



Alameda County Water District
Fremont, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended ~ June 30, 2014 and June 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

ALAMEDA COUNTY WATER DISTRICT

FOR THE YEARS ENDED

JUNE 30, 2014 and JUNE 30, 2013

**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, 2014 and 2013**

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INTRODUCTORY SECTION



DIRECTORS

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President

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October 3, 2014

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Manager of Finance

STEVE PETERSON
Manager of Operations and Maintenance

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 (District) for the years ended June 30, 2014 and 2013.

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, 2014 and 2013. 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 maintaining the groundwater supply in the Niles Cone Groundwater Basin, which underlies southern Alameda County, including the cities of Fremont, Newark and Union City.

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 340,000 people in southern Alameda County. The District covers approximately 100 square miles and, as of June 2014, provided water service through over 81,200 connections.

The District's current water production is approximately 47,600 acre-feet per year. Water is provided to the District from four sources: 1) groundwater from the Niles Cone Groundwater Basin (including fresh groundwater from two wellfields and desalination of brackish groundwater); 2) surface water from the Del Valle Reservoir; 3) water imported from the State of California's State Water Project; and 4) water imported from the San Francisco Regional Water System. The amount of water available from each of these sources is highly variable in any given year due to hydrologic conditions and other factors. Assuming 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 239 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

Successfully Managed the Impacts of the Worst Drought in 150 Years

The ongoing drought, the most severe dry spell in California's 164 year history, ranked as the number one challenge faced by the District during the fiscal year ended June 30, 2014. The District has tackled the drought head-on, with the Board of Directors, the management team, and all employees engaged in efforts to keep the water flowing to customers at the most reasonable cost given the short supply.

The District began tracking dry year conditions in late 2013 and convened a dry year planning team to identify specific actions that could be taken to reduce the impact of the drought on the District's customers. This group met frequently to discuss the scheduling of water deliveries, water transfers, water rates, drought communication, and the District's drought contingency planning. Concrete actions soon followed.

In early January 2014, as a result of continued dry conditions, the District requested that customers be diligent with their conservation efforts. Then, on January 17, 2014, Governor Brown declared a State of Drought Emergency. In response, the District immediately sent a mailer not only to its customers, but to every address in its service area, requesting a voluntary 20% reduction in water use. Less than two months later, on March 13, 2014, the District adopted a Water Shortage Emergency Ordinance that prohibited wasteful uses of water and limited landscape irrigation in order to achieve a 20% service area-wide reduction in water use. All residents and businesses in the Tri-City area were notified of the Ordinance through a mailer. Postcards, presentations to civic groups and governmental entities, and press releases were also used to inform the public of their responsibilities in combating the effects of the drought. These efforts have been successful, for the District has achieved its goal of a 20% overall reduction in water use.

These successful efforts, however, required the hiring of several temporary staff people to handle a fivefold increase in customer inquiries related to the Ordinance and the District's water conservation programs. The Turf Replacement Program saw a three-fold increase in participation from 2013 to 2014, while four times as many water conservation kits were distributed in the first half of 2014, as compared to the first half of 2013. All other programs have also experienced a significant increase in activity compared to the previous fiscal year. Additional staff also assisted with responding to water waste reports and Ordinance violation reports from the public. To date, over 800 notices have been sent to customers regarding possible violations of the Ordinance.

While Water Conservation and Public Outreach staff endeavored to change water use behavior, Water Resources Planning and Operations and Maintenance staff endeavored to secure and maintain an adequate water supply. Suspension of discretionary water uses by the District, such as routine water main cleaning to minimize discolored water complaints, was one of the first actions taken by the District.

On the supply side of the equation, purchases of San Francisco Public Utilities Commission (SFPUC) water were increased to offset the State Department of Water Resources' (DWR) initial allocation of 5% of the District's 42,000 acre feet of Table A contract water. The 5% allocation was subsequently reduced to a 0% allocation. DWR then began to identify how much water would be required to meet health and safety needs, and in early spring raised the State Water Project (SWP) allocation back to 5% for deliveries starting September 1, 2014.

In January 2014, a pilot water exchange involving the purchase of 1,000 acre feet of Contra Costa Water District's Los Vaqueros Reservoir water was expanded to 5,000 acre feet just before Governor Brown proclaimed a Drought State of Emergency. The purchased water helped to maintain water treatment capacity at needed levels of production and enabled groundwater recharge in the late summer. Also in early 2014, the District was successful in transferring a modest amount of Semitropic banked water (412 AF) before Delta pumping necessary for such transfers was suspended by DWR due to the drought. Semitropic banked water is also scheduled to be delivered to the District throughout the fall months.

Managing demands and ensuring an adequate water supply form only one side of the drought challenge. The other side is determining the financial impacts of increased water supply costs and significantly reduced demands, and then determining the best financial path to follow. The District's Board members, staff, and outside consultants worked diligently over almost half a year, starting in February 2014, analyzing and discussing the financial ramifications of the drought and ways to mitigate its negative impact on cash flow. The Board held two workshops, a public hearing, and met a number of times in committee regarding these matters. These meetings were open to the public and a number of people from the service area participated in them. The District utilized the nationally recognized consulting firm, Raftelis Financial Consultants (RFC) to help research, model, and review numerous scenarios, options, and alternatives.

After careful deliberation and discussion, the Board adopted a drought surcharge in July of 2014. This new rate structure includes a drought surcharge in a three-tier inclining block format for all single-family residential customers and a uniform surcharge for all other distribution customer classes. To help offset the negative cash flow effects of the drought, the District made budget cuts, including eliminating or holding open positions; deferred construction of lower priority capital projects over the next several years; and will utilize an existing \$10 million Emergency/Rate Stabilization Fund. A new bond issuance of approximately \$25 million is being considered to fund high priority capital projects as borrowing rates are still at historically low levels.

Overall, the District has pulled together to meet the challenge of this unprecedented drought and to mitigate, as much as possible, its effects on the customers of the District.

Improved Customer Service

The District's website features interactive elements and enables customers to access District information and link to a new Customer Information System with self-service options such as enrolling for paperless billing and viewing bills on-line. The District maintains Facebook and Twitter accounts and monitors several local blogs, using this technology to regularly disseminate information and communicate with customers.

A program offering exterior pipeline insurance coverage to residential customers through Home Emergency Insurance Solutions (HEIS) continued in the fiscal year ended June 30, 2014. HEIS is responsible for all aspects of the program: marketing, billing, claims, and conflict resolutions. The District has received \$141,900 of non-commodity revenue from the program since its inception two years ago. A part of this non-commodity revenue is used to help fund the Water Savings Assistance Program for low-income customers. Through June of 2014, 6,700 customers had signed up for the program and 184 repairs/replacements had been completed, with a customer overall satisfaction rating of 93%.

Maintained High Water Quality

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

During the fiscal year ended June 30, 2014, the District accomplished the following groundwater quality initiatives:

- Closed 15 cases in the Groundwater Protection Program as part of its effort to protect the quality of the District's groundwater resources.
- Conducted 823 inspections of drilling operations to ensure compliance with the District's Ordinance "to Regulate Wells, Exploratory Holes, and Other Excavations Within the Cities of Fremont, Newark, and Union City."
- Finalized an agreement with the State Department of Water Resources for a \$225,000 Local Groundwater Management Assistance Grant to construct 6 groundwater monitoring wells and collect groundwater samples for chemical characterization analysis (Niles Cone Saltwater Intrusion and Aquifer Characterization Project).
- Designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 16th year in a row.

Over the past twenty years, the District has made significant capital investments to its production facilities and distribution system. These improvements now allow the District to serve all of its customers with water that, on average, does not exceed hardness levels of 150 ppm. In addition, the District assured the quality of the Tri-City area water by conducting approximately 31,600 water quality analyses and by complying with all state and federal water quality monitoring regulations. In 2014, the District's Mission San Jose Water Treatment Plant achieved the 15 Year Director's Award from the *Partnership for Safe Water*, demonstrating our ongoing commitment to protecting public health.

Ensured Water Supply, Production, and Distribution Reliability

During the fiscal year ended June 30, 2014, the District produced 46,700 acre feet of water for use by the residents and businesses in Fremont, Newark, and Union City.

Much of the District's water infrastructure is aging and susceptible to damage as a result of ground shaking and ground failure due to earthquakes. Accordingly, the District has embarked on a Main Replacement and Seismic Upgrade Program (MRSUP) which will 1) improve the overall seismic reliability of the District's distribution system by strategically making improvements in areas of potential seismic induced-earth movement, 2) improve fire flows in the older portions of the service area that are currently served by

mains that do not meet current standards, and 3) improve the seismic reliability of its distribution storage and production facilities. As part of the MRSUP, the District, over the past year, has seismically retrofitted 6 of 15 large diameter pipelines planned for seismic strengthening along 8.5 miles of the Hayward Fault; replaced approximately 4,500 feet of pipeline to improve flows and ensure better fire protection in one of the older residential areas of Fremont; replaced the existing roof of a 4.3 million gallon water storage reservoir to meet current seismic codes and increase the likelihood the reservoir can remain operational after an earthquake; and completed the installation of a backup power system at the District's 45 million gallon per day blended water production facility.

The District also improved the reliability of distribution storage by replacing the existing roof on the Mayhew Reservoir. Mayhew Reservoir is one of the District's upper zone storage facilities and has a capacity of 4.3 million gallons. The new roof is designed to compensate for movement in a seismic event.

The District improved the reliability of the disinfection process at Water Treatment Plant 2 (WTP2) by upgrading an air fed 20 year old ozone generation system to a liquid oxygen fed system (LOX). The original equipment had reached the end of its useful life. The new state-of-the-art LOX system will save energy, reduce maintenance costs, and has higher reliability, which will enable WTP2 to continue to produce high quality water that meets or exceeds all state and federal drinking water standards for years to come.

Improved Agency Productivity and Efficiency

During the fiscal year ended June 30, 2014, the Advanced Metering Infrastructure (AMI) pilot completed a number of tasks used to evaluate the system. Almost 400 meter transmitter units (MTU) were installed on 1-1/2 and 2 inch meters to be able to transmit hourly meter readings on a daily basis. The AMI transmittal as well as collection systems have shown to be very reliable. A sample customer portal has been developed and is ready to be tested and the billing system interface with the meter readings has been programmed in the Customer Information System, Cayenta Utilities. An evaluation report will be completed once the customer portal, as well as billing interface is demonstrated, and testing of the AMI monitoring system by Meter Reading is completed. The AMI capital project to install ~6,800 MTUs on commercial and industrial meters has been deferred for up to four years by the Board of Directors as part of the capital project deferral portion of the Drought Response Plan.

The District upgraded its Enterprise Asset Management System (EAMS) to the JD Edwards 9.1 version for vertical assets and structures throughout the District. The new system gives staff greater accessibility and capability to update equipment and maintenance records, thus increasing overall efficiency and productivity.

The District started the process of implementing a Graphical Interface System (GIS) based EAMS to manage horizontal assets, i.e., pipelines, valves and other appurtenances and the system is scheduled to "go-live" during the first quarter of 2015 and will enable the mapping of work orders and mobile dispatching of work to help enhance response to customer calls and water leaks.

Through its "Future of ACWD" program, the District began implementing 27 employee-generated ideas to increase productivity and develop new revenue streams. Over \$540,000 of savings or additional revenue have been realized so far. The overall goal of the program is to allow employees to help create a more resilient business model for the District.

Additionally, in the fiscal year ended June 30, 2014, the District received the Certificate of Achievement of Excellence in Financial Reporting for the 15th consecutive year.

Promoted Conservation and Improved Public Awareness of Water Issues

Water Conservation extends water supplies, benefits the environment, helps keep water rates down, and allows the District to “bank” water for dry years. To encourage customers to save water, the District continued the following ongoing water conservation programs during the fiscal year ended June 30, 2014:

- Water savings assistance was offered to low income single-family residential homeowner customers through a no-cost water survey and water-efficient fixture and toilet installation program.
- 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.
- Renovations to the District’s Drought Tolerant Demonstration Garden began and employee composting program continued. These activities were promoted to customers to encourage water efficient landscaping.
- 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 and drought related information to the public through community group meetings and events.
- Drought related activities began in early January and ramped up throughout the first part of 2014. Activities included declaring a water shortage emergency and adopting an Ordinance with water use restrictions geared toward wasteful and non-essential use including limitations on landscape irrigation. A targeted mailing was sent to landscape contractors and large landscape sites.
- Began development on a Home Water Use reporting program through WaterSmart Software to be launched late summer 2014.

School Education Program

The District’s School Education Program provides local school classrooms with educational resources that stress the various facets of water science and water management, with the objective of producing citizens capable of making informed decisions regarding state and local water resources. During the fiscal year ended June 30, 2014, the District continued its educational outreach within its service area by:

- Presenting water education programs to over 4,500 students in 152 classrooms.

- Promoting Groundwater Awareness Week by giving a presentation to four Advanced Placement Environmental Science classes at two local high schools.
- Conducting a tour of ACWD's groundwater facilities for a California State University, East Bay Environmental Hydrogeology class.
- Distributing more than 62,000 pieces of printed educational material to teachers and students.
- Sponsoring 55 performances of ZunZun's latest water conservation theater program which was viewed by over 14,000 students at 27 schools.
- Training teachers in the use of popular water education curriculum guides.
- Sponsoring its annual Water Conservation Poster and Slogan Contest in which over 1,770 students vied for the opportunity to have their creations included in the 2014-2015 ACWD Water Conservation Calendar.
- Conducting a Water Conservation Video Contest for local high school students.
- Offering Water Education Mini-Grants to local teachers for the development of water-related curricula, the planting of xeriscape gardens, the funding of water-related field trips, etc.
- For adults, the District is a sponsor for Leadership Fremont, a program which allows a diverse group of individuals from all sectors of our community to increase their understanding of the complex issues facing the region and how various governing bodies interact and affect solutions. More specifically, the District leverages the Leadership Fremont program to build an understanding of water-related issues with emerging leaders in the community.

Public Information

- A contract was established with WaterSmart Software to provide home water reports to approximately 72,000 single family residential customers. The one-year contract will provide one mailed report and welcome letter and up to five bi-monthly emailed reports.
- Twenty press releases were written and distributed to Bay Area media outlets. These resulted in 36 newspaper articles/letters to the editor/columns, 18 television reports, and 6 radio reports.
- Drought-related public information efforts included:
 - Production and distribution of two drought fliers - one publicizing the Governor's request for a 20% reduction in water use and one publicizing ACWD's mandatory water use restrictions.
 - Production and distribution of one drought-related postcard reminding customers of the mandatory water use restrictions.
 - Addition of a "Drought Resource Center" section to the ACWD website and creation of a telephone drought hotline.
 - Seven community presentations and 11 outreach meeting to local cities and school districts regarding the drought.
- The District began contributing a monthly column - Reflections on Water - to the Tri-City Voice. Ten columns ran during the fiscal year ended June 30, 2014.
- In celebration of the District's centennial, development of two ACWD history books began. The books will be published during the fiscal years ending June 30, 2015 and 2014.

Environmental Stewardship

The District recognizes that water agencies must balance the needs of people and the environment in order to be sustainable. To ensure the reliability of the water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies, including the Alameda County Flood Control District, have worked for more than a decade to make the creek a more fish-friendly waterway. To date, several facilities have been constructed towards this goal: the removal of one rubber dam; construction of fish ladders at two rubber dams; and the installation of fish screens at off-stream diversions. The District anticipates that this work will be completed in 2020.

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. Economic activity across the service area appears to be improving. For example, San Francisco Bay Area technology-related businesses have been increasing their level of hiring (Fremont's unemployment rate is a low 4.1%), and there are indications that housing prices (which have increased about 10.1% since last year) are increasing in value once again.

Fremont is growing, both with new developments and in existing commercial and industrial areas. Tesla Motors is increasing production, and Thermo Fisher Scientific is nearing completion of a new 275,000 square foot facility on 22 acres, adjacent to the Tesla Motors site. There is currently a study related to the strategic development of 850 acres around the South Fremont/Warm Springs area that will include a new BART station opening in 2015. It is projected that development of this area could create approximately 12,300 jobs and 3,900 residential units. Another major initiative has been the development of a Fremont downtown area with approximately 5.2 million square feet of new mixed-use buildings. In addition, the Pacific Commons area continues to be active and growing with new shops and restaurants.

In Union City, there are plans to develop a 200 acre Intermodal Station District which would include high-density housing, retail shopping, commercial business, open space, and a major transportation station.

Similarly, in Newark, a new \$40 million remodel of the NewPark Mall is planned that will include a new 12-screen movie complex with an IMAX screen and a new expansive glass-walled restaurant pavilion. Additionally, Newark is planning a transit-oriented development consisting of up to 2,500 new residential units, a new train station, and other amenities to serve both the greater region as well as neighboring residents.

Technology Improvement Initiative

A major upgrade/re-implementation of the District's Enterprise Resource Planning (ERP) system, JD Edwards (JDE), started in September 2012 and "went-live" in July 2014. The improvements made as part of the JDE Upgrade Implementation Project included a redesigned chart of accounts, redesigned and more efficient business processes, use of electronic timesheets, redesigned expense management and purchase requisition workflows, implementation of the Human Resource module, several improvements to the Enterprise Asset Management module for plant and facilities, and implementation of a new end-user ad-hoc reporting tool.

The District initiated the implementation of Cityworks, a Geographic Information System (GIS) based Enterprise Asset Management System (EAMS), for managing the District's distribution system assets. The system is expected to go-live in the first quarter of calendar year 2015 and will allow use of paperless Work Orders in the field, improve response to customer calls and dispatch, and allow enhanced map based analysis for leaks and water quality issues.

A Customer Information System (CIS) Improvement Project was initiated to review key business processes and identify areas of system improvement for the District's new CIS which was implemented in 2012. Several recommendations for increased efficiency of system utilization and improved business processes were identified as part of this project and work is ongoing to design new business processes and implement many of the recommendations. It is expected that the implementation of the recommendations will result in greater efficiency and eliminate the need for some temporary staff in Customer Service.

The District started a software requirements discovery process for the replacement of the custom Development and Customer Job Estimating and Tracking System (DCJETS). This application is used primarily by the Development Services division for core business processes related to customer requests for

new and modified water services and extensions to the water distribution system required to serve new developments. The DCJETS replacement software will be developed and implemented based upon the functional and technical requirements developed in the discovery phase.

Improvements to the District's IT infrastructure continued during the fiscal year ended June 30, 2014, with additions and upgrades to the District's virtual server infrastructure, storage, and backup and recovery systems. The District completed the cyber-security vulnerability assessment project and started work on implementing the recommendations for IT and Supervisory Control and Data Acquisition (SCADA) systems identified in the cyber-security vulnerability assessment report. The District also started the development of an IT Disaster Recovery program as part of the District's overall Business Continuity Project.

Rates and Charges

Water rates and charges are reviewed annually and reflect the District's overall cost-of-service requirements. The District's water rates are just above the lower third of 30 Bay Area retail water purveyors surveyed each year. Additionally, because of the on-going state-wide and local drought and corresponding water supply emergency, the Board, staff, and consultants developed a drought surcharge structure to help mitigate the negative cash effects of both decreased consumption revenue from conservation efforts and increased cost for water supplies and conservation administrative costs. This was adopted by the Board and became effective in July 2014.

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

Long-Term Financial Planning

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

The FPM includes short and long range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over the next number of years. The District has implemented a financial planning cycle that typically includes:

- Overall review of the operating and capital plan in March;
- Budget development during late spring;
- Adoption of the budget in June;
- Rate design and processing through the fall;
- 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 governments, 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, 2013. This was the 15th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



Walter Wadlow
General Manager



Shelley Burgett
Manager of Finance



Government Finance Officers Association

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

Presented to

**Alameda County Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Alameda County Water District

Board of Directors

Paul Sethy President

Martin L. Koller
Vice President

Judy C. Huang
Director

James G. Gunther
Director

John H. Weed
Director

Principal Management Personnel

Walter Wadlow
General Manager

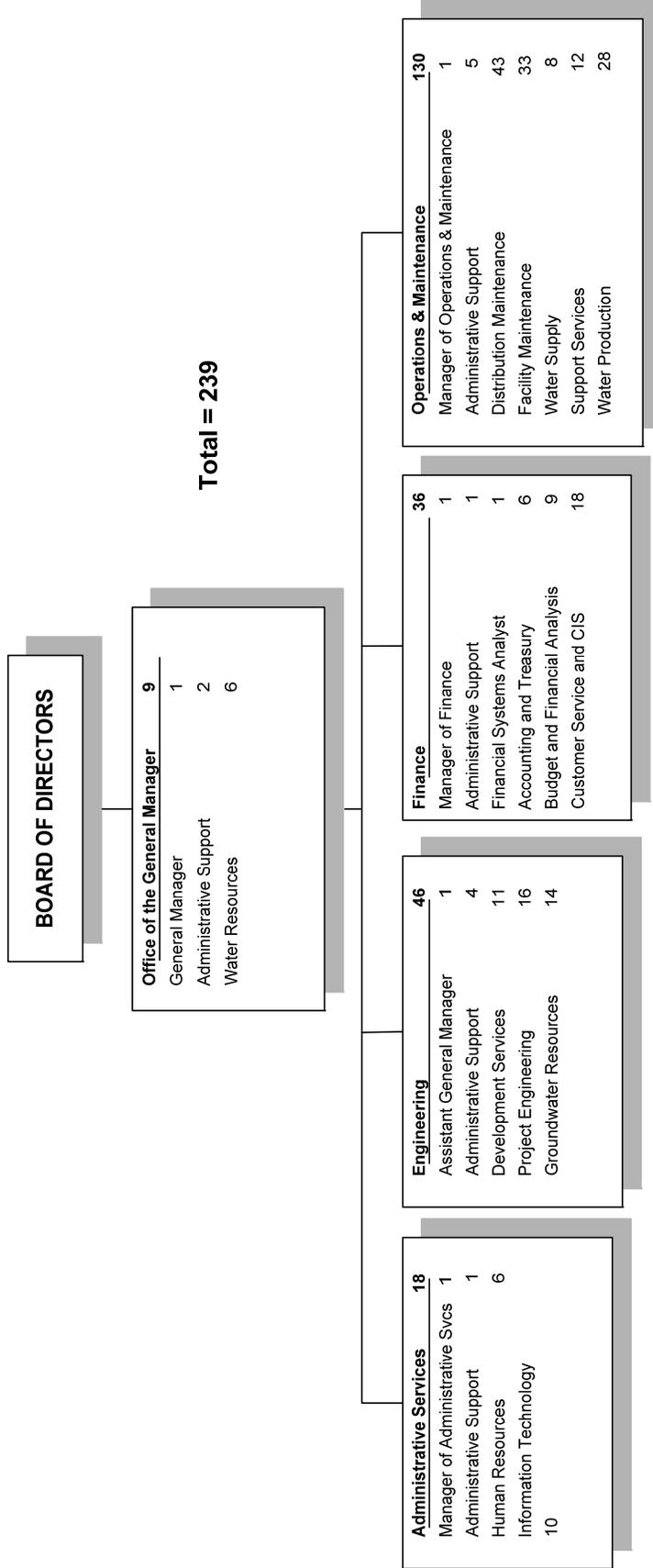
Robert Shaver
Assistant General Manager -Engineering

Steven Peterson
Manager of Operations & Maintenance

Altarine Vernon
Manager of Administrative Services

Shelley Burgett
Manager of Finance

**ALAMEDA COUNTY WATER DISTRICT
FUNCTIONAL ORGANIZATIONAL CHART
FY 14/15**



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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Water District (District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014 and 2013, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, and the schedules of employer contributions identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini & Cannelo LLP

Walnut Creek, California
October 3, 2014

Alameda County Water District

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2014 and 2013

This section of the Alameda County Water District's (District) comprehensive annual financial report presents an analysis of the District's financial performance during the years ended June 30, 2014 and 2013. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

- The District's net position increased by \$9.3 million or 2.2 percent from \$415.6 million to \$424.9 million.
- Operating revenues increased by \$5.9 million or 7.3 percent from \$80.8 million to \$86.7 million.
- Operating expenses increased by \$4.7 million or 5.7 percent from \$82.8 million to \$87.5 million.
- Capital contributions to the District decreased by \$2.7 million or 49.1 percent from \$5.5 million to \$2.8 million.
- The District implemented a 7% percent increase to its commodity rate and service charges effective February 1, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflow of resources, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2014 and 2013. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position (page 10) and the Statements of Revenues, Expenses and Changes in Net Position (page 11) provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets, deferred outflows of resources, and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

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

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

	2014	2013	2014 vs. 2013		2012	2013 vs. 2012	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 115.5	\$ 136.8	\$ (21.3)	-15.6%	\$ 135.7	\$ 1.1	0.8%
Capital assets	386.3	358.8	27.5	7.7%	348.8	10.0	2.9%
Total assets	501.8	495.6	6.2	1.3%	484.5	11.1	2.3%
Deferred outflows of resources	2.7	3.0	(0.3)	-10.0%	3.3	(0.3)	-9.1%
Long-term debt	63.5	66.3	(2.8)	-4.2%	68.8	(2.5)	-3.6%
Other liabilities	16.1	16.7	(0.6)	-3.6%	12.6	4.1	32.5%
Total liabilities	79.6	83.0	(3.4)	-4.1%	81.4	1.6	2.0%
Net investment in capital assets	325.5	310.8	14.7	4.7%	305.0	5.8	1.9%
Restricted for debt service	2.7	2.6	0.1	3.8%	2.6	-	0.0%
Unrestricted	96.7	102.2	(5.5)	-5.4%	98.8	3.4	3.4%
Total net position	\$ 424.9	\$ 415.6	\$ 9.3	2.2%	\$ 406.4	\$ 9.2	2.3%

As the above table indicates, total assets increased by \$6.2 million from \$495.6 million to \$501.8 million during the fiscal year ended June 30, 2014. This is comprised of an increase of \$27.5 million in capital assets offset by a decrease of \$21.3 million in current and other assets. The change in capital assets and current and other assets is primarily due to the District's acceleration of high priority construction projects that are mainly being funded with the proceeds of the 2012 Water System Revenue Bonds. The decrease in current and other assets is due to the utilization of bond proceeds and cash from operations to fund the capital projects. For the fiscal year ended June 30, 2013, total assets increased by \$11.1 million from \$484.5 million to \$495.6 million. This is comprised of a slight increase in current and other assets and an increase of \$10.0 million in capital assets. The increase in capital assets is primarily due to the 2012 Water System Revenue Bonds bond proceeds being utilized to accelerate the construction of projects in the area of seismic reliability and system maintenance and the completion of several capital projects during the year.

Deferred outflows of resources is the amount of the unamortized deferred loss on refunding. The District's deferred outflows of resources at June 30, 2014 and 2013 were \$2.7 million and \$3.0 million, respectively. The \$0.3 million decrease is primarily due to the annual amortization of the deferred loss on refunding.

FINANCIAL ANALYSIS OF THE DISTRICT, Continued

For fiscal year ended June 30, 2014, total liabilities reflect a decrease of \$3.4 million due mainly to scheduled long-term debt principal payments during the year, and a decrease in contractor and customer deposits. For fiscal year ended June 30, 2013, total liabilities reflect an increase of \$1.6 million due mainly to an increase in contractor and customer deposits because of increased construction levels in the community and an increase in payables due to the District's acceleration of construction projects. This has been offset by a decrease in long term debt due to the annual debt payment.

Table 1 also indicates that total net position increased by \$9.3 million from \$415.6 million to \$424.9 million for fiscal year ended June 30, 2014. This increase consists of an increase of \$14.7 million in net investment in capital assets, an increase of \$0.1 million in restricted for debt service, and a decrease of \$5.5 million in unrestricted net position. For fiscal year ended June 30, 2013, total net position increased by \$9.2 million due to increases of \$5.8 million in net investment in capital assets, and a \$3.4 million increase in unrestricted net position. The overall increase in total net position reflects the District's continued emphasis on improving its capital infrastructure and prudent long range financial planning.

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

	2014	2013	2014 vs. 2013		2012	2013 vs. 2012	
			\$ Change	% Change		\$ Change	% Change
Operating revenues							
Water sales	\$ 81.1	\$ 76.9	\$ 4.2	5.5%	\$ 70.1	\$ 6.8	9.7%
Other operating revenues	5.6	3.9	1.7	43.6%	3.8	0.1	2.6%
Total operating revenues	86.7	80.8	5.9	7.3%	73.9	6.9	9.3%
Nonoperating revenues							
Property taxes	7.7	7.9	(0.2)	-2.5%	7.9	-	0.0%
Other nonoperating revenues	1.3	-	1.3	n/a	1.0	(1.0)	-100.0%
Total nonoperating revenues	9.0	7.9	1.1	13.9%	8.9	(1.0)	-11.2%
TOTAL REVENUES	95.7	88.7	7.0	7.9%	82.8	5.9	7.1%
Depreciation and amortization expense	12.6	12.8	(0.2)	-1.6%	12.3	0.5	4.1%
Other operating expenses	74.9	70.0	4.9	7.0%	65.2	4.8	7.4%
Nonoperating expenses	1.7	2.2	(0.5)	-22.7%	3.9	(1.7)	-43.6%
TOTAL EXPENSES	89.2	85.0	4.2	4.9%	81.4	3.6	4.4%
Income before capital contributions	6.5	3.7	2.8	75.7%	1.4	2.3	164.3%
Capital contributions	2.8	5.5	(2.7)	-49.1%	2.9	2.6	89.7%
Changes in net position	9.3	9.2	0.1	1.1%	4.3	4.9	114.0%
Beginning net position, as restated	415.6	406.4	9.2	2.3%	402.1	4.3	1.1%
Ending net position	\$ 424.9	\$ 415.6	\$ 9.3	2.2%	\$ 406.4	\$ 9.2	2.3%

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. As the information in Table 2 indicates, income before capital contributions of \$6.5 million and capital contributions of \$2.8 million resulted in an overall increase of \$9.3 million in net position for the end of the fiscal year ended June 30, 2014.

FINANCIAL ANALYSIS OF THE DISTRICT, Continued

In the previous fiscal year ended June 30, 2013, income before capital contributions of \$3.7 million and capital contributions of \$5.5 million resulted in an overall increase of \$9.2 million in net position.

For fiscal year ended June 30, 2014, Table 2 indicates that the District's total revenues increased by \$7.0 million or 7.9 percent to \$95.7 million from \$88.7 million in the prior year. Operating revenues increased by \$5.9 million or 7.3 percent to \$86.7 million from \$80.8 million due to a rate increase on the commodity rate and service charges and also an increase in the facilities connection charges. There was also an increase in the number of facilities connection charges collected and there were a few more of the larger volume meters installed as development has increased over the past year. Non-operating revenues increased by \$1.1 million or 13.9 percent which was mainly due to an increase in investment income as a result of higher interest rates and better market conditions resulting in gains on investment buy/sell transactions.

Total expenses increased by \$4.2 million or 4.9 percent primarily due to an increase in purchased water unit costs plus the effects of increased water purchases from higher priced sources due to the impacts of the drought and the unavailability of the lower priced sources. In addition administration and general expenses increased for the year ended June 30, 2014 mainly due to an increase in annual OPEB contributions and increases in pension and medical costs.

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

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

CAPITAL ASSETS

As of June 30, 2014, the District's investment in capital assets totaled \$386.3 million, which is an increase of \$27.5 million or 7.7 percent over the capital asset balance of \$358.8 million at June 30, 2013. The increase in capital assets was primarily the result of the completion of several capital projects during the year plus many projects in construction work in progress funded by the 2012 Water System Revenue Bonds.

As of June 30, 2013, the District's investment in capital assets totaled \$358.8 million, which is an increase of \$10.0 million or 2.9 percent over the capital asset balance of \$348.8 million at June 30, 2012. The increase in capital assets was primarily the result of the completion of several capital projects during the year plus many projects in construction work in progress due to the funding provided by the 2012 Water System Revenue Bonds. 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)

	2014	2013	2014 vs. 2013		2012	2013 vs. 2012	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.7	\$ (0.1)	-1.0%	\$ 9.7	\$ -	0.0%
Construction in progress	31.9	21.6	10.3	47.7%	10.3	11.3	109.7%
Source of supply	57.8	51.1	6.7	13.1%	51.1	-	0.0%
Pumping plant	24.2	21.5	2.7	12.6%	21.3	0.2	0.9%
Water treatment	157.3	152.3	5.0	3.3%	152.3	-	0.0%
Transmission and distribution	275.0	263.0	12.0	4.6%	253.9	9.1	3.6%
General	48.2	48.1	0.1	0.2%	46.1	2.0	4.3%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.8	0.1	0.5%
Subtotal	624.9	588.2	36.7	6.2%	565.5	22.7	4.0%
Less accumulated depreciation/amortization	(238.6)	(229.4)	(9.2)	4.0%	(216.7)	(12.7)	5.9%
Capital assets, net	\$ 386.3	\$ 358.8	\$ 27.5	7.7%	\$ 348.8	\$ 10.0	2.9%

There were several capital projects completed during the fiscal year 2014, including the J.D. Edwards Upgrade Project, Warren Avenue Pipeline Replacement, Kaiser Pond Fish Screen, Water Treatment Plant 2 Liquid Oxygen Conversion, Peralta Tyson Wellfield Generator, 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, 2014. Those projects included Main Relocation for SFPUC Project, Hayward Fault Crossing Seismic Project, Rubber Dam Improvements, Mayhew Reservoir Roof, and various other capital projects related to water main and meter replacements.

There were several capital projects completed during the fiscal year 2013, including the Niles Boulevard Pipeline Project, Headquarters Computer Room Improvements, Alameda Reservoir Lining Replacement, Kato Road Pipeline Relocation, and various water main replacements, upgrades and relocations. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2013. Those projects included Rubber Dam Improvements, Fish Screen Projects, Main Relocation for SFPUC Project, Peralta Tyson Wellfield Generator, Hayward Fault Crossing Main Replacement Project, JD Edwards Software Upgrade and various other capital projects related to water main and meter replacements.

Additional information on the District's capital assets and construction commitments is provided in Note 5 (page 27) of the financial statements.

Projects scheduled for the upcoming fiscal year 2015 include Appian Tank Seismic Upgrades, Stevenson Pond-Lago Los Osos Diversion Repair, City Works Work Order Software Implementation, Water Treatment Plant 2 Power Facility Turbine Upgrade and continuing work on the Hayward Fault Seismic Upgrade and various other smaller main relocations and capital upgrades.

LONG-TERM DEBT

As of June 30, 2014, the District had \$63.5 million in outstanding debt compared to \$66.3 million on June 30, 2013 and \$68.8 million on June 30, 2012. The decrease in 2014 and 2013 was primarily due to scheduled debt service payments.

Additional information on the District's long-term debt is provided in Note 7 (page 30) of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the District's two-year budget on June 13, 2013. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years 2013 and 2014. The fiscal year 2014 budget was updated with more current information and was approved by the Board of Director's in June 2014. The District's water rates are reviewed by management and the Board of Directors on an annual basis. Base water rates were adjusted in February 2014 with the implementation of a 7.0 percent increase in the service charge and the commodity rate. Rate increases over the past five years have resulted in the District's rates being just above the lower one-third of thirty other water agencies surveyed in the Bay Area.

In addition the District is facing the challenge of the worst drought in 150 years which impacts water supply costs along with the costs of increased conservation programs and public information efforts. The District is responding with implementation of drought surcharges, delaying capital projects, issuing a bond, reducing costs and utilizing a rate stabilization fund.

ADDITIONAL FINANCIAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

Alameda County Water District
 Statements of Net Position
 Business-Type Activity - Enterprise Fund
 June 30, 2014 and 2013
 (In thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and investments (Note 3)	\$ 94,698	\$ 96,593
Customer and other accounts receivable, net (Note 4)	5,917	7,470
Accrued unbilled revenue	7,635	8,162
Taxes receivable	94	840
Grants receivable	28	1,012
Interest receivable	218	357
Material and supplies	2,274	2,401
Prepaid items	8	29
Total unrestricted assets	110,872	116,864
Restricted investments (Note 3)	2,846	18,112
Total current assets	113,718	134,976
Noncurrent assets:		
Net other postemployment benefits asset (Note 11)	1,826	1,872
Capital assets: (Note 5)		
Nondepreciable	41,540	31,339
Depreciable, net	344,746	327,425
Total capital assets	386,286	358,764
Total noncurrent assets	388,112	360,636
Total assets	501,830	495,612
DEFERRED OUTFLOW OF RESOURCES		
Deferred loss on refunding debt	2,714	3,021
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	7,330	6,876
Accrued payroll and related liabilities (Note 6)	3,011	2,829
Contractor and customer deposits	3,697	4,983
Interest payable	176	181
Unearned revenue	-	40
Long-term debt - due within one year (Note 7)	2,864	2,799
Total current liabilities	17,078	17,708
Noncurrent liabilities:		
Accrued payroll and related liabilities (Note 6)	1,918	1,788
Long-term debt - due in more than one year (Note 7)	60,639	63,504
Total noncurrent liabilities	62,557	65,292
Total liabilities	79,635	83,000
NET POSITION		
Net investment in capital assets	325,497	310,757
Restricted for debt service	2,669	2,656
Unrestricted	96,743	102,220
Total net position	\$ 424,909	\$ 415,633

See accompanying notes to basic financial statements.

Alameda County Water District
 Statements of Revenues, Expenses and Changes in Net Position
 Business-Type Activity - Enterprise Fund
 For the Years Ended June 30, 2014 and 2013
 (In thousands)

	2014	2013
OPERATING REVENUES:		
Water sales	\$ 81,081	\$ 76,903
Facilities connection charges	3,494	1,977
Fees and rental	1,039	823
Other	1,070	1,091
Total operating revenues	86,684	80,794
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	23,427	21,367
Pumping	2,763	2,954
Other	10,215	8,828
Total sources of supply	36,405	33,149
Water treatment	12,584	12,586
Transmission and distribution	10,934	10,650
Administration of customer accounts	1,832	1,680
Administration and general	13,090	11,965
Depreciation and amortization	12,624	12,845
Total operating expenses	87,469	82,875
Operating loss	(785)	(2,081)
NONOPERATING REVENUES (EXPENSES):		
Investment income	1,217	(46)
Property taxes	7,654	7,917
Other nonoperating revenues	12	-
Other settlements	35	68
Gain on disposal of capital assets	85	39
Loss on abandonment of capital projects	(117)	-
Interest expense	(1,592)	(2,172)
Total nonoperating revenues (expenses)	7,294	5,806
Income before capital contributions	6,509	3,725
Capital contributions	2,767	5,529
Changes in net position	9,276	9,254
NET POSITION		
Beginning of year	415,633	406,379
End of year	\$ 424,909	\$ 415,633

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, 2014 and 2013
 (In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 87,478	\$ 81,316
Cash receipts from others	47	68
Cash payments to suppliers for goods and services	(36,328)	(32,704)
Cash payments to employees for services	(38,045)	(37,971)
Net cash provided by operating activities	13,152	10,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	8,400	8,050
Net cash provided by noncapital financing activities	8,400	8,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(36,416)	(15,403)
Capital grants received restricted for capital purposes	972	521
Proceeds from sale of capital assets	134	58
Principal paid on debt	(2,585)	(2,315)
Interest paid on debt	(2,174)	(2,245)
Net cash used in capital and related financing activities	(40,069)	(19,384)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	54,949	82,403
Purchases of investments	(47,691)	(100,429)
Investment income received	1,409	1,316
Net cash provided by (used in) investing activities	8,667	(16,710)
Net change in cash and cash equivalents	(9,850)	(17,335)
CASH AND CASH EQUIVALENTS:		
Beginning of year	26,754	44,089
End of year	\$ 16,904	\$ 26,754

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, 2014 and 2013
 (In thousands)

	2014	2013
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 94,698	\$ 96,593
Restricted cash and investments	2,846	18,112
Less investments not meeting the definition of cash equivalents	(80,640)	(87,951)
Total cash, restricted cash and investments	\$ 16,904	\$ 26,754
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (785)	\$ (2,081)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	12,624	12,845
Other nonoperating revenues	47	68
Changes in operating assets and liabilities:		
Customer and other accounts receivable	1,553	(2,684)
Accrued unbilled receivable	527	849
Materials and supplies	127	(113)
Prepaid items	21	21
Net other postemployment benefit asset	46	37
Accounts payable and accrued expenses	(34)	(513)
Accrued payroll and related liabilities	312	(77)
Contractor and customer deposits	(1,286)	2,357
Net cash provided by operating activities	\$ 13,152	\$ 10,709
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of premiums and loss on debt refunding	\$ 91	\$ 93
Capital contributions	2,739	4,921
Capital assets trade ins	8	32
Capitalized interest	669	159
Changes in capital related assets and liabilities:		
Grants receivable	984	(127)
Accounts payable and retention payable	488	2,316
Unearned revenues	(40)	40
NONCASH INVESTING ACTIVITIES:		
Change in fair value of investments	53	1,196

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, 2014 and 2013
(Dollars in thousands)

1. DESCRIPTION OF THE REPORTING ENTITY

A. Description of Operations

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

B. Reporting Entity

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Measurement Focus

The basic financial statements provide information about the District's enterprise fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations were provided; revenues from property taxes are recognized in the fiscal year for which the taxes are levied and revenue from investments is recognized when earned, while expenses are recognized in the period in which the liability is incurred.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Presentation and Measurement Focus, Continued

The accounts of the District are reported in a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflow of resources, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

B. Cash and Investments

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

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

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

C. Accrued Unbilled Revenue

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

D. Materials and Supplies

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
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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 of more than one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits and overhead. In 2014 and 2013, the District funded certain capital projects and interest in the amount of \$669 and \$159 was capitalized in 2014 and 2013, respectively, in relation to these tax-exempt bond funded capital expenditures. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Structures, reservoirs, pumps and other improvements	5-50 years
Office furniture, tools, shop furniture, lab furniture and equipment	10 years
Motor vehicles	5 years

F. Customer Deposits

Customer deposits for new customer installation jobs are retained by the District and are reported as a current liability. The customer deposit is applied to the cost of the job when the job is complete.

G. Long-Term Debt and Related Costs

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense. Losses occurring from advance refundings of debt are classified as a deferred outflow of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

H. Operating Revenues and Expenses

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Tax Revenue

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

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. The District receives approximately \$4.8 million of this 1% ad valorem tax.

The District also receives an override property tax amount that helps pay for the groundwater portion of both the fixed and variable costs of State water purchased by the District. The District projects such costs annually and request that the County collect that amount, approximately \$3 to \$4 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. Customers also provide funds for capital projects to install and repair service lines to their premises. In addition, the District, at various times, receives Federal and State grants and other funds from external sources for construction and/or rehabilitation of its facilities. These contributed assets and cash funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

K. Net Position

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

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Use of Estimates

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

M. New GASB Pronouncements Adopted

During the year, the District implemented the following accounting standards:

- GASB 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. This statement did not have a significant impact to the District's financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement did not have a significant impact to the District's financial statements.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of New GASB Pronouncements

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

- In June 2012, the GASB issued new standard, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
 - Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
 - Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA-or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
 - Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
 - Recording of a liability in the financial statements of employers for defined-benefit plans.
 - Requiring more extensive note disclosures and required supplementary information.
 - The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.
- In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the District's year ending June 30, 2015.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of New GASB Pronouncements, Continued

- In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which resolves transition issues in GASB Statement No. 68. This statement eliminates a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing Statement 68. This statement requires that when a state or local government is transitioning to the new pension standards, that it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. The provisions in Statement 71 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.

A. Summary of Cash and Investments

	2014	2013
Unrestricted cash and bank deposits	\$ 5,706	\$ 6,682
Unrestricted investments	88,992	89,911
Unrestricted cash and investments	94,698	96,593
Restricted investments	2,846	18,112
Total	<u>\$ 97,544</u>	<u>\$ 114,705</u>

B. Authorized Investments

The District’s investment policy is adopted by the District’s Board, in accordance with California Government Code Section 53601. The latest investment policy was adopted in July 2013 and has the following objectives (in order of priority):

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

B. Authorized Investments, Continued

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

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

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

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

C. Deposits

The carrying amount of the District's demand deposits balances were \$3,575 and \$1,597 and the bank balances were \$6,725 and \$3,868 at June 30, 2014 and 2013, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The District's bank balances (demand deposits and non-negotiable certificates of deposit) were insured by the Federal Deposit Insurance Corporation (FDIC) and if over the FDIC limit collateralized by the pledging financial institutions as required by California Government Code at June 30, 2014.

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

C. Deposits, Continued

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

D. Investments

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

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, 2014 and 2013 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, 2014 and 2013, the District had unrestricted cash and investments of \$13,211 and \$16,343, respectively, invested in LAIF, which had invested 1.86% and 1.96% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of \$64.8 billion and \$58.8 billion in its investment portfolio as of June 30, 2014 and 2013, respectively. As of June 30, 2013, the District had restricted cash and investments of \$8,263 invested in LAIF which related to the 2012 Water System Revenue Bonds issued in February 2012. The District had a total of \$13,211 and \$24,606 invested in LAIF as of June 30, 2014 and 2013, respectively. The District valued its investments in LAIF as of June 30, 2014 and 2013, 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 1.00029875 and 1.000273207 as of June 30, 2014 and 2013, respectively.

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

3. CASH AND INVESTMENTS, Continued

D. Investments, Continued

As of June 30, 2014 and 2013, the District had unrestricted cash and investments in the CAMP pool of \$10 and \$10, respectively. As of June 30, 2014 and 2013, the District had restricted cash and investments of \$1 and \$464, respectively, invested in the CAMP pool which related to the 2012 Water System Revenue Bonds issued in February 2012. The District had a total of \$11 and \$474 invested in the CAMP pool as of June 30, 2014 and 2013, respectively. The District had restricted cash and investments of \$0 and \$6,548 invested in the medium-term notes which were held by the CAMP managed account on June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, the total amount invested by all public agencies in CAMP at that date was \$1,764,433 and \$2,158,773, 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.

E. Investment Risks

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2014 and 2013, the District's investment pool had a weighted average maturity of 2.39 years and 2.61 years, respectively. At June 30, 2014, the District invested \$5,539 in callable bonds, which comprised of \$2,930 in U.S. government agency securities and \$2,609 in corporate medium-term notes which includes \$590 in floating rate securities from corporate medium-term notes. At June 30, 2013, the District invested \$5,086 in callable bonds, which included \$2,496 in U.S. government agency securities and \$2,590 in corporate medium-term notes. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

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

Concentration of Credit Risk. The District's Investment Policy does not contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. Government are not subject to single issuer limitation. As of June 30, 2014 and 2013, the District has investments in U.S. government agencies and medium term notes that represent 5% or more of the District's unrestricted and restricted investment portfolios as denoted on pages 25 and 26.

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

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

3. CASH AND INVESTMENTS, Continued

F. Cash and Investments Composition

As of June 30, 2014, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)				
			1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Enterprise Fund:							
Unrestricted cash and investments:							
Non-negotiable certificates of deposit with:							
Bank of the West	n/a	\$ 141	\$ 141	\$ -	\$ -	\$ -	\$ -
Fremont Bank	n/a	990	990	-	-	-	-
JP Morgan Chase	n/a	1,000	1,000	-	-	-	-
Demand deposits	n/a	3,575	3,575	-	-	-	-
Total unrestricted cash and bank deposits		<u>5,706</u>	<u>5,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Negotiable certificates of deposit							
Credit Suisse NY	P-1 / A-1	1,802	1,802	-	-	-	-
Rabobank Nederland NV NY	P-1 / A-1+	1,793	-	1,793	-	-	-
Skandinaviska Enskilda NY	P-1 / A-1	1,727	-	1,727	-	-	-
Municipal Bond							
CA State DWR Taxable Rev Bond	Aa1 / AAA	300	-	-	300	-	-
CA State Taxable Go Bonds	A1 / AA-	413	-	413	-	-	-
CA State Taxable Go Bonds	Aa3 / A	1,487	-	-	-	1,487	-
Univ of CA Taxable Rev Bonds	Aa2 / AA	1,200	-	-	-	1,200	-
U.S. Government agencies securities:							
Federal Home Loan Bank*	Aaa / AA+	2,930	-	1,525	1,405	-	-
Fannie Mae Global Notes*	Aaa / AA+	14,193	-	3,667	3,367	5,951	1,208
Freddie Mac Global Notes*	Aaa / AA+	7,502	-	660	4,741	2,101	-
U.S. Treasury Securities	Aaa / AA+	21,479	-	8,437	10,499	1,502	1,041
Medium-term notes:							
American Honda Finance Global	A1 / A+	634	-	-	634	-	-
Apple Inc. Corp.	Aa1 / AA+	2,580	-	-	1,803	777	-
Bank of New York Mellon	A1 / A+	1,254	-	1,254	-	-	-
Berkshire Hathaway Finance Corp.	Aa2 / AA	1,185	-	-	533	652	-
Chevron Corp Global	Aa1 / AA	1,587	-	-	-	1,587	-
Walt Disney Co. Corp.	A2 / A	1,266	-	-	1,266	-	-
General Electric Capital Corp.	A1 / AA+	1,978	-	-	1,978	-	-
HSBC Finance Corp Global	A2 / A+	481	-	-	481	-	-
IBM Corp	Aa3 / AA-	607	-	-	-	607	-
John Deere Capital Corp.	A2 / A	1,679	-	552	1,127	-	-
JP Morgan Chase & Co.	A3 / A	1,455	-	502	953	-	-
Microsoft Corp.	Aaa / AAA	429	-	-	-	429	-
PepsiCo Inc. Corp.	A1 / A-	401	-	401	-	-	-
Procter & Gamble Co. Corp.	Aa3 / AA-	864	-	-	864	-	-
Texas Instruments Inc. Corp.	A1 / A+	1,034	-	1,034	-	-	-
Toyota Motor Credit Corp.	Aa3 / AA-	769	-	769	-	-	-
U.S. Bancorp	A1 / A+	1,031	-	-	1,031	-	-
Wal-Mart Stores	Aa2 / AA	617	-	-	-	617	-
Wells Fargo & Co	A2 / A+	1,094	-	-	1,094	-	-
Local Agency Investment Funds	Unrated / Unrated	13,211	13,211	-	-	-	-
California Asset Management Program	Unrated / AAAm	10	10	-	-	-	-
Total unrestricted investments		<u>88,992</u>	<u>15,023</u>	<u>22,734</u>	<u>32,076</u>	<u>16,910</u>	<u>2,249</u>
Total unrestricted cash and investments		<u>\$ 94,698</u>	<u>\$ 20,729</u>	<u>\$ 22,734</u>	<u>\$ 32,076</u>	<u>\$ 16,910</u>	<u>\$ 2,249</u>
Restricted investments:							
First American Treasury Obligation Fund	Aaa / AAAm	\$ 107	\$ 107	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies securities:							
Federal Home Loan Bank*	Aaa / AA+	2,738	2,738	-	-	-	-
California Asset Management Program	Unrated / AAAm	1	1	-	-	-	-
Total restricted investments		<u>\$ 2,846</u>	<u>\$ 2,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Investments of a single issuer that exceeded 5% of the individual portfolio.

Alameda County Water District
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013
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3. CASH AND INVESTMENTS, Continued

F. Cash and Investments Composition, Continued

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

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

*Investments of a single issuer that exceeded 5% of the individual portfolio.

Alameda County Water District
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4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

Customer and other accounts receivable were as follows:

	2014	2013
Utility service	\$ 5,029	\$ 6,408
Groundwater replenishment	-	53
Other	913	1,041
Allowance for doubtful accounts	(25)	(32)
Total customer and other accounts receivable, net	<u>\$ 5,917</u>	<u>\$ 7,470</u>

Other accounts receivable balance of \$913 and \$1,041 for June 30, 2014 and 2013, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

5. CAPITAL ASSETS

A. Summary of Capital Asset Activity

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Capital assets, not being depreciated/amortized:					
Land	\$ 9,727	\$ -	\$ (117)	\$ -	\$ 9,610
Construction in progress	21,612	38,567	-	(28,249)	31,930
Capital assets, not being depreciated/amortized	<u>31,339</u>	<u>38,567</u>	<u>(117)</u>	<u>(28,249)</u>	<u>41,540</u>
Capital assets, being depreciated/amortized					
Source of supply	51,092	7	-	6,683	57,782
Pumping plant	21,469	-	-	2,683	24,152
Water treatment	152,296	-	-	5,097	157,393
Transmission and distribution	262,957	1,443	(134)	10,735	275,001
General	48,114	303	(3,296)	3,051	48,172
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated/amortized	<u>556,788</u>	<u>1,753</u>	<u>(3,430)</u>	<u>28,249</u>	<u>583,360</u>
Less accumulated depreciation/amortization					
Source of supply	(37,401)	(1,221)	-	-	(38,622)
Pumping plant	(14,570)	(611)	-	-	(15,181)
Water treatment	(43,781)	(3,030)	-	-	(46,811)
Transmission and distribution	(106,573)	(4,981)	86	-	(111,468)
General	(20,773)	(2,147)	3,287	-	(19,633)
Supplemental water supply storage	(6,265)	(634)	-	-	(6,899)
Less accumulated depreciation/amortization	<u>(229,363)</u>	<u>(12,624)</u>	<u>3,373</u>	<u>-</u>	<u>(238,614)</u>
Capital assets, being depreciated/amortized, net	<u>327,425</u>	<u>(10,871)</u>	<u>(57)</u>	<u>28,249</u>	<u>344,746</u>
Total capital assets, net	<u>\$ 358,764</u>	<u>\$ 27,696</u>	<u>\$ (174)</u>	<u>\$ -</u>	<u>\$ 386,286</u>

Alameda County Water District
Notes to Basic Financial Statements
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5. CAPITAL ASSETS, Continued

A. Summary of Capital Asset Activity, Continued

The District had various active construction projects as of June 30, 2014 including the following:

Appian Tank Seismic Upgrade (Bond Job)	\$ 2,142
Blending Facility Chemical Feed Upgrade (Bond Job)	812
Customer Installation Jobs	1,115
Development of Main Replacement Criteria	849
Hayward Fault Crossing Phase 1 Seismic Project (Bond Job)	11,091
Headquarter Frontage & Demonstration	245
Kaiser Pond Fish Screen (Bond Job)	4,628
Main Relocation for SFPUC Bay Division Pipeline Seismic Project	1,472
Rubber Dam #1 Fish Ladder	2,903
Rubber Dam #1 Seismic Upgrade	252
Rubber Dam #3 Fish Ladder	1,130
Shinn Pond Fish Screen	924
Stevenson Pond-Lagos Los Osos Division Repair Project	289
Vallecitos Channel Improvement	291
Various Other Active Projects (individually less than \$200)	3,105
WTP2 Power Facility Turbine Upgrade (Bond Job)	682
Total	<u>\$31,930</u>

At June 30, 2014, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$18,188.

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

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

Depreciation and amortization expense for capital assets for the years ended June 30, 2014 and 2013 were \$12,624 and \$12,845, respectively.

Alameda County Water District
Notes to Basic Financial Statements
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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 in the amount of \$20,860 at June 30, 2014 and 2013 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$634 for the years ended June 30, 2014 and June 30, 2013.

The District had a storage allocation of 150,000 acre-feet and had approximately 138,397 and 140,397 acre feet of water at June 30, 2014 and 2013, respectively.

6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL

Accounts payable and accrued expenses were as follows:

	2014	2013
Vendors	\$ 4,938	\$ 5,002
Retention payable	331	246
Installer's reimbursement	1,758	1,299
Other	303	329
Total	<u>\$ 7,330</u>	<u>\$ 6,876</u>

Prior to April 1, 2013, the District assessed and collected separate acreage and footage fees from developers which are included in accounts payable and accrued expenses as installers' reimbursement. Effective April 1, 2013, the District replaced the separated fee structure and combined them into a single meter size based fee. Installers' reimbursement funds are designated to reimburse certain developers for a portion of the cost as defined by the District, of oversized mains, main extensions, and storage tanks constructed or installed by them at the request of the District. The terms of the agreements provide that such costs are reimbursable over a period of up to ten years out of certain cash receipts collected from contractors subsequently connecting to those previously installed mains. Such receipts are deposited in a cash deposits account separately for transmittal to the developers. The amount of such receipts, which had not been remitted as of June 30, 2014 and 2013, were \$1,758 and \$1,299, 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
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6. ACCOUNTS PAYABLE AND ACCRUED PAYROLL, Continued

Accrued payroll and related liabilities were as follows:

	2014	2013
Accrued payroll	\$ 610	\$ 547
Accrued vacation	2,016	1,903
MCP Bonus Program (see Note 12)	1,802	1,697
Accrued leave and other	501	470
Total	<u>4,929</u>	<u>4,617</u>
Less current portion	<u>(3,011)</u>	<u>(2,829)</u>
Long-term portion	<u>\$ 1,918</u>	<u>\$ 1,788</u>

Accrued vacation activity is as follows:

	2014	2013
Balance, beginning of year	\$ 1,903	\$ 2,002
Additions	1,740	1,758
Reduction	<u>(1,627)</u>	<u>(1,857)</u>
Balance, end of year	<u>\$ 2,016</u>	<u>\$ 1,903</u>

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

7. LONG-TERM DEBT

Long-term debt activities for the year ended June 30, 2014 were as follows:

Description	Beginning	Reductions	Ending Balance	Current	Noncurrent
	Balance July 1, 2013		June 30, 2014		
2009 Water System Refunding					
Revenue Bonds	\$ 17,780	\$ (2,335)	\$ 15,445	\$ 2,395	\$ 13,050
Unamortized premium	828	(119)	709	118	591
2012 Water System Revenue Bonds	45,000	(250)	44,750	255	44,495
Unamortized premium	2,696	(97)	2,599	96	2,503
Total	<u>\$ 66,304</u>	<u>\$ (2,801)</u>	<u>\$ 63,503</u>	<u>\$ 2,864</u>	<u>\$ 60,639</u>

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

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

Alameda County Water District
Notes to Basic Financial Statements
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7. LONG-TERM DEBT, Continued

Water System Revenue Bonds

The Water System Revenue Bonds are issued primarily to finance the construction of capital improvements related to the District's water system. The bonds are payable solely from and secured by the revenues received from the operation of the District's water system. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement. The total principal and interest remaining to be paid from the bonds is \$86,802. Principal and interest paid for the year ended June 30, 2014 and total net revenues as defined in the bond indentures were \$4,759 and \$20,757, respectively. Principal and interest paid for the year ended June 30, 2013 and total net revenues as defined in the bond indentures were \$4,560 and \$18,703, respectively.

The debt service requirements for the Water System Revenue Bonds at June 30, 2014 were as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,650	\$ 2,109	\$ 4,759
2016	2,720	2,036	4,756
2017	2,800	1,960	4,760
2018	2,880	1,871	4,751
2019	2,980	1,768	4,748
2020 - 2024	12,825	7,238	20,063
2025 - 2029	12,470	4,620	17,090
2030 - 2034	7,635	3,085	10,720
2035 - 2039	9,100	1,702	10,802
2040 - 2041	4,135	218	4,353
Total	<u>\$ 60,195</u>	<u>\$ 26,607</u>	<u>\$ 86,802</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, 2014 and 2013.

Alameda County Water District
Notes to Basic Financial Statements
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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 (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, 2014 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

9. COMMITMENTS

State of California - In 1961, the District entered into a contract with the State of California (the State) to purchase water through the year 2035. After the initial term, the contract is renewable indefinitely by the District under essentially the same conditions as the original contract upon six months prior written notice to the State. The District’s actual water usage for fiscal years 2014 and 2013 were approximately 19,242 and 23,646 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 2014 and 2013 were approximately \$6,271 and \$7,008, respectively, and were charged to operations as incurred.

Alameda County Water District
Notes to Basic Financial Statements
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9. COMMITMENTS, Continued

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 \$176,041 as of June 30, 2014 which was based on June 30, 2014 amount provided by the State.

Year Ending June 30,	State Water Purchase Commitment (in thousands)
2015	\$ 8,011
2016	8,529
2017	8,435
2018	8,249
2019	8,218
2020 - 2024	41,469
2025 - 2029	41,319
2030 - 2034	39,643
2035 - 2036	12,168
Total Water Purchase	<u>\$ 176,041</u>

San Francisco Water Department - The District entered into a contract with the San Francisco Water Department (SFWD) in June 1984. That contract was renewed in July 2009 to purchase certain minimum amounts of water over another 25-year period. The costs to the District for water purchased under this contract for fiscal years 2014 and 2013 were approximately \$15,963 and \$13,259, 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 2014, the estimated cost of the minimum purchase commitment was approximately \$10,896. In fiscal year 2015, the District expects to purchase 8,762 acre-feet of water for a total price of approximately \$14,081.

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

Alameda County Water District
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9. COMMITMENTS, Continued

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

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

BAWSCA's annual debt service amount is \$24,675. The District's annual bond surcharge is estimated to be \$1,972 based on all member agencies actual wholesale water use in fiscal year ended June 30, 2014. The annual surcharge for each agency will be based on the actual wholesale water purchase percentage from the last full year for which data is available with an annual reconciliation based on the actual water purchased. A true-up adjustment based on the actual fiscal year ending June 30, 2014 water use will be included in the fiscal year ending June 30, 2016 bond surcharge. The current best projection on the District's annual surcharge for the future would be \$1,972. Audited financial statements for BAWSCA may be obtained from the BAWSCA at 155 Bovet Road, San Mateo, California, 94402.

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 Q Street, Sacramento, California 95814 or by visiting www.calpers.ca.gov. A separate report for the District's Plan within CalPERS is not available.

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) plan for employees in its Management, Confidential and Professional group. Under this plan, the District picks up 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as additional contribution. For fiscal years 2014 and 2013, the District's EPMC was \$300 and \$297, respectively.

The State passed the California Employees' Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

Alameda County Water District
Notes to Basic Financial Statements
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10. PENSION PLANS, Continued

B. Funding Policy

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District was required to contribute for fiscal years 2014 and 2013 at an actuarially determined rate of 24.533% and 24.597% of annual covered payroll for the District's employees, which amounted to \$5,793 and \$5,642 for the years ended June 30, 2014 and 2013.

In March 2013, CalPERS reduced the discount rate from 7.75% to 7.50% with its 2011 actuarial valuation. This decrease implies lower returns on future CalPERS investments. Consequently, member agencies will need to contribute more to make up for the shortfall. CalPERS gave agencies a choice of whether to phase-in this increase in their contribution rate in either one, or two years. This rate increase would be effective over the fiscal year ended June 30, 2014. In the District's case, it was a choice of contributing at an increased overall rate of either 24.533% for a one-year phase-in, or 24.465% for a two-year phase-in. The difference between the two contribution rates for the fiscal year ended June 30, 2014, is 0.068% or approximately \$16. Given the small difference and greater simplicity of the one-year phase-in, the District chose the one-year phase-in option at the overall contribution rate of 24.533% for the fiscal year ended June 30, 2014.

C. Annual Pension Cost

For fiscal years 2014 and 2013, the District's annual pension cost of \$5,793 and \$5,642 for CalPERS was equal to the District's required and actual contributions. The required contributions were determined as part of the June 30, 2011 and June 30, 2010 actuarial valuations using the entry age normal actuarial cost method. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentages of APC Contributed	Net Pension Obligation
2012	\$ 5,547	100%	\$ -
2013	5,642	100%	-
2014	5,793	100%	-

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

10. PENSION PLANS, Continued

D. Funding Status as of the Most Recent Actuarial Date

As of the June 30, 2011 actuarial valuation, the economic assumptions changed as a result of a study and independent evaluation conducted by CalPERS. Changes to the economic assumptions included the investment rate of return, salary increase assumptions, inflation factor and payroll growth. As of the June 30, 2012 actuarial valuation, there were no changes made to the actuarial assumptions since the prior year's actuarial valuation.

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, 2012	June 30, 2011
Annual Required Contribution:	2014/2015	2013/2014
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	20 Years as of the Valuation Date	21 Years as of the Valuation Date
Asset Valuation Method:	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return:	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)
Projected Salary Increases:	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation:	2.75%	2.75%
Payroll Growth:	3.00%	3.00%
Individual Salary Growth:	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

10. PENSION PLANS, Continued

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

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

Valuation Date	Entry Age	Actuarial Value of Assets	(Unfunded)	Funded Ratio	Annual Covered Payroll	(UAAL)/
	Normal Accrued Liability		Liability - (UAAL)			Annual Covered Payroll
6/30/2012	\$ 183,910	\$ 139,102	\$ (44,808)	75.6%	\$ 22,509	-199.1%

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

F. Internal Revenue Code Section 401(a) Plan

Effective January 1, 1997, the District established and administered the Alameda County Water District 401(a) Plan (the Plan), a defined contribution plan. The Plan provides retirement benefits to District employees. The employees vest upon joining the Plan. The District has agreed to contribute to the employee's accounts to match the employees' Internal Revenue Code Section 457 contributions up to a specified amount.

The District contributed \$60 and \$57 in fiscal years 2014 and 2013, respectively, as required under the District's Management, Confidential and Professional (MCP) employee compensation schedule. Effective January 1, 2004, the District's matching calendar year contribution to the 401(a) plan was discontinued in accordance with the Memorandum of Understanding (MOU) for United Public Employees Local 1021, AFL-CIO employees.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE

A. Plan Description

In addition to the pension benefits described in Note 10, the District provides health plan coverage for eligible retirees and their dependents pursuant to CalPERS Health Benefit Program eligibility requirements. In May 2012, the District entered into an agreement with CalPERS to participate in the California Employer’s Retiree Benefit Trust Fund Program (CERBT), a single employer postemployment health plan, to prefund the District’s other postemployment benefits through CalPERS.

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

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

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

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

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

A. Plan Description, Continued

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

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

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

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.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

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

A. Plan Description, Continued

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

B. Funding Policy

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

The District's funding policy is to fund the ARC. As of June 30, 2011 actuarial valuation, the District's fiscal years 2014 and 2013 ARC rate is 16.9% 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, 2011 actuarial valuation.

The following table shows the components of the District's annual OPEB cost, the amount contributed to the Plan and changes in the District's Net OPEB Asset:

	2014	2013
Normal Cost	\$ 1,357	\$ 1,314
UAAL Amortization	2,507	2,428
Annual Required Contribution	3,864	3,742
Interest on Net OPEB Asset	(136)	(138)
Adjustments to Net OPEB Asset	182	176
Annual OPEB Cost (AOC)	3,910	3,779
Contributions made	(3,864)	(3,742)
Change in Net OPEB Asset	46	37
Net OPEB Asset, beginning of year	(1,872)	(1,909)
Net OPEB Asset, end of year	\$ (1,826)	\$ (1,872)

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

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

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

The total ARC for 2014 and 2013 is \$3,864 and \$3,742, respectively. Of this amount, the District made a contribution amount of \$2,111 and \$1,902 for retirees' health premiums in 2014 and 2013, respectively. The remaining balance of the ARC of \$1,753 and \$1,840 was deposited in CERBT in 2014 and 2013 respectively.

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

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Asset
6/30/2012	\$ 2,890	\$ 2,856	99%	\$ 1,909
6/30/2013	3,779	3,742	99%	1,872
6/30/2014	3,910	3,864	99%	1,826

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$ 46,519
Actuarial value of plan assets	9,436
Unfunded actuarial accrued liability	<u>\$ 37,083</u>
Funded ratio (actuarial value of plan assets/AAL)	20.3%
Annual covered payroll (active plan members)	\$ 21,979
UAAL as a percentage of annual covered payroll	168.7%

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
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

11. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE, 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, 2013	June 30, 2011
ARCs:	2014/2015 and 2015/2016	2012/2013 and 2013/2014
Discount rate:	Prefunded with CERBT investment option #1. 7.25%. Sensitivity 5% & 5.75%	Prefunded with CERBT investment option #1. 7.25%
General inflation:	3.00%	3.00%
Payroll increase:	3.25%	3.25%
Healthcare trend:	Rates of 8.0% trending to 5.0% in 2021+	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:	Initial UAAL 30 year fixed (closed) period (26 years remaining for 2014/15 ARC). Assumption Changes, Experience Gains/Losses & Contribution Gains/Losses-15 year fixed (closed) period. Maximum 30 year combined period.	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
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

12. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM

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

At retirement, members of the MCP group that were hired before July 1, 1994 are eligible for a retirement bonus calculated at the rate of 3 working days per each full 6 months of continuous service to the District. The bonus is based on the employee's pay rate at the time of retirement. If an employee who is eligible for service retirement dies, his/her designated beneficiary will receive the employee's retirement bonus. Employees hired on or after July 1, 1994, shall receive the retirement bonus based on the following: 2 days per year after 10 years' service; 4 days per year after 15 years' service; and 6 days per year after 20 years' service. At June 30, 2014 and 2013, the District had 28 and 29 eligible members in this closed program.

Funding Policy - Contribution requirements may be amended through negotiations between the District and members of the MCP group. The District contributes on a pay-as-you-go basis upon the retirement date of the eligible employee. For the years ended June 30, 2014 and 2013, the District contributed \$100 and \$268, respectively, towards this program for 1 and 4 retired members, respectively.

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

	2014	2013
Annual Required Contribution	\$ 171	\$ 134
Interest on Net OPEB Obligation	34	70
Annual OPEB Cost (expense)	205	204
Contributions made	(100)	(268)
Change in Net OPEB Obligation	105	(64)
Net OPEB Obligation, beginning of year	1,697	1,761
Net OPEB Obligation, end of year	<u>\$ 1,802</u>	<u>\$ 1,697</u>

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

12. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM, Continued

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

Year Ended	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 234	\$ 114	49%	\$ 1,761
6/30/2013	204	268	131%	1,697
6/30/2014	205	100	49%	1,802

Funded Status and Funding Programs - As of June 30, 2014 and 2013, the actuarial accrued liability for MCP Bonus Program benefits was \$1,802 and \$1,697, respectively, all of which was unfunded. At June 30, 2014 and 2013, the covered payroll (annual payroll of active employees covered by the MCP Bonus Program) was \$4,647 and \$4,560, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was -38.8 percent and -37.2 percent, respectively.

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

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

- Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 58, or at the first subsequent year in which the member would qualify for benefits.
- Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 19W9 United States Life Tables for Males and Females were used.
- Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age.
- Inflation and payroll growth rates - The inflation and payroll growth rates assumption of 2.0 percent was based on projected wage increases of the MCP Bonus Program participants.

Alameda County Water District
Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013
(Dollars in thousands)

12. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM, Continued

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

13. LITIGATION

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

14. DROUGHT STATE OF EMERGENCY

The District is facing a number of challenges due to the worst drought in 150 years. The Governor of California declared a Drought State of Emergency on January 17, 2014. The District responded by adopting a drought ordinance on March 13, 2014 that mandates a 20% reduction in water usage and by increasing communications with customers about the necessity for conservation. Our customers responded immediately and have been achieving the 20% reduction. The District has been working on securing an adequate water supply at the best possible cost given the challenging circumstances. The District is facing the financial impacts by delaying capital projects, reducing operating costs, utilizing a rate stabilization fund, considering a new bond issuance for essential capital projects and implementing a drought surcharge which was adopted on July 22, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Alameda County Water District
Required Supplemental Information (Unaudited)
Schedules of Funding Progress and Employer Contributions (OPEB)
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

1. DEFINED BENEFIT PENSION PLAN

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

Schedule of Funding Progress

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL)/ Annual Covered Payroll
6/30/2010	\$ 162,814	\$ 123,302	\$ (39,512)	75.7%	\$ 19,874	-198.8%
6/30/2011	171,513	130,852	(40,661)	76.3%	20,985	-193.8%
6/30/2012	183,910	139,102	(44,808)	75.6%	22,509	-199.1%

Actuarial valuations as of June 30, 2014 and 2013 are not available.

2. OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH CARE

Schedule of Funding Progress

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL) / Annual Covered Payroll
6/30/2009	\$ 32,915	\$ 3,496	\$ (29,419)	10.6%	\$ 19,001	-154.8%
6/30/2011	41,565	5,620	(35,945)	13.5%	22,175	-162.1%
6/30/2013	46,519	9,436	(37,083)	20.3%	21,979	-168.7%

Alameda County Water District
Required Supplemental Information (Unaudited)
Schedules of Funding Progress and Employer Contributions (OPEB)
For the Years Ended June 30, 2014 and 2013
(Dollars in thousands)

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

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2009	\$ 2,592	\$ 5,000	192.9%
June 30, 2010	2,676	2,406	89.9%
June 30, 2011	2,638	2,658	100.8%
June 30, 2012	2,856	2,856	100.0%
June 30, 2013	3,742	3,742	100.0%
June 30, 2014	3,864	3,864	100.0%

3. OTHER POST EMPLOYMENT BENEFITS - MCP BONUS PROGRAM

Schedule of Funding Progress

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	(Unfunded) Liability - (UAAL)	Funded Ratio	Annual Covered Payroll	(UAAL) / Annual Covered Payroll
6/30/2012	\$ 1,761	\$ -	\$ (1,761)	0.0%	\$ 4,859	-36.2%
6/30/2013	1,697	-	(1,697)	0.0%	4,560	-37.2%
6/30/2014	1,802	-	(1,802)	0.0%	4,647	-38.8%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2012	\$ 168	\$ 114	67.9%
June 30, 2013	134	268	200.0%
June 30, 2014	171	100	58.5%

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STATISTICAL SECTION

STATISTICAL SECTION

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

Index	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	52
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenues source, the water revenues. Also included in this section is information on the District's second significant source of local revenues, the property tax.	54
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	59
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	61
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	63

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
OPERATING REVENUES:										
Water Sales	\$ 47,469	\$ 53,355	\$ 57,285	\$ 58,087	\$ 56,778	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081
Development Fees	3,864	3,589	3,276	3,874	5,703	1,768	1,892	2,118	1,977	3,494
Other Revenue	3,691	1,963	4,021	2,090	1,576	1,737	1,559	1,662	1,914	2,109
TOTAL OPERATING REVENUES	55,024	58,907	64,582	64,051	64,057	60,249	66,047	73,878	80,794	86,684
OPERATING EXPENSES:										
Source of Supply										
Water Purchases	9,529	9,616	12,985	14,211	14,129	14,128	14,402	18,747	21,367	23,427
Pumping	2,980	2,617	2,666	2,574	2,583	2,592	3,116	3,338	2,954	2,763
Other	6,523	6,002	6,303	6,783	9,707	7,511	8,819	8,875	8,828	10,215
Water Treatment	8,786	9,936	9,732	10,097	11,022	11,297	12,464	12,119	12,586	12,584
Transmission and Distribution	9,423	9,753	10,311	10,089	11,285	11,997	11,343	10,953	10,650	10,934
Administration of Customer Accounts	995	957	1,056	1,076	1,163	1,252	1,507	1,390	1,680	1,832
Administration and General	4,151	5,310	5,286	6,210	7,605	8,335	6,172	9,679	11,965	13,090
Depreciation and Amortization	9,926	10,402	10,698	10,811	10,968	10,942	12,462	12,262	12,845	12,624
TOTAL OPERATING EXPENSES	52,313	54,593	59,037	61,851	68,462	68,054	70,285	77,363	82,875	87,469
NONOPERATING REVENUES (EXPENSES):										
Investment Income	1,608	2,524	4,537	5,344	4,032	2,448	1,416	672	(46)	1,217
Property Taxes	1,778	2,575	5,820	6,657	7,381	7,479	7,256	7,936	7,917	7,654
Other Revenues (1)	-	-	-	-	-	10,934	450	215	68	47
Other Expenses/Loss on Disposal	(3,287)	(2,827)	(2,943)	(2,897)	(2,915)	(2,373)	(2,060)	(3,879)	(2,133)	(1,624)
TOTAL NONOPERATING REVENUES (EXPENSES):	99	2,272	7,414	9,104	8,498	18,488	7,062	4,944	5,806	7,294
Capital Contributions	2,547	4,185	4,796	3,988	6,237	5,491	3,677	2,849	5,529	2,767
Increase in Net Positions	\$ 5,357	\$ 10,771	\$ 17,755	\$ 15,292	\$ 10,330	\$ 16,174	\$ 6,501	\$ 4,308	\$ 9,254	\$ 9,276
% Water Rate Increase (of latter of FY)	7.00*	5.00*	9.00	4.50	6.00	8.80	8.00	8.00**	17.1***	7.00
Number of Employees (2)	218	218	212	214	214	219	226	225	229	238

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

(2) Active employees as of June 30, 2014.

Source: Alameda County Water District Finance Department

*Excludes 6.5% Supplemental Temporary Water Rate Increase

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

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

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

	2004/05	2005/06	2006/07	2007/08	2008/09 ⁽¹⁾	2009/10	2010/11 ⁽²⁾	2011/12 ⁽²⁾	2012/13	2013/14
NET POSITION:										
Net investment in capital assets	\$ 249,646	\$ 252,840	\$ 255,535	\$ 260,757	\$ 275,844	\$ 292,179	\$ 298,301	\$ 304,983	\$ 310,757	\$ 325,497
Restricted for debt service	7,679	7,768	7,781	7,662	7,701	2,515	2,436	2,639	2,656	2,669
Unrestricted	86,797	94,287	109,334	119,523	98,124	103,149	101,334	98,757	102,220	96,743
TOTAL NET POSITION	\$ 344,122	\$ 354,895	\$ 372,650	\$ 387,942	\$ 381,669	\$ 397,843	\$ 402,071	\$ 406,379	\$ 415,633	\$ 424,909

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

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

Source: Alameda County Water District Finance Department

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Levies:										
1% Tax Allocation	\$ 286 *	\$ 488 *	\$ 3,418	\$ 3,615	\$ 3,622	\$ 3,541	\$ 3,537	\$ 3,500	\$ 3,569	\$ 3,769
State Water Contract Tax	1,182	1,696	2,079	2,516	3,071	2,595	2,803	3,010	3,189	3,194
Total	\$ 1,468	\$ 2,184	\$ 5,497	\$ 6,131	\$ 6,693	\$ 6,136	\$ 6,340	\$ 6,510	\$ 6,758	\$ 6,963
Collections:										
Percentage of Collection of Levies (%)	\$ 1,778	\$ 2,575	\$ 5,820	\$ 6,670	\$ 7,788	\$ 6,217	\$ 7,164	\$ 8,317	\$ 8,050	\$ 8,400
	121%	118%	106%	109%	116%	101%	113%	128%	119%	121%

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>
2004/05	\$ 34,731,705	\$ 21,598	\$ 2,418,796	\$ 37,172,099
2005/06	37,453,609	20,099	2,556,504	40,030,212
2006/07	40,105,912	17,559	2,559,158	42,682,628
2007/08	42,888,414	5,812	2,616,332	45,510,558
2008/09	44,849,292	5,620	2,750,418	47,605,330
2009/10	43,825,950	5,620	3,047,425	46,878,995
2010/11	43,522,656	5,755	3,093,752	46,622,164
2011/12	43,072,743	5,755	2,975,251	46,053,748
2012 /13	43,846,946	70,042	3,053,241	46,970,229
2013 /14	46,275,494	61,871	2,950,912	49,288,277

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

Table 5
ALAMEDA COUNTY WATER DISTRICT
TEN YEAR SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES (Unaudited)
(in thousands)

Fiscal Year	Secured Tax Charge (1)	Amount		Percent Delinquent June 30
		Delinquent	June 30	
2003/04	\$ 1,455	\$ 23		1.61 %
2004/05	1,110	17		1.56
2005/06	1,665	28		1.67
2006/07	2,037	61		3.00
2007/08	2,460	93		3.80
2008/09	2,998	109		3.65
2009/10	2,544	64		2.51
2010/11	2,771	56		2.01
2011/12	3,180	59		1.87
2012/13	3,048	29		0.95

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

Data for FY 2013-14 is not yet available.

Source: Alameda County Auditor-Controller

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

	2005	Eff. 1/1	2006	Eff. 1/1	2007	Eff. 2/1	2008	Eff. 2/1	2009	Eff. 2/1	2010	Eff. 3/1	2011	Eff. 2/1	2012	Eff. 2/1	2013	Eff. 2/1	2014
COMMODITY CHARGE/HCF:																			
Inside District	\$ 1,997	\$ 2,096	\$ 2,285	\$ 2,388	\$ 2,531	\$ 2,754	\$ 2,974	\$ 3,152	\$ 3,373	\$ 3,624	\$ 3,878								
Outside District	2,296	2,410	2,627	2,745	2,910	3,166	3,419	3,624	3,878										
San Francisco	2,002	2,102	2,292	2,395	2,682	2,918	3,242	3,673	- ⁽¹⁾										
BIMONTHLY METER SERVICE CHARGE:																			
Inside District & SF Water Service	\$ 9.60	\$ 10.08	\$ 10.08	\$ 10.08	\$ 10.68	\$ 11.62	\$ 12.55	\$ 14.93	\$ 29.86	\$ 31.95									
5/8" & 3/4 "	13.75	14.44	14.44	14.44	15.31	16.66	17.99	21.41	42.82	45.82									
1-1/2	24.30	25.52	25.52	25.52	27.05	29.43	31.78	37.82	75.64	80.93									
2	34.85	36.59	36.59	36.59	38.79	42.20	45.58	54.24	108.48	116.07									
3	132.15	138.76	138.76	138.76	147.09	160.03	172.83	205.67	411.34	440.13									
4	191.40	200.97	200.97	200.97	213.03	231.78	250.32	297.88	595.76	637.46									
6	462.00	485.10	485.10	485.10	514.21	559.46	604.22	719.02	1,438.04	1,538.70									
8	676.50	710.33	710.33	710.33	752.95	819.21	884.75	1,052.85	2,105.70	2,253.10									
10	1,209.00	1,269.45	1,269.45	1,269.45	1,345.62	1,464.03	1,581.15	1,881.57	3,763.14	4,026.56									
Outside District Water Service	\$ 11.00	\$ 11.59	\$ 11.59	\$ 11.59	\$ 12.28	\$ 13.36	\$ 14.43	\$ 17.17	\$ 34.34	\$ 36.74									
5/8" & 3/4 " or less	15.80	16.61	16.61	16.61	17.61	19.16	20.69	24.62	49.24	52.69									
1-1/2	27.90	29.35	29.35	29.35	31.11	33.84	36.55	43.49	86.99	93.07									
2	40.05	42.08	42.08	42.08	44.61	48.53	52.41	62.37	124.75	133.48									
3	151.95	159.57	159.57	159.57	169.15	184.03	198.75	236.52	473.04	506.15									
4	220.10	231.12	231.12	231.12	244.98	266.55	287.87	342.56	685.12	733.08									
6	531.30	557.87	557.87	557.87	591.34	643.38	694.85	826.87	1,653.75	1,769.51									
8	778.00	816.88	816.88	816.88	865.89	942.09	1,017.46	1,210.78	2,421.56	2,591.07									
10	1,390.35	1,459.87	1,459.87	1,459.87	1,547.46	1,683.63	1,818.32	2,163.81	4,327.61	4,630.54									
BIMONTHLY CHARGE FOR PRIVATE FIRE SERVICES:																			
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 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	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	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	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	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	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water District Finance Department

Note: ⁽¹⁾ The District approved a 100% increase on bi-monthly meter service charge and stopped offering special rate for water purchased from San Francisco to customers effective February 1, 2013.

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
City of Fremont	2	2	2	3	2	2	1	2	1	1
Fremont Unified School District	3	3	3	2	1	1	2	3	2	2
Prologis Trust	6	6	5	4	3	3	4	4	3	3
Western Digital Technologies	5	4	4	5	5	5	3	1	4	4
City of Union City	9	8	6	6	6	6	5	6	6	5
Contempo Homeowners Association	7	5	7	7	9	7	7	8	7	6
Tesla Motors, Inc.	-	-	-	-	-	-	-	-	-	7
Ardenwood Forest Apartments	-	-	-	-	-	-	10	-	8	8
New Haven School District	-	-	-	-	-	-	-	10	9	9
Newark Unified School District	8	9	8	8	7	9	8	5	5	10
City of Newark	4	-	10	10	10	-	-	-	10	-
Equity Residential Properties Trust	10	10	9	9	8	8	-	-	-	-
MMC Technology	-	7	-	-	-	-	-	-	-	-
New United Motor Manufacturing, Inc.	1	1	1	1	4	4	-	-	-	-
School for the Deaf	-	-	-	-	-	-	6	7	-	-
Seagate Magnetics	-	-	-	-	-	-	-	9	-	-
Solyndra Inc.	-	-	-	-	-	10	9	-	-	-

Source: Alameda County Water District Finance Department

Table 8
ALAMEDA COUNTY WATER DISTRICT
HISTORICAL and PROJECTED NET REVENUES and DEBT SERVICE COVERAGE
Fiscal Years 2009/10 - 2018/19 (Unaudited)
(in thousands)

	Actual										Projected			
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19				
Revenues														
Water Sales	\$ 56,744	\$ 62,596	\$ 70,098	\$ 76,903	\$ 81,081	\$ 85,802	\$ 92,237	\$ 96,698	\$ 109,564	\$ 118,858				
Investment Income (1)	2,448	1,416	672	(46)	1,217	1,007	1,023	972	932	1,023				
Property Taxes (2)	7,479	7,256	7,936	7,917	7,654	8,208	8,422	8,538	8,586	8,607				
Development Fees	1,768	1,892	2,118	1,977	3,494	2,553	4,256	3,596	3,678	3,650				
Other Revenue (3)	1,738	1,559	1,877	1,982	2,156	1,667	1,802	1,768	1,656	1,664				
Total Revenues	70,177	74,719	82,701	88,733	95,602	99,237	107,739	111,572	124,417	133,801				
Maintenance and Operation Costs														
Pumping Power Costs	2,592	3,116	3,338	2,954	2,763	2,700	2,272	2,421	2,579	2,732				
Other Operating Expenses (4)	9,283	7,642	7,272	7,841	10,252	11,370	11,084	11,849	13,514	14,936				
Labor Costs (5)	31,069	32,571	35,744	37,868	38,403	45,086	47,968	50,589	56,328	60,117				
Purchased Water (6)	14,128	14,402	18,747	21,367	23,427	22,722	24,154	24,328	26,019	28,029				
Aquifer Reclamation Costs	40	92	-	-	-	-	-	-	-	-				
Total Expenses	57,112	57,823	65,101	70,030	74,845	81,878	85,478	89,188	98,441	105,813				
Net Revenues	\$ 13,065	\$ 16,896	\$ 17,600	\$ 18,703	\$ 20,757	\$ 17,359	\$ 22,261	\$ 22,384	\$ 25,976	\$ 27,987				
Maximum Annual Debt Service on Revenue Certificates and Bond														
2003 Certificates of Participation	\$ 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	2,864	2,863				
2012 Revenue Bond	-	-	523	1,891	1,893	1,891	1,893	1,893	1,887	1,885				
Total Debt Service	\$ 4,124	\$ 3,867	\$ 4,009	\$ 4,560	\$ 4,759	\$ 5,497	\$ 6,231	\$ 6,235	\$ 6,226	\$ 6,223				
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Certificates	3.17x	4.37x	4.39x	4.10x	4.36x	3.16x	3.57x	3.59x	4.17x	4.50x				

Notes:

- (1) Negative interest due to one-time portfolio restructuring.
 - (2) This table demonstrates historical and projected debt service coverage taking into account the inclusion of property taxes collected by the District, while also taking into account expenses paid for by such taxes.
 - (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.
 - (4) Includes annual inflationary increase of 3.00% beginning in 2015.
 - (5) Includes fringe benefits and annual inflationary increase as relevant beginning in 2015. OPEB cost included beginning FY 2008/09 and MCP Bonus Program beginning FY 2011/12.
 - (6) Per contract schedule.
- Source: Alameda County Water District Finance Department. Total may not add up due to rounding.

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Certificates of Participation										
1998 Refunding Revenue Bonds 3.5% - 4.63% Maturity: FY 2019-20*	\$ 34,044	\$ 32,520	\$ 30,918	\$ 29,245	\$ 27,498	-	-	-	-	-
2003 Revenue COP's 4.6% - 5.25% Maturity: FY 2027-28**	\$ 25,223	\$ 25,213	\$ 25,203	\$ 25,194	\$ 25,184	\$ 25,174	\$ 25,165	-	-	-
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	-	-	-	-	-	\$ 23,083	\$ 21,172	\$ 20,801	\$ 18,608	\$ 16,154
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	-	-	-	-	-	-	-	\$ 48,032	\$ 47,696	\$ 47,349
Total	\$ 59,267	\$ 57,733	\$ 56,121	\$ 54,439	\$ 52,682	\$ 48,257	\$ 46,337	\$ 68,833	\$ 66,304	\$ 63,503

Total Outstanding Debt to

Personal Income

Total Debt Per Capita

	95.34	87.05	79.31	74.41	73.58	66.33	61.04	80.96	N/A	N/A
	\$ 183.49	\$ 178.19	\$ 171.62	\$ 164.97	\$ 157.73	\$ 148.03	\$ 141.27	\$ 207.95	\$ 197.92	\$ 186.77

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

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

Note: Total outstanding debt was adjusted to include any discounts, premiums, or adjustments starting in FY 2004/05.

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

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

(3) Alameda County Water District Finance Department

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

CITY OF FREMONT⁽¹⁾

<u>2013 *</u>			<u>2004</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Fremont Unified School District	3,000	2.81 %	New United Motor Mfg., Inc.	5,407	5.21 %
Tesla	3,000	2.81	Fremont Unified School District	3,104	2.99
Washington Hospital	1,817	1.70	Lam Research Corp	1,378	1.33
Lam Research Corp.	1,500	1.41	Washington Hospital	1,300	1.25
Western Digital	1,300	1.22	Smart Modular Technologies	1,278	1.23
Boston Scientific/Target Therapeutics, Inc.	1,200	1.13	MMC Technology, Inc.	1,200	1.16
Seagate Magnetics	1,050	0.98	Office Depot	1,064	1.02
AXT Incorporated	972	0.91	Solectron	779	0.75
Kaiser Permanente	880	0.83	Boston Scientific	770	0.74
City of Fremont	832	0.78	Western Digital Corporation	740	0.71
Total City Employment	<u>106,761</u>		Total City Employment	<u>103,835</u>	

CITY OF UNION CITY⁽²⁾

<u>2013 *</u>			<u>2004</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Southern Wine and Spirits	1,150	3.54 %	New Haven School District	1,228	3.83 %
New Haven Unified School District	998	3.07	Southern Wine & Spirits	650	2.02
Wal-Mart	780	2.40	Wal-Mart	450	1.40
Axygen Scientific, Inc.	370	1.14	Office Depot Corp	450	1.40
Abaxis, Inc.	370	1.14	Sysco Avard Food Services	375	1.17
Kaiser Permanente	330	1.02	American Licorice	365	1.14
City of Union City	319	0.98	Apria Healthcare	350	1.09
Ajax Custom Manufacturing	300	0.92	City of Union City	336	1.05
OSI, Inc.	300	0.92	San Francisco Newspaper Agency	300	0.93
Blommer Chocolate, Inc.	290	0.89	Shin-Etsu Polymer America, Inc.	225	0.70
Total City Employment	<u>32,500</u>		Orcon Corp.	225	0.70
			Coca-Cola Bottling Company	225	0.70
			Young's Market	225	0.70
			Total City Employment	<u>32,100</u>	

CITY OF NEWARK⁽³⁾

<u>2013 *</u>			<u>2004</u>		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	700	3.27 %	Sun Microsystems	3,700	17.74 %
Logitech	689	3.22	Newark Unified School District	700	3.36
WorldPac	280	1.31	Staples (formerly Corporate Express)	600	2.88
Full Bloom Baking Company	280	1.31	ModusLink	300	1.44
Risk Management Solutions	270	1.26	WorldPac	290	1.39
Smart Modular Technologies	249	1.16	City of Newark	280	1.34
Morpho Detection	208	0.97	Valassis (formerly ADVO)	270	1.29
Cargill Salt	182	0.85	Nancy's Specialty Foods	250	1.20
City of Newark	176	0.82	Cargill Salt	230	1.10
Valassis (formerly ADVO)	166	0.78	Risk Management Solutions	200	0.96
Total City Employment	<u>21,400</u>		Total City Employment	<u>20,852</u>	

Note: * Number of Employees and Percent of Total Employment unavailable for 2014.

Source: (1) Year 2013 - City of Fremont, CAFR FY 2012/13, Year 2004 - Fremont Chamber of Commerce, Oct 2004

(2) City of Union City, CAFR FY 2012/13

(3) City of Newark, CAFR FY 2012/13

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)
2004	322	\$ 59,339	\$ 41	4.6 %
2005	323	62,166	43	4.0
2006	324	66,325	46	3.5
2007	327	70,761	49	3.7
2008	330	73,160	50	4.9
2009	334	71,596	48	8.5
2010	326	72,757	48	9.0
2011	328	75,908	50	8.3
2012	331	85018	55	7.2
2013	335	N/A*	N/A*	5.9

* 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)

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
UTILITY PLANT:										
Land	\$ 9,628	\$ 9,668	\$ 9,654	\$ 9,677	\$ 9,701	\$ 9,725	\$ 9,725	\$ 9,727	\$ 9,727	\$ 9,610
Source of Supply	42,190	42,572	43,152	43,783	43,852	50,116	50,125	51,092	51,092	57,782
Pumping Plant	18,284	18,313	18,803	18,946	19,255	19,647	20,191	21,324	21,469	24,152
Water Treatment	109,157	114,030	114,777	115,024	115,833	138,112	151,445	152,302	152,296	157,393
Transmission and Distribution	205,417	211,317	218,371	219,098	228,418	235,460	244,864	253,908	262,957	275,001
General	27,781	32,613	33,274	33,818	34,661	35,909	37,234	46,075	48,114	48,172
Construction in Progress	36,846	31,112	34,908	42,788	49,281	21,570	12,265	10,282	21,612	31,930
	449,303	459,625	472,939	483,134	501,001	510,539	525,849	544,710	567,267	604,040
Less Accumulated Depreciation	141,019	149,976	161,939	168,605	178,051	189,258	199,863	211,110	223,098	231,715
NET UTILITY PLANT	\$ 308,284	\$ 309,649	\$ 311,000	\$ 314,529	\$ 322,950	\$ 321,281	\$ 325,986	\$ 333,600	\$ 344,169	\$ 372,325

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>
2004/05	43.22
2005/06	44.23
2006/07	44.66
2007/08	43.80
2008/09	42.80
2009/10	38.43
2010/11	38.52
2011/12	39.23
2012/13	41.68
2013/14	40.52

Source: Alameda County Water District Finance Department