, Water Main Replacement-Canyon Heights, WTP2-Power Facility Turbine Upgrade, PT Blending Facility Chemical Feed Upgrades, Shinn Gravity Rediversion No. 2, J.D. Edwards Upgrade and various other smaller main relocations and capital upgrades.

## **LONG-TERM DEBT**

As of June 30, 2012, the District had \$65.5 million in outstanding debt compared to \$46.3 million on June 30, 2011 and \$48.3 million on June 30, 2010. The increase of \$19.2 million in 2012 was due to the issuance of the 2012 Water System Revenue Bonds that advance refunded the 2003 Certificates of Participation and provided bond proceeds for funding new capital projects. The decrease of \$2.0 million in 2011 was due to principal payments.

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

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.

Additional information on the District's long-term debt is provided in Note 7 (page 36) of the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors adopted the District's two-year budget on June 9, 2011. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years 2012 and 2013. The second year of the budget for the fiscal year 2013 was revised to reflect more current numbers and was adopted by the Board of Director's in June of 2012. The District's water rates are reviewed by staff and the Board of Directors on an annual basis. Water rates were adjusted on February 2012 with the implementation of an average 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.

## **ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Alameda County Water District's Manager of Finance at 43885 South Grimmer Boulevard, Fremont, CA 94538.

## **BASIC FINANCIAL STATEMENTS**

Alameda County Water District  
 Statements of Net Assets  
 Business-Type Activity - Enterprise Fund  
 June 30, 2012 and 2011  
 (In thousands)

	2012	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 90,725	\$ 96,642
Customer and other accounts receivable, net (Note 4)	4,786	3,765
Accrued unbilled revenue	9,011	5,713
Taxes receivable	973	1,354
Grants receivable	885	1,320
Interest receivable	523	625
Material and supplies	2,288	2,479
Prepaid items	50	26
Total unrestricted assets	109,241	111,924
Restricted cash and investments (Note 3)	24,485	5,378
Total current assets	133,726	117,302
<b>Noncurrent assets:</b>		
Debt issuance costs	1,197	634
Net other postemployment benefit asset (Note 11)	1,909	1,943
<b>Capital assets: (Note 5)</b>		
Nondepreciable	20,009	21,990
Depreciable, net	328,820	319,860
Total capital assets	348,829	341,850
<b>Total noncurrent assets</b>	351,935	344,427
<b>Total assets</b>	485,661	461,729
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (Note 6)	5,073	5,078
Accrued payroll and related liabilities (Note 6)	2,607	2,516
Contractor and customer deposits	2,626	3,025
Interest payable	187	154
Deferred revenue	-	91
Long-term debt - due within one year (Note 7)	2,222	1,961
<b>Total current liabilities</b>	12,715	12,825
<b>Noncurrent liabilities:</b>		
Accrued payroll and related liabilities (Note 6)	326	182
Long-term debt - due in more than one year (Note 7)	63,283	44,376
<b>Total noncurrent liabilities</b>	63,609	44,558
<b>Total liabilities</b>	76,324	57,383
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	304,983	298,301
Restricted for debt service	2,639	2,436
Unrestricted	101,715	103,609
<b>Total net assets</b>	\$ 409,337	\$ 404,346

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, 2012 and 2011  
 (In thousands)

	2012	2011
<b>OPERATING REVENUES:</b>		
Water sales	\$ 70,098	\$ 62,596
Development fees	2,118	1,892
Fees and rental	739	610
Other	923	949
<b>Total operating revenues</b>	<b>73,878</b>	<b>66,047</b>
<b>OPERATING EXPENSES:</b>		
Sources of supply:		
Water purchases	18,747	14,402
Pumping	3,338	3,116
Other	8,875	8,819
<b>Total sources of supply</b>	<b>30,960</b>	<b>26,337</b>
Water treatment	12,119	12,464
Transmission and distribution	10,953	11,343
Administration of customer accounts	1,390	1,507
Administration and general	9,559	6,170
Depreciation and amortization	12,262	12,462
<b>Total operating expenses</b>	<b>77,243</b>	<b>70,283</b>
<b>Operating loss</b>	<b>(3,365)</b>	<b>(4,236)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	672	1,416
Property taxes	7,936	7,256
Other settlements	215	450
Gain (loss) on disposal of capital assets	66	(69)
Expense due to abandoned capital projects	(1,251)	-
Interest expenses	(2,131)	(1,991)
<b>Total nonoperating revenues (expenses)</b>	<b>5,507</b>	<b>7,062</b>
Income before capital contributions	2,142	2,826
Capital contributions	2,849	3,677
Increase in net assets	4,991	6,503
<b>NET ASSETS:</b>		
Beginning of year	404,346	397,843
End of year	<b>\$ 409,337</b>	<b>\$ 404,346</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, 2012 and 2011  
 (In thousands)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 69,160	\$ 65,981
Cash receipts from polybutylene settlement	-	274
Cash receipts from others	215	450
Cash payments to suppliers for goods and services	(29,078)	(25,309)
Cash payments to employees for services	(35,355)	(32,945)
<b>Net cash provided by operating activities</b>	<b>4,942</b>	<b>8,451</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	8,317	7,164
<b>Net cash provided by noncapital financing activities</b>	<b>8,317</b>	<b>7,164</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisitions of capital assets	(18,862)	(13,532)
Capital grants received restricted for capital purposes	1,367	673
Proceeds from sale of assets	157	309
Refunding revenue bonds proceeds	21,536	-
Bond issuance costs paid	(1,032)	-
Principal paid on debt	(2,030)	(2,049)
Interest paid on debt	(1,979)	(1,877)
<b>Net cash used in capital and related financing activities</b>	<b>(843)</b>	<b>(16,476)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	30,056	25,819
Purchases of investments	(17,460)	(27,597)
Investment income received	2,044	2,319
<b>Net cash provided by investing activities</b>	<b>14,640</b>	<b>541</b>
<b>Net change in cash and cash equivalents</b>	<b>27,056</b>	<b>(320)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	17,033	17,353
End of year	<b>\$ 44,089</b>	<b>\$ 17,033</b>

(Continued)

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, 2012 and 2011  
 (In thousands)

	2012	2011
<b>RECONCILIATION TO STATEMENTS OF NET ASSETS:</b>		
Cash and investments	\$ 90,725	\$ 96,642
Restricted cash and investments	24,485	5,378
Less investments not meeting the definition of cash equivalents	(71,121)	(84,987)
<b>Total cash, restricted cash and investments</b>	<b>\$ 44,089</b>	<b>\$ 17,033</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (3,365)	\$ (4,236)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	12,262	12,462
Other nonoperating revenues	215	450
Other items	287	-
Changes in operating assets and liabilities		
Customer and other accounts receivable	(1,021)	1,058
Accrued unbilled receivable	(3,298)	(1,296)
Materials and supplies	191	263
Prepaid items	(24)	(26)
Polybutylene settlement receivable	-	274
Net other postemployment benefit asset	34	102
Accounts payable and accrued expenses	(175)	(293)
Accrued payroll and related liabilities	235	(479)
Contractor and customer deposits	(399)	172
Net cash provided by operating activities	<b>\$ 4,942</b>	<b>\$ 8,451</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	\$ 79	\$ 69
Payment to refunded bond escrow from bond proceeds	26,757	-
Defeasance of refunded certificate of participation bonds from bond escrow	(25,432)	-
Capital assets contributions	1,826	3,478
Changes in capital assets and liabilities:		
Grants receivable	435	475
Retention payable	170	(99)
Deferred revenue	(91)	(1)
<b>NONCASH INVESTING ACTIVITIES:</b>		
Change in fair value of investments	1,270	773

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, 2012 and 2011  
 (In thousands)

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 5,661	\$ 5,639
Interest receivable	-	1
	<u>5,661</u>	<u>5,640</u>
<b>Total assets</b>		
	<u>5,661</u>	<u>5,640</u>
<b>NET ASSETS</b>		
Held in trust for other post employment benefits	<u>\$ 5,661</u>	<u>\$ 5,640</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, 2012 and 2011  
 (In thousands)

	2012	2011
<b>ADDITIONS:</b>		
Investment income	\$ 19	\$ 33
Employer contributions	1,737	2,658
<b>Total additions</b>	<b>1,756</b>	<b>2,691</b>
<b>DEDUCTIONS:</b>		
Benefit payments	1,735	1,672
Increase in net assets	21	1,019
<b>NET ASSETS HELD IN TRUST</b>		
<b>FOR OTHER POST EMPLOYMENT BENEFITS:</b>		
Beginning of year	5,640	4,621
End of year	<b>\$ 5,661</b>	<b>\$ 5,640</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, 2012 and 2011**  
**(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 units, which are discussed below. Component units are legally separate organizations for which the Board of Directors is financially accountable, or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

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

- The Alameda County Water District Public Facilities Financing Corporation (the Corporation) was established in 1992 for the sole purpose of issuing debt for the benefit of the District. The 2003 Certificates of Participation were enabled by the formation of this entity.
- The Alameda County Water District Financing Authority (the Authority) is a joint powers authority with Union Sanitary District established in 2011 for the sole purpose of issuing debt for the benefit of the District. The 2012 Water System Revenue Bonds were enabled by the formation of this entity.

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

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

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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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 (FASB), 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. The funds from the self-administered OPEB Trust were transferred in July 2012 to the CALPERS CERBT as a successor Trust (see Note 13).

**Alameda County Water District**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2012 and 2011**  
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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 of U.S. government securities and medium-term notes designated for specific projects and required to be segregated pursuant to debt covenants, and restricted cash, which consists of money market accounts, LAIF and CAMP funds, are presented as restricted cash and investments.

***C. Accrued Unbilled Revenue***

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

***D. Materials and Supplies***

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

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
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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 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 year ending June 30, 2011. However, in 2012 the District borrowed money to fund certain capital projects and interest in the amount of \$13 is being capitalized in 2012 in relation to these bond funded capital expenditures. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net 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	15-50 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**  
**For the years ended June 30, 2012 and 2011**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Property Tax Revenue**

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

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. The District receives approximately 0.96% of this 1% ad valorem tax.

The District also receives an override property tax amount that helps pay for the groundwater portion of both the fixed and variable costs of State water purchased by the District. Staff projects such costs annually and request that the County collect that amount, approximately \$2 to \$3 million. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year's State water purchase cost.

**J. Capital Contributions**

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which approximated fair value at the time of the District's acquisition, and recorded as capital contributions when received. In addition, the District, at various times, receives Federal and State grants and other funds from external sources for construction and/or rehabilitation of its facilities. The funds are also reported as capital contributions on the statement of revenues, expenses and changes in net 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**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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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. Implementation of New GASB Pronouncements*

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

- In 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.
- In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. 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.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

*M. Implementation of New GASB Pronouncements, Continued*

- 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.
- In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for the District’s fiscal year ending June 30, 2014.
- In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this Statement are effective for the District’s fiscal year ending June 30, 2014.
- In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer’s past practice and future expectations of granting them indicate they are essentially automatic.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

*M. Implementation of New GASB Pronouncements, Continued*

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA-or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method - entry age normal - rather than the current choice among six actuarial cost methods.
- Recording of a liability in the financial statements of employers for defined-benefit plans.
- Requiring more extensive note disclosures and required supplementary information.
- The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.

**3. CASH AND INVESTMENTS**

The District maintains an internal cash and investment pool in a single enterprise fund. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as restricted cash. Restricted investments are the reserve funds required by the District's debt issuance holders in order to secure the District's obligation to pay the principal and interest due for one year. During the year ended June 30, 2012, the restricted fund increased due to the issuance of 2012 Water System Revenue Bonds in February 2012 (see Note 7). 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.

*A. Summary of Cash and Investments*

	June 30, 2012			June 30, 2011		
	Enterprise Fund	Trust Fund	Total	Enterprise Fund	Trust Fund	Total
Unrestricted cash and bank deposits	\$ 8,243	\$ 5,661	\$ 13,904	\$ 15,160	\$ 5,639	\$ 20,799
Unrestricted investments	82,482	-	82,482	81,482	-	81,482
Unrestricted cash and investments	90,725	5,661	96,386	96,642	5,639	102,281
Restricted investments	24,485	-	24,485	5,378	-	5,378
Total	\$ 115,210	\$ 5,661	\$ 120,871	\$ 102,020	\$ 5,639	\$ 107,659

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
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**3. CASH AND INVESTMENTS, Continued**

***B. Authorized Investments***

The District's investment policy is typically adopted annually by the District's Board in accordance with California Government Code Section 53601. However, the annual January 2012 review was postponed until June 2012 by permission of the Board of Directors while PFM Asset Management consultants reviewed the District's investment policy. The resulting revised policy 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 by issuer and type and maturity of securities will be made to avoid or minimize loss on individual securities.
- **Liquidity:** The portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements, which might be reasonably anticipated.
- **Yield:** The portfolio shall be designed with the objective of providing a market rate of return while conforming to the safety and liquidity criteria above.

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

- 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.
- Certificates of deposit that are FDIC-insured or fully collateralized time certificates of deposit in a financial institution issued by federally chartered or state-chartered banks or associations.
- 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 of principal and interest.
- The California Asset Management Program (CAMP).

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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**3. CASH AND INVESTMENTS, Continued**

***B. Authorized Investments, Continued***

A five year maximum maturity for each investment is allowed.

In addition, the changed investment policy, as of June 14, 2012, requires that no more than 5% of the District's surplus funds may be deposited with or invested in securities issued by any one corporate, financial, or municipal issuer with the exception of the U.S. Treasury, federal agency institutions, and government sponsored enterprises. The District had two corporate holdings over the 5% limitation on June 14, 2012, however significant progress has been made to reduce these holdings to ensure the current portfolio is in compliance with the new requirement.

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 negative balance of \$842 and a positive balance of \$575 and the bank balances were \$1,723 and \$900 at June 30, 2012 and 2011, 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, 2012.

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**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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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, 2012 and 2011 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, 2012 and 2011, the District had unrestricted cash and investments of \$29,984 and \$16,225, respectively, invested in LAIF, which had invested 3.47% and 5.01% of the pooled investment funds in Structured Notes and Asset-Backed Securities. As of June 30, 2012, the District had restricted cash and investments of \$14,771 invested in LAIF which related to the 2012 Water System Revenue Bonds issued in February 2012. The District had a total of \$44,755 invested in LAIF as of June 30, 2012. The District valued its investments in LAIF as of June 30, 2012 and 2011, 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 1.001219643 and 1.001576470 as of June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, the District had unrestricted cash and investments in the CAMP pool of \$10 and \$10, respectively. As of June 30, 2012, the District had restricted cash and fund had \$117 invested in the CAMP pool which related to the 2012 Water System Revenue Bonds issued in February 2012. The District had a total of \$127 invested in the CAMP pool as of June 30, 2012. The District had restricted cash and investments of \$6,771 invested in the medium-term notes which were held by the CAMP managed account on June 30, 2012. At June 30, 2012 and 2011, the total amount invested by all public agencies in CAMP at that date was \$1,976,375 and \$1,993,248, 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 five years. Specific maturities of investments depend on liquidity needs.

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

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

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

**3. CASH AND INVESTMENTS, Continued**

**F. Summary of Cash and Investments**

As of June 30, 2012, 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:					
Non-negotiable certificates of deposit with:					
Bank of the West	n/a	\$ 1,000	\$ 1,000	\$ -	\$ -
Fremont Bank	n/a	1,085	1,085	-	-
JP Morgan Chase	n/a	5,000	3,000	1,000	1,000
U.S. Bank	n/a	2,000	-	2,000	-
Demand deposits	n/a	(842)	(842)	-	-
Total unrestricted cash and bank deposits		8,243	4,243	3,000	1,000
U.S. Government agencies securities:					
Federal Farm Credit Bank	Aaa/AA+	13,485	9,459	4,026	-
Federal Home Loan Bank	Aaa/AA+	18,838	11,565	7,273	-
Medium-term notes:					
Berkshire Hathaway Finance Corp.	Aa2/AA+	6,698	3,972	2,726	-
General Electric Capital Corp.	A1/AA+	8,713	8,713	-	-
MassMutual Global Funding	Aa2/AA	1,001	1,001	-	-
Wells Fargo & Co.	A2/A+	3,753	3,753	-	-
Local Agency Investment Funds	Unrated/Unrated	29,984	29,984	-	-
California Asset Management Program	Unrated/AAA	10	10	-	-
Total unrestricted investments		82,482	68,457	14,025	-
Total unrestricted cash and investments		\$ 90,725	\$ 72,700	\$ 17,025	\$ 1,000
Restricted investments:					
First American Treasury Obligation Fund	Aaa/AAA	\$ 49	\$ 49	\$ -	\$ -
U.S. Government Agencies securities:					
Federal Home Loan Bank	Aaa/AA+	2,777	-	2,777	-
Medium-term notes:					
Caterpillar Financial	A2/A	2,280	-	2,280	-
General Electric Capital Corp.	A1/AA+	2,254	-	2,254	-
JP Morgan Chase & Co.	A2/A	2,237	-	2,237	-
Local Agency Investment Funds	Unrated/Unrated	14,771	14,771	-	-
California Asset Management Program	Unrated/AAA	117	117	-	-
Total restricted investments		\$ 24,485	\$ 14,937	\$ 9,548	\$ -
OPEB Trust Fund:					
Cash and investments:					
Fremont Bank Money Market Fund	n/a	\$ 5,617	\$ 5,617	\$ -	\$ -
Demand deposits	n/a	44	44	-	-
Total cash and investments		\$ 5,661	\$ 5,661	\$ -	\$ -

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
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**3. CASH AND INVESTMENTS, Continued**

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

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

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)		
			1 year or less	1-2 years	2-3 years
Enterprise Fund:					
Unrestricted cash and investments:					
Non-negotiable certificates of deposit with:					
Bank of the West	n/a	\$ 2,085	\$ 1,085	\$ 1,000	\$ -
Fremont Bank	n/a	7,500	7,500	-	-
JP Morgan Chase	n/a	3,000	-	3,000	-
U.S. Bank	n/a	2,000	2,000	-	-
Demand deposits	n/a	575	575	-	-
Total unrestricted cash and bank deposits		15,160	11,160	4,000	-
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
Total unrestricted cash and investments		\$ 96,642	\$ 41,817	\$ 41,731	\$ 13,094
Restricted investments:					
First American Treasury Obligation Fund	Aaa/AAAm	\$ 222	\$ 222	\$ -	\$ -
U.S. Government Agencies securities:					
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**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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**4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE**

Customer and other accounts receivable were as follows:

	<u>2012</u>	<u>2011</u>
Utility service	\$ 4,210	\$ 3,090
Groundwater replenishment	74	49
Other	523	641
Allowance for doubtful accounts	<u>(21)</u>	<u>(15)</u>
Total customer and other accounts receivable, net	<u>\$ 4,786</u>	<u>\$ 3,765</u>

Other accounts receivable balance of \$523 and \$641 for June 30, 2012 and 2011, 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, 2012 and 2011**  
**(Dollars in thousands)**

**5. CAPITAL ASSETS**

**A. Summary of Capital Asset Activity**

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

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

The District had various active construction projects during the fiscal year 2012 including the following:

Fishery Study	\$ 1,266
WTP2 Linear Oxygen Conversion, Process, Upgrades & Construction	1,159
Development of Main Replacement Criteria	849
Design-Appian Tank Seismic Upgrade	582
Design-Rubber Dam #1 Fish Ladder	537
Main Relocation for SFPUC Bay	374
WTP2 Power Facility Turbine Upgrade	217
Design-Shinn Pond Fish Screen	243
Design-Shinn Gravity Rediversion (Bond Job)	258
Design-Appian Tank Seismic Upgrade (Bond Job)	544
Final Design/Construction Main Relocation (Bond Job)	425
Hayward Fault Crossing Phase 1 (Bond Job)	474
Various Other Active Projects (individually less than \$200K)	2,615
Customer Installation Jobs	739
Total	<u>\$ 10,282</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

**5. CAPITAL ASSETS, Continued**

*A. Summary of Capital Asset Activity, Continued*

At June 30, 2012, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$ 3,800.

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	<u>31,295</u>	<u>14,364</u>	<u>(69)</u>	<u>(23,600)</u>	<u>21,990</u>
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	<u>500,103</u>	<u>2,547</u>	<u>(1,532)</u>	<u>23,600</u>	<u>524,718</u>
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	<u>(193,619)</u>	<u>(12,462)</u>	<u>1,223</u>	<u>-</u>	<u>(204,858)</u>
Capital assets, being depreciated/amortized, net	<u>306,484</u>	<u>(9,915)</u>	<u>(309)</u>	<u>23,600</u>	<u>319,860</u>
Total capital assets, net	<u>\$ 337,779</u>	<u>\$ 4,449</u>	<u>\$ (378)</u>	<u>\$ -</u>	<u>\$ 341,850</u>

Depreciation and amortization expense for capital assets for the years ended June 30, 2012 and 2011 were \$12,262 and \$12,462, respectively.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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**5. CAPITAL ASSETS, Continued**

*B. Supplemental Water Supply Storage*

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

The agreements terminate in November 2035. The 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 \$636 and \$634 for the years ended June 30, 2012 and June 30, 2011, respectively.

The District had a storage allocation of 150,000 acre-feet and had approximately 135,647 and 131,147 acre feet of water at June 30, 2012 and 2011, respectively.

**6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL**

Accounts payable and accrued expenses were as follows:

	<u>2012</u>	<u>2011</u>
Vendors	\$ 3,268	\$ 3,772
Retention payable	192	23
Installer's reimbursement	1,261	1,225
Other	<u>352</u>	<u>58</u>
Total	<u>\$ 5,073</u>	<u>\$ 5,078</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, 2012 and 2011, were \$1,261 and \$1,225, 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, 2012 and 2011**  
**(Dollars in thousands)**

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**6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL, Continued**

Accrued payroll and related liabilities were as follows:

	<u>2012</u>	<u>2011</u>
Accrued payroll	\$ 442	\$ 563
Accrued vacation	2,002	1,847
Accrued leave and other	<u>489</u>	<u>288</u>
Total	2,933	2,698
Less current portion	<u>(2,607)</u>	<u>(2,516)</u>
Long-term portion	<u>\$ 326</u>	<u>\$ 182</u>

Accrued vacation activity is as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 1,847	\$ 1,618
Additions	1,729	1,639
Reduction	<u>(1,574)</u>	<u>(1,410)</u>
Balance, end of year	<u>\$ 2,002</u>	<u>\$ 1,847</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, 2012 and 2011**  
**(Dollars in thousands)**

**7. LONG-TERM DEBT**

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

Description	Beginning	Additions	Reductions	Ending	Current	Noncurrent
	Balance			Balance		
	July 1, 2011			June 30, 2012		
2003 Certificates of Participation	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -	\$ -
Unamortized premium	165	-	(165)	-	-	-
2009 Water System Refunding						
Revenue Bonds	21,885	-	(2,030)	19,855	2,075	17,780
Unamortized premium	1,064	-	(118)	946	118	828
Unamortized deferred loss on refunding	(1,777)	-	198	(1,579)	(198)	(1,381)
2012 Water System Revenue Bonds	-	45,240	-	45,240	240	45,000
Unamortized premium	-	2,832	(40)	2,792	96	2,696
Unamortized deferred loss on refunding	-	(1,795)	46	(1,749)	(109)	(1,640)
<b>Total</b>	<b>\$ 46,337</b>	<b>\$ 46,277</b>	<b>\$ (27,109)</b>	<b>\$ 65,505</b>	<b>\$ 2,222</b>	<b>\$ 63,283</b>

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>

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

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

On September 30, 2009, the District refinanced its 1998 Water System Refunding 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 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 a net present value savings to the District in debt service of \$3,984.

The 2009 Water System Refunding Revenue Bonds are payable solely from and secured by the revenues received from the operation of the District’s water system. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District’s water system during each fiscal year which are least sufficient to yield in each fiscal year net revenues equal to 125 percent of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement. The total principal and interest remaining to be paid from the bonds is \$22,726. Principal and interest paid for the year ended June 30, 2012 and total water net revenues were \$2,664 and \$70,098, respectively. Principal and interest paid for the year ended June 30, 2011 and total water net revenues were \$2,664 and \$62,596, respectively.

The debt service requirements for the 2009 Water System Refunding Revenue Bonds at June 30, 2012 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,525	342	2,867
2018-2020	8,070	523	8,593
Total	<u>\$ 19,855</u>	<u>\$ 2,871</u>	<u>\$ 22,726</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

**2003 Certificates of Participation and 2012 Water System Revenue Bonds**

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

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

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

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

The 2012 Water System Revenue Bonds were sold for a total price of \$48,073; equal to the \$45,240 par amount, plus \$2,833 in net original issue premium. The refunding resulted in an accounting deferred loss of \$1,795 that will be amortized annually through June 1, 2028. This debt is payable solely from and secured by the revenues received from the operations of the District's water system.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

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

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 240	\$ 1,651	\$ 1,891
2014	250	1,643	1,893
2015	255	1,636	1,891
2016	265	1,628	1,893
2017	275	1,618	1,893
2018 - 2022	5,605	7,810	13,415
2023 - 2027	13,185	5,577	18,762
2028 - 2032	8,720	3,579	12,299
2033 - 2037	8,470	2,302	10,772
2038 - 2041	7,975	711	8,686
Total	<u>\$ 45,240</u>	<u>\$ 28,155</u>	<u>\$ 73,395</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, 2012 and 2011.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(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, 2012 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, 2012 and 2011**  
**(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 2012 and 2011 were approximately 25,652 and 28,910 acre-feet, respectively. The maximum entitlement will be 42,000 acre-feet during fiscal year 2012 and thereafter. In any year when the entitlement is in excess of the District's needs, the State will attempt to sell such excess and credit the District. The costs to the District for water purchased under this contract for fiscal years 2012 and 2011 were approximately \$6,778 and \$5,760, respectively, and were charged to operations as incurred.

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

The District's commitment under the State water contract will remain in effect until 2036 or until the cost of the State's facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$163,166 as of June 30, 2012 which was based on June 30, 2012 amount provided by the State.

Year Ending June 30,	State Water Purchase Commitment (in thousands)
2013	\$ 7,739
2014	7,659
2015	7,293
2016	7,098
2017	7,070
2018 - 2022	34,848
2023 - 2027	34,738
2028 - 2032	33,653
2033 - 2036	23,068
Total Water Purchase	<u>\$ 163,166</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 2012 and 2011 were approximately \$11,032 and \$7,710, 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 2012, the estimated cost of the minimum purchase commitment was approximately \$10,241. In fiscal year 2013, the District expects to purchase 8,995 acre-feet of water for a total price of approximately \$11,852.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(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 2012 and 2011, the District's EPMC was \$281 and \$258, 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 2012 and 2011 at an actuarially determined rate of 24.566% and 20.161% of annual covered payroll for the District's employees, which amounted to \$5,547 and \$4,327 for the years ended June 30, 2012 and 2011.

**C. *CalPERS Three-Year Phase-In***

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

**D. *Annual Pension Cost***

For fiscal year 2012 and 2011, the District's annual pension cost of \$5,547 and \$4,327 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2009 and June 30, 2008 actuarial valuations using the entry age normal actuarial cost method. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(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
2010	\$ 3,751	100%	\$ -
2011	4,327	100%	-
2012	5,547	100%	-

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

The CalPERS’ Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. Nearly all of the demographic assumptions have changed, including salary increase assumptions (3.55% to 14.45% depending on Age, Service, and type of employment) and rates for mortality, disability, termination and retirement. As of the June 30, 2010 actuarial valuation, there were no changes made to the actuarial assumptions since the prior year’s actuarial valuation.

In June 2009, the CalPERS’ Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses in order to phase in over a three year period the impact of the 24% investment loss experienced by CalPERS in fiscal year 2008-2009. As of the 2010 actuarial valuation, we are in the second year of a 3-year temporary change to the asset smoothing method and the amortization of gains and losses. The following changes adopted were:

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

As of the June 30, 2010 actuarial valuation, the change in “special” investment assumptions resulted in an increase in the unfunded actuarial accrued liabilities \$1.7 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, 2012 and 2011**  
**(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 actuarial valuations include the following:

Valuation date:	June 30, 2008	June 30, 2009 and 2010
Annual Required Contribution:	2010 / 2011	2011/2012 and 2012/2013
Actuarial Cost Method:	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method:	Level percent of payroll	Level percent of payroll
Average Remaining Period	22 Years as of the Valuation Date	21 Years as of the Valuation Date
Asset Valuation Method:	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return:	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases:	3.25% to 14.45% depending on Age, Service, and type of employment	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation:	3.00%	3.00%
Payroll Growth:	3.25%	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%.	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	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
	Normal Accrued Liability					
6/30/2010	\$ 162,814	\$ 123,302	\$ (39,512)	75.7%	\$ 19,874	-198.8%

Actuarial valuations for June 30, 2012 and 2011 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, 2012 and 2011**  
**(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 \$59 in fiscal years 2012 and 2011, 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.

In May 2012, the District entered into an agreement with CALPERS in order to participate in the California Employer's Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund the District's other postemployment benefits through CALPERS, as a successor trust to the self-administered OPEB Trust.

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

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

**A. Plan Description, Continued**

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

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

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

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

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

*A. Plan Description, Continued*

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

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

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

The District provides health care benefits as described above for the surviving spouse and eligible dependents of a retiree so long as they meet the eligibility requirements. The District provides life insurance at a flat \$2,000 benefit for union retirees and a flat \$4,000 benefit for other retirees. All employees hired on or after April 1, 2009, shall not be eligible for retiree life insurance.

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

***B. Funding Policy***

The OPEB Trust and the CERBT are funded through District contributions and any gains/losses as a result of investments. The District is required to disclose the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level percentage of payroll over a period not to exceed 30 years. Contributions to the OPEB Trust are determined by the OPEB Trust Committee as authorized by the Board. A total of 165 retirees participated in the plan as of June 30, 2012. The District plans to dissolve the OPEB Trust Committee once the current self-administered trust funds are transferred to the successor trust with CALPERS in their California Employer's Retiree Benefit Trust Fund Program (CERBT) in July of 2012. Trust contributions will then be determined by District staff as authorized by the Board.

The District's funding policy is to fund the ARC. As of the June 30, 2009 actuarial valuations, the District's fiscal years 2012 and 2011 ARC rate is 14.6% and 13.9% of covered payroll.

***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 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:

	2012	2011
Normal Cost	\$ 1,088	\$ 1,005
UAAL Amortization	1,768	1,633
Annual Required Contribution	2,856	2,638
Interest on Net OPEB Asset	(151)	(56)
Adjustments to Net OPEB Asset	185	178
Annual OPEB Cost (AOC)	2,890	2,760
Contributions made	(2,856)	(2,658)
Change in Net OPEB Asset	34	102
Net OPEB Asset, beginning of year	(1,943)	(2,045)
Net OPEB Asset, end of year	\$ (1,909)	\$ (1,943)

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

*C. Annual OPEB Cost (AOC) and Net OPEB Asset, Continued*

The total ARC for 2012 is \$2,856. Of this amount, the District made a contribution amount of \$1,735 for retirees' health premium in 2012. The remaining balance of the ARC of \$1,121 was deposited in CERBT in June 2012. In July, the District closed its OPEB Trust and transferred the remaining trust assets in the amount of \$5,661 to the CERBT.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/2010	\$ 2,769	\$ 2,406	87%	\$ 2,045
6/30/2011	2,760	2,658	96%	1,943
6/30/2012	2,890	2,856	99%	1,909

*D. Funded Status and Funding Progress*

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

Actuarial accrued liability (AAL)	\$41,565
Actuarial value of plan assets	<u>5,620</u>
Unfunded actuarial accrued liability	<u>\$35,945</u>
Funded ratio (actuarial value of plan assets/AAL)	13.5%
Annual covered payroll (active plan members)	\$19,619
UAAL as a percentage of annual covered payroll	183.2%

*E. Actuarial Methods and Assumptions*

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

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

*E. Actuarial Methods and Assumptions, Continued*

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

Significant actuarial assumptions are as follows:

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

**Alameda County Water District**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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**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.

**13. SUBSEQUENT EVENT**

On July, 25, 2012, the District closed its OPEB Trust and transferred its trust assets in the amount of \$5,661 to the CERBT.

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

**Alameda County Water District**  
**Required Supplemental Information (Unaudited)**  
**Schedules of Funding Progress and Schedule of Employer Contributions (OPEB)**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

**1. DEFINED BENEFIT PENSION PLAN**

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

*Schedule of Funding Progress*

Valuation Date	Entry Age	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL) / Annual Covered Payroll
	Normal Accrued Liability					
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%
6/30/2010	162,814	123,302	(39,512)	75.7%	19,874	-198.8%

Actuarial valuations as of June 30, 2012 and 2011 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. In June 2012, the District entered into an agreement with CALPERS in order to participate in the California Employer's Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund the District's other postemployment benefits through CALPERS, as a successor trust to the District's self-administered OPEB Trust.

*Schedule of Funding Progress*

Valuation Date	Actuarial	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL) / Annual Covered Payroll
	Accrued Liability					
6/30/2007	\$ 31,538	\$ -	\$ (31,538)	0.0%	\$ 16,634	-189.6%
6/30/2009	32,915	3,496	(29,419)	10.6%	19,001	-154.8%
6/30/2011	41,565	5,620	(35,945)	13.5%	19,619	-183.2%

Actuarial valuations as of June 30, 2012 is not available

Closed group actuarial cost method

**Alameda County Water District**  
**Required Supplemental Information (Unaudited)**  
**Schedules of Funding Progress and Schedule of Employer Contributions (OPEB)**  
**For the years ended June 30, 2012 and 2011**  
**(Dollars in thousands)**

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

*Schedule of Employer Contributions*

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

# STATISTICAL SECTION

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# STATISTICAL SECTION

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

<b>Index</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	56
<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.	58
<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.	63
<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.	65
<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.	67

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

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>OPERATING REVENUES:</b>										
Water Sales	\$ 42,833	\$ 48,350	\$ 47,469	\$ 53,355	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098
Facilities Connection Charges	1,982	1,849	3,864	3,589	3,276	3,874	5,703	1,768	1,892	2,118
Other Revenue	1,516	3,301	3,691	1,963	4,021	2,090	1,576	1,737	1,559	1,662
<b>TOTAL OPERATING REVENUES</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>73,878</b>
<b>OPERATING EXPENSES:</b>										
Source of Supply										
Water Purchases	9,435	9,532	9,529	9,616	12,985	14,211	14,129	14,128	14,402	18,747
Pumping	2,749	2,604	2,980	2,617	2,666	2,574	2,583	2,592	3,116	3,338
Other	4,440	6,096	6,523	6,002	6,303	6,783	9,707	7,511	8,819	8,875
Water Treatment	6,003	8,944	8,786	9,936	9,732	10,097	11,022	11,297	12,464	12,119
Transmission and Distribution	8,153	9,986	9,423	9,753	10,311	10,089	11,285	11,997	11,343	10,953
Admin. of Customer Accounts	2,526	1,040	995	957	1,056	1,076	1,163	1,252	1,507	1,390
Administration and General	6,175	3,733	4,151	5,310	5,286	6,210	7,605	8,335	6,170	9,559
Depreciation and Amortization	8,960	9,952	9,926	10,402	10,698	10,811	10,968	10,942	12,462	12,262
<b>TOTAL OPERATING EXPENSES</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>77,243</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment Income	2,602	1,162	1,608	2,524	4,537	5,344	4,032	2,448	1,416	672
Property Taxes	4,867	4,849	1,778	2,575	5,820	6,657	7,381	7,479	7,256	7,936
Other Revenues (1)	-	-	-	-	-	-	-	10,934	450	215
Other Expenses/Loss on Disposal	(3,927)	(2,702)	(3,287)	(2,827)	(2,943)	(2,897)	(2,915)	(2,373)	(2,060)	(3,316)
<b>TOTAL NONOPERATING REVENUES (EXPENSES):</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>5,507</b>
<b>Capital Contributions</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>2,849</b>
<b>Increase in Net Assets</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>	<b>\$ 4,991</b>
% Water Rate Increase (of latter of FY)	7.00	7.00	7.00*	5.00*	9.00	4.50	6.00	8.80	8.00	8.00**
<b>Number of Employees (2)</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>	<b>225</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, 2012.

Source: Alameda County Water District Finance Department

\*Excludes 6.5% Supplemental Temporary Water Rate Increase

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

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

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>NET ASSETS:</b>										
Invested in capital assets, net of related debt	\$ 249,640	\$ 244,634	\$ 249,646	\$ 252,840	\$ 255,535	\$ 260,757	\$ 275,844	\$ 292,179	\$ 298,301	\$ 304,983
Restricted for debt service	5,163	7,700	7,679	7,768	7,781	7,662	7,701	2,515	2,436	2,639
Unrestricted	78,624	88,432	86,797	94,287	109,334	119,523	98,124	103,149	103,609	101,715
<b>TOTAL NET ASSETS:</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>	<b>\$ 409,337</b>

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)**

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Levies:</b>										
1% Tax Allocation	\$ 2,727	\$ 2,809	\$ 286 *	\$ 488 *	\$ 3,418	\$ 3,615	\$ 3,622	\$ 3,541	\$ 3,537	\$ 3,500
State Water Contract Tax	1,707	1,546	1,182	1,696	2,079	2,516	3,071	2,595	2,803	3,010
<b>Total</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>\$ 6,510</b>
<b>Collections:</b>										
Percentage of Collection of Levies (%)	\$ 4,867	\$ 4,849	\$ 1,778	\$ 2,575	\$ 5,820	\$ 6,670	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317
	110%	111%	121%	118%	106%	109%	116%	101%	113%	128%

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>
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
2010/11	43,522,656	5,755	3,093,752	46,622,164
<b>2011 /12</b>	<b>43,072,743</b>	<b>5,755</b>	<b>2,975,251</b>	<b>46,053,748</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>
2002/03	\$ 2,391	\$ 68	2.85 %
2003/04	1,455	23	1.61
2004/05	1,110	17	1.56
2005/06	1,665	28	1.67
2006/07	2,037	61	3.00
2007/08	2,460	93	3.80
2008/09	2,998	109	3.65
2009/10	2,544	64	2.51
2010/11	2,771	56	2.01
<b>2011/12</b>	<b>3,180</b>	<b>59</b>	<b>1.87</b>

(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 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	Eff. 2/1 2012
<b>COMMODITY CHARGE/HCF:</b>										
Inside District	\$ 1.744	\$ 1.866	\$ 1.997	\$ 2.096	\$ 2.285	\$ 2.388	\$ 2.531	\$ 2.754	\$ 2.974	\$ 3.152
Outside District	2.006	2.146	2.296	2.410	2.627	2.745	2.910	3.166	3.419	3.624
San Francisco	1.794	1.955	2.002	2.102	2.292	2.395	2.682	2.918	3.242	3.673
<b>BIMONTHLY METER SERVICE CHARGE:</b>										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 9.30	\$ 9.60	\$ 9.60	\$ 10.08	\$ 10.08	\$ 10.08	\$ 10.68	\$ 11.62	\$ 12.55	\$ 14.93
1	13.75	13.75	13.75	14.44	14.44	14.44	15.31	16.66	17.99	21.41
1-1/2	24.30	24.30	24.30	25.52	25.52	25.52	27.05	29.43	31.78	37.82
2	34.85	34.85	34.85	36.59	36.59	36.59	38.79	42.20	45.58	54.24
3	132.15	132.15	132.15	138.76	138.76	138.76	147.09	160.03	172.83	205.67
4	191.40	191.40	191.40	200.97	200.97	200.97	213.03	231.78	250.32	297.88
6	462.00	462.00	462.00	485.10	485.10	485.10	514.21	559.46	604.22	719.02
8	676.50	676.50	676.50	710.33	710.33	710.33	752.95	819.21	884.75	1,052.85
10	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	1,881.57
Outside District Water Service										
5/8" & 3/4 " or less	\$ 10.65	\$ 11.00	\$ 11.00	\$ 11.59	\$ 11.59	\$ 11.59	\$ 12.28	\$ 13.36	\$ 14.43	\$ 17.17
1	15.80	15.80	15.80	16.61	16.61	16.61	17.61	19.16	20.69	24.62
1-1/2	27.90	27.90	27.90	29.35	29.35	29.35	31.11	33.84	36.55	43.49
2	40.05	40.05	40.05	42.08	42.08	42.08	44.61	48.53	52.41	62.37
3	151.95	151.95	151.95	159.57	159.57	159.57	169.15	184.03	198.75	236.52
4	220.10	220.10	220.10	231.12	231.12	231.12	244.98	266.55	287.87	342.56
6	531.30	531.30	531.30	557.87	557.87	557.87	591.34	643.38	694.85	826.87
8	778.00	778.00	778.00	816.88	816.88	816.88	865.89	942.09	1,017.46	1,210.78
10	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	2,163.81
<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**  
**LARGEST DISTRIBUTION WATER REVENUE ACCOUNTS (Unaudited)**  
**TEN YEAR HISTORY**  
(1=Highest to 10=Lowest)

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Western Digital Technologies	-	-	5	4	4	5	5	5	3	1
City of Fremont	2	2	2	2	2	3	2	2	1	2
Fremont Unified School District	3	3	3	3	3	2	1	1	2	3
Prologis Trust	6	6	6	6	5	4	3	3	4	4
Newark Unified School District	8	9	8	9	8	8	7	9	8	5
City of Union City	10	8	9	8	6	6	6	6	5	6
School for the Deaf	-	-	-	-	-	-	-	-	6	7
Contempo Homeowners Association	5	5	-	5	7	7	9	7	7	8
Seagate Magnetics	-	-	-	-	-	-	-	-	-	9
New Haven School District	-	10	-	-	-	-	-	-	-	10
Solyndra Inc.	-	-	-	-	-	-	-	10	9	-
Ardenwood Forest Apartments	-	-	-	-	-	-	-	-	10	-
New United Motor Manufacturing, Inc.	1	1	1	1	1	1	4	4	-	-
Equity Residential Properties Trust	-	-	7	-	-	-	8	8	-	-
City of Newark	-	4	4	-	10	10	10	-	-	-
HMT Technology	-	-	-	-	-	-	-	-	-	-
Read-Rite Corporation	4	-	-	-	-	-	-	-	-	-
Union City Townhouse Association	-	-	-	-	-	-	-	-	-	-
Equity Residential Properties Trust	7	7	10	10	9	9	-	-	-	-
Lam Research	9	-	-	-	-	-	-	-	-	-
MMC Technology	-	-	-	7	-	-	-	-	-	-

Source: Alameda County Water District Finance Department

**Table 8**  
**ALAMEDA COUNTY WATER DISTRICT**  
**HISTORICAL and PROJECTED NET REVENUES and DEBT SERVICE COVERAGE**  
**Fiscal Years 2007/08 - 2016/17 (Unaudited)**  
(in thousands)

	Actual					Projected				
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Revenues</b>										
Water Sales	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 71,157	\$ 76,907	\$ 83,429	\$ 90,587	\$ 98,624
Investment Income	5,344	4,031	2,448	1,416	672	1,200	1,250	1,300	1,500	1,700
Property Taxes (1)	6,657	7,381	7,479	7,256	7,936	7,480	7,500	7,600	7,650	7,700
Development Fees	3,873	5,703	1,768	1,892	2,118	2,443	2,404	2,345	2,400	2,500
Other Revenue (5)	2,090	1,576	1,738	1,559	1,877	1,000	1,100	1,200	1,320	1,301
<b>Total Revenues</b>	<b>76,051</b>	<b>75,469</b>	<b>70,177</b>	<b>74,719</b>	<b>82,701</b>	<b>83,280</b>	<b>89,161</b>	<b>95,874</b>	<b>103,457</b>	<b>111,825</b>
<b>Maintenance and Operation Costs</b>										
Pumping Costs	2,574	2,583	2,592	3,116	3,338	3,692	3,419	3,590	3,771	3,964
Other Operating Expenses (2)	8,247	9,334	9,283	7,642	7,272	7,657	7,887	8,123	8,367	8,618
Labor Costs (3)	25,854	31,360	31,069	32,569	35,624	39,313	40,886	42,521	44,222	45,991
Purchased Water (4)	14,211	14,129	14,128	14,402	18,747	18,717	21,030	21,368	22,635	24,342
Aquifer Reclamation Costs	154	88	40	92	-	-	-	-	-	-
<b>Total Expenses</b>	<b>51,040</b>	<b>57,494</b>	<b>57,112</b>	<b>57,821</b>	<b>64,981</b>	<b>69,379</b>	<b>73,222</b>	<b>75,602</b>	<b>78,995</b>	<b>82,915</b>
<b>Net Revenues</b>	<b>\$ 25,011</b>	<b>\$ 17,975</b>	<b>\$ 13,065</b>	<b>\$ 16,898</b>	<b>\$ 17,720</b>	<b>\$ 13,901</b>	<b>\$ 15,939</b>	<b>\$ 20,272</b>	<b>\$ 24,462</b>	<b>\$ 28,910</b>
<b>Maximum Annual Debt Service on Revenue Certificates and Bond</b>										
1998 Refunding Revenue Bond	\$ 3,360	\$ 3,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003 Certificates of Participation	1,203	1,203	1,203	1,203	822	-	-	-	-	-
2009 Refunding Revenue Bond	-	-	2,921	2,664	2,664	2,669	2,866	2,868	2,863	2,867
2012 Revenue Bond	-	-	-	-	523	1,891	1,893	1,891	1,893	1,893
<b>Total Debt Service</b>	<b>\$ 4,563</b>	<b>\$ 4,562</b>	<b>\$ 4,124</b>	<b>\$ 3,867</b>	<b>\$ 4,009</b>	<b>\$ 4,560</b>	<b>\$ 4,759</b>	<b>\$ 4,759</b>	<b>\$ 4,756</b>	<b>\$ 4,760</b>
<b>Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Certificates</b>	<b>5.48x</b>	<b>3.94x</b>	<b>3.17x</b>	<b>4.37x</b>	<b>4.42x</b>	<b>3.05x</b>	<b>3.35x</b>	<b>4.26x</b>	<b>5.14x</b>	<b>6.07x</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 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 2013.
  - (3) Includes fringe benefits and annual inflationary increase as relevant beginning in 2013. 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)**

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Certificates of Participation</b>										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20*	\$ 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	\$ 19,855
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	-	-	-	-	-	-	-	\$ 45,240
<b>Total</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>\$ 65,095</b>
<b>Total Outstanding Debt to</b>										
<b>Personal Income</b>	70.49	106.51	99.03	90.26	82.10	76.89	75.90	67.18	N/A	N/A
<b>Total Debt Per Capita</b>	\$ 123	\$ 196	\$ 191	\$ 185	\$ 178	\$ 170	\$ 163	\$ 150	\$ 143	\$ 197

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

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

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

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

(3) Alameda County Water District Finance Department

**Table 10**  
**LARGEST EMPLOYERS WITHIN THE DISTRICT (Unaudited)**

<b>CITY OF FREMONT<sup>(1)</sup></b>					
	<u>2011</u>			<u>2002</u>	
<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Fremont Unified School District	3,000	3.27 %	New United Motor Mfg., Inc.	4,700	4.38 %
Washington Hospital	1,817	1.98	Fremont Unified School District	3,600	3.36
Boston Scientific/Target Therapeutics, Inc.	1,200	1.31	Lam Research Corp	2,750	2.56
Western Digital	1,200	1.20	Komag, Inc.	1,902	1.77
Seagate Magnetics	1,060	1.16	Washington Hospital	1,347	1.26
AXT, Inc.	972	1.06	Seagate Magnetics	1,200	1.12
Lam Research Corp.	920	1.00	Staff Search	1,200	1.12
City of Fremont	848	0.93	Avanex Corp	1,100	1.03
DMS Facility Services, Inc.	800	0.87	City of Fremont	1,000	0.93
Solyndra	800	0.87	Asyst Technologies, Inc.	1,000	0.93
<b>Total City Employment</b>	<b><u>101,068</u></b>		<b>Total City Employment</b>	<b><u>107,224</u></b>	

<b>CITY OF UNION CITY<sup>(2)</sup></b>					
	<u>2011</u>			<u>2002</u>	
<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Axygen Bioscience Inc.	1,200	3.88 %	New Haven School District	1,228	3.73 %
New Haven Unified School District	1,139	3.69	Southern Wine & Spirits	650	1.98
Wal-Mart	500	1.62	Wal-Mart	450	1.37
Young's Market Co. LLC	400	1.29	Office Depot Corp	450	1.37
American Licorice	350	1.13	Sysco Avarad Food Services	375	1.14
Southern Wine and Spirits	350	1.13	American Licorice	365	1.11
City of Union City	309	1.00	Apria Healthcare	351	1.07
Hearst Corp	300	0.97	San Francisco Newspaper Agency	300	0.91
Rapid Displays	300	0.97	Orcon Corp	225	0.68
Hearst Communications	300	0.97	Coca-Cola Bottling Co.	225	0.68
<b>Total City Employment</b>	<b><u>30,900</u></b>		<b>Total City Employment</b>	<b><u>32,900</u></b>	

<b>CITY OF NEWARK<sup>(3)</sup></b>					
	<u>2011</u>			<u>2002</u>	
<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Newark Unified School District	700	3.44 %	Sun Microsystems	3,700	17.22 %
WorldPac	280	1.37	Ross Stores	800	3.72
Full Bloom Baking Company	280	1.37	Newark Unified School District	700	3.26
Risk Management Solutions	270	1.33	Corporate Express	600	2.79
Smart Modular Technologies	249	1.22	City of Newark	333	1.55
City of Newark	193	0.95	Sales Link	300	1.40
Cargill Salt	182	0.89	WorldPac	290	1.35
Valassis (formerly ADVO)	166	0.81	ADVO	270	1.26
Staples (formerly Corporate Express)	154	0.76	Nancy's Specialty Foods	250	1.16
Home Depot	129	0.63	Cargill Salt	230	1.07
<b>Total City Employment</b>	<b><u>20,377</u></b>		<b>Total City Employment</b>	<b><u>21,483</u></b>	

Note: (1) Number of Employees and Percent of Total Employment unavailable for 2012.

(2) Number of Employees and Percent of Total Employment unavailable for 2012.

(3) Number of Employees and Percent of Total Employment unavailable for 2012.

Source: (1) Year 2011 - City of Fremont, CAFR FY 2010/11, Year 2002 - Fremont Chamber of Commerce, Oct 2002

(2) City of Union City, CAFR FY 2010/11

(3) Year 2011- City of Newark, CAFR FY 2010/11, Year 2002 - City of Newark Economical Dev Div, Oct 2002

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)
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
2010	326	72,757	48	9.0
<b>2011</b>	<b>328</b>	<b>N/A</b>	<b>N/A</b>	<b>8.3</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)**

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>UTILITY PLANT:</b>										
Land	\$ 9,594	\$ 9,594	\$ 9,628	\$ 9,668	\$ 9,654	\$ 9,677	\$ 9,701	\$ 9,725	\$ 9,725	\$ 9,727
Source of Supply	41,799	41,946	42,190	42,572	43,152	43,783	43,852	50,116	50,125	51,092
Pumping Plant	17,534	17,580	18,284	18,313	18,803	18,946	19,255	19,647	20,191	21,324
Water Treatment	88,904	89,059	109,157	114,030	114,777	115,024	115,833	138,112	151,445	152,302
Transmission and Distribution	192,584	200,209	205,417	211,317	218,371	219,098	228,418	235,460	244,864	253,908
General	19,779	24,771	27,781	32,613	33,274	33,818	34,661	35,909	37,234	46,075
Construction in Progress	39,556	53,788	36,846	31,112	34,908	42,788	49,281	21,570	12,265	10,282
	409,750	436,947	449,303	459,625	472,939	483,134	501,001	510,539	525,849	544,710
Less Accumulated Depreciation	123,166	132,188	141,019	149,976	161,939	168,605	178,051	189,258	199,863	211,110
<b>NET UTILITY PLANT</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>	<b>\$ 333,600</b>

Note:

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

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

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

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

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

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

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

Source: Alameda County Water District Finance Department

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

<u>Fiscal Year</u>	<u>Million Gallons Per Day (MGD)</u>
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
2010/11	38.52
<b>2011/12</b>	<b>39.23</b>

Source: Alameda County Water District Finance Department