

ZONE 7 BOARD OF DIRECTORS FINANCE COMMITTEE

DATE: Thursday, December 12, 2024
TIME: 11:00 a.m.
LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore

ADDITIONAL TELECONFERENCE LOCATION (Gov't Code 54953(b)):

The Westin Seattle
4th Floor Grand Ballroom Foyer
1900 5th Avenue.
Seattle, WA 98101

Director Benson (participating remotely)
Director Brown
Director Narum

AGENDA

1. Call Meeting to Order
2. Public Comment on Items Not on Agenda
3. Investment Report as of September 30, 2024
4. Independent Auditor's Report and Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024
5. Proposed Amended Reserve Policy
6. Adjournment



100 North Canyons Parkway
 Livermore, CA 94551
 (925) 454-5000

September 30, 2024

Board of Directors
 Zone 7 Water Agency
 100 North Canyons Parkway
 Livermore, CA 94551

Subject: **Investment Report as of September 30, 2024 (Unaudited)**

Dear Board Members,

Pursuant to Resolution No. 24-45, dated June 11, 2024, the Board adopted the Agency investment policy. In accordance with Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency in a prudent manner and in accordance with the Investment Policy, attached is the Agency quarterly informational investment report as of September 30, 2024. Enclosed with this report is a detailed composition of investments held in Zone 7’s name by securities category as of September 30, 2024. This report reflects the market value and cost of purchase of the securities.

All Agency investments in this investment management portfolio conform to the investment policy and are in accordance with California Government Code Section 53600, et. seq. Below is the Agency’s investment portfolio management summary:

Investment Type	Face Amount	Market Value	Book Value	% of Portfolio	Permitted by Agency Policy	In Compliance	Book Yield (YTM at Cost)
U.S. Treasury Bond/ Note	\$ 83,300,000	\$ 81,073,787	\$ 82,125,923	54.76%	No Limit	Yes	3.10%
Corporate Bonds (Medium Term Notes)	27,440,000	27,606,498	27,440,229	18.65%	30%	Yes	4.31%
Federal Agency Commercial Mortgage-Backed Security	26,978,026	27,615,017	27,036,103	18.65%	No Limit	Yes	4.81%
Negotiable Certificate of Deposit (CD)	1,350,000	1,385,926	1,364,097	0.94%	30%	Yes	5.08%
Asset-Backed Securities	4,855,000	4,946,149	4,868,975	3.34%	20%	Yes	5.08%
Money Market (1)	5,418,320	5,418,320	5,418,320	3.66%	20%	Yes	4.81%
Total Investments	\$ 149,341,346	\$ 148,045,697	\$ 148,253,647	100.00%			3.76%
US Bank	4,834,841	4,834,841	4,834,841				
Total Cash & Investments	\$ 154,176,187	\$ 152,880,538	\$ 153,088,489				3.76%

(1) **Money Market:** The Money Market Book Yield (Yield to Maturity at Cost) is not part of the overall securities YTM at Cost from PFM Asset Management, it’s from the U.S. Bank as custody bank.

In addition, the Agency has cash and investments pooled with the Alameda County Treasury. The County Treasurer acts as the disbursing agent for these funds for the Agency and the cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer for the County.



As of September 30, 2024, the County Treasurer held approximately \$137,592,243 (unaudited) for the Agency. The amount held by the County Treasurer is sufficient to meet all operating cash needs for the Agency within the next six months. Here is a link to the County investment reports: <https://treasurer.acgov.org/reports/>.

I hereby certify that, to the best of my actual knowledge, this report includes all investments in the Agency pool investment portfolio and is in conformity with the Agency's current investment policy dated July 1, 2024.

Market value amounts are from PFM Asset Management which provides investment management services for the Agency. U.S. Bank provides the Agency custody services. Book value amounts include premiums or discounts and are adjusted at year end on the general ledger.

Sincerely,

Osborn Solitei
Osborn Solitei
Treasurer

Attachment:

1. Zone 7 Investment Performance Review for the Quarter Ended September 30, 2024

c: Valerie Pryor, General Manager



ZONE 7 WATER AGENCY

Investment Performance Review For the Quarter Ended September 30, 2024

Client Management Team

Monique Spyke, Managing Director
Joseph Creason, Portfolio Manager
Jeremy King, Key Account Manager

PFM Asset Management LLC

1 California Street Ste. 1000
San Francisco, CA 94111-5411
415-393-7270

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

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Market Update

Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ A labor market that reached better balance and support consumer activity
 - ▶ Inflation that has made meaningful progress towards the Federal Reserve's (Fed) 2% target, although shelter costs remain a headwind
 - ▶ Resilient economic growth and consumer spending that support the 'soft landing' scenario



- ▶ Fed begins the easing cycle
 - ▶ The Fed cut the federal funds target rate by 50 basis points (bps) to 4.75% - 5.00% at its September FOMC meeting
 - ▶ Fed officials note they have gained greater confidence the risks to their dual mandate are "roughly" in balance
 - ▶ The Fed's September "dot plot" implies 50 bps of additional cuts in 2024 and 100 bps through 2025



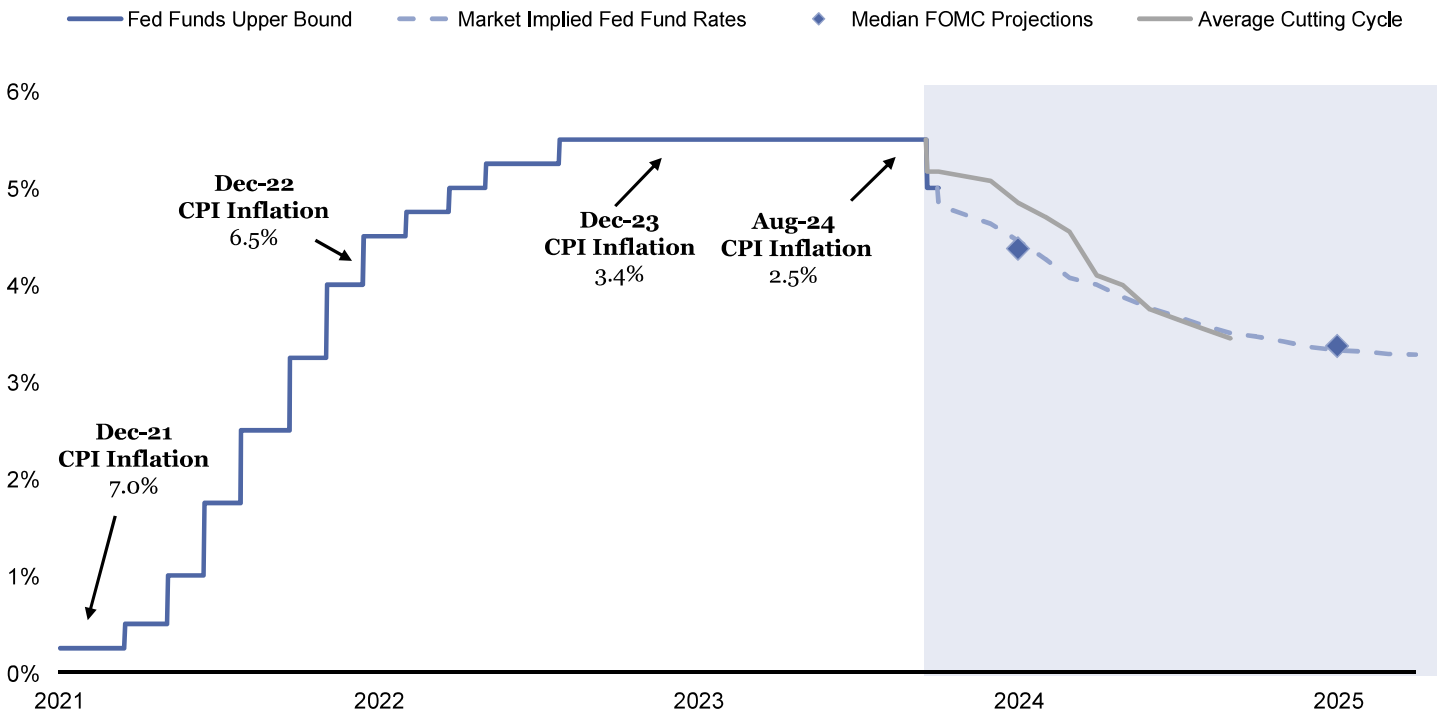
- ▶ Treasury yields continued their descent
 - ▶ Yields on maturities between 3 months and 10 years fell 62-112 bps during the 3rd quarter
 - ▶ The yield curve began to disinvert in the 3rd quarter as the spread between the 2-year and 10-year Treasury reached positive territory for the first time in over 2 years
 - ▶ Despite intra-quarter spread widening, yield spreads across most credit sectors were range bound at tight levels, reflecting the strength of the economy

Source: Bloomberg Finance L.P., as of September 30, 2024.

The Fed Begins the Cutting Cycle With 50bps

Fed Chair Powell: “[I]f we’d have gotten the July [jobs] report before the [July FOMC] meeting would we have cut, well we might have.”

Federal Funds Rate

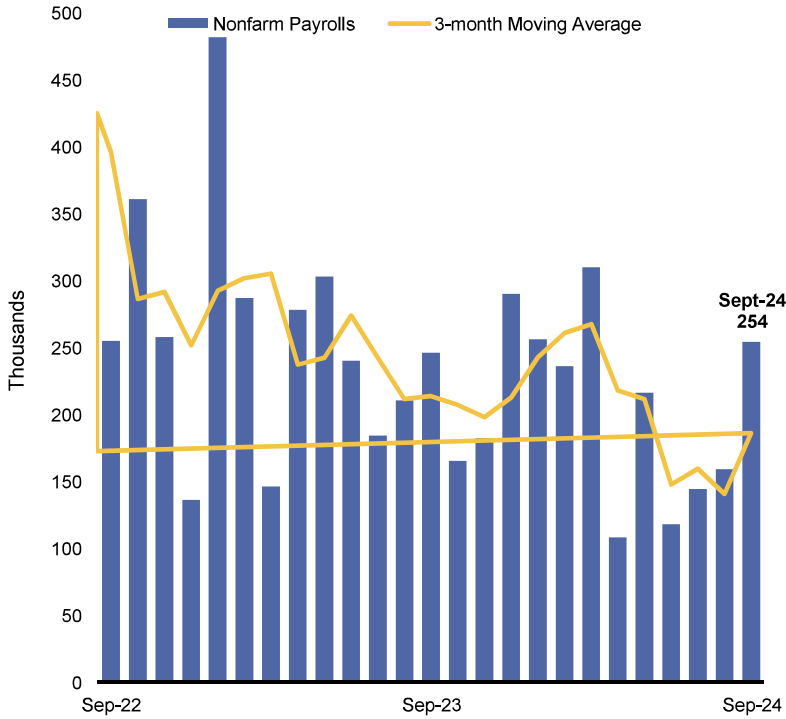


Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024. Average Cutting Cycle represents the average change in the Fed Funds Rate for the first 10 months of a cutting cycle back to 1988. Market Implied Fed Funds as of September 30, 2024. Bloomberg Finance L.P. CPI inflation and Nonfarm payrolls from Bureau of Labor Statistics and Bloomberg Finance L.P.

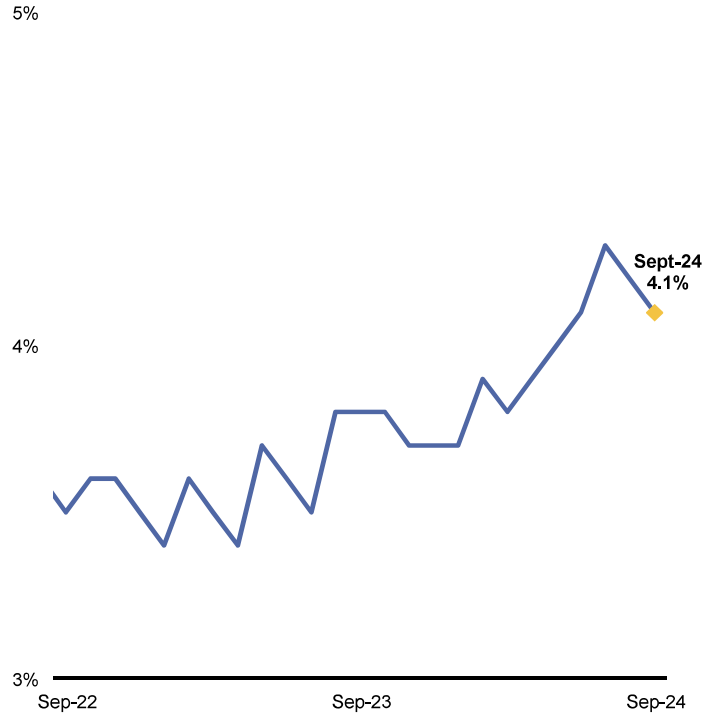
Labor Market Moves Into Better Balance

Fed Chair Powell: "...labor market conditions have cooled off by any measure ... [but] the level of those conditions is actually pretty close to what I would call maximum employment"

Monthly Change In Nonfarm Payrolls



Unemployment Rate

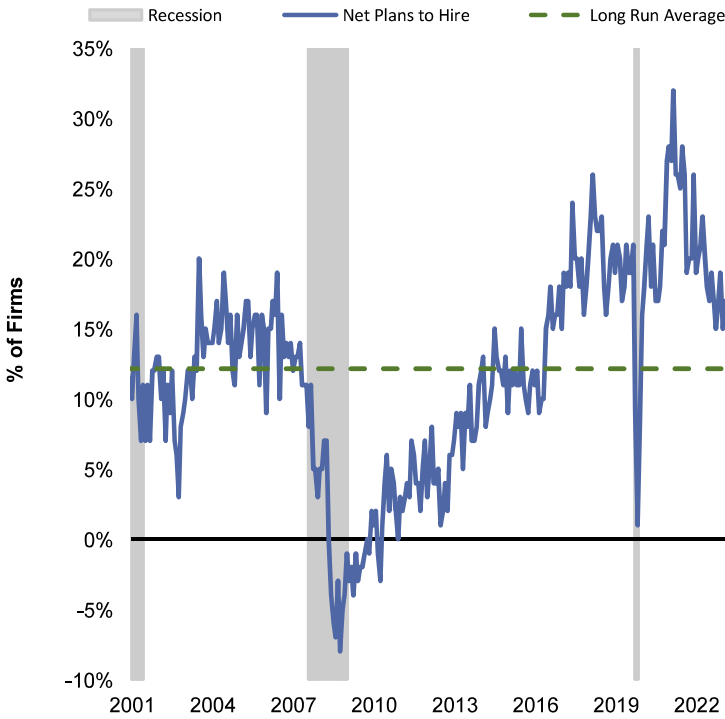


Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024; Bureau of Labor Statistics and Bloomberg Finance L.P., as of September 2024. Data is seasonally adjusted.

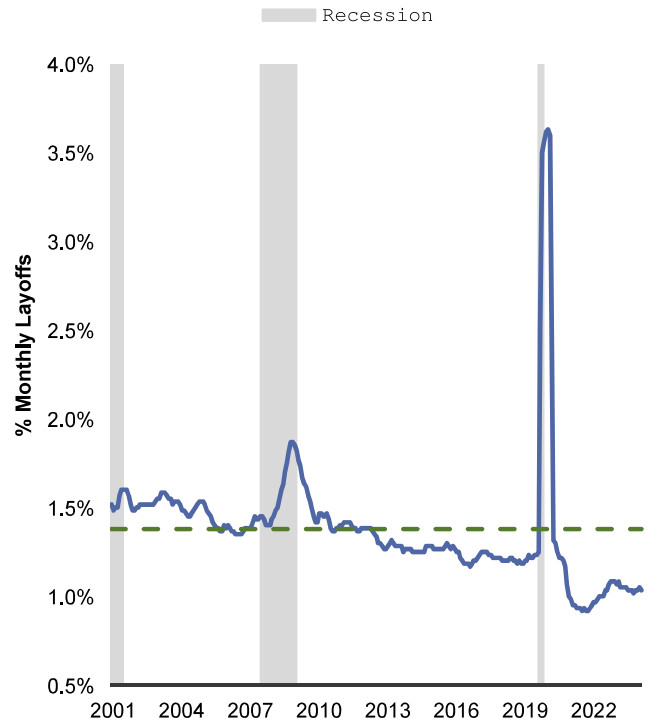
Hiring Plans Return to Long Run Averages While Layoffs Remain Near Historic Lows

Fed Chair Powell: "...we're not seeing rising claims. We're not seeing rising layoffs ... there is thinking that the time to support the labor market is when it's strong and not when you begin to see the layoffs"

Survey of Business's Plans to Hire
Net Percent ("Increase" minus "Decrease")



Layoffs – 6-Month Moving Average



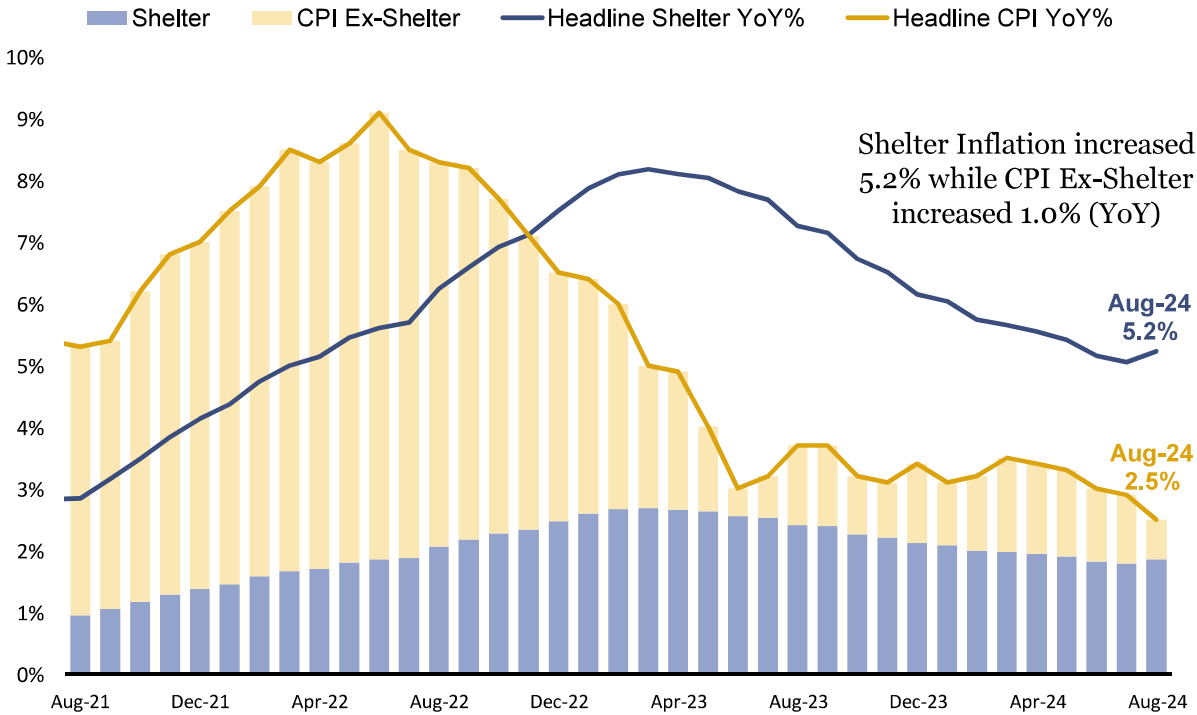
Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024; National Federation of Independent Businesses, Bureau of Labor Statistics, and Bloomberg Finance L.P., as of August 31, 2024.

Inflation Trends Lower

Fed Chair Powell: “[H]ousing inflation is the ... one piece that is kind of dragging a bit ... it’s been slower than we expected”

Consumer Price Index (CPI)

Top-Line Contributions, Year-over-Year Changes



The shelter component of CPI continues to remain outsized accounting for 74% of the increase in the headline figure

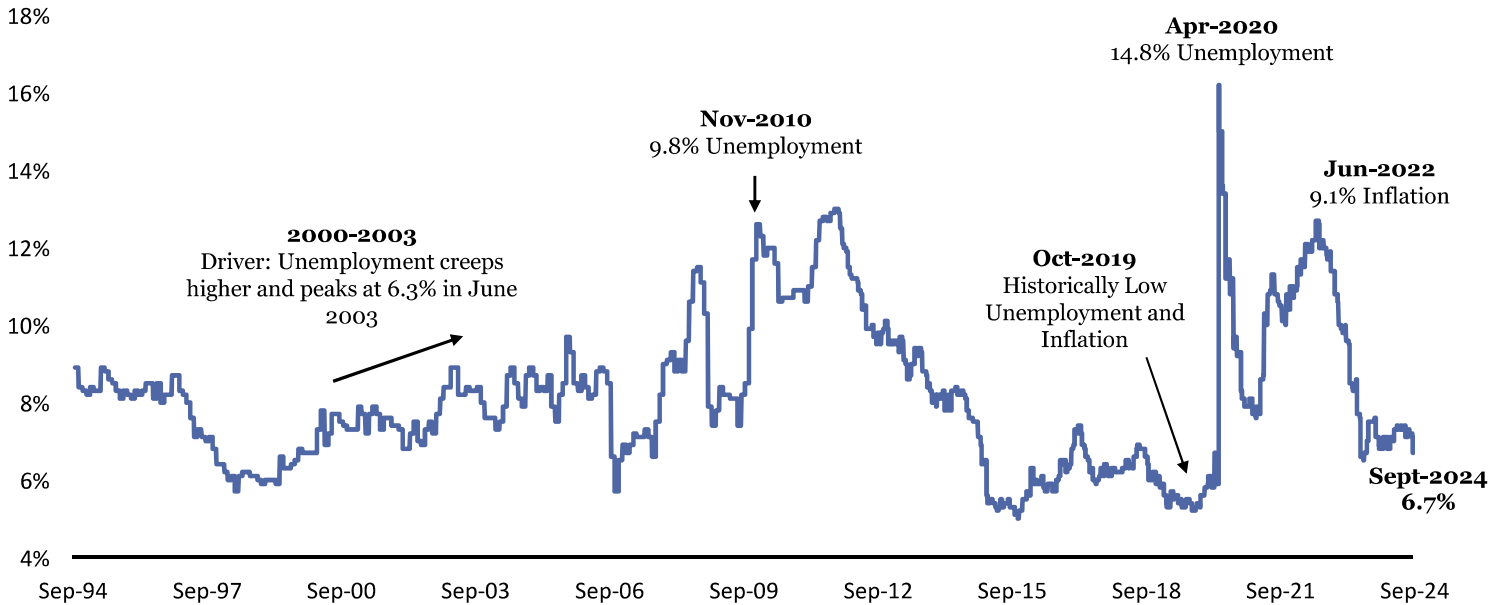
Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024; Bureau of Labor Statistics and Bloomberg Finance L.P., as of August 2024.

Inflation and Labor Market Conditions Leave the Consumer Well-Positioned

The “**Misery Index**” is a measure of economic distress and is calculated as the sum of CPI and the Unemployment Rate. The Fed’s long-run estimate of full employment at 4 - 5% and an inflation target of 2% would produce a Misery Index reading of 6 - 7%.

Misery Index

CPI Inflation + Unemployment Rate



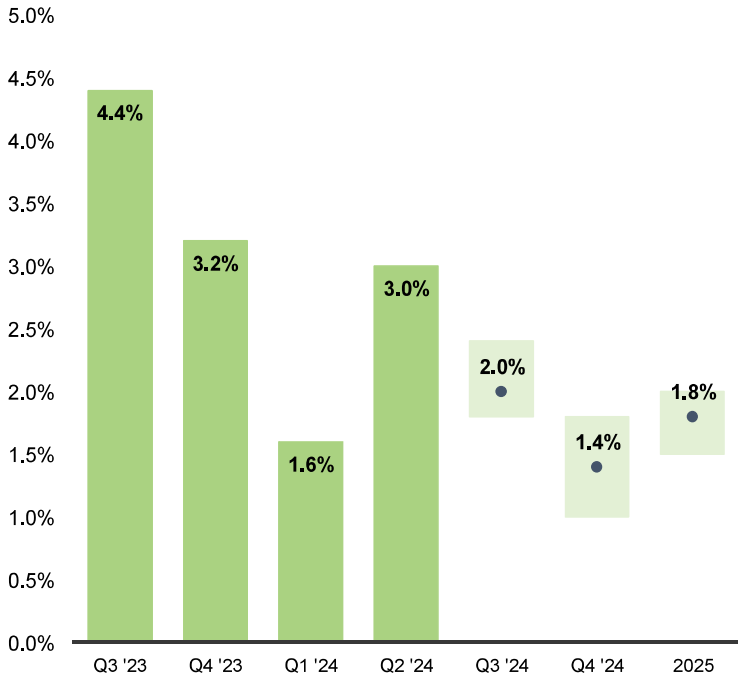
Source: Bloomberg Finance L.P., as of September 2024.

Consumer Activity Remains Solid

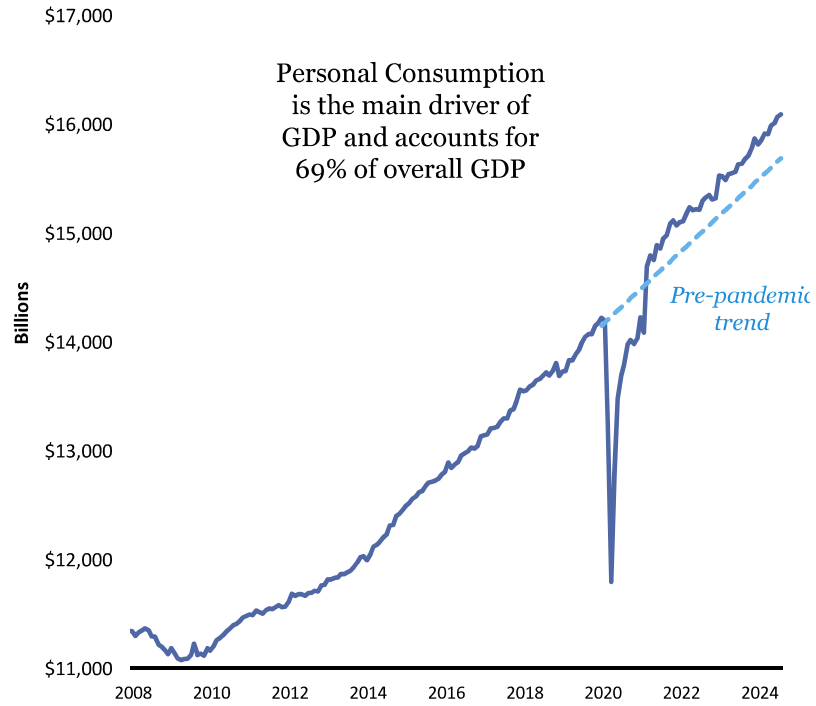
Fed Chair Powell: "...if you look at the growth in economic activity data—the [September] retail sales data [and] second quarter GDP—all of this indicates an economy that is still growing at a solid pace."

U.S. GDP Forecasts
Annualized Rate

■ Actual ■ Range ● Median of Forecasts



U.S. Real Personal Consumption Expenditure

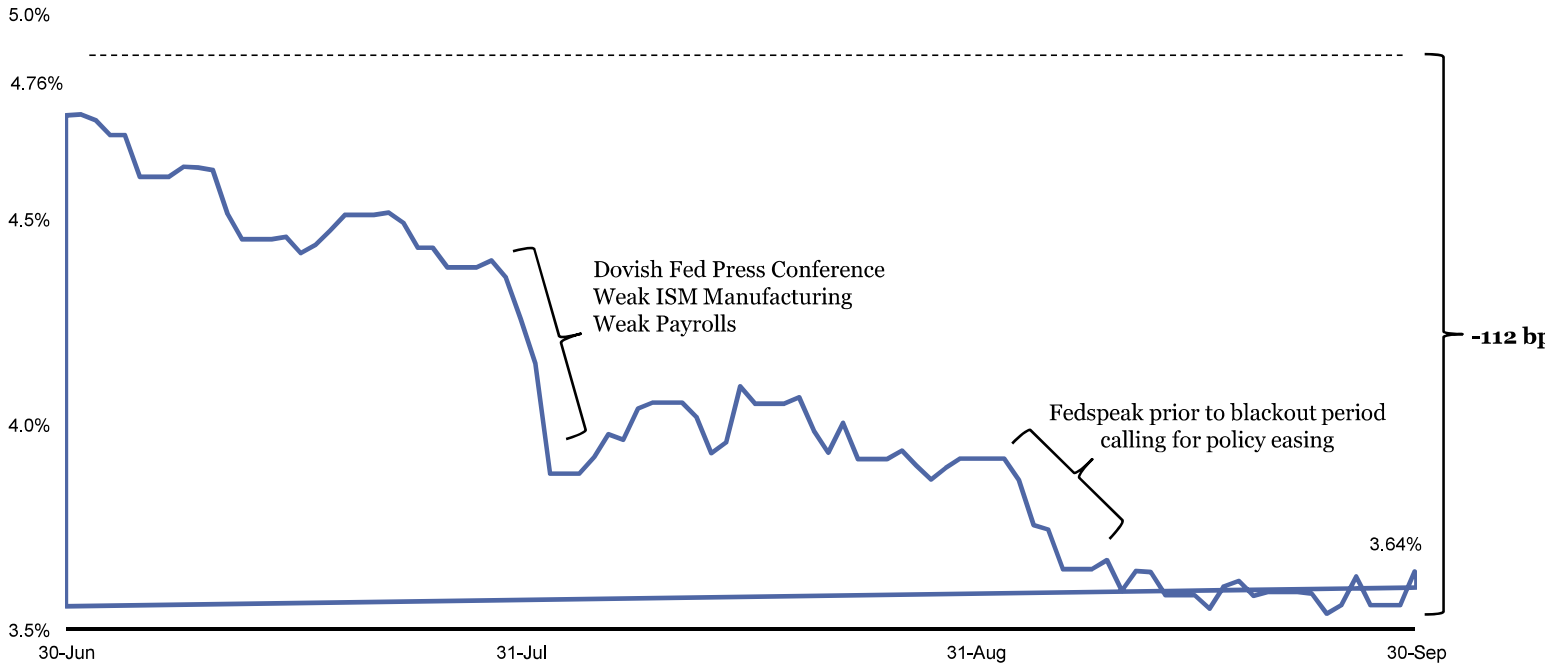


Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024; (Left) Bureau of Economic Analysis and Bloomberg Finance L.P. as of September 2024. (Right) U.S. Census Bureau and Bloomberg Finance L.P., as of August 2024.

Yields Reprice Lower In Anticipation of Fed Cuts

Fed Chair Powell: "...we're recalibrating policy down over time to a more neutral level. And we're moving at the pace that we think is appropriate given developments in the economy... The economy can develop in a way that would cause us to go faster or slower..."

2-Year U.S. Treasury Yield June 30, 2024 – September 30, 2024

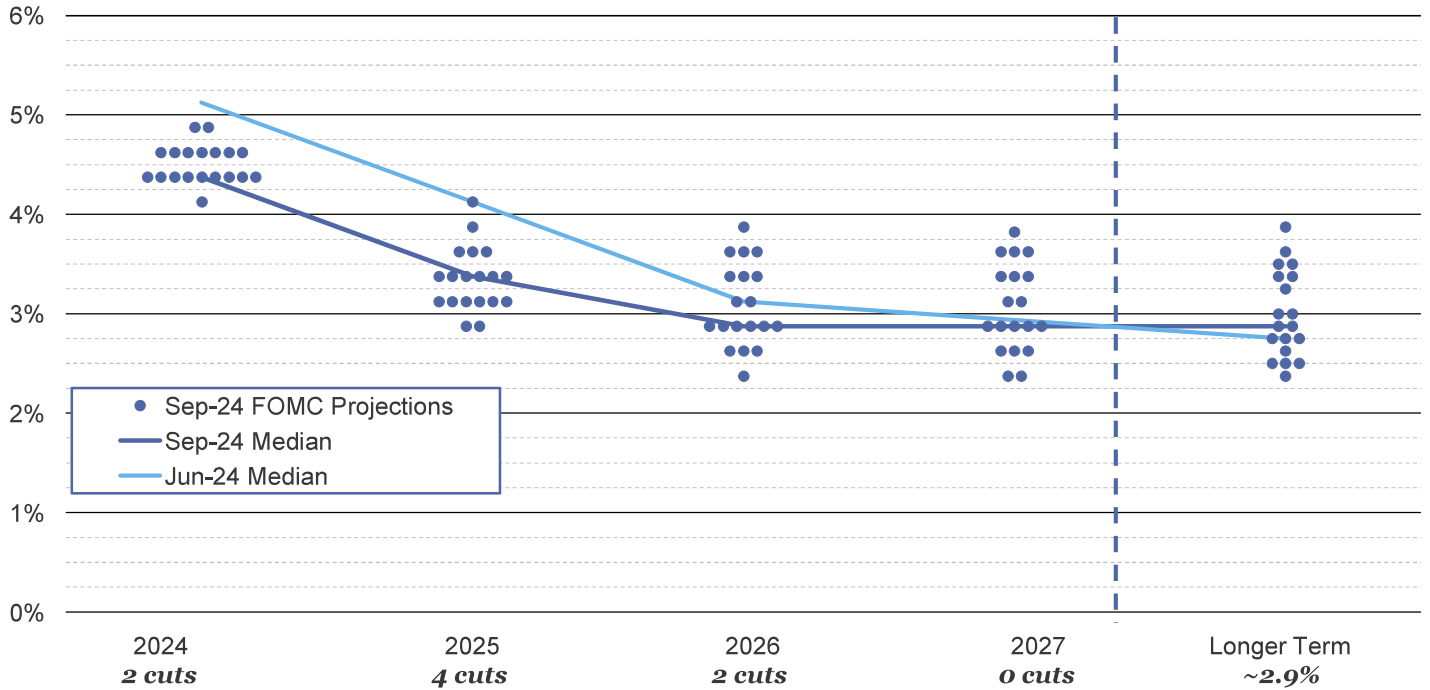


Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024; Bloomberg Finance L.P., as of September 30, 2024.

The Fed's Latest "Dot Plot"

Fed Chair Powell: "There's nothing in the [dots] that suggests the committee is in a rush to get this done."

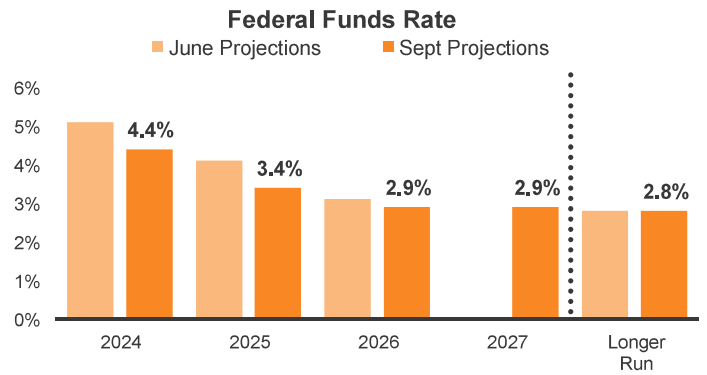
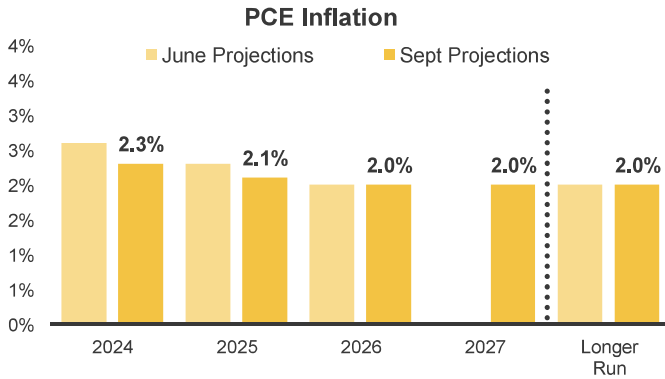
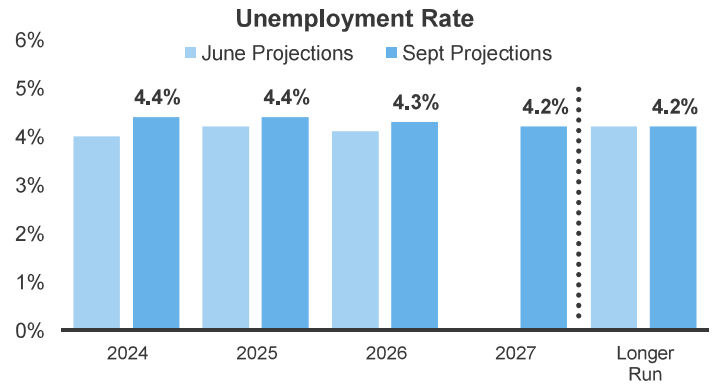
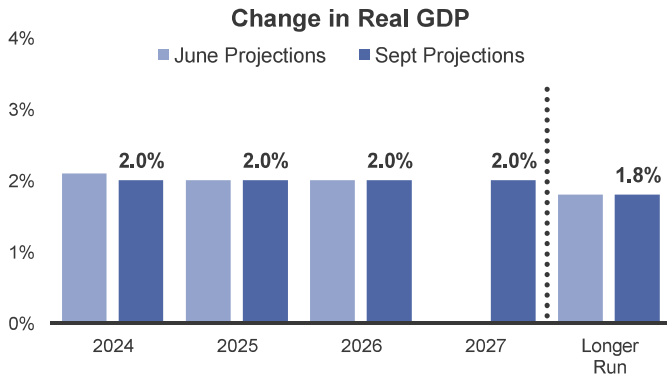
Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: Federal Reserve Chair Jerome Powell Press Conference as of September 18, 2024; Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

Fed's Updated Summary of Economic Projections

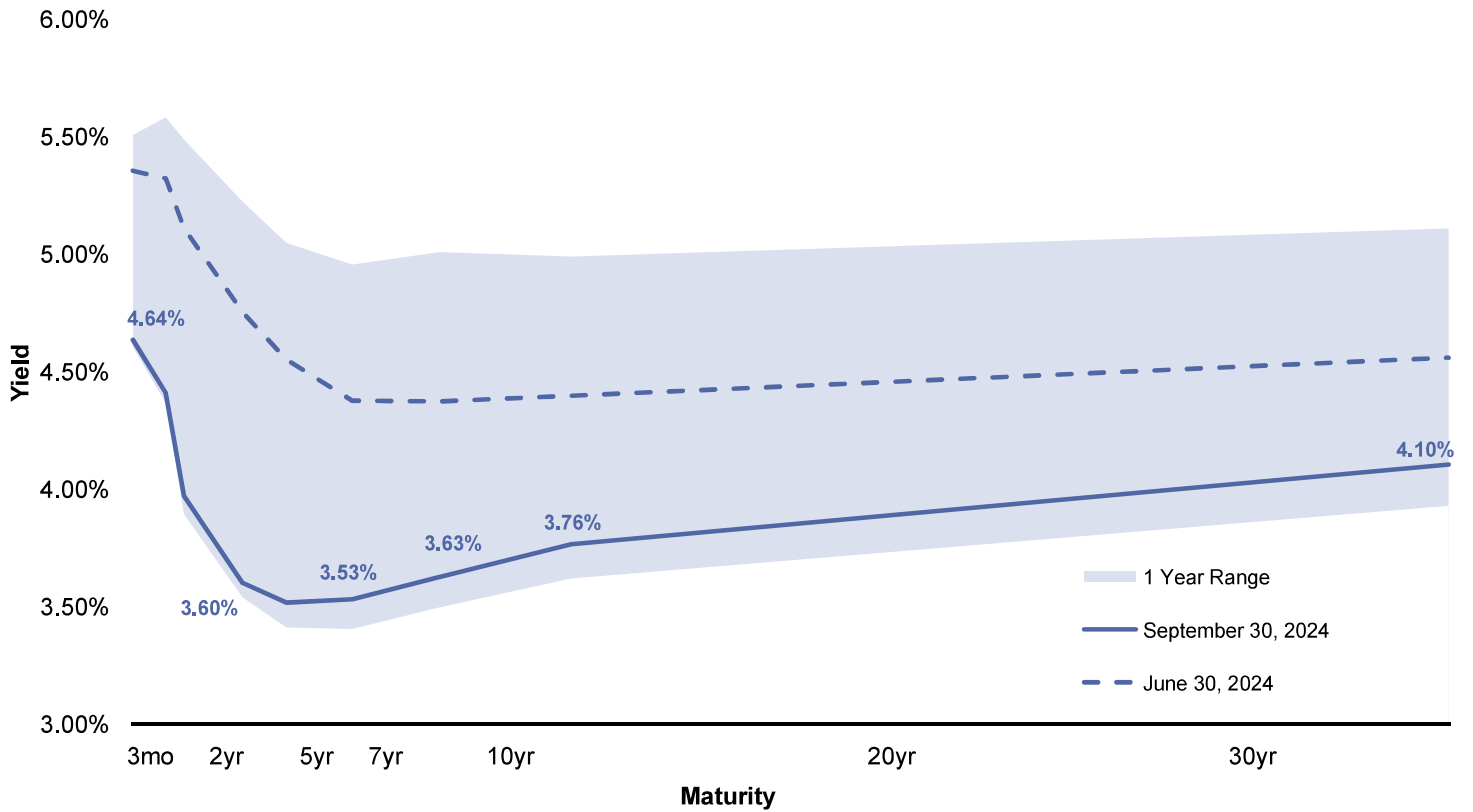
Fed Chair Powell: "These median projections are lower than in June, consistent with projections for lower inflation and higher unemployment, as well as the change to balance of risks."



Source: Federal Reserve Chair Jerome Powell Press Conference; Federal Reserve. As of September 2024.

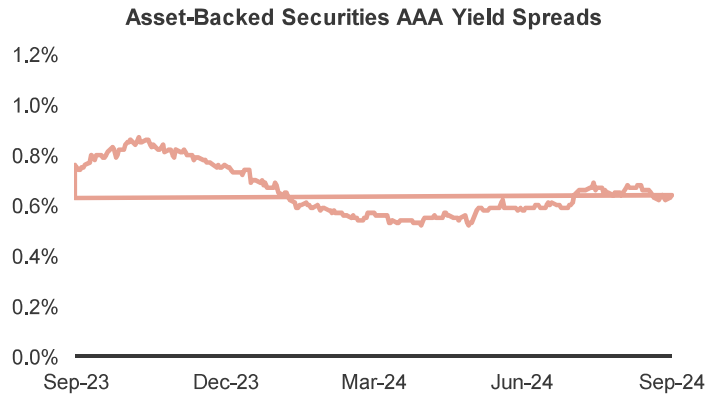
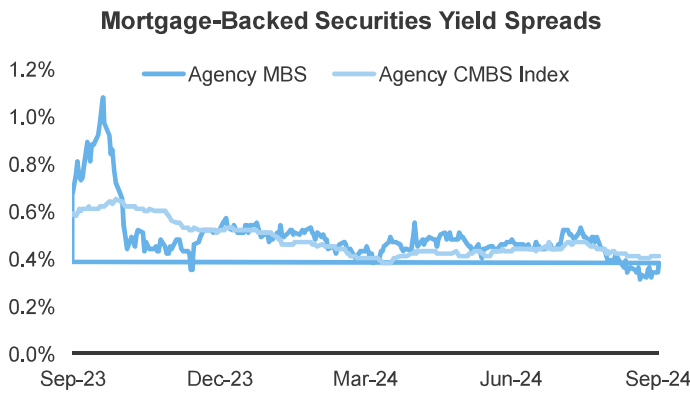
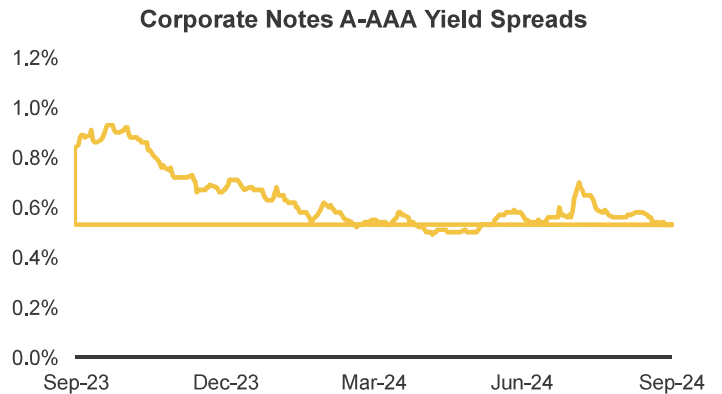
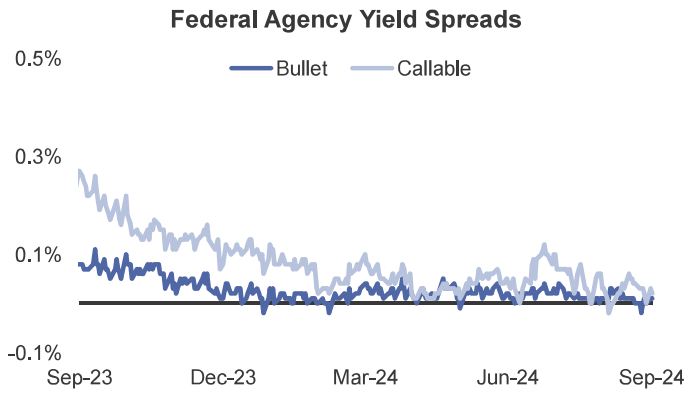
U.S. Treasury Yields Fall as the Yield Curve Begins to Disinvert

U.S. Treasury Yield Curve



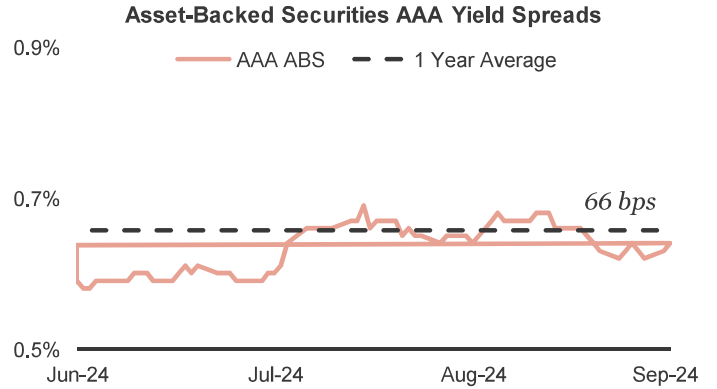
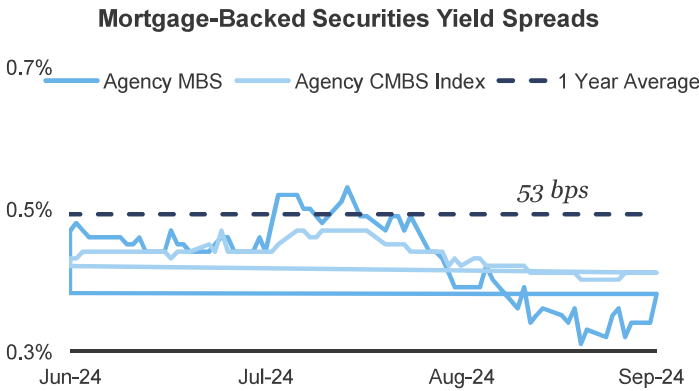
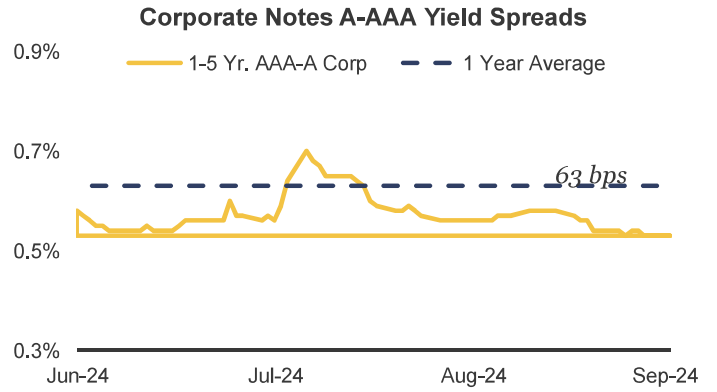
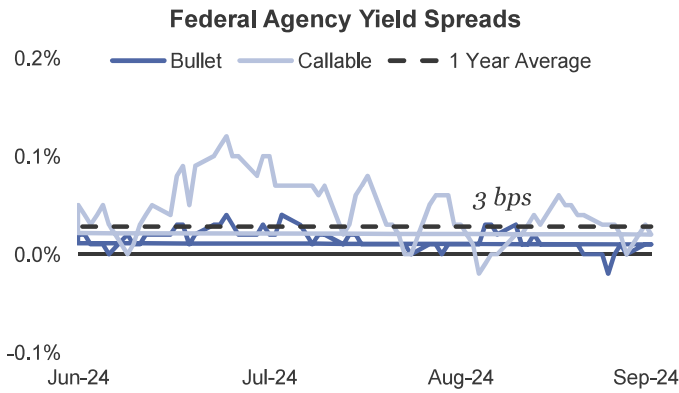
Source: Bloomberg Finance L.P., as of September 30, 2024

Sector Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of September 30, 2024. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

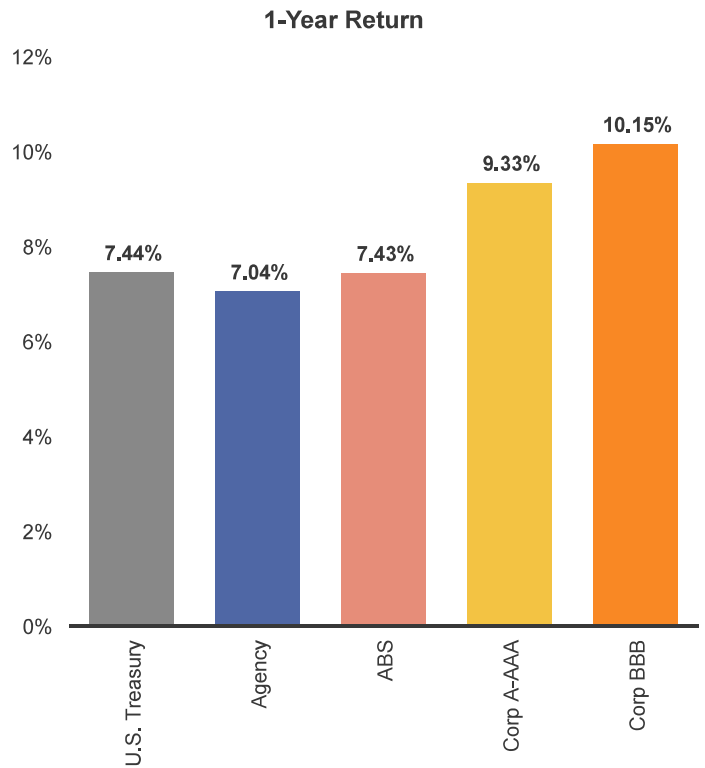
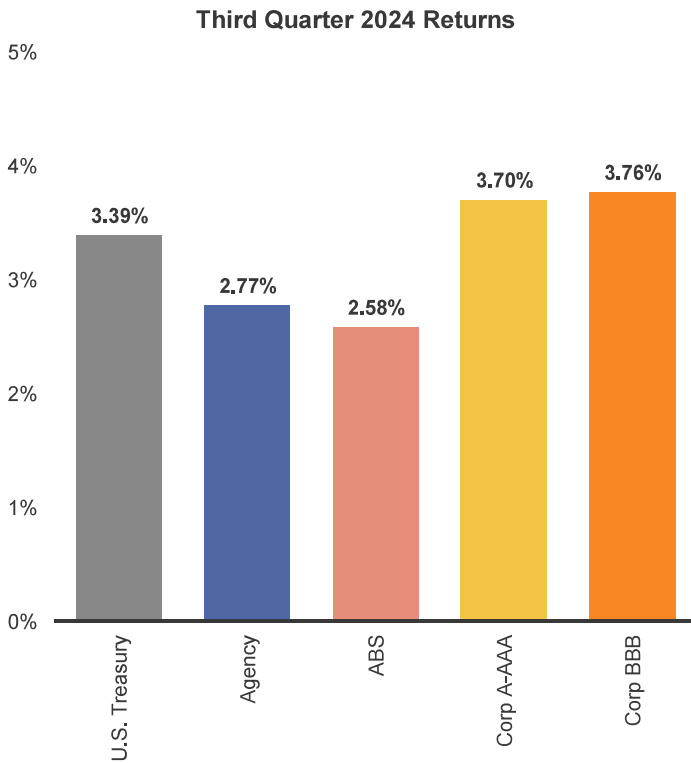
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Fixed-Income Index Total Returns in 3Q 2024

1-5 Year Indices









Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of September 30, 2024.

Fixed-Income Sector Outlook – 3Q 2024

- ▶ **U.S. Treasury** yields move sharply lower throughout the quarter given building expectations for aggressive Fed rate cuts. Even after the outsized 50 basis point cut in September, the recent move in rates appears overdone, and we expect to see some upward pressure on rates as markets digest emerging economic data. The 2-to-10 year area of the yield curve has disinverted, a trend we expect to continue consistent with prior rate cutting cycles.
- ▶ **Federal Agency & Supranational** spreads are likely to remain at tight levels due to low issuance. Government-heavy accounts may find occasional value on an issue-by-issue basis.
- ▶ **Taxable Municipals** continue to see little activity due to an ongoing lack of supply and strong demand which continues to suppress yields in both the new issue and secondary markets. We expect few opportunities in the near term.
- ▶ **Investment-Grade Corporates** are expected to produce modest excess returns for the remainder of 2024. We believe the beginning of the Fed's easing cycle and the strength of the economy will continue to be supportive of front-end credit. Risk-return dynamics are now asymmetric with longer-duration and lower-rated segments appearing less attractive than higher-quality and shorter-term segments due to lower starting yields and narrow yield spreads.
- ▶ **Asset-Backed Securities** are expected to continue to produce modest excess returns as economic conditions remain supportive of consumer fundamentals, although that requires close monitoring. Incremental income is likely to be the main contributor to performance as we expect spreads to remain rangebound. We plan to maintain allocations in the sector by actively offsetting any natural paydowns.
- ▶ **Mortgage-Backed Securities** are expected to produce more muted excess returns for the remainder of the year. Since the sector is highly rate sensitive, uncertainty related to the election and economy may increase volatility. We may use any meaningful spread widening to add at more attractive levels.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) yield spreads continue to tighten closer to similar-maturity U.S. Treasuries; however, we believe spreads of 15 to 25 basis points still offer good relative value. Given the deeply inverted money market curve, our analysis seeks to balance the wider spreads available on 6- to 12-month maturities against lower absolute yields that reflect multiple rate cut expectations.

The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (9/30/2024) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

Factors to Consider for 6-12 Months

<p>Monetary Policy (Global):</p>  <ul style="list-style-type: none"> The Fed has begun its easing cycle with a 50 basis point (bp) cut. The FOMC's September median "dot plot" projection suggests an additional 50 bps in rate cuts by the end of the year "if the economy performs as expected". The projections also calls for an additional full percentage point of cuts in 2025. The global easing cycle is underway with nearly all major central banks (excluding the Bank of Japan) completing multiple rate cuts. 	<p>Economic Growth (Global):</p>  <ul style="list-style-type: none"> U.S. economic growth remains strong reflecting a consumer who continues to spend at elevated levels. Economic growth outside the U.S. remains mixed. China has moved forward with a package of stimulus measures aimed to boost growth. The country remains poised to take additional swift action should it be deemed necessary. 	<p>Inflation (U.S.):</p>  <ul style="list-style-type: none"> Inflation continues its trend lower but has been buoyed by stubborn housing costs. The broad-based inflation cooling helped fuel the Fed's decision to cut by 50 bps but policy makers note they are not declaring victory on price stability.
<p>Financial Conditions (U.S.):</p>  <ul style="list-style-type: none"> The continuation of stable market measures, such as narrow corporate yield spreads, record equity index levels and low volatility, reflect economic confidence. We remain focused on the cooling labor market and effects this might have on the consumer as potential catalysts for a broader slow down, but that is not our base case expectation. 	<p>Consumer Spending (U.S.):</p>  <ul style="list-style-type: none"> The consumer continues to spend and support economic strength. Upward revisions to the personal savings rate paint the consumer in better light than previously thought but the trend of consumers dipping into savings continues. Moderation in the pace of overall spending is expected given slowing wage growth and cooling labor market conditions. 	<p>Labor Markets:</p>  <ul style="list-style-type: none"> The labor market continues to moderate from extremely strong levels seen in prior quarters. The recent downward revisions to nonfarm payrolls through March 2024 further emphasized the cooling. Other labor metrics remain well positioned such as the layoffs and discharge rate pointing towards moderation rather than deterioration.

● Current outlook ○ Outlook one quarter ago



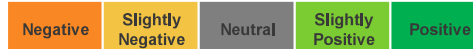
Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (9/30/2024) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

Fixed-Income Sector Outlook – 4Q 2024

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	

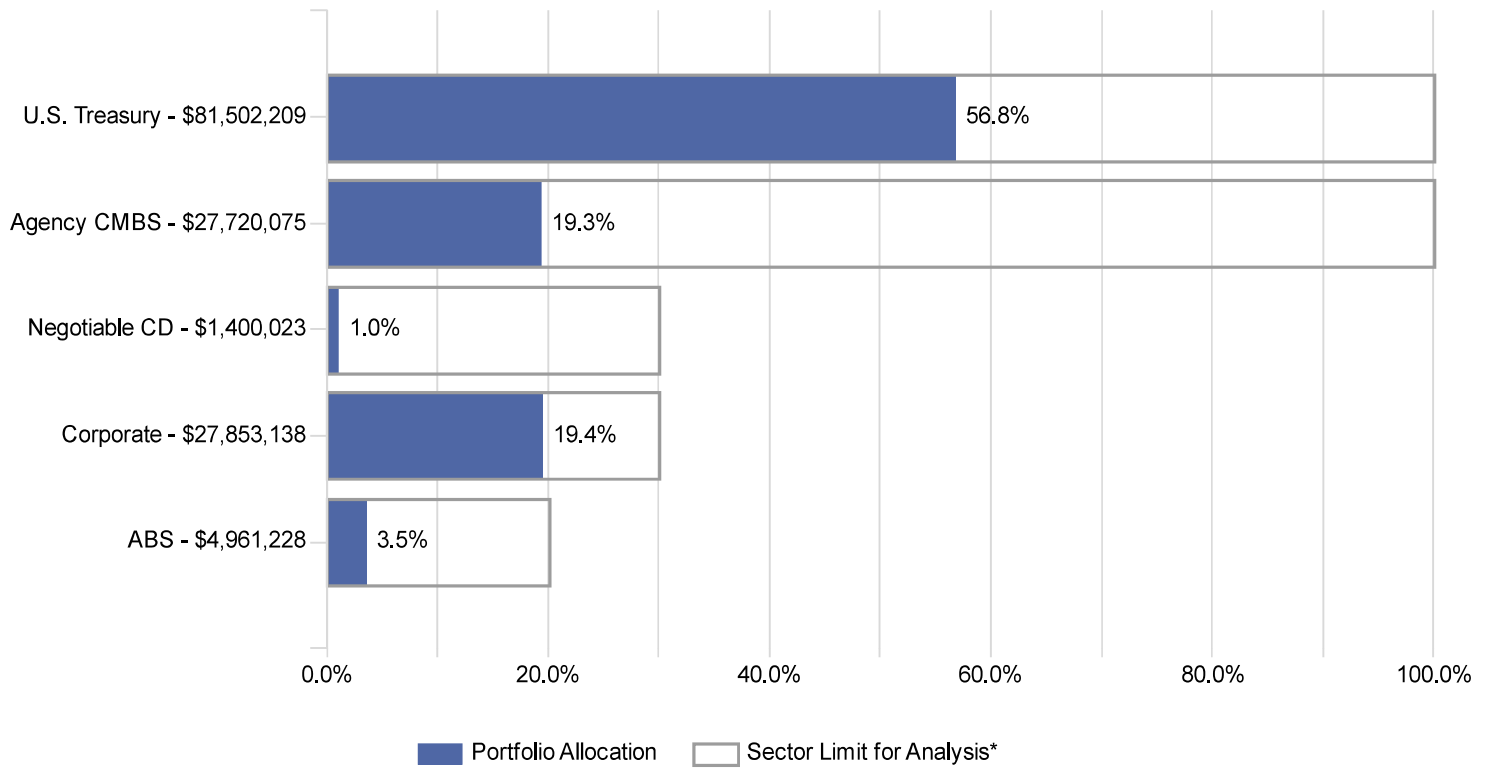
● Current outlook

○ Outlook one quarter ago



Account Summary

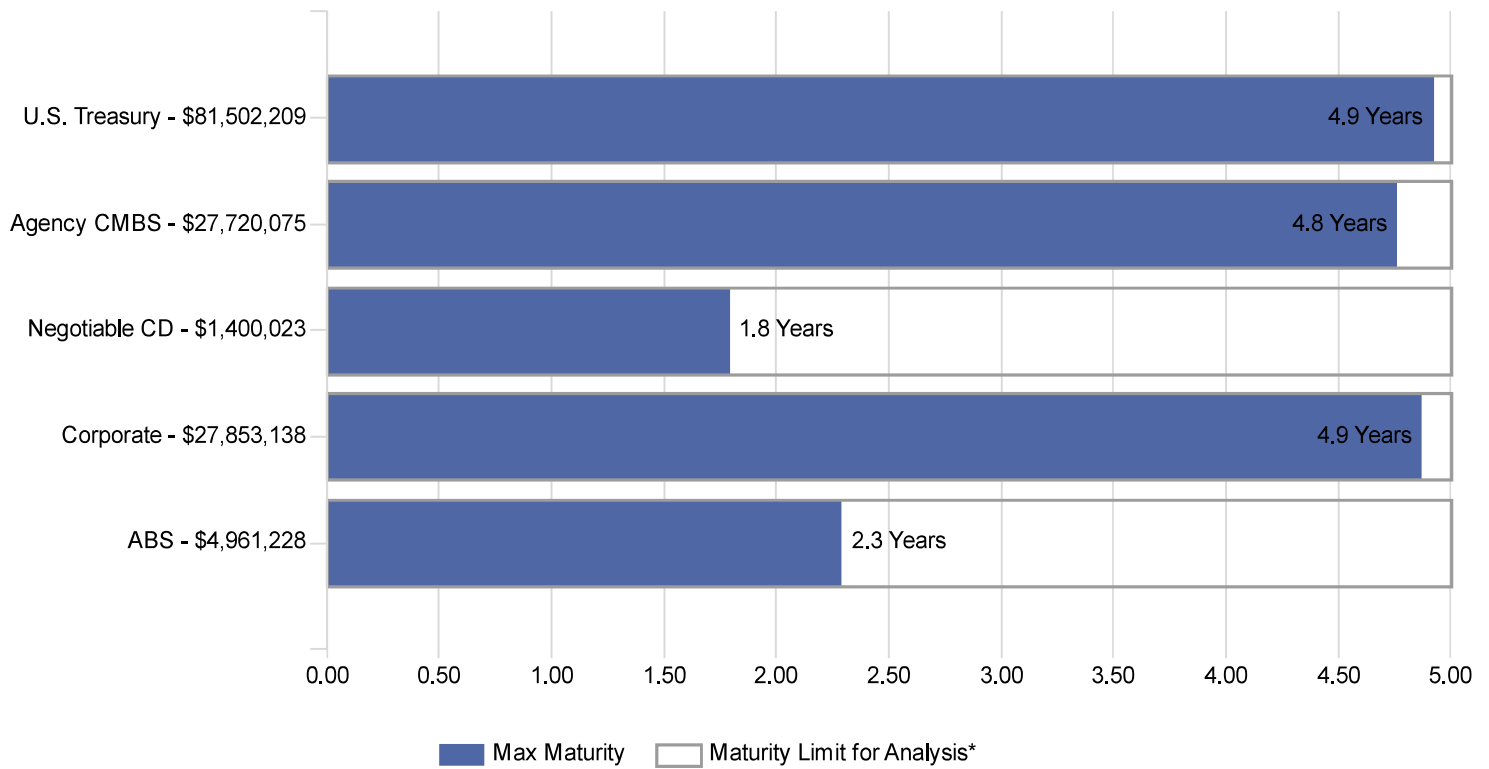
Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

Max Maturity Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest and excludes balances invested in overnight funds.

*Maturity Limit for Analysis is derived from our interpretation of your most recent Investment Policy as provided.

Mortgage-backed securities and asset-backed securities, if any, limit is based on weighted average life, if applicable. Callable securities, if any, limit is based on maturity date.

Certificate of Compliance

During the reporting period for the quarter ended September 30, 2024, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Financial LP Asset and Investment Management ("AIM").

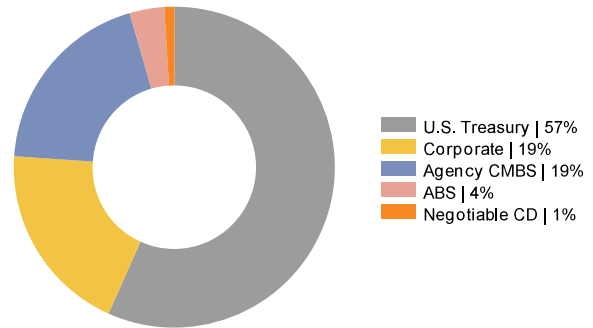
Portfolio Review: ZONE 7 WATER AGENCY

Portfolio Snapshot - ZONE 7 WATER AGENCY¹

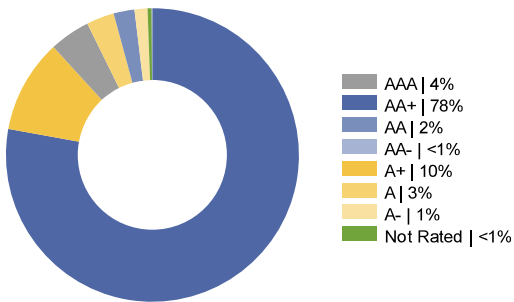
Portfolio Statistics

Total Market Value	\$148,854,992.88
Securities Sub-Total	\$142,627,376.51
Accrued Interest	\$809,296.01
Cash	\$5,418,320.36
Portfolio Effective Duration	2.56 years
Benchmark Effective Duration	2.53 years
Yield At Cost	3.76%
Yield At Market	3.78%
Portfolio Credit Quality	AA

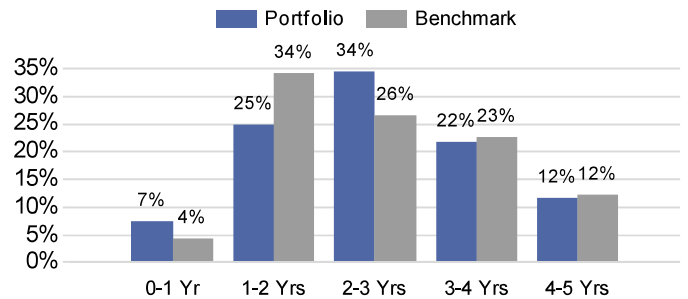
Sector Allocation



Credit Quality - S&P



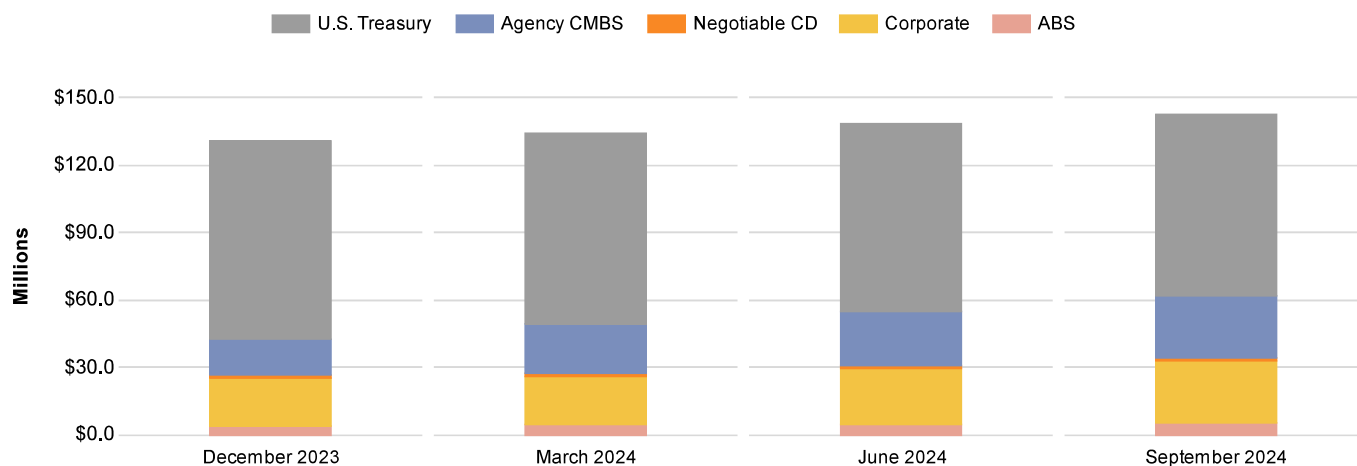
Duration Distribution



¹ Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Review - ZONE 7 WATER AGENCY

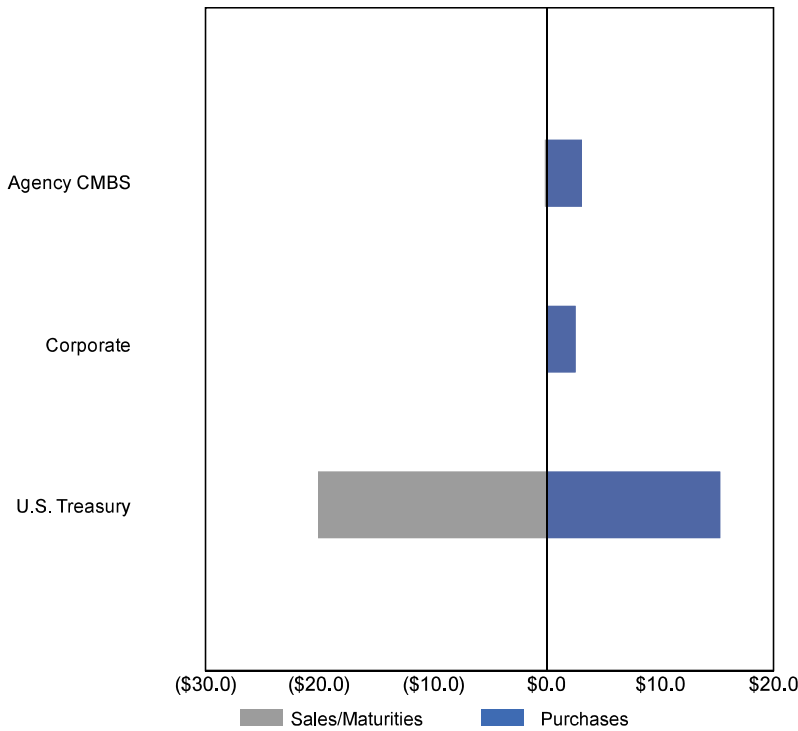
Security Type	Dec-23	% of Total	Mar-24	% of Total	Jun-24	% of Total	Sep-24	% of Total
U.S. Treasury	\$88.2	67.5%	\$85.0	63.3%	\$83.7	60.4%	\$81.1	56.7%
Agency CMBS	\$15.6	11.9%	\$21.9	16.3%	\$24.0	17.4%	\$27.6	19.4%
Negotiable CD	\$1.3	1.0%	\$1.3	1.0%	\$1.3	1.0%	\$1.4	1.0%
Corporate	\$21.9	16.8%	\$21.2	15.8%	\$24.4	17.7%	\$27.6	19.4%
ABS	\$3.6	2.8%	\$4.9	3.6%	\$4.8	3.5%	\$4.9	3.5%
Total	\$130.6	100.0%	\$134.3	100.0%	\$138.2	100.0%	\$142.6	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFAM. Detail may not add to total due to rounding.

Portfolio Activity - ZONE 7 WATER AGENCY

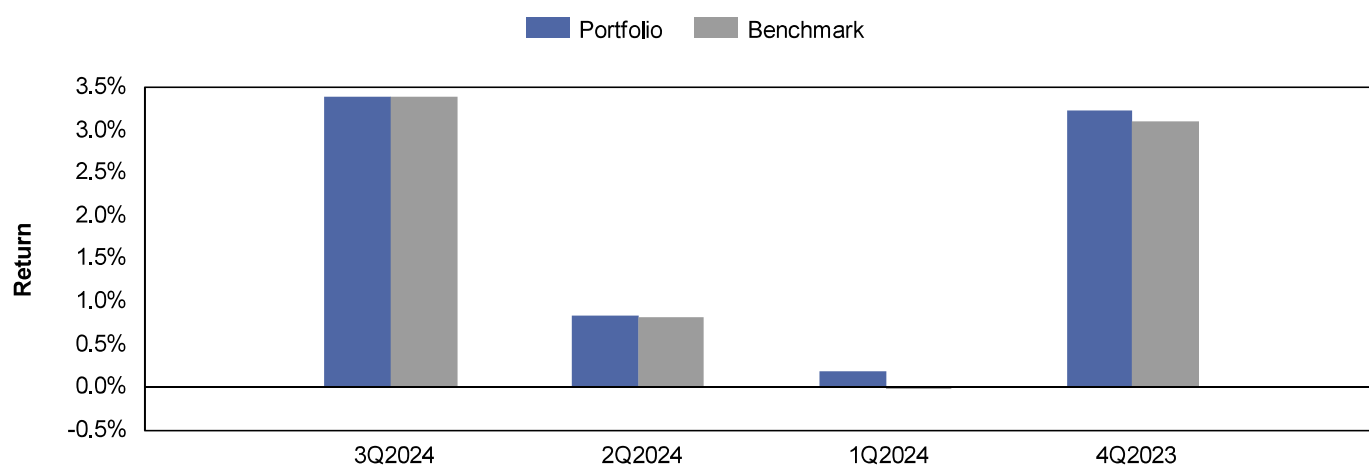
Net Activity by Sector
(\$ millions)



Sector	Net Activity
Agency CMBS	\$2,916,754
Corporate	\$2,504,596
U.S. Treasury	(\$4,891,588)
Total Net Activity	\$529,762

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance



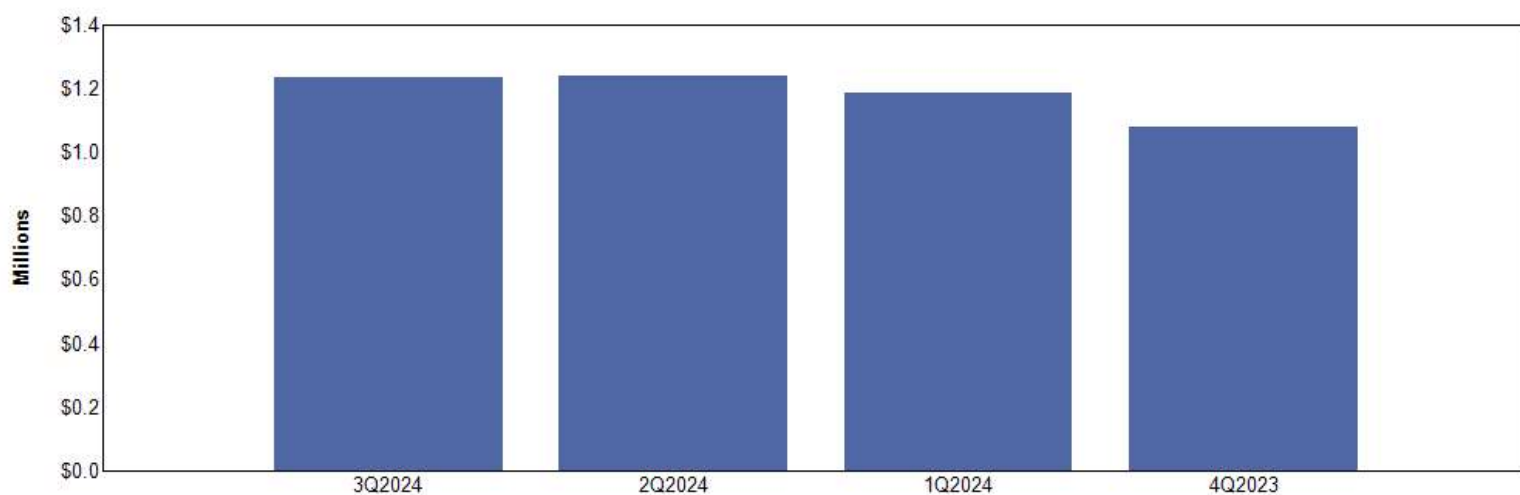
Market Value Basis Earnings	3Q2024	2Q2024	1Q2024	4Q2023
Interest Earned ¹	\$1,116,399	\$1,015,062	\$917,674	\$842,902
Change in Market Value	\$3,774,402	\$195,620	(\$659,386)	\$3,420,672
Total Dollar Return	\$4,890,801	\$1,210,682	\$258,288	\$4,263,574
Total Return²				
Portfolio	3.40%	0.84%	0.19%	3.23%
Benchmark ³	3.39%	0.82%	-0.02%	3.10%

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Returns are presented on a periodic basis.

3. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP.

Accrual Basis Earnings - ZONE 7 WATER AGENCY



Accrual Basis Earnings	3Q2024	2Q2024	1Q2024	4Q2023
Interest Earned ¹	\$1,116,398	\$1,015,062	\$917,674	\$842,902
Realized Gains / (Losses) ²	(\$143,247)	(\$60,064)	(\$36,910)	(\$68,143)
Change in Amortized Cost	\$260,606	\$286,265	\$304,774	\$304,692
Total Earnings	\$1,233,757	\$1,241,263	\$1,185,538	\$1,079,451

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Realized gains / (losses) are shown on an amortized cost basis.

Portfolio Holdings and Transactions

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Composition

**Issuer Distribution
As of September 30, 2024**

Issuer	Market Value (\$)	% of Portfolio
UNITED STATES TREASURY	81,073,787	56.84 %
FEDERAL HOME LOAN MORTGAGE CORP	26,296,343	18.44 %
JPMORGAN CHASE & CO	4,302,151	3.02 %
CITIGROUP INC	2,387,580	1.67 %
APPLE INC	2,324,219	1.63 %
BANK OF AMERICA CORP	2,085,303	1.46 %
MICROSOFT CORP	2,055,495	1.44 %
WELLS FARGO & CO	1,991,104	1.40 %
AMAZON.COM INC	1,973,921	1.38 %
MORGAN STANLEY	1,392,175	0.98 %
COOPERATIEVE RABOBANK UA	1,385,926	0.97 %
HOME DEPOT INC	1,350,334	0.95 %
TARGET CORP	1,320,575	0.93 %
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1,318,674	0.92 %
WALMART INC	1,294,838	0.91 %
ELI LILLY & CO	1,109,915	0.78 %
AMERICAN EXPRESS CO	1,094,496	0.77 %
DEERE & CO	1,027,486	0.72 %
ADOBE INC	1,022,031	0.72 %
PACCAR INC	1,008,823	0.71 %
TOYOTA MOTOR CORP	997,708	0.70 %
MASTERCARD INC	957,615	0.67 %
PEPSICO INC	740,652	0.52 %
STATE STREET CORP	691,619	0.48 %

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Composition

Issuer	Market Value (\$)	% of Portfolio
BA CREDIT CARD TRUST	489,606	0.34 %
HYUNDAI AUTO RECEIVABLES TRUST	403,688	0.28 %
TOYOTA AUTO RECEIVABLES OWNER TRUST	271,176	0.19 %
GM FINANCIAL CONSUMER AUTOMOBILE RECEIV	131,641	0.09 %
BLACKROCK INC	128,498	0.09 %
Grand Total	142,627,377	100.00 %

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY N/B DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	2,680,000.00	AA+	Aaa	2/7/2022	2/8/2022	2,555,212.50	1.63	1,128.80	2,650,204.40	2,596,957.52
US TREASURY N/B DTD 08/31/2020 0.250% 08/31/2025	91282CAJ0	1,685,000.00	AA+	Aaa	3/8/2022	3/9/2022	1,596,603.32	1.81	360.74	1,661,770.66	1,628,144.73
US TREASURY N/B DTD 08/31/2020 0.250% 08/31/2025	91282CAJ0	1,075,000.00	AA+	Aaa	7/6/2022	7/7/2022	990,175.78	2.89	230.15	1,050,385.50	1,038,727.35
US TREASURY N/B DTD 09/30/2020 0.250% 09/30/2025	91282CAM3	2,235,000.00	AA+	Aaa	5/3/2022	5/4/2022	2,039,612.11	2.97	15.35	2,177,874.54	2,154,260.63
US TREASURY N/B DTD 11/30/2020 0.375% 11/30/2025	91282CAZ4	1,600,000.00	AA+	Aaa	4/13/2022	4/18/2022	1,477,187.50	2.61	2,016.39	1,560,517.92	1,536,563.20
US TREASURY N/B DTD 02/01/2021 0.375% 01/31/2026	91282CBH3	3,160,000.00	AA+	Aaa	2/7/2022	2/8/2022	2,998,420.31	1.71	1,996.47	3,105,843.56	3,020,144.72
US TREASURY N/B DTD 03/31/2021 0.750% 03/31/2026	91282CBT7	3,405,000.00	AA+	Aaa	5/3/2022	5/4/2022	3,126,614.65	2.98	70.16	3,298,483.95	3,256,828.02
US TREASURY N/B DTD 03/31/2021 0.750% 03/31/2026	91282CBT7	3,225,000.00	AA+	Aaa	4/1/2022	4/4/2022	2,995,848.63	2.64	66.45	3,139,127.21	3,084,660.90
US TREASURY N/B DTD 04/30/2021 0.750% 04/30/2026	91282CBW0	1,225,000.00	AA+	Aaa	2/17/2022	2/18/2022	1,170,162.11	1.86	3,844.77	1,204,382.10	1,169,252.70
US TREASURY N/B DTD 06/01/2021 0.750% 05/31/2026	91282CCF6	1,665,000.00	AA+	Aaa	3/8/2022	3/9/2022	1,592,546.48	1.82	4,196.62	1,636,516.01	1,585,782.63
US TREASURY N/B DTD 06/01/2021 0.750% 05/31/2026	91282CCF6	6,760,000.00	AA+	Aaa	6/6/2022	6/8/2022	6,195,434.38	2.99	17,038.52	6,524,149.12	6,438,372.72
US TREASURY N/B DTD 09/30/2021 0.875% 09/30/2026	91282CCZ2	3,420,000.00	AA+	Aaa	5/3/2022	5/4/2022	3,122,353.13	3.00	82.21	3,285,226.98	3,238,979.40
US TREASURY N/B DTD 11/15/2016 2.000% 11/15/2026	912828U24	6,450,000.00	AA+	Aaa	6/6/2022	6/8/2022	6,181,669.92	3.01	48,725.54	6,321,711.40	6,234,582.90
US TREASURY N/B DTD 02/15/2017 2.250% 02/15/2027	912828V98	5,300,000.00	AA+	Aaa	7/5/2022	7/7/2022	5,162,945.31	2.85	15,230.30	5,229,437.99	5,135,408.50
US TREASURY N/B DTD 04/30/2020 0.500% 04/30/2027	912828ZN3	5,775,000.00	AA+	Aaa	8/3/2022	8/5/2022	5,161,406.25	2.92	12,083.56	5,441,054.53	5,337,815.18

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY N/B DTD 05/15/2017 2.375% 05/15/2027	912828X88	6,220,000.00	AA+	Aaa	6/10/2022	6/13/2022	5,966,826.56	3.28	55,798.30	6,085,312.29	6,029,512.50
US TREASURY N/B DTD 06/30/2020 0.500% 06/30/2027	912828ZV5	2,750,000.00	AA+	Aaa	8/9/2022	8/10/2022	2,440,410.16	2.99	3,474.86	2,576,213.43	2,529,249.25
US TREASURY N/B DTD 08/15/2017 2.250% 08/15/2027	9128282R0	2,570,000.00	AA+	Aaa	9/1/2022	9/6/2022	2,436,580.86	3.40	7,385.26	2,492,492.65	2,476,536.81
US TREASURY N/B DTD 09/30/2022 4.125% 09/30/2027	91282CFM8	1,940,000.00	AA+	Aaa	11/1/2022	11/3/2022	1,927,344.53	4.27	219.85	1,932,273.95	1,970,463.82
US TREASURY N/B DTD 10/31/2022 4.125% 10/31/2027	91282CFU0	5,890,000.00	AA+	Aaa	12/13/2022	12/14/2022	6,019,303.91	3.63	101,674.52	5,971,631.26	5,981,342.12
US TREASURY N/B DTD 11/17/1997 6.125% 11/15/2027	912810FB9	1,560,000.00	AA+	Aaa	1/26/2023	1/30/2023	1,730,685.94	3.62	36,090.90	1,671,189.70	1,677,853.32
US TREASURY N/B DTD 02/28/2023 4.000% 02/29/2028	91282CGP0	600,000.00	AA+	Aaa	2/14/2024	2/15/2024	593,203.12	4.31	2,055.25	594,258.37	607,921.80
US TREASURY N/B DTD 03/31/2023 3.625% 03/31/2028	91282CGT2	850,000.00	AA+	Aaa	5/31/2023	5/31/2023	842,263.67	3.83	84.65	844,405.84	851,328.55
US TREASURY N/B DTD 05/01/2023 3.500% 04/30/2028	91282CHA2	865,000.00	AA+	Aaa	5/1/2023	5/1/2023	860,877.73	3.61	12,669.43	862,049.39	862,465.55
US TREASURY N/B DTD 04/30/2024 4.625% 04/30/2029	91282CKP5	475,000.00	AA+	Aaa	5/2/2024	5/3/2024	476,076.17	4.57	9,193.44	475,996.83	495,707.15
US TREASURY N/B DTD 04/30/2024 4.625% 04/30/2029	91282CKP5	1,530,000.00	AA+	Aaa	5/30/2024	5/31/2024	1,532,211.33	4.59	29,612.57	1,532,077.07	1,596,698.82
US TREASURY N/B DTD 07/01/2024 4.250% 06/30/2029	91282CKX8	4,740,000.00	AA+	Aaa	7/2/2024	7/3/2024	4,713,152.34	4.38	50,909.92	4,714,352.95	4,875,720.42
US TREASURY N/B DTD 07/31/2024 4.000% 07/31/2029	91282CLC3	230,000.00	AA+	Aaa	8/1/2024	8/2/2024	231,608.20	3.84	1,550.00	231,561.04	234,222.57
US TREASURY N/B DTD 09/03/2024 3.625% 08/31/2029	91282CLK5	3,420,000.00	AA+	Aaa	9/4/2024	9/5/2024	3,427,080.47	3.58	10,616.64	3,427,000.72	3,428,283.24
Security Type Sub-Total		83,300,000.00					79,563,817.37	3.10	428,421.62	81,697,501.36	81,073,787.02

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Negotiable CD											
COOPERAT RABOBANK UA/NY DTD 04/13/2022 3.000% 07/17/2026	21684LGS5	1,350,000.00	A+	Aa2	7/17/2023	7/20/2023	1,350,000.00	5.08	14,097.00	1,350,000.00	1,385,926.20
Security Type Sub-Total		1,350,000.00					1,350,000.00	5.08	14,097.00	1,350,000.00	1,385,926.20
Corporate											
AMAZON.COM INC DTD 04/13/2022 3.000% 04/13/2025	023135CE4	1,990,000.00	AA	A1	4/11/2022	4/13/2022	1,986,835.90	3.06	27,860.00	1,989,437.49	1,973,920.80
WALMART INC (CALLABLE) DTD 06/27/2018 3.550% 06/26/2025	931142ED1	1,300,000.00	AA	Aa2	2/7/2022	2/9/2022	1,372,527.00	1.84	12,178.47	1,312,850.51	1,294,837.70
WELLS FARGO BANK NA (CALLABLE) DTD 08/09/2023 5.450% 08/07/2026	94988J6D4	1,945,000.00	A+	Aa2	8/18/2023	8/22/2023	1,942,335.35	5.50	15,900.38	1,943,333.65	1,991,104.28
JP MORGAN CHASE BANK NA (CALLABLE) DTD 12/08/2023 5.110% 12/08/2026	48125LRU8	2,000,000.00	A+	Aa2	12/5/2023	12/8/2023	2,000,000.00	5.11	32,079.44	2,000,000.00	2,044,772.00
TARGET CORP (CALLABLE) DTD 01/24/2022 1.950% 01/15/2027	87612EBM7	1,375,000.00	A	A2	2/7/2022	2/9/2022	1,366,915.00	2.08	5,660.42	1,371,248.85	1,320,574.75
MICROSOFT CORP (CALLABLE) DTD 02/06/2017 3.300% 02/06/2027	594918BY9	2,075,000.00	AAA	Aaa	12/14/2022	12/16/2022	2,015,634.25	4.06	10,461.46	2,041,332.84	2,055,495.00
BANK OF AMERICA CORP (CALLABLE) DTD 03/11/2021 1.658% 03/11/2027	06051GJQ3	2,170,000.00	A-	A1	4/13/2022	4/18/2022	2,000,761.70	3.40	1,998.81	2,085,524.84	2,085,302.73
HOME DEPOT INC (CALLABLE) DTD 09/14/2017 2.800% 09/14/2027	437076BT8	1,390,000.00	A	A2	1/26/2023	1/30/2023	1,311,326.00	4.16	1,837.89	1,339,741.31	1,350,333.57
TOYOTA MOTOR CREDIT CORP DTD 01/12/2023 4.625% 01/12/2028	89236TKQ7	980,000.00	A+	A1	8/14/2023	8/16/2023	967,946.00	4.94	9,946.32	971,024.10	997,707.62
APPLE INC (CALLABLE) DTD 05/10/2023 4.000% 05/10/2028	037833ET3	2,300,000.00	AA+	Aaa	5/10/2023	5/11/2023	2,302,001.00	3.98	36,033.33	2,301,435.43	2,324,219.00
MORGAN STANLEY BANK NA (CALLABLE) DTD 05/30/2024 5.504% 05/26/2028	61690U8B9	890,000.00	A+	Aa3	5/30/2024	5/31/2024	891,877.90	5.45	16,464.60	891,564.89	917,804.49
MORGAN STANLEY BANK NA (CALLABLE) DTD 05/30/2024 5.504% 05/26/2028	61690U8B9	460,000.00	A+	Aa3	5/28/2024	5/30/2024	460,000.00	5.50	8,509.80	460,000.00	474,370.86

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate											
JOHN DEERE CAPITAL CORP DTD 07/14/2023 4.950% 07/14/2028	24422EXB0	345,000.00	A	A1	7/14/2023	7/18/2023	348,381.00	4.73	3,652.69	347,565.87	356,263.91
JOHN DEERE CAPITAL CORP DTD 07/14/2023 4.950% 07/14/2028	24422EXB0	195,000.00	A	A1	7/13/2023	7/14/2023	197,652.00	4.64	2,064.56	197,008.15	201,366.56
JOHN DEERE CAPITAL CORP DTD 07/14/2023 4.950% 07/14/2028	24422EXB0	455,000.00	A	A1	7/11/2023	7/14/2023	454,322.05	4.98	4,817.31	454,486.64	469,855.30
PACCAR FINANCIAL CORP DTD 08/10/2023 4.950% 08/10/2028	69371RS64	975,000.00	A+	A1	8/17/2023	8/21/2023	970,407.75	5.06	6,837.19	971,434.52	1,008,822.75
CITIBANK NA (CALLABLE) DTD 09/29/2023 5.803% 09/29/2028	17325FBB3	1,975,000.00	A+	Aa3	9/26/2023	9/29/2023	1,975,000.00	5.80	636.72	1,975,000.00	2,089,415.70
STATE STREET CORP (CALLABLE) DTD 08/20/2024 4.530% 02/20/2029	857477CN1	685,000.00	A	A1	8/14/2024	8/20/2024	685,000.00	4.53	3,534.03	685,000.00	691,619.16
BLACKROCK FUNDING INC (CALLABLE) DTD 03/14/2024 4.700% 03/14/2029	09290DAA9	125,000.00	AA-	Aa3	3/5/2024	3/14/2024	124,773.75	4.74	277.43	124,796.45	128,498.13
ADOBE INC (CALLABLE) DTD 04/04/2024 4.800% 04/04/2029	00724PAF6	445,000.00	A+	A1	4/2/2024	4/4/2024	444,256.85	4.84	10,502.00	444,322.37	459,397.98
ADOBE INC (CALLABLE) DTD 04/04/2024 4.800% 04/04/2029	00724PAF6	545,000.00	A+	A1	4/1/2024	4/4/2024	544,187.95	4.83	12,862.00	544,259.57	562,633.48
MASTERCARD INC (CALLABLE) DTD 05/31/2019 2.950% 06/01/2029	57636QAM6	1,000,000.00	A+	Aa3	6/26/2024	6/27/2024	918,740.00	4.82	9,833.33	922,596.20	957,615.00
PEPSICO INC (CALLABLE) DTD 07/17/2024 4.500% 07/17/2029	713448FX1	720,000.00	A+	A1	7/15/2024	7/17/2024	718,884.00	4.53	6,660.00	718,928.34	740,651.76
ELI LILLY & CO (CALLABLE) DTD 08/14/2024 4.200% 08/14/2029	532457CQ9	855,000.00	A+	A1	8/13/2024	8/14/2024	856,248.30	4.17	4,688.25	856,220.52	862,706.97
ELI LILLY & CO (CALLABLE) DTD 08/14/2024 4.200% 08/14/2029	532457CQ9	245,000.00	A+	A1	8/12/2024	8/14/2024	244,463.45	4.25	1,343.42	244,477.02	247,208.43
Security Type Sub-Total		27,440,000.00					27,100,477.20	4.31	246,639.85	27,193,589.56	27,606,497.93
Agency CMBS											
FHMS K061 A2 DTD 01/01/2017 3.347% 11/01/2026	3137BTUM1	946,682.12	AA+	Aaa	5/19/2023	5/24/2023	917,542.07	4.29	2,640.45	928,796.00	932,325.69

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Agency CMBS											
FHMS K064 A2 DTD 05/01/2017 3.224% 03/01/2027	3137BXQY1	1,320,000.00	AA+	Aaa	8/16/2023	8/18/2023	1,245,131.25	4.94	3,546.40	1,268,394.25	1,297,888.68
FHMS K066 A2 DTD 08/01/2017 3.117% 06/01/2027	3137F2LJ3	1,165,000.00	AA+	Aaa	8/17/2023	8/22/2023	1,089,457.03	4.97	3,026.09	1,111,251.42	1,139,538.93
FHMS K506 A1 DTD 09/01/2023 4.650% 05/01/2028	3137HAMG8	643,580.72	AA+	Aaa	9/7/2023	9/14/2023	633,955.99	5.01	2,493.88	635,903.21	655,900.79
FHMS KJ46 A1 DTD 07/01/2023 4.777% 06/01/2028	3137HAD45	1,076,242.57	AA+	Aaa	7/19/2023	7/27/2023	1,076,215.65	4.78	4,284.34	1,076,222.11	1,093,126.66
FHMS K505 A2 DTD 07/01/2023 4.819% 06/01/2028	3137HACX2	1,350,000.00	AA+	Aaa	7/13/2023	7/20/2023	1,363,483.80	4.59	5,421.38	1,360,209.70	1,384,782.75
FNA 2023-M6 A2 DTD 07/01/2023 4.181% 07/01/2028	3136BQDE6	1,313,891.53	AA+	Aaa	7/18/2023	7/31/2023	1,291,616.96	4.58	4,577.82	1,296,831.74	1,318,674.09
FHMS K506 A2 DTD 09/01/2023 4.650% 08/01/2028	3137HAMH6	1,300,000.00	AA+	Aaa	9/7/2023	9/14/2023	1,280,769.10	4.99	5,037.50	1,284,442.13	1,326,991.90
FHMS K508 A2 DTD 10/01/2023 4.740% 08/01/2028	3137HAQ74	1,325,000.00	AA+	Aaa	10/11/2023	10/19/2023	1,295,934.80	5.25	5,233.75	1,301,045.15	1,358,303.87
FHMS KJ47 A1 DTD 09/01/2023 5.272% 08/01/2028	3137HAMN3	722,629.04	AA+	Aaa	9/19/2023	9/28/2023	722,625.43	5.27	3,174.75	722,626.49	744,018.14
FHMS K509 A2 DTD 10/01/2023 4.850% 09/01/2028	3137HAST4	1,015,000.00	AA+	Aaa	10/25/2023	10/31/2023	982,638.76	5.60	4,102.29	987,615.10	1,043,650.41
FHMS K507 A2 DTD 09/01/2023 4.800% 09/01/2028	3137HAMS2	1,300,000.00	AA+	Aaa	9/20/2023	9/28/2023	1,284,461.10	5.07	5,200.00	1,287,091.99	1,333,443.80
FHMS K511 A2 DTD 12/01/2023 4.860% 10/01/2028	3137HB3G7	750,000.00	AA+	Aaa	11/28/2023	12/7/2023	747,845.25	4.93	3,037.50	748,169.68	771,581.25
FHMS K510 A2 DTD 11/01/2023 5.069% 10/01/2028	3137HB3D4	515,000.00	AA+	Aaa	11/14/2023	11/21/2023	513,511.14	5.14	2,175.45	513,744.65	533,544.12
FHMS K512 A2 DTD 12/01/2023 5.000% 11/01/2028	3137HBCF9	680,000.00	AA+	Aaa	12/11/2023	12/21/2023	686,349.84	4.79	2,833.33	685,448.52	703,161.48
FHMS K513 A2 DTD 01/01/2024 4.724% 12/01/2028	3137HBFY5	770,000.00	AA+	Aaa	1/10/2024	1/18/2024	777,691.53	4.50	3,031.23	776,702.56	789,064.43
FHMS K514 A2 DTD 02/01/2024 4.572% 12/01/2028	3137HBLV4	780,000.00	AA+	Aaa	2/1/2024	2/8/2024	787,799.22	4.34	2,971.80	786,862.85	794,665.56
FHMS K517 A2 DTD 03/01/2024 5.355% 01/01/2029	3137HC2C5	1,210,000.00	AA+	Aaa	3/5/2024	3/14/2024	1,246,283.06	4.67	5,399.63	1,242,617.59	1,268,660.80

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Agency CMBS											
FHMS K516 A2 DTD 03/01/2024 5.477% 01/01/2029	3137HBPM0	1,350,000.00	AA+	Aaa	2/29/2024	3/7/2024	1,390,495.95	4.79	6,161.63	1,386,286.55	1,420,729.20
FHMS K518 A2 DTD 03/01/2024 5.400% 01/01/2029	3137HC2L5	975,000.00	AA+	Aaa	3/19/2024	3/28/2024	998,541.38	4.83	4,387.50	996,651.54	1,025,341.20
FHMS K515 A2 DTD 02/01/2024 5.400% 01/01/2029	3137HBPD0	1,350,000.00	AA+	Aaa	2/14/2024	2/22/2024	1,386,369.00	4.79	6,075.00	1,382,343.53	1,418,114.25
FHMS K520 A2 DTD 04/01/2024 5.180% 03/01/2029	3137HCKV3	765,000.00	AA+	Aaa	4/23/2024	4/30/2024	768,105.14	5.09	3,302.25	767,914.61	798,423.62
FHMS K522 A2 DTD 06/01/2024 4.803% 05/01/2029	3137HDJJ0	1,400,000.00	AA+	Aaa	6/5/2024	6/13/2024	1,399,995.80	4.80	5,603.50	1,400,000.00	1,441,368.60
FHMS K524 A2 DTD 07/01/2024 4.720% 05/01/2029	3137HDV56	1,145,000.00	AA+	Aaa	7/16/2024	7/25/2024	1,152,031.44	4.58	4,503.67	1,151,902.05	1,175,797.07
FHMS K528 A2 DTD 09/01/2024 4.508% 07/01/2029	3137HFNZ4	510,000.00	AA+	Aaa	9/4/2024	9/12/2024	520,189.80	4.06	1,915.90	520,090.94	520,066.38
FHMS K526 A2 DTD 08/01/2024 4.543% 07/01/2029	3137HDXL9	1,300,000.00	AA+	Aaa	8/7/2024	8/15/2024	1,312,160.20	4.33	4,921.58	1,311,879.94	1,325,853.10
Security Type Sub-Total		26,978,025.98					26,871,200.69	4.81	105,058.62	26,931,044.30	27,615,016.77
ABS											
CCCIT 2023-A1 A1 DTD 12/11/2023 5.230% 12/08/2027	17305EGW9	295,000.00	AAA	Aaa	12/4/2023	12/11/2023	294,963.01	5.23	4,842.83	294,970.07	298,164.17
TAOT 2023-D A3 DTD 11/14/2023 5.540% 08/15/2028	89239FAD4	265,000.00	AAA	NR	11/7/2023	11/14/2023	264,971.43	5.54	652.49	264,976.96	271,176.35
AMXCA 2023-3 A DTD 09/19/2023 5.230% 09/15/2028	02582JKD1	1,070,000.00	AAA	NR	9/12/2023	9/19/2023	1,069,952.17	5.24	2,487.16	1,069,458.30	1,094,495.51
CHAIT 2023-A1 A DTD 09/15/2023 5.160% 09/15/2028	161571HT4	1,045,000.00	AAA	NR	9/7/2023	9/15/2023	1,044,710.33	5.17	2,396.53	1,044,764.93	1,067,568.87
HART 2023-C A3 DTD 11/13/2023 5.540% 10/16/2028	44918CAD4	395,000.00	AAA	NR	11/3/2023	11/13/2023	394,948.06	5.54	972.58	394,957.18	403,687.63
BACCT 2023-A2 A2 DTD 12/14/2023 4.980% 11/15/2028	05522RDH8	480,000.00	NR	Aaa	12/7/2023	12/14/2023	479,935.54	4.98	1,062.40	479,946.44	489,605.76
GMCAR 2024-1 A3 DTD 01/17/2024 4.850% 12/18/2028	36268GAD7	130,000.00	NR	Aaa	1/9/2024	1/17/2024	129,973.86	4.85	262.71	129,977.25	131,640.60

For the Quarter Ended September 30, 2024

ZONE 7 WATER AGENCY

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
ABS											
CHAIT 2024-A1 A DTD 01/31/2024 4.600% 01/16/2029	161571HV9	1,175,000.00	AAA	NR	1/24/2024	1/31/2024	1,174,821.05	4.60	2,402.22	1,174,844.69	1,189,809.70
Security Type Sub-Total		4,855,000.00					4,854,275.45	5.08	15,078.92	4,853,895.82	4,946,148.59
Managed Account Sub Total		143,923,025.98					139,739,770.71	3.76	809,296.01	142,026,031.04	142,627,376.51
Securities Sub Total		\$143,923,025.98					\$139,739,770.71	3.76%	\$809,296.01	\$142,026,031.04	\$142,627,376.51
Accrued Interest											\$809,296.01
Total Investments											\$143,436,672.52

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
BUY									
7/2/2024	7/3/2024	5,890,000.00	91282CKX8	US TREASURY N/B	4.25%	6/30/2029	5,858,679.36	4.38%	
7/15/2024	7/17/2024	720,000.00	713448FX1	PEPSICO INC (CALLABLE)	4.50%	7/17/2029	718,884.00	4.53%	
7/16/2024	7/25/2024	1,145,000.00	3137HDX56	FHMS K524 A2	4.72%	5/1/2029	1,155,634.38	4.58%	
7/17/2024	7/17/2024	1,190,000.00	912797JT5	WI TREASURY SEC. BILLS	0.00%	7/25/2024	1,188,624.89	5.21%	
8/1/2024	8/2/2024	2,625,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	2,643,925.14	3.84%	
8/7/2024	8/8/2024	1,315,000.00	912797KB2	WI TREASURY SEC. BILLS	0.00%	8/15/2024	1,313,666.55	5.22%	
8/7/2024	8/15/2024	1,300,000.00	3137HDXL9	FHMS K526 A2	4.54%	7/1/2029	1,314,456.94	4.33%	
8/12/2024	8/14/2024	245,000.00	532457CQ9	ELI LILLY & CO (CALLABLE)	4.20%	8/14/2029	244,463.45	4.25%	
8/13/2024	8/14/2024	855,000.00	532457CQ9	ELI LILLY & CO (CALLABLE)	4.20%	8/14/2029	856,248.30	4.17%	
8/14/2024	8/15/2024	685,000.00	912797KY2	TREASURY BILL BILLS	0.00%	8/20/2024	684,501.47	5.24%	
8/14/2024	8/20/2024	685,000.00	857477CN1	STATE STREET CORP (CALLABLE)	4.53%	2/20/2029	685,000.00	4.53%	
9/4/2024	9/5/2024	3,420,000.00	91282CLK5	US TREASURY N/B	3.62%	8/31/2029	3,428,792.83	3.58%	
9/4/2024	9/12/2024	510,000.00	3137HFNZ4	FHMS K528 A2	4.50%	7/1/2029	520,892.30	4.06%	
Total BUY		20,585,000.00					20,613,769.61		0.00
INTEREST									
7/1/2024	7/1/2024		MONEY0002	MONEY MARKET FUND	0.00%		21,670.75		
7/1/2024	7/25/2024	645,181.56	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	2,500.08		

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
7/1/2024	7/25/2024	1,015,000.00	3137HAST4	FHMS K509 A2	4.85%	9/1/2028	4,102.29		
7/1/2024	7/25/2024	515,000.00	3137HB3D4	FHMS K510 A2	5.06%	10/1/2028	2,175.45		
7/1/2024	7/25/2024	1,165,000.00	3137F2LJ3	FHMS K066 A2	3.11%	6/1/2027	3,026.09		
7/1/2024	7/25/2024	765,000.00	3137HCKV3	FHMS K520 A2	5.18%	3/1/2029	3,302.25		
7/1/2024	7/25/2024	1,350,000.00	3137HBPD0	FHMS K515 A2	5.40%	1/1/2029	6,075.00		
7/1/2024	7/25/2024	750,000.00	3137HB3G7	FHMS K511 A2	4.86%	10/1/2028	3,037.50		
7/1/2024	7/25/2024	952,292.74	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	2,656.10		
7/1/2024	7/25/2024	975,000.00	3137HC2L5	FHMS K518 A2	5.40%	1/1/2029	4,387.50		
7/1/2024	7/25/2024	780,000.00	3137HBLV4	FHMS K514 A2	4.57%	12/1/2028	2,971.80		
7/1/2024	7/25/2024	1,320,000.00	3137BXQY1	FHMS K064 A2	3.22%	3/1/2027	3,546.40		
7/1/2024	7/25/2024	1,400,000.00	3137HDJJ0	FHMS K522 A2	4.80%	5/1/2029	5,603.50		
7/1/2024	7/25/2024	1,375,000.00	3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	4,801.04		
7/1/2024	7/25/2024	726,462.57	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	3,191.59		
7/1/2024	7/25/2024	1,210,000.00	3137HC2C5	FHMS K517 A2	5.35%	1/1/2029	5,399.63		
7/1/2024	7/25/2024	1,350,000.00	3137HACX2	FHMS K505 A2	4.81%	6/1/2028	5,421.38		
7/1/2024	7/25/2024	1,300,000.00	3137HAMS2	FHMS K507 A2	4.80%	9/1/2028	5,200.00		
7/1/2024	7/25/2024	1,325,000.00	3137HAQ74	FHMS K508 A2	4.74%	8/1/2028	5,233.75		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
7/1/2024	7/25/2024	770,000.00	3137HBFY5	FHMS K513 A2	4.72%	12/1/2028	3,031.23		
7/1/2024	7/25/2024	1,300,000.00	3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	5,037.50		
7/1/2024	7/25/2024	680,000.00	3137HBCF9	FHMS K512 A2	5.00%	11/1/2028	2,833.33		
7/1/2024	7/25/2024	1,078,318.87	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	4,292.61		
7/1/2024	7/25/2024	1,350,000.00	3137HBPM0	FHMS K516 A2	5.47%	1/1/2029	6,161.63		
7/12/2024	7/12/2024	980,000.00	89236TKQ7	TOYOTA MOTOR CREDIT CORP	4.62%	1/12/2028	22,662.50		
7/14/2024	7/14/2024	995,000.00	24422EXB0	JOHN DEERE CAPITAL CORP	4.95%	7/14/2028	24,626.25		
7/15/2024	7/15/2024	265,000.00	89239FAD4	TAOT 2023-D A3	5.54%	8/15/2028	1,223.42		
7/15/2024	7/15/2024	1,175,000.00	161571HV9	CHAIT 2024-A1 A	4.60%	1/16/2029	4,504.17		
7/15/2024	7/15/2024	480,000.00	05522RDH8	BACCT 2023-A2 A2	4.98%	11/15/2028	1,992.00		
7/15/2024	7/15/2024	395,000.00	44918CAD4	HART 2023-C A3	5.54%	10/16/2028	1,823.58		
7/15/2024	7/15/2024	1,070,000.00	02582JKD1	AMXCA 2023-3 A	5.23%	9/15/2028	4,663.42		
7/15/2024	7/15/2024	1,045,000.00	161571HT4	CHAIT 2023-A1 A	5.16%	9/15/2028	4,493.50		
7/15/2024	7/15/2024	1,375,000.00	87612EBM7	TARGET CORP (CALLABLE)	1.95%	1/15/2027	13,406.25		
7/16/2024	7/16/2024	130,000.00	36268GAD7	GMCAR 2024-1 A3	4.85%	12/18/2028	525.42		
7/17/2024	7/17/2024	1,350,000.00	21684LGS5	COOPERAT RABOBANK UA/NY	5.08%	7/17/2026	34,290.00		
7/31/2024	7/31/2024	3,160,000.00	91282CBH3	US TREASURY N/B	0.37%	1/31/2026	5,925.00		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
7/31/2024	7/31/2024	3,145,000.00	91282CAB7	US TREASURY N/B	0.25%	7/31/2025	3,931.25		
8/1/2024	8/1/2024		MONEY0002	MONEY MARKET FUND	0.00%		22,572.51		
8/1/2024	8/25/2024	1,300,000.00	3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	5,037.50		
8/1/2024	8/25/2024	1,320,000.00	3137BXQY1	FHMS K064 A2	3.22%	3/1/2027	3,546.40		
8/1/2024	8/25/2024	1,015,000.00	3137HAST4	FHMS K509 A2	4.85%	9/1/2028	4,102.29		
8/1/2024	8/25/2024	1,325,000.00	3137HAQ74	FHMS K508 A2	4.74%	8/1/2028	5,233.75		
8/1/2024	8/25/2024	1,165,000.00	3137F2LJ3	FHMS K066 A2	3.11%	6/1/2027	3,026.09		
8/1/2024	8/25/2024	1,400,000.00	3137HDJJ0	FHMS K522 A2	4.80%	5/1/2029	5,603.50		
8/1/2024	8/25/2024	1,350,000.00	3137HBPD0	FHMS K515 A2	5.40%	1/1/2029	6,075.00		
8/1/2024	8/25/2024	515,000.00	3137HB3D4	FHMS K510 A2	5.06%	10/1/2028	2,175.45		
8/1/2024	8/25/2024	1,375,000.00	3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	4,801.04		
8/1/2024	8/25/2024	750,000.00	3137HB3G7	FHMS K511 A2	4.86%	10/1/2028	3,037.50		
8/1/2024	8/25/2024		3137HDV56	FHMS K524 A2	4.72%	5/1/2029	4,503.67		
8/1/2024	8/25/2024	1,210,000.00	3137HC2C5	FHMS K517 A2	5.35%	1/1/2029	5,399.63		
8/1/2024	8/25/2024	1,300,000.00	3137HAMS2	FHMS K507 A2	4.80%	9/1/2028	5,200.00		
8/1/2024	8/25/2024	950,352.97	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	2,650.69		
8/1/2024	8/25/2024	770,000.00	3137HBFY5	FHMS K513 A2	4.72%	12/1/2028	3,031.23		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
8/1/2024	8/25/2024	975,000.00	3137HC2L5	FHMS K518 A2	5.40%	1/1/2029	4,387.50		
8/1/2024	8/25/2024	780,000.00	3137HBLV4	FHMS K514 A2	4.57%	12/1/2028	2,971.80		
8/1/2024	8/25/2024	725,365.33	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	3,186.77		
8/1/2024	8/25/2024	765,000.00	3137HCKV3	FHMS K520 A2	5.18%	3/1/2029	3,302.25		
8/1/2024	8/25/2024	1,077,619.76	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	4,289.82		
8/1/2024	8/25/2024	1,350,000.00	3137HBPM0	FHMS K516 A2	5.47%	1/1/2029	6,161.63		
8/1/2024	8/25/2024	680,000.00	3137HBCF9	FHMS K512 A2	5.00%	11/1/2028	2,833.33		
8/1/2024	8/25/2024	644,600.26	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	2,497.83		
8/1/2024	8/25/2024	1,350,000.00	3137HACX2	FHMS K505 A2	4.81%	6/1/2028	5,421.38		
8/6/2024	8/6/2024	2,075,000.00	594918BY9	MICROSOFT CORP (CALLABLE)	3.30%	2/6/2027	34,237.50		
8/7/2024	8/7/2024	1,945,000.00	94988J6D4	WELLS FARGO BANK NA (CALLABLE)	5.45%	8/7/2026	53,001.25		
8/10/2024	8/10/2024	975,000.00	69371RS64	PACCAR FINANCIAL CORP	4.95%	8/10/2028	24,131.25		
8/15/2024	8/15/2024	1,070,000.00	02582JKD1	AMXCA 2023-3 A	5.23%	9/15/2028	4,663.42		
8/15/2024	8/15/2024	1,045,000.00	161571HT4	CHAIT 2023-A1 A	5.16%	9/15/2028	4,493.50		
8/15/2024	8/15/2024	480,000.00	05522RDH8	BACCT 2023-A2 A2	4.98%	11/15/2028	1,992.00		
8/15/2024	8/15/2024	1,175,000.00	161571HV9	CHAIT 2024-A1 A	4.60%	1/16/2029	4,504.17		
8/15/2024	8/15/2024	395,000.00	44918CAD4	HART 2023-C A3	5.54%	10/16/2028	1,823.58		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
8/15/2024	8/15/2024	2,570,000.00	9128282R0	US TREASURY N/B	2.25%	8/15/2027	28,912.50		
8/15/2024	8/15/2024	5,300,000.00	912828V98	US TREASURY N/B	2.25%	2/15/2027	59,625.00		
8/15/2024	8/15/2024	265,000.00	89239FAD4	TAOT 2023-D A3	5.54%	8/15/2028	1,223.42		
8/16/2024	8/16/2024	130,000.00	36268GAD7	GMCAR 2024-1 A3	4.85%	12/18/2028	525.42		
8/31/2024	8/31/2024		91282CAJ0	US TREASURY N/B	0.25%	8/31/2025	3,450.00		
8/31/2024	8/31/2024		91282CGP0	US TREASURY N/B	4.00%	2/29/2028	12,000.00		
9/1/2024	9/25/2024		3137HBCF9	FHMS K512 A2	5.00%	11/1/2028	2,833.33		
9/1/2024	9/25/2024		3137HC2C5	FHMS K517 A2	5.35%	1/1/2029	5,399.63		
9/1/2024	9/25/2024		3137HC2L5	FHMS K518 A2	5.40%	1/1/2029	4,387.50		
9/1/2024	9/25/2024		3137HAST4	FHMS K509 A2	4.85%	9/1/2028	4,102.29		
9/1/2024	9/25/2024		3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	2,495.86		
9/1/2024	9/25/2024		3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	5,037.50		
9/1/2024	9/25/2024		3137HAMS2	FHMS K507 A2	4.80%	9/1/2028	5,200.00		
9/1/2024	9/25/2024		3137F2LJ3	FHMS K066 A2	3.11%	6/1/2027	3,026.09		
9/1/2024	9/25/2024		3137HBFY5	FHMS K513 A2	4.72%	12/1/2028	3,031.23		
9/1/2024	9/25/2024		3137HBPM0	FHMS K516 A2	5.47%	1/1/2029	6,161.63		
9/1/2024	9/25/2024		3137HDV56	FHMS K524 A2	4.72%	5/1/2029	4,503.67		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
9/1/2024	9/25/2024		3137HCKV3	FHMS K520 A2	5.18%	3/1/2029	3,302.25		
9/1/2024	9/25/2024		3137HBPD0	FHMS K515 A2	5.40%	1/1/2029	6,075.00		
9/1/2024	9/25/2024		3137HBLV4	FHMS K514 A2	4.57%	12/1/2028	2,971.80		
9/1/2024	9/25/2024		3137HACX2	FHMS K505 A2	4.81%	6/1/2028	5,421.38		
9/1/2024	9/25/2024		3137BXQY1	FHMS K064 A2	3.22%	3/1/2027	3,546.40		
9/1/2024	9/25/2024		3137HAQ74	FHMS K508 A2	4.74%	8/1/2028	5,233.75		
9/1/2024	9/25/2024		3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	2,645.58		
9/1/2024	9/25/2024		3137HB3D4	FHMS K510 A2	5.06%	10/1/2028	2,175.45		
9/1/2024	9/25/2024		3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	4,801.04		
9/1/2024	9/25/2024		3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	3,180.78		
9/1/2024	9/25/2024		3137HDJJ0	FHMS K522 A2	4.80%	5/1/2029	5,603.50		
9/1/2024	9/25/2024		3137HB3G7	FHMS K511 A2	4.86%	10/1/2028	3,037.50		
9/1/2024	9/25/2024		3137HDXL9	FHMS K526 A2	4.54%	7/1/2029	4,921.58		
9/1/2024	9/25/2024		3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	4,287.09		
9/3/2024	9/3/2024		MONEY0002	MONEY MARKET FUND	0.00%		22,950.35		
9/11/2024	9/11/2024		06051GJQ3	BANK OF AMERICA CORP (CALLABLE)	1.65%	3/1/2027	17,989.30		
9/14/2024	9/14/2024		437076BT8	HOME DEPOT INC (CALLABLE)	2.80%	9/14/2027	19,460.00		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
9/14/2024	9/14/2024		09290DAA9	BLACKROCK FUNDING INC (CALLABLE)	4.70%	3/14/2029	2,937.50		
9/15/2024	9/15/2024		44918CAD4	HART 2023-C A3	5.54%	10/16/2028	1,823.58		
9/15/2024	9/15/2024		161571HV9	CHAIT 2024-A1 A	4.60%	1/16/2029	4,504.17		
9/15/2024	9/15/2024		05522RDH8	BACCT 2023-A2 A2	4.98%	11/15/2028	1,992.00		
9/15/2024	9/15/2024		89239FAD4	TAOT 2023-D A3	5.54%	8/15/2028	1,223.42		
9/15/2024	9/15/2024		02582JKD1	AMXCA 2023-3 A	5.23%	9/15/2028	4,663.42		
9/15/2024	9/15/2024		161571HT4	CHAIT 2023-A1 A	5.16%	9/15/2028	4,493.50		
9/16/2024	9/16/2024		36268GAD7	GMCAR 2024-1 A3	4.85%	12/18/2028	525.42		
9/29/2024	9/29/2024		17325FBB3	CITIBANK NA (CALLABLE)	5.80%	9/29/2028	57,304.63		
9/30/2024	9/30/2024		91282CBT7	US TREASURY N/B	0.75%	3/31/2026	24,862.50		
9/30/2024	9/30/2024		91282CCZ2	US TREASURY N/B	0.87%	9/30/2026	14,962.50		
9/30/2024	9/30/2024		91282CGT2	US TREASURY N/B	3.62%	3/31/2028	15,406.25		
9/30/2024	9/30/2024		91282CFM8	US TREASURY N/B	4.12%	9/30/2027	40,012.50		
9/30/2024	9/30/2024		91282CAM3	US TREASURY N/B	0.25%	9/30/2025	2,793.75		
Total INTEREST		81,180,194.06					936,643.35		0.00
MATURITY									
7/25/2024	7/25/2024	1,190,000.00	912797JT5	WI TREASURY SEC. BILLS	0.00%	7/25/2024	1,190,000.00		

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
MATURITY									
8/15/2024	8/15/2024	1,315,000.00	912797KB2	WI TREASURY SEC. BILLS	0.00%	8/15/2024	1,315,000.00		
8/20/2024	8/20/2024	685,000.00	912797KY2	TREASURY BILL BILLS	0.00%	8/20/2024	685,000.00		
Total MATURITY		3,190,000.00					3,190,000.00		0.00
PAYDOWNS									
7/1/2024	7/25/2024	1,097.24	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	1,097.24		
7/1/2024	7/25/2024	581.30	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	581.30		
7/1/2024	7/25/2024	699.11	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	699.11		
7/1/2024	7/25/2024	1,939.77	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	1,939.77		
8/1/2024	8/25/2024	1,832.35	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	1,832.35		37.30
8/1/2024	8/25/2024	686.76	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	686.76		0.01
8/1/2024	8/25/2024	508.58	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	508.58		
8/1/2024	8/25/2024	1,364.10	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	1,364.10		
9/1/2024	9/25/2024	61,108.47	3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	61,108.47		810.76
9/1/2024	9/25/2024	1,838.50	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	1,838.50		36.08
9/1/2024	9/25/2024	1,372.20	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	1,372.20		0.01
9/1/2024	9/25/2024	510.97	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	510.97		6.22

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
PAYDOWNS									
9/1/2024	9/25/2024	690.44	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	690.44		0.01
Total PAYDOWNS		74,229.79					74,229.79		890.39
SELL									
7/2/2024	7/3/2024	865,000.00	91282CDS7	US TREASURY N/B	1.12%	1/15/2025	850,656.72		-17,034.73
7/2/2024	7/3/2024	5,100,000.00	91282CDZ1	US TREASURY N/B	1.50%	2/15/2025	5,011,076.19		-72,691.73
7/16/2024	7/17/2024	740,000.00	91282ZFO	US TREASURY N/B	0.50%	3/31/2025	718,082.43		-12,437.47
7/16/2024	7/17/2024	1,150,000.00	91282CKX8	US TREASURY N/B	4.25%	6/30/2029	1,160,972.65		15,184.01
8/1/2024	8/2/2024	2,460,000.00	91282ZFO	US TREASURY N/B	0.50%	3/31/2025	2,395,075.80		-36,134.95
8/7/2024	8/8/2024	1,300,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	1,313,368.71		3,175.39
8/12/2024	8/14/2024	245,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	248,100.37		1,024.62
8/13/2024	8/14/2024	850,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	862,549.34		5,347.75
8/14/2024	8/15/2024	670,000.00	91282CGP0	US TREASURY N/B	4.00%	2/29/2028	688,201.97		12,620.52
9/4/2024	9/5/2024	3,125,000.00	9128284M9	US TREASURY N/B	2.87%	4/30/2025	3,122,070.31		-33,172.95
9/11/2024	9/12/2024	465,000.00	91282CAB7	US TREASURY N/B	0.25%	7/31/2025	449,623.73		-10,018.18
Total SELL		16,970,000.00					16,819,778.22		-144,137.72

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
BUY	7/2/2024	7/3/2024	5,890,000.00	91282CKX8	US TREASURY N/B	4.25%	6/30/2029	5,858,679.36	4.38%	
BUY	7/15/2024	7/17/2024	720,000.00	713448FX1	PEPSICO INC (CALLABLE)	4.50%	7/17/2029	718,884.00	4.53%	
BUY	7/16/2024	7/25/2024	1,145,000.00	3137HDV56	FHMS K524 A2	4.72%	5/1/2029	1,155,634.38	4.58%	
BUY	7/17/2024	7/17/2024	1,190,000.00	912797JT5	WI TREASURY SEC. BILLS	0.00%	7/25/2024	1,188,624.89	5.21%	
BUY	8/1/2024	8/2/2024	2,625,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	2,643,925.14	3.84%	
BUY	8/7/2024	8/8/2024	1,315,000.00	912797KB2	WI TREASURY SEC. BILLS	0.00%	8/15/2024	1,313,666.55	5.22%	
BUY	8/7/2024	8/15/2024	1,300,000.00	3137HDXL9	FHMS K526 A2	4.54%	7/1/2029	1,314,456.94	4.33%	
BUY	8/12/2024	8/14/2024	245,000.00	532457CQ9	ELI LILLY & CO (CALLABLE)	4.20%	8/14/2029	244,463.45	4.25%	
BUY	8/13/2024	8/14/2024	855,000.00	532457CQ9	ELI LILLY & CO (CALLABLE)	4.20%	8/14/2029	856,248.30	4.17%	
BUY	8/14/2024	8/15/2024	685,000.00	912797KY2	TREASURY BILL BILLS	0.00%	8/20/2024	684,501.47	5.24%	
BUY	8/14/2024	8/20/2024	685,000.00	857477CN1	STATE STREET CORP (CALLABLE)	4.53%	2/20/2029	685,000.00	4.53%	
BUY	9/4/2024	9/5/2024	3,420,000.00	91282CLK5	US TREASURY N/B	3.62%	8/31/2029	3,428,792.83	3.58%	
BUY	9/4/2024	9/12/2024	510,000.00	3137HFNZ4	FHMS K528 A2	4.50%	7/1/2029	520,892.30	4.06%	
INTEREST	7/1/2024	7/1/2024		MONEY0002	MONEY MARKET FUND	0.00%		21,670.75		
INTEREST	7/1/2024	7/25/2024	645,181.56	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	2,500.08		
INTEREST	7/1/2024	7/25/2024	1,015,000.00	3137HAST4	FHMS K509 A2	4.85%	9/1/2028	4,102.29		
INTEREST	7/1/2024	7/25/2024	515,000.00	3137HB3D4	FHMS K510 A2	5.06%	10/1/2028	2,175.45		
INTEREST	7/1/2024	7/25/2024	1,165,000.00	3137F2LJ3	FHMS K066 A2	3.11%	6/1/2027	3,026.09		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	7/1/2024	7/25/2024	765,000.00	3137HCKV3	FHMS K520 A2	5.18%	3/1/2029	3,302.25		
INTEREST	7/1/2024	7/25/2024	1,350,000.00	3137HBP00	FHMS K515 A2	5.40%	1/1/2029	6,075.00		
INTEREST	7/1/2024	7/25/2024	750,000.00	3137HB3G7	FHMS K511 A2	4.86%	10/1/2028	3,037.50		
INTEREST	7/1/2024	7/25/2024	952,292.74	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	2,656.10		
INTEREST	7/1/2024	7/25/2024	975,000.00	3137HC2L5	FHMS K518 A2	5.40%	1/1/2029	4,387.50		
INTEREST	7/1/2024	7/25/2024	780,000.00	3137HBLV4	FHMS K514 A2	4.57%	12/1/2028	2,971.80		
INTEREST	7/1/2024	7/25/2024	1,320,000.00	3137BXQY1	FHMS K064 A2	3.22%	3/1/2027	3,546.40		
INTEREST	7/1/2024	7/25/2024	1,400,000.00	3137HDJJ0	FHMS K522 A2	4.80%	5/1/2029	5,603.50		
INTEREST	7/1/2024	7/25/2024	1,375,000.00	3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	4,801.04		
INTEREST	7/1/2024	7/25/2024	726,462.57	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	3,191.59		
INTEREST	7/1/2024	7/25/2024	1,210,000.00	3137HC2C5	FHMS K517 A2	5.35%	1/1/2029	5,399.63		
INTEREST	7/1/2024	7/25/2024	1,350,000.00	3137HACX2	FHMS K505 A2	4.81%	6/1/2028	5,421.38		
INTEREST	7/1/2024	7/25/2024	1,300,000.00	3137HAMS2	FHMS K507 A2	4.80%	9/1/2028	5,200.00		
INTEREST	7/1/2024	7/25/2024	1,325,000.00	3137HAQ74	FHMS K508 A2	4.74%	8/1/2028	5,233.75		
INTEREST	7/1/2024	7/25/2024	770,000.00	3137HBFY5	FHMS K513 A2	4.72%	12/1/2028	3,031.23		
INTEREST	7/1/2024	7/25/2024	1,300,000.00	3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	5,037.50		
INTEREST	7/1/2024	7/25/2024	680,000.00	3137HBCF9	FHMS K512 A2	5.00%	11/1/2028	2,833.33		
INTEREST	7/1/2024	7/25/2024	1,078,318.87	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	4,292.61		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	7/1/2024	7/25/2024	1,350,000.00	3137HBPM0	FHMS K516 A2	5.47%	1/1/2029	6,161.63		
INTEREST	7/12/2024	7/12/2024	980,000.00	89236TKQ7	TOYOTA MOTOR CREDIT CORP	4.62%	1/12/2028	22,662.50		
INTEREST	7/14/2024	7/14/2024	995,000.00	24422EXB0	JOHN DEERE CAPITAL CORP	4.95%	7/14/2028	24,626.25		
INTEREST	7/15/2024	7/15/2024	265,000.00	89239FAD4	TAOT 2023-D A3	5.54%	8/15/2028	1,223.42		
INTEREST	7/15/2024	7/15/2024	1,175,000.00	161571HV9	CHAIT 2024-A1 A	4.60%	1/16/2029	4,504.17		
INTEREST	7/15/2024	7/15/2024	480,000.00	05522RDH8	BACCT 2023-A2 A2	4.98%	11/15/2028	1,992.00		
INTEREST	7/15/2024	7/15/2024	395,000.00	44918CAD4	HART 2023-C A3	5.54%	10/16/2028	1,823.58		
INTEREST	7/15/2024	7/15/2024	1,070,000.00	02582JKD1	AMXCA 2023-3 A	5.23%	9/15/2028	4,663.42		
INTEREST	7/15/2024	7/15/2024	1,045,000.00	161571HT4	CHAIT 2023-A1 A	5.16%	9/15/2028	4,493.50		
INTEREST	7/15/2024	7/15/2024	1,375,000.00	87612EBM7	TARGET CORP (CALLABLE)	1.95%	1/15/2027	13,406.25		
INTEREST	7/16/2024	7/16/2024	130,000.00	36268GAD7	GMCAR 2024-1 A3	4.85%	12/18/2028	525.42		
INTEREST	7/17/2024	7/17/2024	1,350,000.00	21684LGS5	COOPERAT RABOBANK UA/NY	5.08%	7/17/2026	34,290.00		
INTEREST	7/31/2024	7/31/2024	3,160,000.00	91282CBH3	US TREASURY N/B	0.37%	1/31/2026	5,925.00		
INTEREST	7/31/2024	7/31/2024	3,145,000.00	91282CAB7	US TREASURY N/B	0.25%	7/31/2025	3,931.25		
INTEREST	8/1/2024	8/1/2024		MONEY0002	MONEY MARKET FUND	0.00%		22,572.51		
INTEREST	8/1/2024	8/25/2024	1,300,000.00	3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	5,037.50		
INTEREST	8/1/2024	8/25/2024	1,320,000.00	3137BXQY1	FHMS K064 A2	3.22%	3/1/2027	3,546.40		
INTEREST	8/1/2024	8/25/2024	1,015,000.00	3137HAST4	FHMS K509 A2	4.85%	9/1/2028	4,102.29		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	8/1/2024	8/25/2024	1,325,000.00	3137HAQ74	FHMS K508 A2	4.74%	8/1/2028	5,233.75		
INTEREST	8/1/2024	8/25/2024	1,165,000.00	3137F2LJ3	FHMS K066 A2	3.11%	6/1/2027	3,026.09		
INTEREST	8/1/2024	8/25/2024	1,400,000.00	3137HDJJ0	FHMS K522 A2	4.80%	5/1/2029	5,603.50		
INTEREST	8/1/2024	8/25/2024	1,350,000.00	3137HBPD0	FHMS K515 A2	5.40%	1/1/2029	6,075.00		
INTEREST	8/1/2024	8/25/2024	515,000.00	3137HB3D4	FHMS K510 A2	5.06%	10/1/2028	2,175.45		
INTEREST	8/1/2024	8/25/2024	1,375,000.00	3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	4,801.04		
INTEREST	8/1/2024	8/25/2024	750,000.00	3137HB3G7	FHMS K511 A2	4.86%	10/1/2028	3,037.50		
INTEREST	8/1/2024	8/25/2024		3137HDV56	FHMS K524 A2	4.72%	5/1/2029	4,503.67		
INTEREST	8/1/2024	8/25/2024	1,210,000.00	3137HC2C5	FHMS K517 A2	5.35%	1/1/2029	5,399.63		
INTEREST	8/1/2024	8/25/2024	1,300,000.00	3137HAMS2	FHMS K507 A2	4.80%	9/1/2028	5,200.00		
INTEREST	8/1/2024	8/25/2024	950,352.97	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	2,650.69		
INTEREST	8/1/2024	8/25/2024	770,000.00	3137HBFY5	FHMS K513 A2	4.72%	12/1/2028	3,031.23		
INTEREST	8/1/2024	8/25/2024	975,000.00	3137HC2L5	FHMS K518 A2	5.40%	1/1/2029	4,387.50		
INTEREST	8/1/2024	8/25/2024	780,000.00	3137HBLV4	FHMS K514 A2	4.57%	12/1/2028	2,971.80		
INTEREST	8/1/2024	8/25/2024	725,365.33	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	3,186.77		
INTEREST	8/1/2024	8/25/2024	765,000.00	3137HCKV3	FHMS K520 A2	5.18%	3/1/2029	3,302.25		
INTEREST	8/1/2024	8/25/2024	1,077,619.76	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	4,289.82		
INTEREST	8/1/2024	8/25/2024	1,350,000.00	3137HBPM0	FHMS K516 A2	5.47%	1/1/2029	6,161.63		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	8/1/2024	8/25/2024	680,000.00	3137HBCF9	FHMS K512 A2	5.00%	11/1/2028	2,833.33		
INTEREST	8/1/2024	8/25/2024	644,600.26	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	2,497.83		
INTEREST	8/1/2024	8/25/2024	1,350,000.00	3137HACX2	FHMS K505 A2	4.81%	6/1/2028	5,421.38		
INTEREST	8/6/2024	8/6/2024	2,075,000.00	594918BY9	MICROSOFT CORP (CALLABLE)	3.30%	2/6/2027	34,237.50		
INTEREST	8/7/2024	8/7/2024	1,945,000.00	94988J6D4	WELLS FARGO BANK NA (CALLABLE)	5.45%	8/7/2026	53,001.25		
INTEREST	8/10/2024	8/10/2024	975,000.00	69371RS64	PACCAR FINANCIAL CORP	4.95%	8/10/2028	24,131.25		
INTEREST	8/15/2024	8/15/2024	1,070,000.00	02582JKD1	AMXCA 2023-3 A	5.23%	9/15/2028	4,663.42		
INTEREST	8/15/2024	8/15/2024	1,045,000.00	161571HT4	CHAIT 2023-A1 A	5.16%	9/15/2028	4,493.50		
INTEREST	8/15/2024	8/15/2024	480,000.00	05522RDH8	BACCT 2023-A2 A2	4.98%	11/15/2028	1,992.00		
INTEREST	8/15/2024	8/15/2024	1,175,000.00	161571HV9	CHAIT 2024-A1 A	4.60%	1/16/2029	4,504.17		
INTEREST	8/15/2024	8/15/2024	395,000.00	44918CAD4	HART 2023-C A3	5.54%	10/16/2028	1,823.58		
INTEREST	8/15/2024	8/15/2024	2,570,000.00	9128282R0	US TREASURY N/B	2.25%	8/15/2027	28,912.50		
INTEREST	8/15/2024	8/15/2024	5,300,000.00	912828V98	US TREASURY N/B	2.25%	2/15/2027	59,625.00		
INTEREST	8/15/2024	8/15/2024	265,000.00	89239FAD4	TAOT 2023-D A3	5.54%	8/15/2028	1,223.42		
INTEREST	8/16/2024	8/16/2024	130,000.00	36268GAD7	GMCAR 2024-1 A3	4.85%	12/18/2028	525.42		
INTEREST	8/31/2024	8/31/2024		91282CAJ0	US TREASURY N/B	0.25%	8/31/2025	3,450.00		
INTEREST	8/31/2024	8/31/2024		91282CGP0	US TREASURY N/B	4.00%	2/29/2028	12,000.00		
INTEREST	9/1/2024	9/25/2024		3137HBCF9	FHMS K512 A2	5.00%	11/1/2028	2,833.33		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	9/1/2024	9/25/2024		3137HC2C5	FHMS K517 A2	5.35%	1/1/2029	5,399.63		
INTEREST	9/1/2024	9/25/2024		3137HC2L5	FHMS K518 A2	5.40%	1/1/2029	4,387.50		
INTEREST	9/1/2024	9/25/2024		3137HAST4	FHMS K509 A2	4.85%	9/1/2028	4,102.29		
INTEREST	9/1/2024	9/25/2024		3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	2,495.86		
INTEREST	9/1/2024	9/25/2024		3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	5,037.50		
INTEREST	9/1/2024	9/25/2024		3137HAMS2	FHMS K507 A2	4.80%	9/1/2028	5,200.00		
INTEREST	9/1/2024	9/25/2024		3137F2LJ3	FHMS K066 A2	3.11%	6/1/2027	3,026.09		
INTEREST	9/1/2024	9/25/2024		3137HBFY5	FHMS K513 A2	4.72%	12/1/2028	3,031.23		
INTEREST	9/1/2024	9/25/2024		3137HBPM0	FHMS K516 A2	5.47%	1/1/2029	6,161.63		
INTEREST	9/1/2024	9/25/2024		3137HDV56	FHMS K524 A2	4.72%	5/1/2029	4,503.67		
INTEREST	9/1/2024	9/25/2024		3137HCKV3	FHMS K520 A2	5.18%	3/1/2029	3,302.25		
INTEREST	9/1/2024	9/25/2024		3137HBPD0	FHMS K515 A2	5.40%	1/1/2029	6,075.00		
INTEREST	9/1/2024	9/25/2024		3137HBLV4	FHMS K514 A2	4.57%	12/1/2028	2,971.80		
INTEREST	9/1/2024	9/25/2024		3137HACX2	FHMS K505 A2	4.81%	6/1/2028	5,421.38		
INTEREST	9/1/2024	9/25/2024		3137BXQY1	FHMS K064 A2	3.22%	3/1/2027	3,546.40		
INTEREST	9/1/2024	9/25/2024		3137HAQ74	FHMS K508 A2	4.74%	8/1/2028	5,233.75		
INTEREST	9/1/2024	9/25/2024		3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	2,645.58		
INTEREST	9/1/2024	9/25/2024		3137HB3D4	FHMS K510 A2	5.06%	10/1/2028	2,175.45		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	9/1/2024	9/25/2024		3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	4,801.04		
INTEREST	9/1/2024	9/25/2024		3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	3,180.78		
INTEREST	9/1/2024	9/25/2024		3137HDJJ0	FHMS K522 A2	4.80%	5/1/2029	5,603.50		
INTEREST	9/1/2024	9/25/2024		3137HB3G7	FHMS K511 A2	4.86%	10/1/2028	3,037.50		
INTEREST	9/1/2024	9/25/2024		3137HDXL9	FHMS K526 A2	4.54%	7/1/2029	4,921.58		
INTEREST	9/1/2024	9/25/2024		3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	4,287.09		
INTEREST	9/3/2024	9/3/2024		MONEY0002	MONEY MARKET FUND	0.00%		22,950.35		
INTEREST	9/11/2024	9/11/2024		06051GJQ3	BANK OF AMERICA CORP (CALLABLE)	1.65%	3/11/2027	17,989.30		
INTEREST	9/14/2024	9/14/2024		437076BT8	HOME DEPOT INC (CALLABLE)	2.80%	9/14/2027	19,460.00		
INTEREST	9/14/2024	9/14/2024		09290DAA9	BLACKROCK FUNDING INC	4.70%	3/14/2029	2,937.50		
INTEREST	9/15/2024	9/15/2024		44918CAD4	HART 2023-C A3	5.54%	10/16/2028	1,823.58		
INTEREST	9/15/2024	9/15/2024		161571HV9	CHAIT 2024-A1 A	4.60%	1/16/2029	4,504.17		
INTEREST	9/15/2024	9/15/2024		05522RDH8	BACCT 2023-A2 A2	4.98%	11/15/2028	1,992.00		
INTEREST	9/15/2024	9/15/2024		89239FAD4	TAOT 2023-D A3	5.54%	8/15/2028	1,223.42		
INTEREST	9/15/2024	9/15/2024		02582JKD1	AMXCA 2023-3 A	5.23%	9/15/2028	4,663.42		
INTEREST	9/15/2024	9/15/2024		161571HT4	CHAIT 2023-A1 A	5.16%	9/15/2028	4,493.50		
INTEREST	9/16/2024	9/16/2024		36268GAD7	GMCAR 2024-1 A3	4.85%	12/18/2028	525.42		
INTEREST	9/29/2024	9/29/2024		17325FBB3	CITIBANK NA (CALLABLE)	5.80%	9/29/2028	57,304.63		

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST	9/30/2024	9/30/2024		91282CBT7	US TREASURY N/B	0.75%	3/31/2026	24,862.50		
INTEREST	9/30/2024	9/30/2024		91282CCZ2	US TREASURY N/B	0.87%	9/30/2026	14,962.50		
INTEREST	9/30/2024	9/30/2024		91282CGT2	US TREASURY N/B	3.62%	3/31/2028	15,406.25		
INTEREST	9/30/2024	9/30/2024		91282CFM8	US TREASURY N/B	4.12%	9/30/2027	40,012.50		
INTEREST	9/30/2024	9/30/2024		91282CAM3	US TREASURY N/B	0.25%	9/30/2025	2,793.75		
MATURITY	7/25/2024	7/25/2024	1,190,000.00	912797JT5	WI TREASURY SEC. BILLS	0.00%	7/25/2024	1,190,000.00		
MATURITY	8/15/2024	8/15/2024	1,315,000.00	912797KB2	WI TREASURY SEC. BILLS	0.00%	8/15/2024	1,315,000.00		
MATURITY	8/20/2024	8/20/2024	685,000.00	912797KY2	TREASURY BILL BILLS	0.00%	8/20/2024	685,000.00		
PAYDOWN	7/1/2024	7/25/2024	1,097.24	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	1,097.24		
PAYDOWN	7/1/2024	7/25/2024	581.30	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	581.30		
PAYDOWN	7/1/2024	7/25/2024	699.11	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	699.11		
PAYDOWN	7/1/2024	7/25/2024	1,939.77	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	1,939.77		
PAYDOWN	8/1/2024	8/25/2024	1,832.35	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	1,832.35		37.30
PAYDOWN	8/1/2024	8/25/2024	686.76	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	686.76		0.01
PAYDOWN	8/1/2024	8/25/2024	508.58	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	508.58		
PAYDOWN	8/1/2024	8/25/2024	1,364.10	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	1,364.10		
PAYDOWN	9/1/2024	9/25/2024	61,108.47	3136BQDE6	FNA 2023-M6 A2	4.18%	7/1/2028	61,108.47		810.76
PAYDOWN	9/1/2024	9/25/2024	1,838.50	3137BTUM1	FHMS K061 A2	3.34%	11/1/2026	1,838.50		36.08

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
PAYDOWN	9/1/2024	9/25/2024	1,372.20	3137HAMN3	FHMS KJ47 A1	5.27%	8/1/2028	1,372.20		0.01
PAYDOWN	9/1/2024	9/25/2024	510.97	3137HAMG8	FHMS K506 A1	4.65%	5/1/2028	510.97		6.22
PAYDOWN	9/1/2024	9/25/2024	690.44	3137HAD45	FHMS KJ46 A1	4.77%	6/1/2028	690.44		0.01
SELL	7/2/2024	7/3/2024	865,000.00	91282CDS7	US TREASURY N/B	1.12%	1/15/2025	850,656.72		-17,034.73
SELL	7/2/2024	7/3/2024	5,100,000.00	91282CDZ1	US TREASURY N/B	1.50%	2/15/2025	5,011,076.19		-72,691.73
SELL	7/16/2024	7/17/2024	740,000.00	91282ZF0	US TREASURY N/B	0.50%	3/31/2025	718,082.43		-12,437.47
SELL	7/16/2024	7/17/2024	1,150,000.00	91282CKX8	US TREASURY N/B	4.25%	6/30/2029	1,160,972.65		15,184.01
SELL	8/1/2024	8/2/2024	2,460,000.00	91282ZF0	US TREASURY N/B	0.50%	3/31/2025	2,395,075.80		-36,134.95
SELL	8/7/2024	8/8/2024	1,300,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	1,313,368.71		3,175.39
SELL	8/12/2024	8/14/2024	245,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	248,100.37		1,024.62
SELL	8/13/2024	8/14/2024	850,000.00	91282CLC3	US TREASURY N/B	4.00%	7/31/2029	862,549.34		5,347.75
SELL	8/14/2024	8/15/2024	670,000.00	91282CGP0	US TREASURY N/B	4.00%	2/29/2028	688,201.97		12,620.52
SELL	9/4/2024	9/5/2024	3,125,000.00	9128284M9	US TREASURY N/B	2.87%	4/30/2025	3,122,070.31		-33,172.95
SELL	9/11/2024	9/12/2024	465,000.00	91282CAB7	US TREASURY N/B	0.25%	7/31/2025	449,623.73		-10,018.18
TOTALS			121,999,423.85					41,634,420.97		-143,247.33

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- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

Date: December 12, 2024

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager – Finance

SUBJECT: Independent Auditor’s Report and Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024

SUMMARY:

- The Pun Group, LLP, the Agency’s external auditor, recently completed its audit of the Agency’s financial statements for the fiscal year ended June 30, 2024, and issued an unmodified opinion. The auditors will provide a supplemental presentation during the December Board meeting. Acceptance of the Annual Comprehensive Financial Report will help meet the Agency’s Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency and continue to conduct an annual audit.
- The audit was conducted in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- The audit concluded that: (1) the financial statements present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and the major funds of the Alameda County Flood Control and Water Conservation District - Zone 7 at June 30, 2024, and the respective changes in the financial position and cash flows for the year; (2) the accounting is in conformity with generally accepted accounting principles in the United States of America; and (3) the internal controls and communications are adequate.

DISCUSSION:

As demonstrated by the results reported in the Fiscal Year 2023-24 ACFR, the Agency continues to meet its financial objectives. Financial highlights for Fiscal Year 2023-24 include:

- The Agency’s total net position was \$618.2 million as of June 30, 2024. Of this amount, \$73.4 million is available to meet the Agency’s ongoing obligations to residents, customers, stakeholders, and creditors.

- The Agency's total net position increased for fiscal year 2024 by \$32.2 million or 5.5 percent from \$586 million to \$618.2 million. The net position for governmental activities increased by \$8.0 million or 6.1 percent. Net position for business-type activities increased \$24.2 million or 5.3 percent.
- Total revenues increased by \$23.3 million or 18.6 percent from \$125.8 million to \$149.2 million while total expenses also increased by \$10.2 million or 9.6 percent from \$106.8 million to \$117 million for the fiscal year ended June 30, 2024.
- The Agency's total assets increased \$62.9 million or 9.3 percent from \$679.2 million to \$742.1 million. Capital assets increased by \$8.9 million or 2.4 percent from \$364 million to \$372.9 million. Cash and investments increased \$42 million or 14.1 percent from \$297.2 million to \$339.2 million.

The Audit Report contains the following documents for Board's review:

- Annual Comprehensive Financial Report: This report provides information on the Agency's operating and financial activities for the fiscal year ending June 30, 2024.
 - The Introductory Section – provides an overview of the Agency.
 - The Financial Section – provides an analysis of the Agency's financial performance during the previous two fiscal years and presents the Agency's audited financial statements, including Statements of Net Position (balance sheet), Statements of Revenues, Expenses and Changes in Net Position (income statement) and Statements of Cash Flows for the fiscal year ending June 30, 2024. This section also includes the management's discussion and analysis, notes to the financial statements, which provide supplementary information regarding the Agency and its financial standing.
 - Statistical Section – provides ten years of key historical financial data and demographic data and economic data.
- Independent Auditor's Report: This letter is included in the ACFR on page 1 and communicates the auditor's unmodified opinion. The auditors expressed an opinion that the Agency's financial statements for FY 2023-24 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion.

- Report on Internal Control over Financial Reporting and on Compliance and Other Matters: This letter is included in the ACFR on page 165. This is a required report that auditors provide for audits performed under Government Auditing Standards (standards in addition to generally accepted auditing standards). It describes the scope of the auditor's testing of the Agency's internal control and compliance.
- Report to the Board of Directors: This is an internal report for the Board of Directors and is a required communication and recommendation by Statement on Auditing Standards (SAS) No. 114. The letter outlines the Auditor's responsibility, planned scope and timing of the audit, provides advice on accounting policies, evaluates accounting estimates, proposes audit adjustments, significant audit findings, status of prior years' recommendations, corrected and uncorrected misstatements, disagreement with management, management representation, and outlines any major difficulties encountered in performing the audit.

The Annual Comprehensive Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA") and the Agency will be submitting the FY 2023-24 Report GFOA for review and certification.

FUNDING:

There is no funding impact.

RECOMMENDED ACTION:

Accept the Annual Comprehensive Financial Report for Fiscal Year 2023-24 and refer the Annual Comprehensive Financial Report to the full Board for the December 18, 2024, Board Meeting for consideration.

ATTACHMENTS:

- Annual Comprehensive Financial Report – For the year ended June 30, 2024
- SAS No. 114 – Report to the Board of Directors for the year ended June 30, 2024



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2023-2024

ALAMEDA COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT
Zone 7 Water Agency

FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED INFORMATION AS
OF JUNE 30, 2023
Livermore, CA

**Alameda County Flood Control and
Water Conservation District, Zone 7
Zone 7 Water Agency**

Livermore, California

**Annual Comprehensive Financial Report
and Independent Auditors' Reports**

*For the Year Ended June 30, 2024
(With Summarized Information For The Year Ended June 30, 2023)*

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024
(With Summarized Information for the Year Ended June 30, 2023)

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December 5, 2024

To the Board of Directors, Customers, and Residents of Eastern Alameda County:

The Annual Comprehensive Financial Report for the Zone 7 Water Agency

We are pleased to present the Annual Comprehensive Financial Report (“ACFR”) of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Zone 7 or the Agency), for the fiscal year ended June 30, 2024 (with summarized information for the year ended June 30, 2023).

The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”) as promulgated by the Governmental Accounting Standards Board (“GASB”).

The intended purpose of the financial report is to provide the Board of Directors, the customers of the Agency, and other interested parties with reliable information on the finances of the Agency. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not surpass its benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements.

The Pun Group, LLP, a firm of licensed certified public accountants, has issued an unmodified (“clean”) opinion on the Agency financial statements for the year ended June 30, 2024. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2024, are free of material misstatement. The independent auditors’ report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic

financial statements. This transmittal letter is designed to complement and be read in conjunction with the MD&A.

The Annual Comprehensive Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada (“GFOA”) and the Agency is submitting this ACFR to GFOA for review and certification.

Agency Profile

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Chapter 55 of the California Water Code Appendix) was passed by the State Legislature in 1949. The Agency was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independent elected board to provide



local control of integrated water resources. The Agency’s Administrative Office is in the City of Livermore in Alameda County. Livermore was founded in 1869 and is one of California’s oldest wine regions. The Agency currently serves an estimated population of 261,000 people and is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control, and groundwater management throughout eastern Alameda County.

The Agency provides wholesale potable (treated) water to retail water suppliers, untreated irrigation water, and flood protection services. Its territory includes 425 square miles of eastern Alameda County. The Agency has broad power to finance, construct, and operate a system for the transportation, storage, treatment, and distribution of water.

The Agency imports water into the Valley from the State Water Project (“SWP”), operated by the Department of Water Resources (“DWR”) of the State of California. The State issued bonds to finance the SWP. The Agency is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

The Agency’s four retail water customers are the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District, and California Water Service Company – Livermore District. These retailers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton, and through a special agreement with Dublin-San Ramon Services District, the Dougherty Valley portion of San Ramon.

History and Services

Since long before the Agency was created, the critical issues of water supply, water quality, and flood protection have shaped the region’s ability to prosper. Although the Tri-Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought had local farmers, vintners, and residents alike worried about their livelihoods, according to reports published in 1948. There was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park and various residential developments are now located.

Since being established in 1957 by local voters demanding local control over local water-resource planning, flood protection, and financing, the Agency has taken the Tri-Valley a long way in resolving many of its most pressing water supply, water quality, and flood protection problems. The locally elected, seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water resource management, incorporating co-benefits of recreation, and environmental protection and enhancements where feasible. Many issues have persisted over the decades, and their implications on local land use, local control, and local financing continue to surface. Indeed, challenges continue as the Agency works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development approved by Tri-Valley cities and/or the County at no cost or harm to existing residents. The Agency has long been known for its proactive groundwater basin stewardship. Continuing in that tradition, on December 21, 2016, the Agency Board of Directors adopted a resolution officially accepting the role of Groundwater Sustainability Agency (“GSA”) for the Livermore Valley Groundwater Basin under the Sustainable



Groundwater Management Act (“SGMA”). The Agency was one of several agencies recognized in the legislation as being a trusted groundwater basin manager and identified as the exclusive local agency eligible to perform the GSA role within its service area.

Through coordination with other local agencies in the region and neighboring groundwater basins, the Agency was able to notify the State that it will continue sustainable groundwater management for the entire portion of the Livermore Valley groundwater basin that is within the Agency’s service area as well as a small portion that lies within Contra Costa County

Since its formation, the Agency has continued to take steps to expand its level of local control and autonomy. In 2003, state legislation granted the Agency more authority over issues and projects of exclusive interest to the Agency, allowing the Board to improve economic efficiencies and reduce administrative duplication with the county.

Local control has allowed the Agency to develop master plans that sustainably integrate and optimize water supply reliability, water quality, flood management and environmental stewardship. Meanwhile, the Agency has participated with other water, recycled water, sewer, and storm water utilities in the greater Bay Area to explore potential opportunities to pool services/equipment for increased efficiency.

Service Area

The Agency supplies treated drinking water to retailers serving a population of 261,000 people and businesses in Pleasanton, Livermore, Dublin, and through a special agreement with the Dublin-San Ramon Services District, the Dougherty Valley area in San Ramon. The Agency also supplies untreated irrigation water to local vineyards, farms, and golf courses, and provides both flood protection and groundwater management in eastern Alameda County.



Agency-Wide Strategic Overview

On June 17, 2020, the Board adopted the 2020-2024 Five-Year Strategic Plan (Strategic Plan) and a revised Mission and Vision Statement with updated Values & Goals. The Strategic Plan guided the Agency's activities during FY 2023-24.

Mission

Deliver safe, reliable, efficient, and sustainable water and flood protection services.

Vision

Provide excellent water and flood protection services to enhance the quality of life, economic vitality, and environmental health of the communities we serve.

Values

"Our shared values guide all our actions." – Valerie Pryor, General Manager

- **Transparency** – We operate in an open and transparent fashion.
- **Customer Service** – We are prompt, respectful, and courteous in all of our interactions.
- **Collaboration** – We embrace collaboration to enhance our services.
- **Environmental Sensitivity** – We deliver our services in an environmentally-sensitive manner.
- **Fiscal Responsibility** – We operate in a productive, cost effective, and efficient manner.
- **Innovation** – We encourage innovation, creativity, and ingenuity.
- **Integrity** – We maintain the highest ethical standards and open, honest communications.
- **Leadership and Service** – We maintain a diverse team of highly skilled professionals devoted to honest and accountable stewardship of our resources.
- **Proactivity** – We proactively address issues and embrace continuous improvement.
- **Safety** – We are committed to public and employee safety.

Organization-Wide Goals

GOAL-A
RELIABLE WATER
SUPPLY AND
INFRASTRUCTURE

Provide customers with reliable water supply and infrastructure.

GOAL-B
SAFE WATER

Provide customers with safe water.

GOAL-C
GROUNDWATER
MANAGEMENT

Manage and protect the groundwater basin as the State designated Groundwater Sustainability Agency.

GOAL-D
EFFECTIVE FLOOD
PROTECTION

Provide an effective system of flood protection.

GOAL-E
EFFECTIVE OPERATIONS

Provide the Agency with effective leadership, administration, and governance.

GOAL-F
STAKEHOLDER
ENGAGEMENT

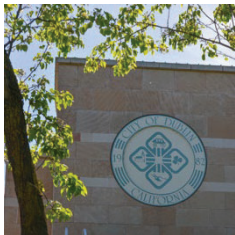
Engage our stakeholders to foster understanding of their needs, the Agency, and its functions.

GOAL-G
FISCAL RESPONSIBILITY

Operate the Agency in a fiscally-responsible manner.

Economic Condition and Fiscal Outlook

The Agency’s administrative office is in the City of Livermore, in Alameda County, which is part of the Tri-Valley area of Dublin-Livermore-Pleasanton. The Tri-Valley is located 39 miles east of San Francisco, California and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively (for major employers including both vineyards and high-tech firms). With a combined population now of 261,000 residents, the Tri-Valley area continues to be one of the fastest growing areas in the Bay Area.



DUBLIN has emerged as an outstanding community for families. With a population of 73,000 residents, its known as the “New American Backyard”, Dublin is an attractive destination for businesses and residents alike who want access to transportation (two major freeways and two BART stations), excellent schools, beautiful parks and public facilities, safe neighborhoods, and a wide variety of housing types.

Dublin has progressive policies that promote quality growth in office, retail, and residential development. Dublin continues to work to expand and enhance the quality of life for all members of our community.



LIVERMORE is a community that reflects an eclectic blend of science, arts, western culture, and award-winning wineries and breweries. The City’s renowned reputation in science, technology, and innovation is showcased by the Lawrence Livermore and Sandia National Laboratories, and its regional i-GATE Innovation Hub and “Switch” facility. The San Francisco Premium Outlets and the vibrant downtown

highlight a wide range of shopping, dining, and entertainment opportunities for Livermore’s 85,000 residents and visitors. Livermore’s diverse community amenities, business-friendly atmosphere, and strong public schools make it the perfect location for entrepreneurs and businesses of all sizes.



PLEASANTON carries a small-town ambiance with a metropolitan edge that contributed to its inclusion as the only Bay Area city on Money Magazine’s 2010 list of America’s 100 Best Small Cities. This city of 76,000 supports a thriving business community of more than 4,000 companies, from Fortune 500 to home-grown innovation firms. Pleasanton’s highly educated population and workforce reflect the

community values education and preeminent school system. Downtown Pleasanton is a charming historic destination with a mix of unique shops, services, and restaurants.

Local Economy



Most of the Agency's service area lies within the County of Alameda which possesses a large and diverse economic base, consisting of research and high technology, professional services, agriculture, finance, retail trade, medical and health services, government services and many others. The 2023-24 local roll included assessments of 520,302 taxable properties within Alameda County. The assessed value of these properties totaled \$414.8 billion - a \$28.1 billion or a 7.3% increase above the previous year's assessment roll. The growing economy, sales of existing real estate, new construction and increase in business personal property are responsible for this increase. Other factors leading to this year's assessment growth included the mandatory inflation index of 2% being applied to all property's assessed values that were not affected by assessment declines in prior years. This inflation index, roll corrections, base value restorations, increase in business personal property, and other miscellaneous factors added \$8.7 billion. Reassessments due to sales/transfers of real estate added \$13.4 billion, new construction activity added \$2.8 billion and increases in business personal property added \$3.3 billion. A copy of the [2023-24 annual report](#) is available at the Alameda County Assessor Office website.

The Agency's service area had a slight decrease in population from 2023 to 2024. The city of Pleasanton saw the highest decline in population of 1.2%, followed by city of Livermore with a slight decrease in population of 0.5%. The city of Dublin experienced a small population increase of 0.3%.

As of June 2024, the Alameda County median home value was reported at \$1.1M, a 4.8% increase compared to the same time last year. As of June 2024, the Alameda County unemployment rate was reported at 4.7%, up from 4.2% in June 2023.

Facing rising inflation, the Federal Reserve—tasked with maintaining stable price growth—cut interest rates for the first time in four years in September 2024. The 0.5% cut in September was the first in a series of rate cuts over the next 1-2 years with the aim of maximum employment, maintaining stable prices, and moderate long-term interest rates. On November 7, 2024, the Federal Reserve approved its second consecutive interest rate cut of 0.25%.

Long-Term Financial Planning / Strategic Planning

Credit Rating:

In April 2018, the Agency issued \$64,010,000 of Livermore Valley Water Financing Authority (LVWFA) Water Revenue Bonds, 2018 Series A to finance the construction of an ozone treatment facility at the Del Valle Water Treatment Plant and to refinance bonds associated with the Cawelo Groundwater Banking Program.

In November 2023, the Agency, issued \$28,795,000 of LVWFA 2023 Series A to finance the Chain of Lakes Per- and Polyfluoroalkyl Substances (PFAS) Treatment Facility and other capital improvements.

In October 2023, S&P Global Ratings (S&P) raised its long-term rating on the Agency's outstanding 2018 Series A Water Revenue Bonds to 'AAA' from 'AA+'. S&P also assigned a 'AAA' to the Agency's 2023 Series A Water Revenue Bonds, with a stable outlook. 'AAA' is the highest rating assigned by S&P. Fitch Ratings affirmed its 'AA+' rating of the Agency and revised the rating outlook from 'Stable' to 'Positive'.

In October 2024, Fitch Ratings, as part of its annual surveillance, affirmed the Agency's AA+ rating with a 'Positive' outlook.

Water Rates:

The Agency's largest revenue source is the sale of water, acting as a wholesaler for four water supply retailers in Livermore, Pleasanton, Dublin and by a special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. On November 16, 2022, the Board approved 5.5% annual rate revenue adjustment for wholesale water services for Calendar Years 2023, 2024, 2025 and 2026. The CY 2023 increase went into effect February 1, 2023, and the remaining increases for years 2024-2026 are effective January 1 of each year. The rates resolution directed a revisit of the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024. The rate review was performed in October 2024. The review determined the CY 2025 and CY 2026 rates to be sufficient to meet revenue requirements with no additional adjustments needed.

Strategic Planning:

On June 17, 2020, the Board adopted a 2020-2024 Five-Year Strategic Plan. The Strategic Plan was developed through a collaborative process with the Board of Directors, management, and staff. The planning consultant interviewed each of the seven Board members regarding their perspectives on the future challenges for the Agency. These interviews were followed by a management workshop. Four workshop sessions with Agency employees and supervisors mined key strengths, weaknesses, opportunities, and threats facing the Agency. The Board discussed the Agency's strategic challenges and refined a vision, mission, and goals for the 5-Year Strategic Plan at a Board Retreat in early 2020. Based upon staff input and Board direction, the management team then developed "initiatives" for each of these goals. In November 2024, the Board adopted a new Strategic Plan for the years 2025-2029, with an emphasis on valuing, investing in, and maintaining a high-quality workforce.

Capital Improvement Plan:

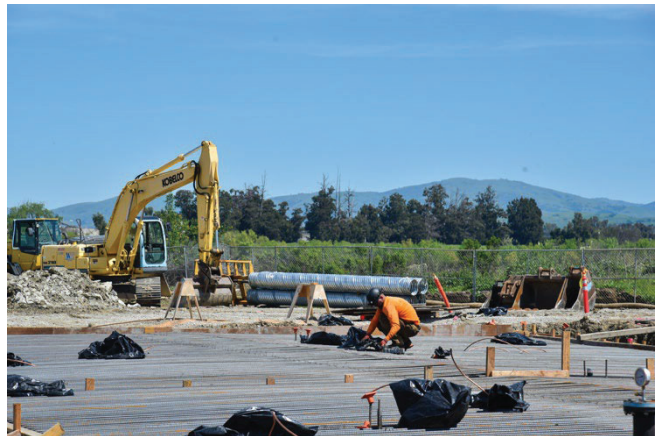
To maintain reliable operations, the Agency continues to effectively implement infrastructure projects in its Capital Improvement Plan (CIP). The CIP serves as an implementation and funding plan for projects required to meet the Agency's mission and goals.

The Asset Management Plan (AMP) includes the asset inventory and long-term (40-year) renewal and replacement schedule for the water system assets, determines total funding needed over the planning horizon, and documents the Agency's funding plan.

For purposes of the CIP, capital outlay is distinguished from capital projects. Capital outlay includes only those projects, or equipment purchases between \$5,000 and \$50,000 and having more than one year of useful life. Capital outlay is funded through the operating budget. All capital projects or equipment purchases of at least \$50,000 or over and having five years of useful life are included in the capital improvement planning process.

Recent PFAS regulatory requirements have accelerated the addition of two new PFAS projects - Chain of Lakes and Stoneridge Well Ion Exchange PFAS Treatment Facilities, which were not originally planned for in the CIP.

The urgency of completing the PFAS projects accelerated the need for the Agency to secure bond financing. The Agency conducted a CIP update to satisfy the bond issuance disclosure requirement of providing an accurate financial plan that includes a five-year CIP outlook in the Official Statement, In accordance with this requirement, the Board adopted an interim Five-Year Water System CIP on June 21, 2023. The Agency is currently developing Ten-Year Water System CIP, which will supplant the interim CIP; completion is expected in Spring 2025.

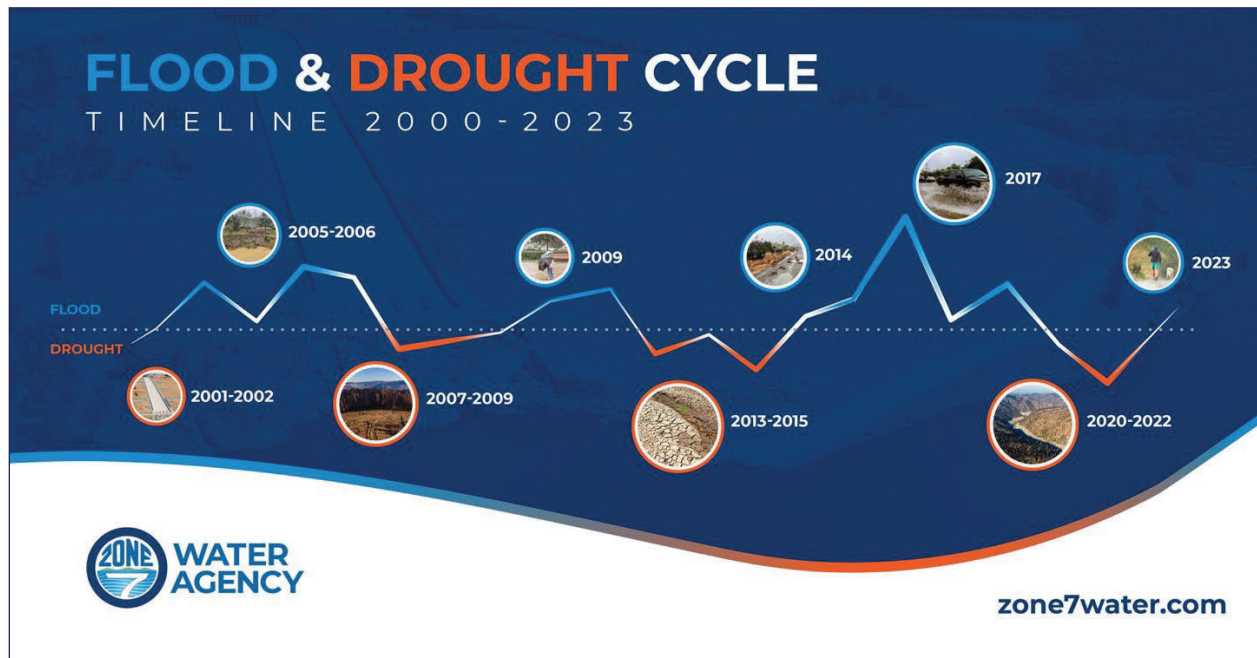


Significant Accomplishments

Water Supply:

2023 resulted in hydrologic whiplash for California, starting with what appeared to be the fourth consecutive drought year, with the SWP allocation initially set at 10%. However, starting in January 2023, the hydrologic conditions began to shift. Locally, a significant New Year's storm event resulted in record high flows on Arroyo de la Laguna of approximately 16,000 cubic feet per second, well above flood stage.

The SWP made a total of four allocation increases, with a final allocation of 100% in April 2023. This was the first 100% allocation for the SWP since 2006. Given the sudden shift from drought conditions to one of California's wettest years on record, the Board rescinded its drought emergency in April 2023 and lifted the 15% mandatory call for conservation enacted in September of 2021. Given average precipitation conditions in 2024, the SWP allocation was set at 40%. Despite the lower allocation, the Agency met demands in 2024 without the need for voluntary conservation.



Sustainable Groundwater Management:

The Sustainable Groundwater Management Act ("SGMA") is historic legislation which requires local agencies to adopt groundwater management plans and monitor and

manage groundwater resources in a sustainable way. In 2014, the State of California's Sustainable Groundwater Management Act recognized the Agency's sustainable groundwater management program by naming the Agency the exclusive Agency to continue this role in its service area. At the end of 2016, the Agency officially accepted the new role and filed an Alternative Sustainable Groundwater Management Plan. Early in 2017, the Agency's Board of Directors adopted a Sustainable Groundwater Management Ordinance to clarify the Agency's responsibilities related to groundwater management for the Livermore-Amador Valley groundwater basin as well as a small portion that lies within Contra Costa County.

In support of Strategic Plan Initiative No. 8 - Conduct additional basin modeling to incorporate the extended cross sections and other data to evaluate how the new information impacts future drought scenarios and future basin salt loading, the Agency is developing a new groundwater model.

Water Quality:

Zone 7 operates two water treatment plants (Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant), the Mocho Groundwater Demineralization Plant, the Stoneridge Ion Exchange PFAS treatment facility, ten groundwater supply wells and a state-of-the-art water quality testing laboratory. Water treatment facilities are staffed by talented and committed experts in their fields who make a world of difference when it comes to bringing safe water to the Tri-Valley community.

All Zone 7 water supplied in 2023 met the regulatory standards set by the state and federal governments and, in almost all cases, the quality was significantly better than required.



PFAS:

Zone 7 has been actively monitoring for PFAS since late 2018. No PFAS have been detected in its treated surface water which makes up the majority of the water delivered to customers. Although PFAS has been detected in some Zone 7 groundwater wells, these wells were treated to levels below the State's recommended response levels before entering the distribution system. Groundwater is typically used for meeting peak day demand or when surface water supply is limited. Immediately after the Environmental Protection Agency (EPA) announced the final PFAS regulations in April 2024, Zone 7 adjusted operations to ensure all delivered water would meet the new federal PFAS standards prior to the required compliance deadline in 2029.

Zone 7 has also taken proactive steps to plan, design, and construct new PFAS treatment facilities in preparation for compliance with the new federal standards. The Agency will utilize specialized Ion Exchange resins to remove PFAS from two of our groundwater treatment facilities. The Stoneridge Well Ion Exchange PFAS treatment facility was commissioned in September 2023 and the Chain of Lakes Wellfield treatment facility is expected to be online by late 2024.



In addition, Zone 7 is currently preparing a conceptual design to determine the most effective treatment option for our Mocho Wells. The existing reverse osmosis membrane treatment facility already removes PFAS at these wells, but additional treatment capacity is required to meet the new PFAS standards. The conceptual design is expected to be finished by the end of 2024, followed by detailed design and construction phases.

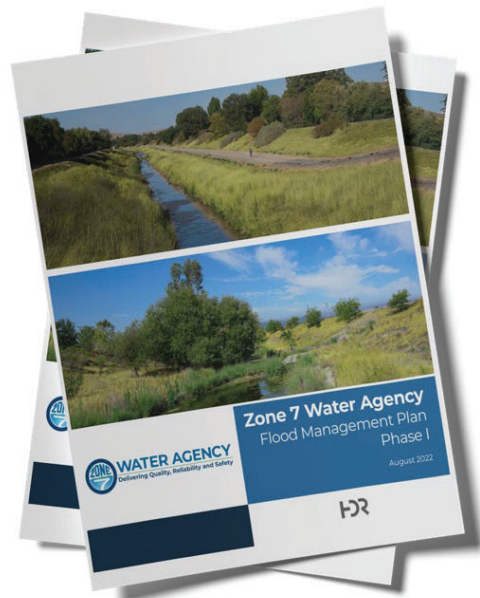
Flood Protection:

The Strategic Plan includes an initiative to update the flood protection strategy. A consultant with expertise in flood protection engineering provided a high-level assessment of the Agency's flood protection policies and of the overall flood protection system currently in place.

The consultant's recommendation is to pursue a new flood system management plan, which would incorporate some of the existing plans but provide a more contemporary approach to flood protection by focusing on goals and incorporating climate change into a revised strategy. It will also look for opportunities to engage partner agencies during development and expand engagement with the community in discussions about flood risk and the revised approach.

On August 17, 2022, the Board adopted Resolution No. 22-73 approving the Flood Management Plan Phase 1. This phase established flood management guiding principles, flood performance goals and objectives, a flood system definition, and best management practices. Phase 2A commenced in February 2023 and focuses on a quantitative risk-informed, watershed-based, systemwide evaluation of the 37-mile flood protection system. Anticipated completion for Phase 2A is January 2026.

In January and March 2023, higher than normal frequency and intensity storms caused significant damage to the Agency's flood protection facilities, resulting in the Board declaring a local state of flood emergency for the two storms. Staff identified storm-related channel bank damages at 177 sites owned by Zone 7. In November 2023, the Board approved design and environmental permitting assistance services to begin repair of the damaged sites for an amount not to exceed \$6.1M. In March 2024, the Board approved an engineering services agreement for design and permitting support for Phase 1 storm damage repair.



The Agency has applied for assistance from the US Army Corps of Engineers (USACE), FEMA, and the California Governor’s Office of Emergency Services to help fund the repairs of the 2023 storm damage. USACE has approved a list of 48 storm damage sites to be repaired under their assistance program. The Agency continues to coordinate with FEMA to maximize federal assistance.

The following are some of the key activities related to the Flood Protection Program in FY 2023-24:

- Executed a \$6.1M Grant agreement with DWR for the Alamo Creek Stabilization Pilot Project.
- Received approval from USACE for assistance to repair 48 storm damage sites, which is estimated to cost \$30 million, from 2022-2023 storms.
- Updated the Agency's Storm Response Plan.
- Completed design phase for high-priority storm damage repair sites.

Long-Term Water Supply Reliability:

In 2023-24, the Agency continued its investment in planning activities and evaluating participation in water supply reliability projects, such as the Delta Conveyance Project, Los Vaqueros Reservoir Expansion Project, and Sites Reservoir Project, as part of its mission to deliver safe, reliable, efficient, and sustainable water.

The Agency took additional steps toward establishing long-term water supply reliability in FY 2023-24. These included:

- Completed the Desktop Groundwater Contaminant Mobilization Study to assess the impacts of groundwater recharge with purified water.
- Secured grant funding to update the Agency’s water supply risk model as a decision support tool.
- Jointly developed an operations model in partnership with Alameda County Water District and Valley Water to evaluate the Los Vaqueros Reservoir Expansion Project.
- Continued development of a robust water transfer program to meet water supply needs and manage available transfer water supply and costs.

- Continued the feasibility study and benefit-cost analysis for the Chain of Lakes Conveyance System to optimize the water supply benefits and further refine the operational scheme.
- Initiated a joint project with the City of Pleasanton to evaluate the feasibility of new water supply wells to diversify local groundwater sources.
- Continued implementing the PFAS management strategy.
- Continued to offer a robust conservation and outreach program in conjunction with Zone 7's water retailers.
- Initiated the renewal process for the retail water supply agreements with retailers for the next 30 years.



The Agency will also continue to pursue the following approaches for water supply reliability, with direction from the Board of Directors, if they demonstrate progress toward attaining new sustainable water supplies both regionally and locally and are fiscally feasible:

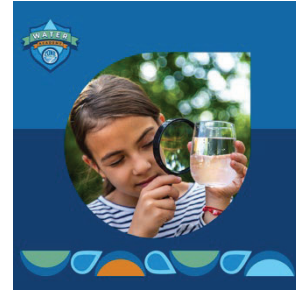
- Desalination
- Potable reuse
- Intertie with a neighboring water agency

Communications and Outreach

To deliver on the Agency's 2020-2024 Strategic Plan Goal F which strives to engage our stakeholders to foster mutual understanding, staff implements and oversees a multi-faceted outreach and communications program to connect with and engage stakeholders. Through an open and transparent approach, the Agency seeks to deliver effective customer-centric communications, reaching constituents where, when, and how they prefer. Effective communication builds confidence, trust, and awareness among constituents, increases participation to help with effective decision-making, and helps strengthen Zone 7's commitment to its mission and vision.

Stakeholder Engagement Highlights for FY 2023-24

Water Academy School Program: To boost student engagement in water education, Zone 7 rebranded its outreach program as "Water Academy" for the 2023-24 school year. With new branding, promotion, and incentives, the program led to 473 scheduled classes, a 54% increase over the prior year, and saw a 350% increase in visits webpage dedicated to teachers and students on the website.



Interactive Online Annual Report: In January 2024, Zone 7's redesigned online report increased readership by 250% and improved accessibility, with mobile access rising to 51%. Enhanced with charts, videos, and infographics, the report helps the community easily explore key topics like water quality and conservation. Year-round promotions allow the Agency to remain top of mind and highlight key achievements.



Flood Preparedness Week: Outreach efforts resulted in 244,710 impressions across multiple platforms, boosting community flood preparedness. The Open House attracted 100 attendees, providing hands-on learning to support community readiness.



Stoneridge Well Ion Exchange PFAS Treatment Facility Project: To inform the community about the PFAS removal project at Stoneridge Well, Zone 7 shared updates that gained wide online views and media coverage, underscoring the agency's commitment to water quality.



Wondrous World of Water Education Campaign: During Groundwater Awareness Week, Zone 7 expanded this campaign with a new Groundwater Recharge video, reaching over 42,000 people. In addition, the very popular PFAS Treatment slideshow on YouTube highlighted the community's interest in water quality efforts.



Financial Reserve Policy:

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of an Interim Reserve policy on April 17, 2013. On September 28, 2016, the Board adopted a Final Reserve Policy (Resolution No. 16-166). The 2016 revisions helped to further strengthen the Agency's financial position.

On May 15, 2019, the Board adopted Resolution No. 19-37, approving a revised reserve policy. The new policy eliminated Drought Contingency and Rate Stabilization Reserves and created a Reserve for Economic Uncertainties. The Reserve for Economic Uncertainties is prudent to help maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations. The reserve is targeted at 15% of budgeted volume-based water sales revenue. The revised policy also eliminated the Building Sinking Fund Reserve, which was liquidated with the purchase of the North Canyons Building and added the Debt Rate Stabilization Reserves that were established as part of the debt issuance in 2018.

Investment Policy:

The Agency's Investment Policy was adopted by the Board on June 11, 2024 (Resolution No. 24-45). The Agency's Investment Policy is in compliance with the California Government Code, Section 53600 et seq. The investment of idle funds is delegated by the Agency's Board to the Assistant General Manager – Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety of principal, liquidity, return on investment or yield, and diversity. The Investment Policy applies to the Agency's pooled investment fund which encompasses all monies under the direct oversight of the Agency Treasurer and is reviewed on an annual basis.

Debt Management Policy:

An update to the Agency's Debt Management Policy was by the Board in May 2023 (Resolution No. 23-35). The Debt Management Policy provides the guidelines under which specific projects outlined in the biennial planning process and documented in the Capital

Improvement Plan may be best financed. Debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency recognizes that changes in the capital markets and other unforeseen circumstances may require action deviating from this Debt Management Policy. In cases requiring any exception to this policy, approval from the Board will be required. The Debt Management Policy is not applicable to intra-agency borrowing.

Budget Controls:

The Agency has a two-year budget cycle for governmental funds and proprietary funds and maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the two-year budget approved by the Board. The Agency's operating and capital budgets are reviewed and approved by the Board of Directors. The budget includes the projects, services, and activities to be carried out during the two fiscal years and the estimated revenue available to fund these operating and capital costs. The legal level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further delineated by two categories, the operating budget (consisting of total operations and operating projects) and the capital budget (consisting of capital project expenditures).



The Agency also maintains an encumbrance accounting system as one process to accomplish budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations, or reserves of any fund at the fund level require Board approval. Budget and actual comparisons are provided in this report for the Governmental Fund (Flood Protection Operations and Flood Protection Development Impact Fee Fund). The guidelines used by the Agency in developing the formal budget process are those recommended by the Government Finance Officers Association.

Internal Controls:

The Agency management is responsible for establishing and maintaining adequate internal controls to assure the Agency operations are effective and efficient, that

applicable laws and regulations are followed, and financial reports are reliable. 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 Agency'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 control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management. We believe that the Agency's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Other Information

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Agency's financial statements. The importance of such verification has been recognized by the federal and state governments, and the general public. The Agency contracted with the accounting firm of The Pun Group, 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.

Awards

Certificate of Achievement for Excellence in Financial Reporting:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the Agency for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive 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.

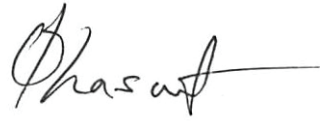
Acknowledgements

The preparation of this Annual Comprehensive Financial Report represents a successful team effort by staff from many departments within the Agency who have demonstrated their dedication and professionalism in the creation of this report. We also wish to thank the Agency's auditors, The Pun Group, LLP for their assistance and guidance and the Board for their structural guidance and consistent fiduciary focus.

Respectfully submitted,



Valerie Pryor
General Manager

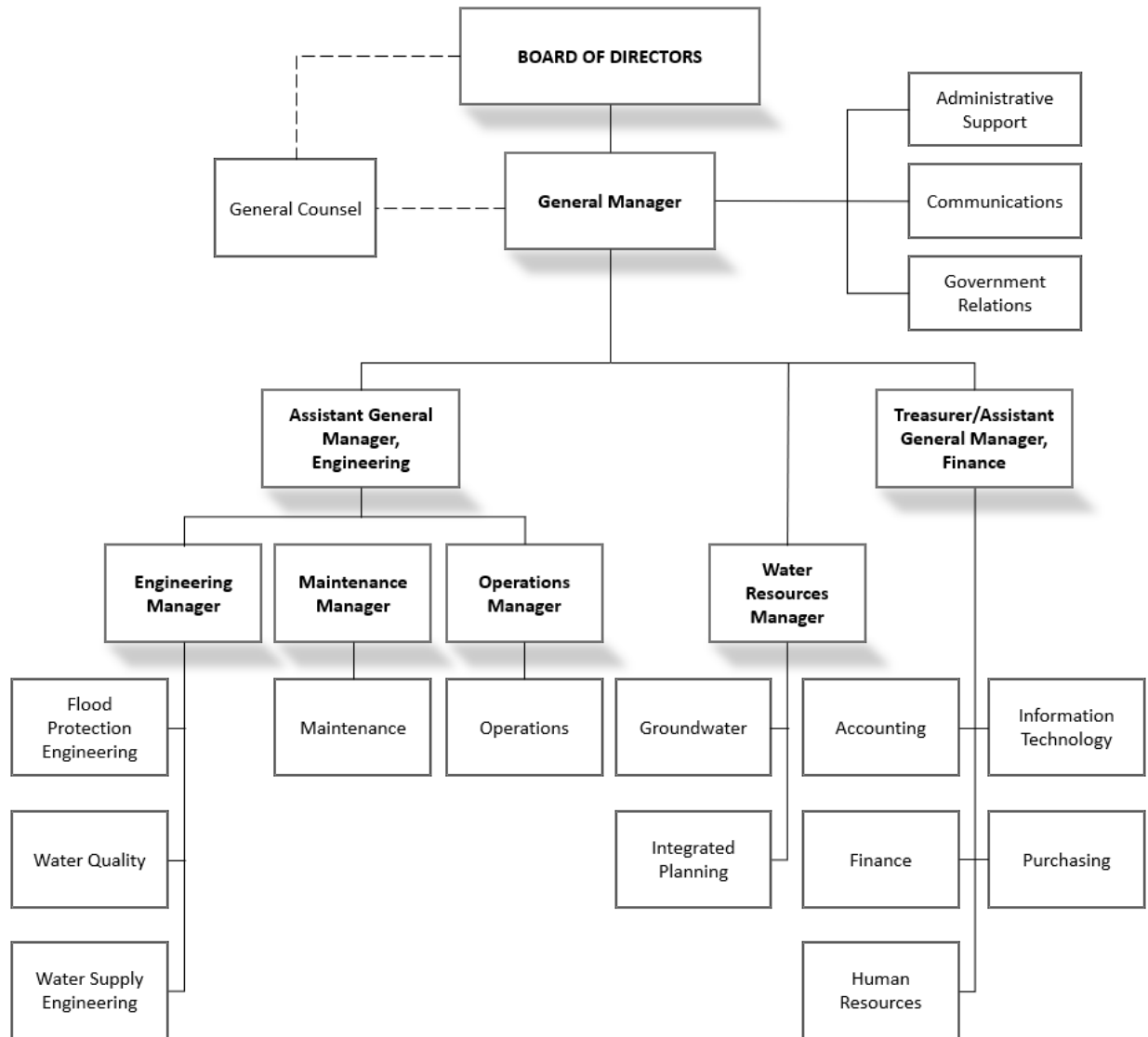


Osborn Solitei
Treasurer/Assistant
General Manager, Finance

Alameda County Flood Control and Water Conservation District, Zone 7

Functional Organizational Chart

Fiscal Year 2023-2024



List of Elected Officials and Agency Management



Dennis Gambs, *President*

Board Member since 2018 -- Term Expires June 30, 2026



Dawn Benson, *Vice President*

Board Member since 2022 -- Term Expires June 30, 2026



Catherine Brown

Board Member since 2024 -- Term Expires June 30, 2026



Sands Figuers

Board Member 1988-2000; again since 2008 -- Term Expires June 30, 2028



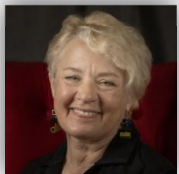
Laurene Green

Board Member since 2020 -- Term Expires June 30, 2028



Kathy Narum

Board Member since 2023 -- Term Expires June 30, 2028



Sarah Palmer

Board Member since 2006 -- Term Expires June 30, 2026

Executive Management Team

Valerie Pryor, *General Manager*

Chris Hentz, *Assistant General Manager, Engineering*

Osborn Solitei, *Treasurer/Assistant General Manager, Finance*

**Alameda County Flood Control and Water Conservation
District, Zone 7**

**2024 Annual Comprehensive Financial Report
Project Team**

Audit/Financial Statement Coordinator
Osborn Solitei,
Treasurer/Assistant General Manager, Finance

Teri Yasuda
Accounting Manager

Flora Guo
Sr. Auditor/ Accountant

Elizabeth Foss
Financial Analyst

JaVia Green
Financial Analyst



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Alameda County Flood Control & Water
Conservation District - Zone 7 Water Agency
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT



To the Board of Directors

Alameda County Flood Control and
Water Conservation District, Zone 7 – Zone 7 Water Agency
Livermore, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District, Zone 7 – Zone 7 Water Agency (the “Agency”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of Net Pension Liability and Related Ratios, and the Schedules of Contributions - Pensions, the Schedule of the Agency's Proportionate Share of Net OPEB Liability (Asset) and Related Ratios and Schedule of Contributions - OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency’s basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Agency’s 2023 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and the Statistical Sections but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 on our consideration of the Agency’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 Agency’s internal control over financial reporting and compliance.



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Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2024, and 2023

The Government Accounting Standards Board Statement Number 34 requires that management prepare a Management’s Discussion and Analysis (“MD&A”) section as a component of the audited Financial Statements.

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (“Agency”) MD&A presents management’s analysis of the Agency’s financial condition and activities for the year ended June 30, 2024, and 2023. The MD&A is intended to serve as an introduction to the Agency’s basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section. A narrative overview and comparative analysis of fiscal year 2024 to 2023 information is presented in this report. Readers are encouraged to consider the information presented here as complementary to the information contained in the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars. The information in this MD&A is presented in the following order:

- Financial Highlights
- Overview of Financial Statements
- Government-wide Financial Analysis
- Capital Assets
- Debt Administration and Bond Rating
- Economic Factors and Next Year’s Budget and Rates
- Request for Information

Financial Highlights

- The Agency’s total net position was \$618.2 million as of June 30, 2024. Of this amount, \$73.4 million is available to meet the Agency’s ongoing obligations to residents, customers, stakeholders, and creditors.
- The Agency’s total net position increased for fiscal year 2024 by \$32.2 million or 5.5 percent from \$586 million to \$618.2 million. The net position for governmental activities increased by \$8.0 million or 6.1 percent. Net position for business-type activities increased \$24.2 million or 5.3 percent.
- Total revenues increased by \$23.3 million or 18.6 percent from \$125.8 million to \$149.2 million and total expenses also increased by \$10.2 million or 9.6 percent from \$106.8 million to \$117 million for the fiscal year ended June 30, 2024.
- The Agency’s total assets increased \$62.9 million or 9.3 percent from \$679.2 million to \$742.1 million. Capital assets increased by \$8.9 million or 2.4 percent from \$364 million to \$372.9 million. Cash and investments increased \$42 million or 14.1 percent from \$297.2 million to \$339.2 million.
- The Agency’s total liabilities increased \$29.6 million or 31 percent from \$95.6 million to \$125.2 million. Current liabilities increased by \$5.3 million or 38.3 percent and noncurrent liabilities increased by \$24.2 million or 29.7 percent.

Overview of Financial Statements

This discussion and analysis serve as an introduction to the Agency’s basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Agency-wide financial statements

The Agency-wide financial statements are designed to provide readers with an overview of the Agency’s finances. The Agency-wide financial statements present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all of the Agency’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency’s net position changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide statements distinguish functions of the Agency that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include the Flood Protection Fund and Flood Protection Development Impact Fee Fund. The business-type (proprietary) activities include the Water Enterprise System.

The government-wide financial statements can be found in the financial section of this report.

Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency’s two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds

The Agency’s governmental funds consist of three funds: Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Fund. These funds are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed near-term view of the Agency’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency’s programs.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Agency-wide financial statements. However, unlike the Agency-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. A reconciliation of both the *governmental funds balance sheet* and the *governmental funds statement of revenues, expenditures, and change in fund balances* to the *Agency-wide statements* are provided to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found in the financial section of this report.

Proprietary funds

The Agency’s proprietary funds consist of four enterprise funds: Water Enterprise Operations, State Water Facilities, Water Enterprise Capital Expansion, and Water Facilities. Proprietary funds are generally used to account for services for a government’s business-type activities (activities supported by fees or charges). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user rates, charges, and fees. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual method of accounting.

The basic proprietary fund financial statements can be found in the financial Section of this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency’s progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found in the financial section of this report.

Government-wide Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Agency’s financial condition and indicate whether the financial condition of the Agency improved during the last fiscal year. The Agency’s net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

A summary of the Agency’s Statement of Net Position is presented below:

Statement of Net Position
June 30, 2024, and 2023

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 112,336,724	\$ 103,893,110	\$ 256,802,090	\$ 211,291,869	\$ 369,138,814	\$ 315,184,979
Capital assets	32,807,289	33,188,061	340,136,836	330,831,805	372,944,125	364,019,866
TOTAL ASSETS	145,144,013	137,081,171	596,938,926	542,123,674	742,082,939	679,204,845
Deferred Outflows of Resources						
Pension related	469,480	618,261	5,473,297	7,506,060	5,942,777	8,124,321
OPEB related	141,586	164,905	1,650,349	2,002,044	1,791,935	2,166,949
Total Deferred Outflows of Resources	611,066	783,166	7,123,646	9,508,104	7,734,712	10,291,270
Liabilities:						
Current liabilities	3,852,610	3,672,237	15,375,298	10,230,040	19,227,908	13,902,277
Noncurrent liabilities	1,370,219	1,559,906	104,636,172	80,171,507	106,006,391	81,731,413
TOTAL LIABILITIES	5,222,829	5,232,143	120,011,470	90,401,547	125,234,299	95,633,690
Deferred Inflows of Resources						
Lease related	399,347	423,308	412,242	452,647	811,589	875,955
Pension related	343,279	428,071	4,002,025	5,197,048	4,345,304	5,625,119
OPEB related	96,276	100,813	1,122,408	1,223,931	1,218,684	1,324,744
Total Deferred Inflows of Resources	838,902	952,192	5,536,675	6,873,626	6,375,577	7,825,818
Net Position:						
Net Investment in capital assets	32,807,289	33,188,061	281,764,763	276,759,129	314,572,052	309,947,190
Restricted for:						
Capital projects and water expansion	79,773,869	75,844,802	148,375,441	117,661,201	228,149,310	193,506,003
Pension trust	196,482	163,767	1,846,268	1,488,488	2,042,750	1,652,255
Unrestricted	26,915,708	22,483,372	46,528,255	58,447,787	73,443,963	80,931,159
TOTAL NET POSITION	\$ 139,693,348	\$ 131,680,002	\$ 478,514,727	\$ 454,356,605	\$ 618,208,075	\$ 586,036,607

As the above table indicates, the Agency’s total net position in fiscal year 2024 increased by \$32.2 million or 5.5 percent from \$586 million to \$618.2 million. During the fiscal year ended June 30, 2024, the total assets increased by \$62.9 million or 9.3 percent from \$679.2 million to \$742.1. Capital assets increased by \$8.9 million or 2.4 percent from \$364 million to \$372.9 million. Current and other assets increased \$53.9 million or 17.1 percent from \$315.2 million to \$369.1 million mainly due to an increase in cash and investments of \$42 million or 14.1 percent. This increase was mainly due to the issuance of the 2023 Water Revenue Bonds, Series A in the amount of \$28.8 million. Account receivables also increased by \$14.2 million or 97.3 percent due to the Sustainable Groundwater Management Act (SGMA) implementation grant of \$11.5 million received from the State of California Department of Water Resources (DWR) for the Stoneridge Well and Chain of Lakes Ion Exchange (IX) Per- and Polyfluoroalkyl Substances (PFAS) treatment facilities. Total liabilities also reflect an increase of \$29.6 million or 31 percent from \$95.6 million to \$125.2 million mainly due to a \$27.9 million increase in long-term debt as a result of the 2023 Water Revenue Bonds Series A, a \$4.7 million increase in accounts payable and accrued expenses, and a slight increase in OPEB liability of \$0.2 million. The increase is offset by a decrease in the pension liability of \$3.2 million and \$2.2 million retirement of bonds payable.

The government-wide statement of net position for the Agency’s governmental and business-type activities indicates that as of June 30, 2024, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$618.2 million compared to \$586 million at June 30, 2023.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

The largest portion of the Agency’s net position, \$314.6 million or 50.9 percent, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2024, and 2023 were \$5.9 million and \$8.1 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2024, and 2023 were \$1.8 million and \$2.2 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2024, and 2023 were \$4.3 million and \$5.6 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2024, and 2023 were \$1.2 million and \$1.3 million, respectively. The deferred inflows of resources due to leases (GASB Statement No. 87) at June 30, 2023, and 2022 were \$0.8 million and \$0.9 million, respectively.

Statement of Net Position
June 30, 2023, and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 103,893,110	\$ 98,216,208	\$ 211,291,869	\$ 213,003,978	\$ 315,184,979	\$ 311,220,186
Capital assets	33,188,061	32,886,671	330,831,805	323,273,253	364,019,866	356,159,924
TOTAL ASSETS	137,081,171	131,102,879	542,123,674	536,277,231	679,204,845	667,380,110
Deferred Outflows of Resources						
Pension related	618,261	408,238	7,506,060	4,000,378	8,124,321	4,408,616
OPEB related	164,905	83,637	2,002,044	819,574	2,166,949	903,211
Total Deferred Outflows of Resources	783,166	491,875	9,508,104	4,819,952	10,291,270	5,311,827
Liabilities:						
Current liabilities	3,672,237	2,858,186	10,230,040	11,436,432	13,902,277	14,294,618
Noncurrent liabilities	1,559,906	1,092,968	80,171,507	74,664,813	81,731,413	75,757,781
TOTAL LIABILITIES	5,232,143	3,951,154	90,401,547	86,101,245	95,633,690	90,052,399
Deferred Inflows of Resources						
Lease related	423,308	447,269	452,647	493,052	875,955	940,321
Pension related	428,071	871,618	5,197,048	8,541,102	5,625,119	9,412,720
OPEB related	100,813	488,939	1,223,931	4,791,173	1,324,744	5,280,112
Total Deferred Inflows of Resources	952,192	1,807,826	6,873,626	13,825,327	7,825,818	15,633,153
Net Position:						
Net Investment in capital assets	33,188,061	32,886,671	276,759,129	273,744,254	309,947,190	306,630,925
Restricted for:						
Capital projects and water expansion	75,844,802	73,996,664	117,661,201	113,044,353	193,506,003	187,041,017
Pension trust	163,767	146,484	1,488,488	1,323,131	1,652,255	1,469,615
Unrestricted	22,483,372	18,805,955	58,447,787	53,058,873	80,931,159	71,864,828
TOTAL NET POSITION	\$ 131,680,002	\$ 125,835,774	\$ 454,356,605	\$ 441,170,611	\$ 586,036,607	\$ 567,006,385

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For the Years Ended June 30, 2024, and 2023

As the previous table indicates, the Agency’s total net position in fiscal year 2023 increased by \$19 million or 3.4 percent from \$567 million to \$586 million. During the fiscal year ended June 30, 2023, the total assets increased by \$11.8 million or 1.8 percent from \$667.4 million to \$679.2. Capital assets increased by \$7.9 million or 2.2 percent from \$356.1 million to \$364 million. Current and other assets increased \$4 million or 1.3 percent from \$667.4 million to \$679.2 million mainly due to an increase in cash and investments of \$10.2 million or 3.5 percent offset by a decrease in account receivables of \$4.1 million or 22 percent. Total liabilities reflect an increase of \$5.6 million or 6.2 percent from \$90 million to \$95.6 million mainly due to a \$6.5 million increase in the pension liability, \$1.7 million increase in OPEB liability, offset by a \$2.3 million retirement of bonds payable and \$0.7 million decrease in accounts payable and accrued expenses.

The government-wide statement of net position for the Agency’s governmental and business-type activities indicates that as of June 30, 2023, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$586 million compared to \$567 million at June 30, 2022.

The largest portion of the Agency’s net position, \$309.9 million or 52.9 percent, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals.

The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2023, and 2022 were \$8.1 million and \$4.4 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2023, and 2022 were \$2.2 million and \$0.9 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2023, and 2022 were \$5.6 million and \$9.4 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2023, and 2022 were \$1.3 million and \$5.3 million, respectively. The deferred inflows of resources due to leases (GASB Statement No. 87) at June 30, 2023, and 2022 were \$0.9 million.

Alameda County Flood Control and Water Conservation District – Zone 7
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Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2024, and 2023

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Charges for services	\$ 2,387,743	\$ 1,384,402	\$ 103,898,726	\$ 99,389,690	\$ 106,286,469	\$ 100,774,092
Grants and other contributions	753,675	90,914	6,137,284	9,752,717	6,890,959	9,843,631
Capital grants and contributions	241,193	486,234	11,497,801	-	11,738,994	486,234
General revenues:						
Property taxes	12,182,791	11,647,326	-	-	12,182,791	11,647,326
Investment earnings and others	3,823,510	1,464,877	8,251,972	1,612,299	12,075,482	3,077,176
Total revenues	19,388,912	15,073,753	129,785,783	110,754,706	149,174,695	125,828,459
Expenses:						
Flood Protection Operations	10,431,196	8,811,830	-	-	10,431,196	8,811,830
Flood Protection Development Impact Fee	68,043	176,869	-	-	68,043	176,869
Flood Protection Grants	864,437	228,936	-	-	864,437	228,936
State Water Project	-	-	27,290,867	25,703,191	27,290,867	25,703,191
Water Enterprise	-	-	78,348,684	71,877,411	78,348,684	71,877,411
Total expenses	11,363,676	9,217,635	105,639,551	97,580,602	117,003,227	106,798,237
Change in net position before transfers	8,025,236	5,856,118	24,146,232	13,174,104	32,171,468	19,030,222
Transfers, net	(11,890)	(11,890)	11,890	11,890	-	-
Change in net position	8,013,346	5,844,228	24,158,122	13,185,994	32,171,468	19,030,222
Net position at beginning of year	131,680,002	125,835,774	454,356,605	441,170,611	586,036,607	567,006,385
Net position at end of year	\$ 139,693,348	\$ 131,680,002	\$ 478,514,727	\$ 454,356,605	\$ 618,208,075	\$ 586,036,607

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency’s overall net position increased \$32.2 million from the prior year. The table above indicates the Agency total revenues increased by \$23.4 million or 18.6 percent to \$149.2 million from \$125.8 million in the prior year. The increase is mainly due to a \$11.3 million increase in capital grants and contributions from DWR for the SGMA implementation grant for the Stoneridge Well and Chain of Lakes PFAS treatment facilities, \$5.5 million net increase for charges for services as a result of a \$9.0 million increase in water sales offset by a \$5.2 million decrease in connection fees, \$8.8 million increase in investment earnings from the previous year as a result of favorable market conditions and a \$0.5 million increase in property tax due to increased property assessed valuations. These increases were offset by a \$3.0 million decrease in operating grants and other contributions due to DWR refunds of our State Water Project pass-through payments.

Total expenses increased by \$10.2 million or 9.5 percent from \$106.8 million to \$117.0 million mainly due to a \$6.5 million increase in Water Enterprise water contractual services, chemical purchases, and interest expense and fiscal charges on long-term debt, a \$1.6 million increase in the State Water Project pass-through payments to DWR and \$1.8 million increase in capital asset depreciation. Flood Protection Operations projects increased \$1.6 million mainly due to emergency flood projects, multi-year projects such as the Alamo Creek Project planning, design services to repair damages to flood protection facilities and other routine maintenance repair project activities. The increase was offset by a decrease in water purchases of \$0.4 million, water storage of \$1.1 million, and utilities of \$1.2 million.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2023, and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Charges for services	\$ 1,384,402	\$ 1,714,458	\$ 99,389,690	\$ 102,134,293	\$ 100,774,092	\$ 103,848,751
Grants and other contributions	90,914	84,034	9,752,717	6,710,435	9,843,631	6,794,469
Capital grants and contributions	486,234	399,290	-	-	486,234	399,290
General revenues:						
Property taxes	11,647,326	10,791,532	-	-	11,647,326	10,791,532
Investment earnings and others (loss)	1,464,877	501,077	1,612,299	(2,209,267)	3,077,176	(1,708,190)
Total revenues	<u>15,073,753</u>	<u>13,490,391</u>	<u>110,754,706</u>	<u>106,635,461</u>	<u>125,828,459</u>	<u>120,125,852</u>
Expenses:						
Flood Protection Operations	8,811,830	12,352,060	-	-	8,811,830	12,352,060
Flood Protection Development Impact Fee	176,869	381,617	-	-	176,869	381,617
Flood Protection Grants	228,936	432,140	-	-	228,936	432,140
State Water Project	-	-	25,703,191	24,331,873	25,703,191	24,331,873
Water Enterprise	-	-	71,877,411	70,157,980	71,877,411	70,157,980
Total expenses	<u>9,217,635</u>	<u>13,165,817</u>	<u>97,580,602</u>	<u>94,489,853</u>	<u>106,798,237</u>	<u>107,655,670</u>
Change in net position before transfers	5,856,118	324,574	13,174,104	12,145,608	19,030,222	12,470,182
Transfers, net	(11,890)	(11,890)	11,890	11,890	-	-
Change in net position	5,844,228	312,684	13,185,994	12,157,498	19,030,222	12,470,182
Net position at beginning of year as restated	125,835,774	125,523,090	441,170,611	429,013,113	567,006,385	554,536,203
Net position at end of year	<u>\$ 131,680,002</u>	<u>\$ 125,835,774</u>	<u>\$ 454,356,605</u>	<u>\$ 441,170,611</u>	<u>\$ 586,036,607</u>	<u>\$ 567,006,385</u>

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency’s overall net position increased \$19 million from the prior year. The table above indicates the Agency total revenues increased by \$5.7 million or 4.8 percent to \$125.8 million from \$120.1 million in the prior year. The increase is mainly due to a \$4.8 million increase in investment earnings from the previous year as a result of favorable market conditions, a \$3 million increase in grants and other contributions from DWR refunds of our State Water Project pass-through payments, and a \$0.9 million increase in property tax due to increased property assessed valuations. These increases were offset by a decrease in charges for services as connection and development fees decreased \$2.6 million due to slower construction and development activities in the service.

Total expenses decreased by \$0.9 million or 0.8 percent from \$107.7 million to \$106.8 million mainly due to a \$6.6 million decrease in Water Enterprise water purchases and water storage as the state of drought emergency declared by the Board ended in 2023. Flood Protection Operations projects decreased \$3.5 million as maintenance repair program activities were completed or substantially completed in fiscal year 2023 along with a deferral of flood repairs projects to fiscal year 2024. This decrease was offset by a \$4.5 million increase in employee salaries and benefits due to a cost-of-living adjustment effective June 2022, a \$1.4 million increase in State Water Project pass-through payments to DWR, a \$1.2 million increase in other services and supplies for funding contributions to the Los Vaqueros Reservoir Expansion Project, and a \$1.1 million increase in capital asset depreciation due to the capitalization of large construction projects in recent years.

Alameda County Flood Control and Water Conservation District – Zone 7
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For the Years Ended June 30, 2024, and 2023

Governmental Activities

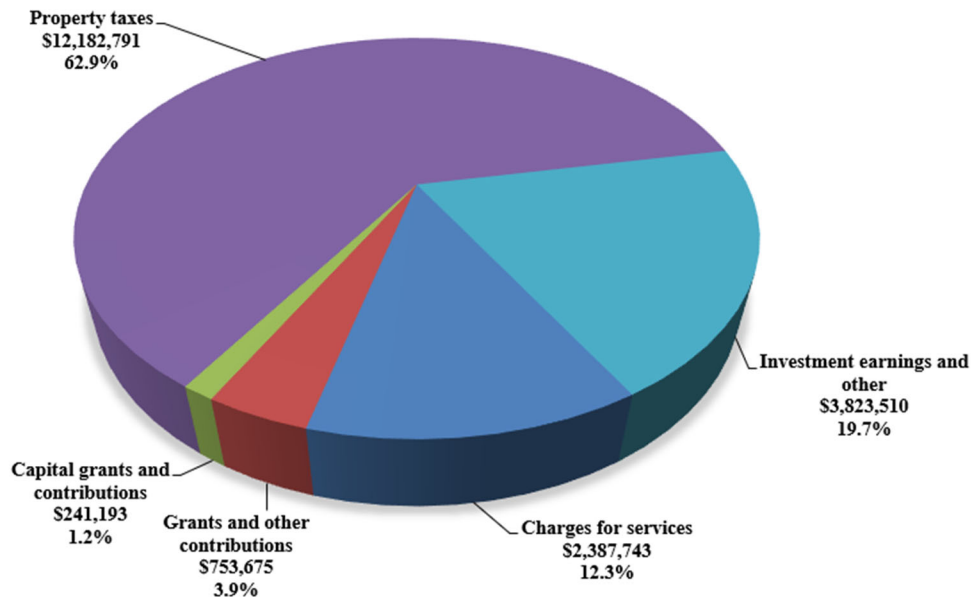
The net position for the Agency’s governmental activities increased by \$8.0 million from \$131.7 million to \$139.7 million. The net position’s increase from the prior year is mainly due to a \$8.1 million increase in total assets and a \$0.1 million decrease in pension and OPEB-related deferred inflows, which contributes to the increase in net position. Total revenues were \$19.4 million and total expenses (including transfers) were \$11.4 million.

Revenues: Significant changes in revenue are as follows:

Total revenues increased by \$4.3 million from the prior year or 28.6 percent.

- Charges for services increased by \$1.0 million or 72.5 percent mainly due to a one-time \$0.5 million mitigation payment from DWR for their Lake Del Valle Spillway vegetation removal project and development impact fees from the City of Dublin for a one-time payment of map fees for Francis Ranch development.
- Property tax revenue increased by \$0.5 million or 4.6 percent due to the higher total assessed value.
- Investment earnings and others increased by \$2.2 million due to favorable market conditions this fiscal year.

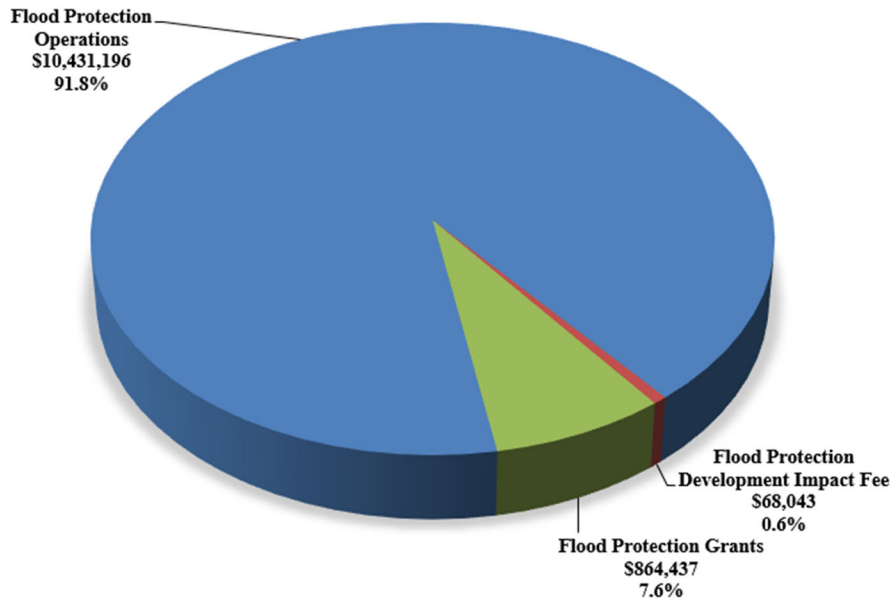
Revenues by Source - Governmental Activities



Expenses: Total expenses increased by \$2.1 million, or 23.3 percent, in the governmental activities mainly due to emergency flood projects, multi-year projects such as the Alamo Creek Project planning, design services to repair damages to flood protection facilities and other routine maintenance repair project activities. In August 2022, the Board adopted the Flood Management Plan Phase 1 which will direct the Agency’s future maintenance activities and capital projects for flood protection. Phase 2A commenced in February 2023 and will be the basis for the development of planning alternatives to be considered by the Board.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Expenses by Source - Governmental Activities



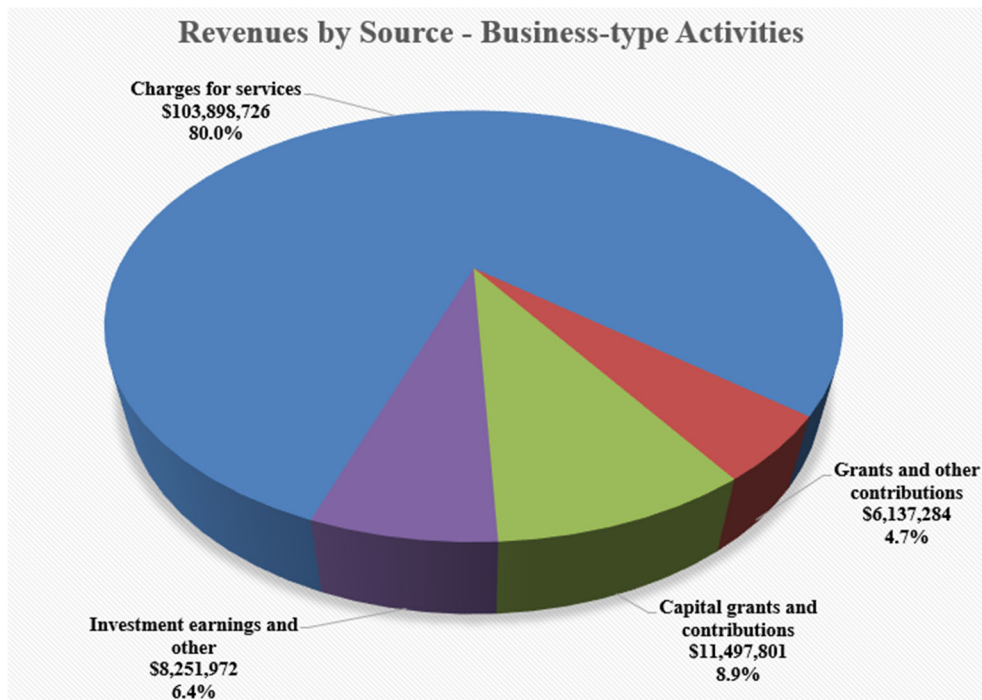
Business-Type Activities

The net position for the Agency’s business-type activities increased by \$24.2 million from \$454.4 million to \$478.5 million during the current year. The net position increased from the prior year mainly due to a \$9.3 million increase in capital assets as a result of the construction and construction in progress of the Chain of Lakes PFAS Treatment Facility, Mocho Groundwater Demineralization Plant (MGDP) Concentrate Conditioning Facility Project, Chain of Lakes Pipeline, MGDP Electrical Replacement Project, and other miscellaneous projects. Total revenues were \$129.8 million and total expenses (including transfers) were \$105.6 million.

Revenues: Significant changes in revenues are as follows:

- Charges for services: includes water rate revenue, connections fees, and property taxes. Charges for services increased by a net of \$4.5 million from the prior year. The increase is mainly due to a \$9.0 million or 16 percent increase in water sales offset by a \$5.1 million or 30 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area.
- Investment earnings: increased by \$6.6 million mainly due favorable market conditions for the fiscal year.
- Grants and other contributions: include intergovernmental revenue such as DWR refunds and grant proceeds. Capital grants and contributions increased by \$11.5 million mainly due to SGMA implementation grant received from DWR for the Stoneridge Well and Chain of Lakes PFAS treatment facilities. The increase is offset by a \$3.6 million decrease in DWR refunds. DWR refunds and credits vary year to year based on the level of prior year expenditures.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023



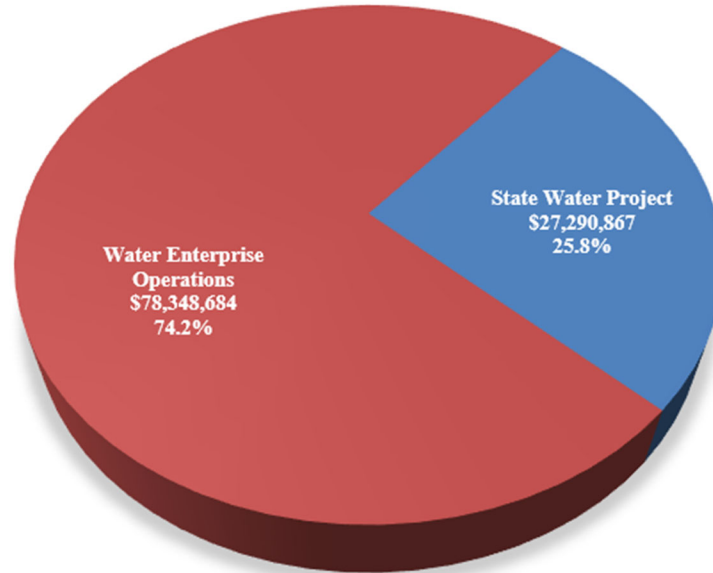
Expenses: Significant changes in expenses are as follows:

Total expenses: The total expenses are \$105.6 million which is an \$8.0 million or 8.3 percent increase from the prior year mainly attributed to the following:

- State Water Project: Expenses increased by \$1.6 million or 6.2 percent. The State Water Project pass-through payments to California State Department of Water Resources (DWR) cost fluctuates during the years.
- Water Enterprise: includes Water Enterprise Operations, Water Enterprise Capital Expansion, and Non-Major Enterprise Funds. Expenses increased by \$6.5 million or 9.0 percent mainly due to an increase in contractual services, chemical purchases, water purchases, and depreciation. These increases were offset by decreases in water storage and utilities mainly due to the State Water Project water allocation of 100 percent in calendar year 2023 and reduced groundwater pumping costs, respectively.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Expenses by Source - Business-type Activities



Governmental Funds

The Agency’s governmental funds consist of three funds: Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Funds. As of June 30, 2024, the Agency’s governmental funds reported combined ending fund balance of \$107.6 million.

- **Flood Protection Operations Fund** – This fund provides for general administration and the maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara, and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays for renewal/replacement and improvement projects for the existing flood protection system. As of June 30, 2024, its fund balance was \$27.8 million, an increase of \$3.8 million from prior fiscal year. The increase in fund balance is mainly due to a \$2 million increase in total revenues which include a \$0.5 million increase in property taxes due to higher total assessed value, \$0.6 million increase in investment earnings due to favorable market conditions, and \$0.6 million increase in charges for services due to a one-time mitigation payment from DWR. The \$27.8 million fund balance is committed as follows: \$15.8 million for capital projects, \$11.9 million for operating contingency and \$0.2 million is restricted.

- **Flood Protection Development Impact Fee Fund** – The purpose of this fund is to ensure that the Agency is able to meet future needs for expansion-related flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects. As of June 30, 2024, its restricted fund balance was \$79.8 million, an increase of \$3.9 million from the prior fiscal year. The increase in fund balance was mainly due to less expenses incurred during the year than revenue earned. In accordance with the Agency Goal D – Effective Flood Project, Strategic Initiative Plan No. 10, the Board approved Flood Management Plan Phase 1 in August 2022 which will direct the Agency’s future maintenance activities and capital project for flood protection. Phase 2A commenced in February 2023 and will be the basis for the development of planning alternatives to be considered by the Board.

Alameda County Flood Control and Water Conservation District – Zone 7

Zone 7 Water Agency

Management’s Discussion and Analysis (Unaudited) (Continued)

For the Years Ended June 30, 2024, and 2023

Proprietary Funds

The Agency’s proprietary fund statements provide the same type of information as is found in the government-wide financial statements, but in more detail.

- **State Water Facilities Fund** – This fund finances the "fixed cost" payment to the State Department of Water Resources (“DWR”) to import water to the Agency. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt. Net position of the State Water Facilities Fund as of June 30, 2024, was \$52.3 million, an increase of \$3.7 million from the prior fiscal year.

Operating expenses increased by \$1.6 million or 6 percent due to the State Water Project pass-through payments to California State Department of Water Resources. Intergovernmental revenue decreased \$2 million due to refunds from DWR which are based on the level of prior year expenditures. Investment earnings increased by \$1.5 million due to favorable market conditions.

- **Water Enterprise Operations** is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss in the fund is intended to be entirely or predominately self-supported from user charges. The purpose of Water Enterprise Operations is to ensure that the current water treatment and delivery systems are maintained effectively, and that capital replacement and improvement needs are funded. This also pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system. Net position of the Water Enterprise Operations Fund as of June 30, 2024, was \$366.9 million, an increase of \$23 million from the prior fiscal year.

Operating revenues increased by a net of \$8.9 million due to an increase in water sales revenue. The Board approved a 5.5% increase in treated water rates for calendar years 2023 and 2024 and usage was also up from the previous year mainly due to a 25 percent increase in water sales to the City of Pleasanton due to their wells being offline from detection of PFAS. The Agency also sold 8,000 acre-feet (AF) of water to Westside Water District for \$0.9 million. Investment earnings increased by \$2.9 million due to favorable market conditions for the fiscal year. Intergovernmental revenue, which includes grant revenue, increased \$11.7 million due to the SGMA implementation grant received from DWR for the Stoneridge Well and Chain of Lakes PFAS treatment facilities. Operating expenses were \$55 million, an increase of \$4 million from the prior fiscal year. In operating expenses, contractual services increased by \$2.9 million due to election cost and the groundwater model, chemical purchases increased \$1.3 million due to an increase in surface water treatment and inflation, depreciation and amortization increased \$1.8 million due to the capitalization of large construction projects such as the Stoneridge Well PFAS Treatment Facility and Del Valle Water Treatment Plant Post Ozone Modifications. Water storage decreased \$1.1 million due to the State Water Project water allocation of 100 percent in calendar year 2023 and utilities decreased \$1.2 million due to a decrease in groundwater production.

- **Water Enterprise Capital Expansion** – The purpose of this fund is to ensure that the Agency is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity). As of June 30, 2024, the net position for the fund was \$59.2 million, a decrease of \$1.5 million from the prior fiscal year.

Operating revenues were \$5.2 million less than the prior fiscal year. The decrease is due to connection fee revenues as a result of slower construction and development activities in the service area. Operating expenses were \$0.9 million or 5 percent more than the prior fiscal year mainly due to increases in contractual services and the South Bay Aqueduct (SBA) debt service payment refinancing by the State.

Non-operating revenues (expenses) saw a decrease in revenue of \$0.4 million from the prior year mainly due to a decrease in DWR refunds in the amount of \$1.8 million which vary from year to year based on level of prior year expenditures offset by an increase in investment earnings of \$2.3 million from favorable market conditions for the fiscal year.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Governmental Funds Budgetary Highlights

A comparative budgetary statement for the Agency’s governmental fund (Flood Protection Operation Fund) for the year ended June 30, 2024:

	Final Budgeted Amounts	Actual Amounts Budgetary Basis	Budget Variance	
			June 30, 2024	June 30, 2023
REVENUES:				
Property taxes	\$ 11,269,000	\$ 12,182,791	\$ 913,791	\$ 912,326
Intergovernmental revenues	75,000	93,377	18,377	(6,738,086)
Charges for services	70,000	724,538	654,538	83,801
Investment earnings	215,000	949,738	734,738	110,495
Rental Income	28,000	27,111	(889)	
Others	338,000	273,171	(64,829)	(235,490)
Total Revenue	<u>\$ 11,995,000</u>	<u>\$ 14,250,726</u>	<u>\$ 2,255,726</u>	<u>\$ (5,866,954)</u>
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	3,075,000	2,514,410	560,590	389,637
Services and supplies	14,587,259	7,604,089	6,983,170	7,877,273
Capital outlay:				
Equipment and capital structures	4,868,477	6,654	4,861,823	4,771,179
Total Expenditures	<u>\$ 22,530,736</u>	<u>\$ 10,125,153</u>	<u>\$ 12,405,583</u>	<u>\$ 13,038,089</u>
EXCESS REVENUES OVER EXPENDITURES	(10,535,736)	4,125,573	14,661,309	7,171,135
Other Financing Sources (Uses)		18,480		
Transfers (out) (Note 3)	(15,000)	(330,065)	315,065	(3,110)
NET CHANGE IN FUND BALANCE	<u>\$ (10,550,736)</u>	<u>3,813,988</u>	<u>\$ 14,346,244</u>	<u>\$ 7,174,245</u>
Fund balance, beginning of year		23,986,569		
FUND BALANCE, END OF YEAR		<u>\$ 27,800,557</u>		

The Agency’s actual flood protection operation fund revenues are over the budget by \$2.3 million due to property tax revenue based on higher assessments, a one-time mitigation payment from DWR, and investment earnings due to favorable market conditions.

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by \$12.4 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase 1, approved by the Board in August 2022, and 2A are being developed.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

A comparative budgetary statement for the Agency’s governmental fund (Flood Protection Development Impact Fee Fund) for the year ended June 30, 2024:

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget Variance</u>	
			<u>June 30, 2024</u>	<u>June 30, 2023</u>
REVENUES:				
Charges for services	\$ 2,500,000	\$ 1,636,094	\$ (863,906)	\$ (1,246,360)
Investment earnings	553,000	2,535,366	1,982,366	443,486
Others	25,000	46,755	21,755	(25,000)
Total Revenue	<u>\$ 3,078,000</u>	<u>\$ 4,218,215</u>	<u>\$ 1,140,215</u>	<u>\$ (827,874)</u>
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	274,888	11,162	263,726	279,568
Services and supplies	2,432,491	56,881	2,375,610	1,598,989
Capital outlay:				
Equipment and capital structures	55,883	-	55,883	(187,119)
Total Expenditures	<u>\$ 2,763,262</u>	<u>\$ 68,043</u>	<u>\$ 2,695,219</u>	<u>\$ 1,691,438</u>
EXCESS REVENUES OVER EXPENDITURES	314,738	4,150,172	3,835,434	863,564
Other Financing (Uses):				
Transfers (out) (Note 3)		(221,105)	(221,105)	
NET CHANGE IN FUND BALANCE	<u>\$ 314,738</u>	<u>3,929,067</u>	<u>\$ 3,614,329</u>	<u>\$ 863,564</u>
Fund balance, beginning of year		75,844,802		
FUND BALANCE, END OF YEAR		<u>\$ 79,773,869</u>		

The Agency’s actual flood protection development impact fee fund revenues are over the budget by \$1.1 million mainly due to investment earnings due to the favorable market conditions offset by a decrease in Development Impact Fees due to slower construction and development activities in the service area.

Variations between budget and actual expenditures in the flood protection development impact fee fund reflect overall expenditures less than the final budget by \$2.7 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase 1, approved by the Board in August 2022, and 2A are being developed.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Capital Assets

As of June 30, 2024, the agency’s capital assets totaled \$372.9 million (net of accumulated depreciation and amortization) which is an increase of \$8.9 million from the capital assets balance of \$364 million at June 30, 2023. The increase in capital assets was primarily due to construction and construction in progress of the Stoneridge Well PFAS Treatment Facility, Del Valle Water Treatment Plant Post Ozone Modifications Project, MGDG Concentrate Conditioning Facility Project, Chain of Lakes PFAS Treatment Facility, and the Wells and MGDG Electrical Upgrades Project. Additional information on the Agency’s capital assets is provided in Note 5 of the financial statement.

A comparison of the Agency’s capital assets over the past three fiscal years is presented below:

Capital Assets
Business-type Activities
For the Years Ended June 30, 2024, 2023 and 2022
(In millions of dollars)

	2024	2023	2024 vs. 2023		2022	2023 vs. 2022	
			\$ Change	% Change		\$ Change	% Change
Easements	\$ 1.9	\$ 1.9	\$ -	0%	\$ 1.9	\$ -	0%
Land	9.6	9.6	-	0%	9.6	-	0%
Treatment Plants	264.6	260.5	4.1	2%	149.4	111.1	74%
Construction in Progress	18.5	15.8	2.7	17%	112.8	(97.0)	-86%
Office Building	8.6	8.6	-	0%	7.1	1.5	21%
Pipelines	53.9	53.9	-	0%	53.9	-	0%
Reservoirs	3.0	3.0	-	0%	3.0	-	0%
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%
Wellfields	42.2	31.2	11.0	35%	31.2	-	0%
Supervisory Control and Data Acquisition Project	10.2	9.7	0.5	5%	9.7	-	0%
Others	9.9	9.7	0.2	2%	9.6	0.1	1%
Subtotal	459.1	440.6	18.5	4%	424.9	15.7	4%
Less Accumulated depreciation/amortization	119.2	109.8	9.4	9%	101.8	8.0	8%
Total capital assets	339.9	330.8	9.1	3%	323.1	7.7	2%
Lease assets	-	-	-	0%	0.6	\$ (0.6)	-100%
Less Accumulated depreciation/amortization	-	-	-	0%	0.5	(0.5)	-100%
Total lease assets	-	-	-	0%	0.1	(0.1)	-100%
Subscription Assets	0.3	-	0.3	0%	0.1	\$ (0.1)	-100%
Less Accumulated depreciation/amortization	0.1	-	0.1	0%	0.1	(0.1)	-100%
Total Subscription assets	0.2	-	0.2	0%	-	-	0%
Total capital assets, net	\$ 340.1	\$ 330.8	\$ 9.3	3%	\$ 323.2	\$ 7.6	2%

Capital Assets
Governmental Activities
For the Years Ended June 30, 2024, 2023 and 2022
(In millions of dollars)

	2024	2023	2024 vs. 2023		2022	2023 vs. 2022	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 21.2	\$ 21.2	\$ -	0%	\$ 21.2	\$ -	0%
Easements	0.1	0.1	-	0%	0.1	-	0%
Flood Control Channels	12.4	12.4	-	0%	12.4	-	0%
Construction in Progress	-	-	-	0%	1.6	(1.6)	-100%
Office Building	1.9	1.9	-	0%	1.5	0.4	27%
Others	3.2	3.1	0.1	3%	1.2	1.9	158%
Subtotal	38.8	38.7	0.1	0%	38.0	0.7	2%
Less Accumulated depreciation/amortization	6.0	5.5	0.5	9%	5.1	0.4	8%
Capital assets, net	\$ 32.8	\$ 33.2	\$ (0.4)	-1%	\$ 32.9	\$ 0.3	1%

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

Debt Administration and Bond Rating

As of June 30, 2024, the Agency had \$85.6 million in outstanding debt and \$4.7 million of unamortized bond premium. However, the Agency partners with other public agencies and pays for debt incurred on the Agency’s behalf. For example, the Agency pays the State incurred debt for capital projects to maintain, improve or expand the State Water Project infrastructure. The Agency, under the terms of its contract with the State, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

The Agency has a bonded indebtedness limit that shall not exceed 5 percent of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency’s service area, per Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Bond Rating

A credit rating is a value assigned by one or more of the recognized rating agencies that “grade” a jurisdiction’s credit, or financial trustworthiness. The three primary rating agencies are Moody’s Investors Service (“Moody’s”), Standard & Poor’s Rating Services (“S&P”), and Fitch Ratings (“Fitch”). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy, and outstanding debt. The Agency credit ratings for the Livermore Valley Water Financing Authority (LVWFA), Water Revenue Bonds, 2023 and 2018 Series A, were as follows:

<u>Type of Bond</u>	<u>Ratings/ Outlook</u>	
	<u>S & P</u>	<u>Fitch Rating</u>
LVWFA Water Revenue Bonds, 2023 Series A	AAA/ Stable	AA+/ Positive
LVWFA Water Revenue Bonds, 2018 Series A	AAA/ Stable	AA+/ Positive

On October 01, 2024, Fitch Rating affirmed the Livermore Valley Water Financing Authority's series 2018A and 2023A water revenue bonds at ‘AA+’. The Rating outlook is positive.

On October 11, 2023, S&P Global Ratings (S&P) announced it has raised its long-term rating on the Agency's outstanding 2018A and 2023A Water Revenue Bonds to 'AAA' from 'AA+'. According to S&P, *“the stable outlook reflects our view of the agency's diverse water supply when considering its surface and groundwater storage, strong financial position in terms of all-in coverage and liquidity, fixed-rate schedule, and drought surcharge schedule, which we believe will allow it to recover costs and stabilize revenues in the event of future drought conditions. The outlook also reflects our assessment that the three strongest retail customers' water fund credit quality will remain consistent with current projections.”*

On October 19, 2023, Fitch Ratings affirmed its ‘AA+’ rating of the Agency and revised the rating outlook to ‘Positive’ from ‘Stable’. According to Fitch, *“the 'AA+' bond rating and Issuer Default Rating reflect the agency’s exceptionally low leverage, measured as net adjusted debt to adjusted funds available for debt service, within the framework of very strong revenue defensibility and low operating risk profile”.*

On June 17, 2022, Fitch Rating affirmed the Livermore Valley Water Financing Authority's series 2018A water revenue bonds at ‘AA+’. The Rating outlook is stable.

Alameda County Flood Control and Water Conservation District – Zone 7
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2024, and 2023

On March 19, 2018, S&P Global Ratings assigned its 'AA+' long-term rating to the Livermore Valley Water Financing Authority's series 2018A water revenue bonds, issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7. The outlook is stable.

Additional information on the Agency’s long-term debt is provided in Note 6 of the financial statements.

Economic Factors and Next Year’s Budget and Rates

- The Board of Directors adopted the Agency’s two-year budget on June 11, 2024. The two-year budget provides funding for the Agency’s operating, capital and debt service payments for the fiscal years ending June 30, 2025, and 2026. The budget addresses current operational and economic conditions and continues to provide the highest standard of water quality, reliability, and flood protection services. These current conditions have impacted the budget in the following ways:
 - Increase in revenue due to adopted water rates, state and federal grants, investment earnings and assessed value assumptions.
 - Increase in water production costs due to inflationary cost increases and assumed production.
 - Increase in debt service payments due to the issuance of the Livermore Valley Financing Authority Water Revenue Bonds, Series 2023A.
 - Significant funding for storm damage repairs resulting from the 2022-23 storms.
 - Funding for continued participation in various water supply reliability projects (Los Vaqueros Reservoir Expansion, Sites Reservoir, Delta Conveyance Project) to further diversify the Agency’s water portfolio.
 - Increase in personnel costs due to the addition of five full-time positions and cost-of-living adjustment assumptions.

- The Alameda County unemployment rate as of September 2024 is 4.8%.

- On November 16, 2022, the Board approved 5.5% annual rate revenue adjustment for wholesale water services for Calendar Years 2023, 2024, 2025 and 2026. The first-rate increase went into effect February 1, 2023, and the remaining increases for years 2024-2026 will be effective January 1 of each year. The water rate schedule was set through a rigorous cost-recovery analysis and public review process. The Board reviewed the rate schedule for calendar years 2025 and 2026, through a public process in October 2024 and determined the rates to be sufficient to meet revenue requirements with no changes for the rates. The adapted rate schedule is shown in the table below:

Calendar Year	2023	2024	2025	2026
Volume-based Rate per CCF	\$2.27	\$2.34	\$2.44	\$2.47
Fixed Revenue Recovery	45%	45%	45%	45%
Total Fixed Charges	\$27,395,440	\$29,703,607	\$31,805,889	\$33,286,846

Request for Information

This financial report is designed to provide our customers, ratepayers, investors and creditors with a general overview of the Agency’s finances and to demonstrate accountability for the money it receives. Requests for additional financial information should be addressed to the Finance Department, Zone 7 Water Agency, 100 N. Canyons Parkway, Livermore, CA 94551. This report is also available online at <http://www.zone7water.com>.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position
June 30, 2024

(With summarized information as of June 30, 2023)

ASSETS	Governmental	Business-Type	Totals	
	Activities	Activities	2024	2023
Current assets:				
Pooled cash in County Treasury (Note 2)	\$ 88,584,880	\$ 72,163,174	\$ 160,748,054	\$ 151,267,380
Cash and investments - Agency Treasury (Note 2)	20,574,837	122,837,085	143,411,922	139,883,202
Restricted cash (Note 2)	1,720,159	33,293,466	35,013,625	6,054,971
Accounts receivable, net	1,055,688	27,714,209	28,769,897	14,626,557
Interest receivable	3,542	18,719	22,261	21,096
Lease receivable - current (Note 4)	23,487	39,960	63,447	63,202
Prepaid items	-	362,031	362,031	2,457,547
Total current assets	111,962,593	256,428,644	368,391,237	314,373,955
Noncurrent assets:				
Lease receivable (Note 4)	374,131	373,446	747,577	811,024
Capital assets (Note 5):				
Rights of way, water entitlements, easements and construction in progress	21,240,011	66,576,972	87,816,983	85,088,236
Depreciable/amortizable, net	11,567,278	273,559,864	285,127,142	278,931,630
Total capital assets	32,807,289	340,136,836	372,944,125	364,019,866
Total noncurrent assets	33,181,420	340,510,282	373,691,702	364,830,890
Total assets	145,144,013	596,938,926	742,082,939	679,204,845
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 8)	469,480	5,473,297	5,942,777	8,124,321
OPEB related (Note 9)	141,586	1,650,649	1,792,235	2,166,949
Total deferred outflows of resources	611,066	7,123,946	7,735,012	10,291,270

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position (Continued)
June 30, 2024

(With summarized information as of June 30, 2023)

LIABILITIES	Governmental	Business-Type	Totals	
	Activities	Activities	2024	2023
Current liabilities:				
Accounts payable and accrued expenses	2,411,686	10,299,993	12,711,679	8,469,523
Interest payable	-	1,785,568	1,785,568	1,329,769
Deposits payable	1,411,985	325,384	1,737,369	1,755,357
Compensated absences (Note 7)	28,939	778,092	807,031	752,628
Long-term debt - due within one year (Note 6)	-	2,186,261	2,186,261	1,595,000
Total current liabilities	3,852,610	15,375,298	19,227,908	13,902,277
Noncurrent liabilities:				
Compensated absences, due more than one year (Note 7)	26,618	715,689	742,307	804,617
Long-term debt - due more than one year (Note 6)	-	88,256,469	88,256,469	60,903,601
Net pension liability (Note 8)	1,194,323	13,923,699	15,118,022	18,337,949
Net OPEB liability (Note 9)	149,278	1,740,315	1,889,593	1,685,246
Total noncurrent liabilities	1,370,219	104,636,172	106,006,391	81,731,413
Total liabilities	5,222,829	120,011,470	125,234,299	95,633,690
DEFERRED INFLOWS OF RESOURCES				
Lease related (Note 4)	399,347	412,242	811,589	875,955
Pension related (Note 8)	343,279	4,002,025	4,345,304	5,625,119
OPEB related (Note 9)	96,276	1,122,408	1,218,684	1,324,744
Total deferred inflows of resources	838,902	5,536,675	6,375,577	7,825,818
NET POSITION				
Net investment in capital assets	32,807,289	281,764,763	314,572,052	309,947,190
Restricted for:				
Capital projects and water expansion	79,773,869	148,375,441	228,149,310	193,506,003
Pension trust	196,482	1,846,268	2,042,750	1,652,255
Unrestricted	26,915,708	46,528,255	73,443,963	80,931,159
Total net position	\$ 139,693,348	\$ 478,514,727	\$ 618,208,075	\$ 586,036,607

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Activities

For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Flood protection operations	\$ 10,431,196	\$ 751,649	\$ 93,377	\$ -	\$ 845,026
Flood protection development impact fee	68,043	1,636,094	-	-	1,636,094
Flood protection grants	864,437	-	660,298	241,193	901,491
Total Governmental Activities	11,363,676	2,387,743	753,675	241,193	3,382,611
Business-Type Activities:					
State water project	27,290,867	26,611,140	2,797,898	-	29,409,038
Water Enterprise	78,348,684	77,287,586	3,339,386	11,497,801	92,124,773
Total Business-Type Activities	105,639,551	103,898,726	6,137,284	11,497,801	121,533,811
Total Primary Government	\$ 117,003,227	\$ 106,286,469	\$ 6,890,959	\$ 11,738,994	\$ 124,916,422

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	Business-Type Activities	Totals	
			2024	2023
Governmental Activities:				
Flood protection operations	\$ (9,586,170)	\$ -	\$ (9,586,170)	(8,590,154)
Flood protection development impact fee	1,568,051	-	1,568,051	1,076,771
Flood protection grants	37,054	-	37,054	257,298
Total Governmental Activities	(7,981,065)	-	(7,981,065)	(7,256,085)
Business-Type Activities:				
State water project	-	2,118,171	2,118,171	4,933,711
Water Enterprise	-	13,776,089	13,776,089	6,628,094
Total Business-Type Activities	-	15,894,260	15,894,260	11,561,805
Total Primary Government	(7,981,065)	15,894,260	7,913,195	4,305,720
General Revenues:				
Property taxes:				
Secured	11,271,738	-	11,271,738	10,687,356
Unsecured	583,549	-	583,549	510,931
Supplemental	327,504	-	327,504	449,039
Investment earnings	3,485,104	8,251,972	11,737,076	2,892,319
Other	338,406	-	338,406	184,857
Total General Revenues	16,006,301	8,251,972	24,258,273	14,724,502
Transfers, net	(11,890)	11,890	-	-
Net Changes in Net Position	8,013,346	24,158,122	32,171,468	19,030,222
Net Position - Beginning of year	131,680,002	454,356,605	586,036,607	567,006,385
Net Position - End of year	\$ 139,693,348	\$ 478,514,727	\$ 618,208,075	\$ 586,036,607

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Balance Sheet
Governmental Funds
June 30, 2024

(With summarized information as of June 30, 2023)

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Nonmajor Governmental Funds	Totals	
				2024	2023
ASSETS					
Current assets					
Cash in County treasury (Note 2)	\$ 25,598,965	\$ 62,985,915	\$ -	\$ 88,584,880	\$ 83,542,008
Cash in Agency treasury (Note 2)	3,652,662	16,382,895	539,280	20,574,837	17,378,523
Restricted cash (Note 2)	1,720,159	-	-	1,720,159	1,641,639
Accounts receivable, net	96,828	135,137	823,723	1,055,688	906,816
Interest receivable	1,032	2,510	-	3,542	3,096
Lease receivable (Note 4)	397,618	-	-	397,618	421,028
Due from other funds (Note 3)	490,338	284,007	-	774,345	366,339
Total assets	\$ 31,957,602	\$ 79,790,464	\$ 1,363,003	\$ 113,111,069	\$ 104,259,449
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 2,345,713	\$ 16,595	\$ 49,378	\$ 2,411,686	2,226,446
Deposits payable	1,411,985	-	-	1,411,985	1,411,985
Due to other funds (Note 3)	-	-	774,345	774,345	366,339
Total liabilities	3,757,698	16,595	823,723	4,598,016	4,004,770
Deferred inflows of resources:					
Lease-related (Note 4)	399,347	-	-	399,347	423,308
Unavailable revenues	-	-	539,280	539,280	-
Total deferred inflows of resources	399,347	-	539,280	938,627	423,308
Fund balances:					
Restricted	196,482	79,773,869	-	79,970,351	76,008,569
Committed:					
Flood protection capital projects	15,750,075	-	-	15,750,075	22,022,802
Flood protection operating contingency	11,854,000	-	-	11,854,000	1,800,000
Total fund balances	27,800,557	79,773,869	-	107,574,426	99,831,371
Total liabilities, deferred inflows of resources and fund balances	\$ 31,957,602	\$ 79,790,464	\$ 1,363,003	\$ 113,111,069	\$ 104,259,449

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2024

Total Fund Balances - Total Governmental Funds \$ 107,574,426

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds.

CAPITAL ASSETS

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	\$	21,240,011	
Depreciable/Amortizable, net		11,567,278	32,807,289

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned. 539,280

LONG-TERM DEBT

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Compensated absences	(55,557)
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PENSION

Net pension liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	469,480
Net pension liability	(1,194,323)
Pension related deferred inflows of resources	(343,279)

OPEB

Net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

OPEB related deferred outflows of resources	141,586
Net OPEB liability	(149,278)
OPEB related deferred inflows of resources	(96,276)

Net Position of Governmental Activities	\$ 139,693,348
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**Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2024**

(With summarized information for the year ended June 30, 2023)

	Flood	Flood	Total	Totals	
	Protection Operations	Protection Development Impact Fee	Nonmajor Governmental Funds	2024	2023
Revenues:					
Property taxes	\$ 12,182,791	\$ -	\$ -	\$ 12,182,791	\$ 11,647,326
Intergovernmental	93,377	-	362,211	455,588	577,148
Charges for services	724,538	1,636,094	-	2,360,632	1,360,441
Investment earnings	949,738	2,535,366	-	3,485,104	1,280,020
Rental income	27,111	-	-	27,111	23,961
Other revenues	273,171	46,755	-	319,926	184,857
Total revenues	14,250,726	4,218,215	362,211	18,831,152	15,073,753
Expenditures:					
Current:					
Salaries and employee benefits transferred from district-wide	2,514,410	11,162	7,994	2,533,566	2,250,551
Services and supplies	7,604,089	56,881	856,443	8,517,413	6,876,779
Capital outlay:					
Equipment and capital infrastructure	6,654	-	37,054	43,708	677,585
Total expenditures	10,125,153	68,043	901,491	11,094,687	9,804,915
Excess (deficiency) of revenues over expenditures	4,125,573	4,150,172	(539,280)	7,736,465	5,268,838
Other financing sources (uses):					
Proceeds from sale of capital assets	18,480	-	-	18,480	-
Transfers in	-	-	539,280	539,280	-
Transfers out	(330,065)	(221,105)	-	(551,170)	(11,890)
Total other financing sources (uses)	(311,585)	(221,105)	539,280	6,590	(11,890)
NET CHANGE IN FUND BALANCE	3,813,988	3,929,067	-	7,743,055	5,256,948
Fund balances:					
Beginning of year	23,986,569	75,844,802	-	99,831,371	94,574,423
End of year	\$ 27,800,557	\$ 79,773,869	\$ -	\$ 107,574,426	\$ 99,831,371

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds
with the Change in Net Position of Governmental Activities
For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 7,743,055
Amounts reported for Governmental activities in the Statement of Activities were reported differently because:	
Net change in revenues that was considered unavailable in the governmental funds. These items have been reported as revenue in the Statement of Activities.	539,280
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation/amortization expense.	
The capital outlay expenditures are therefore added back to fund balance	43,708
Depreciation/amortization expense is deducted from the fund balance	(424,480)
LONG-TERM DEBT	
Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds.	14,390
ACCRUALS OF PENSIONS AND OPEB	
Net change in net pension liability and related deferred inflows and outflows of resources	137,206
Net change in net OPEB liability and related deferred inflows and outflows of resources	(39,813)
Change in Net Position of Governmental Activities	\$ 8,013,346

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Flood Protection Operations Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 11,269,000	\$ 11,269,000	\$ 12,182,791	\$ 913,791
Intergovernmental revenue	75,000	75,000	93,377	18,377
Charges for services	71,000	71,000	724,538	653,538
Investment earnings	215,000	215,000	949,738	734,738
Rental income	27,000	27,000	27,111	111
Other revenue	338,000	338,000	273,171	(64,829)
Total Revenues	11,995,000	11,995,000	14,250,726	2,255,726
Expenditures:				
Current:				
Flood protection:				
Salaries and benefits	3,075,000	3,075,000	2,514,410	560,590
Services and supplies	9,851,000	14,587,259	7,604,089	6,983,170
Capital outlay:				
Equipment and capital infrastructure	47,000	4,868,477	6,654	4,861,823
Total Expenditures	12,973,000	22,530,736	10,125,153	12,405,583
Excess (deficiency) of revenues over expenditures	(978,000)	(10,535,736)	4,125,573	14,661,309
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	18,480	-
Transfers out	(15,000)	(15,000)	(330,065)	(315,065)
Total other financing sources (uses)	(15,000)	(15,000)	(311,585)	(315,065)
NET CHANGE IN FUND BALANCE	\$ (993,000)	\$ (10,550,736)	3,813,988	\$ 14,364,724
FUND BALANCE:				
Beginning of year			23,986,569	
End of year			<u>\$ 27,800,557</u>	

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Flood Protection Development Impact Fee Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,500,000	\$ 2,500,000	\$ 1,636,094	\$ (863,906)
Investment earnings	553,000	553,000	2,535,366	1,982,366
Other revenue	25,000	25,000	46,755	21,755
Total Revenues	<u>3,078,000</u>	<u>3,078,000</u>	<u>4,218,215</u>	<u>1,140,215</u>
Expenditures:				
Current:				
Flood protection:				
Salaries and benefits	274,888	274,888	11,162	263,726
Services and supplies	1,411,112	2,432,491	56,881	2,375,610
Capital outlay:				
Equipment and capital infrastructure	-	55,883	-	55,883
Total Expenditures	<u>1,686,000</u>	<u>2,763,262</u>	<u>68,043</u>	<u>2,695,219</u>
Excess (deficiency) of revenues over expenditures	<u>1,392,000</u>	<u>314,738</u>	<u>4,150,172</u>	<u>3,835,434</u>
Other Financing (Uses):				
Transfers out	-	-	(221,105)	(221,105)
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(221,105)</u>	<u>(221,105)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,392,000</u>	<u>\$ 314,738</u>	<u>3,929,067</u>	<u>\$ 3,614,329</u>
FUND BALANCE:				
Beginning of year			<u>75,844,802</u>	
End of year			<u>\$ 79,773,869</u>	

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PROPRIETARY FUND FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position
Proprietary Funds
June 30, 2024

(With summarized information as of June 30, 2023)

	State	Water	Water	Nonmajor	Totals	
	Water	Enterprise	Enterprise		Enterprise Fund	2024
	Facilities	Operations	Capital Expansion			
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	\$ 15,204,543	\$ 45,402,901	\$ 11,130,796	\$ 424,934	\$ 72,163,174	\$ 67,725,372
Cash in Agency treasury (Note 2)	36,971,047	29,941,039	55,924,999	-	122,837,085	122,504,679
Restricted cash and investments (Note 2)	-	32,400,355	893,111	-	33,293,466	4,413,332
Account receivables, net	-	25,082,831	2,631,378	-	27,714,209	13,719,741
Interest receivable	5,574	4,789	8,356	-	18,719	18,000
Lease receivables - current (Note 4)	-	39,960	-	-	39,960	39,792
Prepaid deposits	161,336	200,695	-	-	362,031	2,457,547
Total current assets	52,342,500	133,072,570	70,588,640	424,934	256,428,644	210,878,463
Noncurrent assets:						
Lease receivables (Note 4)	-	373,446	-	-	373,446	413,406
Capital assets (Note 5):						
Nondepreciable	-	66,576,972	-	-	66,576,972	63,848,225
Depreciable/amortizable, net	-	273,559,864	-	-	273,559,864	266,983,580
Total noncurrent assets	-	340,510,282	-	-	340,510,282	331,245,211
Total assets	52,342,500	473,582,852	70,588,640	424,934	596,938,926	542,123,674
DEFERRED OUTFLOWS OF RESOURCES						
Pension related (Note 8)	-	5,423,972	49,325	-	5,473,297	7,506,060
OPEB related (Note 9)	-	1,635,773	14,876	-	1,650,649	2,002,044
Total deferred outflows of resources	-	7,059,745	64,201	-	7,123,946	9,508,104

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2024
(With summarized information as of June 30, 2023)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Nonmajor Enterprise Fund	Totals	
					2024	2023
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	2,193	9,095,017	1,202,783	-	10,299,993	6,243,077
Interest payable	-	1,785,568	-	-	1,785,568	1,329,769
Unearned revenues	-	-	-	-	-	-
Deposits	-	-	-	325,384	325,384	343,372
Compensated absences (Note 7)	-	778,092	-	-	778,092	718,822
Long-term debt - due within one year (Note 6)	-	1,536,261	650,000	-	2,186,261	1,595,000
Total current liabilities	2,193	13,194,938	1,852,783	325,384	15,375,298	10,230,040
Noncurrent liabilities:						
Compensated absences (Note 7)	-	715,689	-	-	715,689	768,476
Long-term debt (Note 6)	-	78,824,804	9,431,665	-	88,256,469	60,903,601
Net pension liability (Note 8)	-	13,798,219	125,480	-	13,923,699	16,942,431
Net OPEB liability (Note 9)	-	1,724,631	15,684	-	1,740,315	1,556,999
Total noncurrent liabilities	-	95,063,343	9,572,829	-	104,636,172	80,171,507
Total liabilities	2,193	108,258,281	11,425,612	325,384	120,011,470	90,401,547
DEFERRED INFLOW OF RESOURCES						
Lease related (Note 4)	-	412,242	-	-	412,242	452,647
Pension related (Note 8)	-	3,965,959	36,066	-	4,002,025	5,197,048
OPEB related (Note 9)	-	1,112,293	10,115	-	1,122,408	1,223,931
Total deferred inflows of resources	-	5,490,494	46,181	-	5,536,675	6,873,626
NET POSITION						
Net investment in capital assets	-	281,764,763	-	-	281,764,763	276,759,129
Restricted for:						
Capital projects and water expansion	52,340,307	36,868,097	59,167,037	-	148,375,441	117,661,201
Pension trust	-	1,832,257	14,011	-	1,846,268	1,488,488
Unrestricted	-	46,428,705	-	99,550	46,528,255	58,447,787
Total net position	\$ 52,340,307	\$ 366,893,822	\$ 59,181,048	\$ 99,550	\$ 478,514,727	\$ 454,356,605

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

	Major Funds				Totals	
	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Nonmajor Enterprise Fund	2024	2023
OPERATING REVENUES:						
Water sales	\$ -	\$ 65,069,514	\$ -	\$ -	\$ 65,069,514	\$ 56,105,302
Connection and development fees	-	-	11,860,411	-	11,860,411	17,023,627
Charges for services	-	91,125	-	-	91,125	86,983
Other revenues	2,567,692	266,536	-	-	2,834,228	2,633,188
Total operating revenues	2,567,692	65,427,175	11,860,411	-	79,855,278	75,849,100
OPERATING EXPENSES:						
Salaries, wages and benefits	-	19,274,006	8,961	-	19,282,967	18,784,830
Contractual services	22,626	6,620,127	1,265,879	-	7,908,632	4,155,344
Technical supplies	-	423,396	-	-	423,396	565,949
Chemical purchases	-	3,452,882	-	-	3,452,882	2,177,378
Water purchases	27,268,241	6,406,821	16,604,253	-	50,279,315	49,111,001
Water storage	-	1,190,937	-	-	1,190,937	2,252,378
Utilities	-	2,458,597	-	-	2,458,597	3,709,307
Maintenance and repairs	-	2,204,150	-	-	2,204,150	1,646,277
Equipment and building rents	-	124,184	-	-	124,184	225,682
Other services and supplies	-	1,999,389	1,856,435	-	3,855,824	4,022,505
Risk management	-	755,250	-	-	755,250	597,518
Depreciation and amortization (Note 5)	-	10,087,998	-	-	10,087,998	8,249,031
Total operating expenses	27,290,867	54,997,737	19,735,528	-	102,024,132	95,497,200
OPERATING INCOME (LOSS)	(24,723,175)	10,429,438	(7,875,117)	-	(22,168,854)	(19,648,100)
NONOPERATING INCOME (LOSS):						
Property taxes	24,043,448	-	-	-	24,043,448	23,540,590
Intergovernmental revenue	2,797,898	11,816,437	3,020,750	-	17,635,085	9,752,717
Investment earnings	1,609,576	3,750,217	2,859,333	32,846	8,251,972	1,612,299
Loss on disposal of assets	-	(402,645)	-	-	(402,645)	2,072
Interest expense and fiscal charges	-	(2,920,891)	(291,883)	-	(3,212,774)	(2,085,474)
Total nonoperating income (loss)	28,450,922	12,243,118	5,588,200	32,846	46,315,086	32,822,204
NET INCOME (LOSS) BEFORE TRANSFERS	3,727,747	22,672,556	(2,286,917)	32,846	24,146,232	13,174,104
TRANSFERS:						
Transfers in (Note 3)	-	285,615	1,900,452	-	2,186,067	65,437,969
Transfers out (Note 3)	-	-	(1,124,177)	(1,050,000)	(2,174,177)	(65,426,079)
Total Transfers	-	285,615	776,275	(1,050,000)	11,890	11,890
NET CHANGES IN NET POSITION	3,727,747	22,958,171	(1,510,642)	(1,017,154)	24,158,122	13,185,994
NET POSITION:						
Beginning of year	48,612,560	343,935,651	60,691,690	1,116,704	454,356,605	441,170,611
End of year	<u>\$ 52,340,307</u>	<u>\$ 366,893,822</u>	<u>\$ 59,181,048</u>	<u>\$ 99,550</u>	<u>\$ 478,514,727</u>	<u>\$ 454,356,605</u>

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 2,567,692	\$ 51,889,048	\$ (456,036)
Refund of customers deposits	-	-	-
Cash received from connection and development fees	-	-	11,860,411
Cash paid to suppliers for goods and services	(26,190,078)	(21,708,559)	(18,985,499)
Cash paid to employees for services	-	(20,668,884)	(201,103)
Net Cash Provided by (Used in) Operating Activities	(23,622,386)	9,511,605	(7,782,227)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund borrowing	-	-	-
Transfers in	-	285,615	1,900,452
Transfers (out)	-	-	(1,124,177)
Property tax	24,043,448	-	-
Intergovernmental	2,797,898	11,816,437	3,020,750
Net Cash Provided by (Used in) Noncapital Financing Activities	26,841,346	12,102,052	3,797,025
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	-	(21,439,157)	-
Proceeds from sale of assets	-	1,820,076	-
Principles payments on long-term debt	-	(980,000)	(615,000)
Interest paid	-	(2,690,977)	(473,574)
Net Cash (Used in) Capital and Related Financing Activities	-	6,709,154	(1,088,574)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	1,607,786	3,750,217	2,859,486
Net Cash Provided by (Used in) Investing Activities	1,607,786	3,750,217	2,859,486
Net Increase (Decrease) In Cash and Cash Equivalents	4,826,746	32,073,028	(2,214,290)
CASH AND CASH EQUIVALENTS:			
Beginning of year	47,348,844	75,671,267	70,163,196
End of year	<u>\$ 52,175,590</u>	<u>\$ 107,744,295</u>	<u>\$ 67,948,906</u>
CASH AND CASH EQUIVALENTS:			
Cash in County treasury	\$ 15,204,543	\$ 45,402,901	\$ 11,130,796
Cash in Agency treasury	36,971,047	29,941,039	55,924,999
Restricted cash and investments	-	32,400,355	893,111
Total cash and cash equivalents	\$ 52,175,590	\$ 107,744,295	\$ 67,948,906
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (24,723,175)	\$ 10,429,438	\$ (7,875,117)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	10,087,998	-
Changes in assets and liabilities:			
Receivables	-	(13,537,514)	(456,036)
Lease receivables	-	39,792	-
Prepays	1,100,093	9,755	985,668
Accounts payable and accrued expenses	696	4,071,720	(244,600)
Compensated absences	-	6,483	-
Deposits	-	-	-
Deferred inflows - lease related	-	(40,405)	-
Net pension liability, deferred inflows and deferred outflows	-	(1,993,861)	(187,131)
Net OPEB liability, deferred inflows and deferred outflows	-	438,199	(5,011)
Net Cash Provided by (Used in) Operating Activities	\$ (23,622,386)	\$ 9,511,605	\$ (7,782,227)
NONCASH ITEMS:			
Acquisition of right to use intangible assets	\$ -	\$ 176,593	\$ -
Amortization on bond premium	\$ -	\$ 470,360	\$ 166,316

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

	Nonmajor Enterprise Fund	Totals	
		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ -	\$ 54,000,704	\$ 63,219,018
Refund of customers deposits	(17,988)	(17,988)	20,124
Cash received from connection and development fees	-	11,860,411	17,023,627
Cash paid to suppliers for goods and services	-	(66,884,136)	(71,246,929)
Cash paid to employees for services	-	(20,869,987)	(19,268,181)
Net Cash Provided by (Used in) Operating Activities	(17,988)	(21,910,996)	(10,252,341)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund borrowing	-	-	43,301
Transfers in	-	2,186,067	65,437,969
Transfers (out)	(1,050,000)	(2,174,177)	(65,426,079)
Property tax	-	24,043,448	23,540,590
Intergovernmental	-	17,635,085	9,752,717
Net Cash Provided by (Used in) Noncapital Financing Activities	(1,050,000)	41,690,423	33,348,498
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	-	(21,439,157)	(15,865,784)
Proceeds from sale of assets	-	1,820,076	60,273
Principles payments on long-term debt	-	(1,595,000)	(1,713,106)
Interest paid	-	(3,164,551)	(2,697,875)
Net Cash (Used in) Capital and Related Financing Activities	-	5,620,580	(20,216,492)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	32,846	8,250,335	1,600,006
Net Cash Provided by (Used in) Investing Activities	32,846	8,250,335	1,600,006
Net Increase (Decrease) In Cash and Cash Equivalents	(1,035,142)	33,650,342	4,479,671
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,460,076	194,643,383	190,163,712
End of year	<u>\$ 424,934</u>	<u>\$ 228,293,725</u>	<u>\$ 194,643,383</u>
CASH AND CASH EQUIVALENTS:			
Cash in County treasury	\$ 424,934	\$ 72,163,174	\$ 67,725,372
Cash in Agency treasury	-	122,837,085	122,504,679
Restricted cash and investments	-	33,293,466	4,413,332
Total cash and cash equivalents	\$ 424,934	\$ 228,293,725	\$ 194,643,383
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ -	\$ (22,168,854)	\$ (19,648,100)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	10,087,998	8,249,031
Changes in assets and liabilities:			
Receivables	-	(13,993,550)	4,395,588
Lease receivables	-	39,792	39,624
Prepays	-	2,095,516	(1,570,188)
Accounts payable and accrued expenses	-	3,827,816	(1,109,250)
Compensated absences	-	6,483	(73,089)
Deposits	(17,988)	(17,988)	18,862
Deferred inflows - lease related	-	(40,405)	(40,405)
Net pension liability, deferred inflows and deferred outflows	-	(2,180,992)	(617,449)
Net OPEB liability, deferred inflows and deferred outflows	-	433,188	103,035
Net Cash Provided by (Used in) Operating Activities	\$ (17,988)	\$ (21,910,996)	\$ (10,252,341)
NONCASH ITEMS:			
Acquisition of right to use intangible assets	\$ -	\$ 176,593	\$ -
Amortization on bond premium	\$ -	\$ 636,676	\$ -

See accompanying Notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Alameda County Flood Control and Water Conservation District, Zone 7 – Zone 7 Water Agency (the “Agency”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Agency’s significant policies:

A. Financial Reporting Entity

The Agency is a public corporation, organized and existing under the constitution and laws of the State of California. The Agency provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area.

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Joint Powers Authority (JPA)

The Livermore Valley Water Financing Authority (the “Authority”) was formed on November 1, 2017 to assist in the financing of public capital improvements. The Authority is a joint exercise agency organized under the laws of the State of California and was composed of the Agency and the California Statewide Communities Development Authority (“CSCDA”). The Agency Board of Directors serves as the governing board of the Authority. The Authority transactions are reported in Water Enterprise Operations and Water Enterprise Capital Expansion funds. Related debt is included in the long-term obligations of the Agency on the business-type activities column of the statement of net position.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenditures or expenses, as appropriate. Agency resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Statement of Net Position and Balance Sheet – Governmental Funds reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. All other revenues are considered to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and inception of subscription-based information technology arrangements (“SBITA”) are reported as other financing sources.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The Agency reported the following major governmental funds in the accompanying financial statements:

The ***Flood Protection Operations Fund*** is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Agency that are not accounted for through other funds.

The ***Flood Protection Development Impact Fee Fund*** is used for the acquisition, construction, engineering and improvement of the flood protection and /or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof.

The Agency reports the following nonmajor governmental funds:

The ***Environmental Protection Agency (EPA) Grant Fund – Federal Fund*** is used to account for revenues and expenses resulting from the EPA Preparing for the Storm grant.

The ***Cal-OES Grant Fund*** – Federal passed through grant to the California Governor’s Office of Emergency Services (Cal-OES) is used to account for revenues and expenditures for damages caused by 2023 storms.

The ***State Grants Fund*** – To account for the revenues and expenditures of State Grants.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water Enterprise Operations fund is the sale of water to outside customers. Operating expenses for the fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Agency reports the following major proprietary funds:

The ***State Water Facilities Fund*** is used for fixed State water charges and State water project bonded indebtedness.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

The ***Water Enterprise Operations Fund*** accounts for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, renewal and replacement program, water facilities, water resources and water supply planning.

The ***Water Enterprise Capital Expansion Fund*** is used for Water Enterprise capital expansion projects and water purchases.

The Agency reports the following nonmajor proprietary funds:

The ***Water Facilities Fund*** is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows the Agency defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

A portion of the Agency's cash is pooled with the Alameda County Treasurer, who acts as disbursing agent for the Agency. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasurer is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter.

D. Investment and Fair Value Measurements

The Agency invests in individual investments and in the County Treasury investment pool. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

U.S. GAAP defined fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Investment and Fair Value Measurements (Continued)

- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

If the fair value of an investment is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

E. Receivables

Receivables include amounts billed to water customers, as well as for other miscellaneous revenue sources. Receivables include revenue for water distributed but not yet billed. Development fees for the fiscal year received after year-end are included in accounts receivable. Uncollectible amounts from individual customers are not significant.

F. Leases

Lessor

The Agency is a lessor for leases of special purpose facilities. The Agency recognizes leases receivable and deferred inflows of resources in the financial Statements.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than \$250,000 for infrastructure, buildings, building improvements, land improvements and software. The Agency capitalizes equipment and land with a useful life greater than one year and an original cost greater than \$5,000. These assets are reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset’s lives are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10-40 years
Sludge drying ponds	40 years
Pipelines	40 years
Equipment	3-10 years
SCADA Project	20 years
Other Infrastructure	40 years
Reservoirs	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	50 years

H. Subscription-Based Information Technology Arrangements (“SBITAs”)

The Agency has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The Agency recognizes subscription liabilities with an initial, individual value of \$50,000 or more with a subscription term greater than one year. Variable payments based on future performance of the Agency’s usage of the underlying Information Technology (“IT”) asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the Agency initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- **Preliminary Project Stage:** Outlays are expensed as incurred.
- **Initial Implementation Stage:** Outlays are capitalized as an addition to the subscription asset.
- **Operation and Additional Implementation Stage:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Subscription-Based Information Technology Arrangements (“SBITAs”)

Upon adoption, the Agency elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2021.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the Agency has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgments related to SBITA include how the Agency determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Agency used the U.S. Treasury rates at the time of GASB Statement No. 96 implementation for its existing SBITAs. The Agency will use the current rate at the time of a new SBITA agreement is executed. If available, the Agency uses the interest rate charged by the SBITA vendor as the discount rate.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure it accordingly if certain changes occur that are expected to significantly affect the liability.

I. Budgets and Budgetary Accounting

Formal budgets are employed as a management control during the year for the Funds.

Budgets for the Governmental Funds are prepared to include encumbrances at year-end. Budget comparisons presented are on GAAP budgetary basis. The Agency has a two-year budget cycle and budgets are prepared for Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund.

The two-year budget is approved by the Agency’s Board of Directors at an appropriation level established by fund, further delineated by two categories, the operating budget and the capital budget, which are detailed in the budget document.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund. Encumbrances at June 30, 2024 are as follows:

Fund	Encumbrances
Flood Protection Operations Major Funds	\$ 1,122,859

K. Property Taxes

The Agency receives property taxes and an override property tax for fixed State water charges from the Alameda County (the “County”). The Agency recognizes property taxes as revenue in the fiscal year of levy, based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and become delinquent on August 31. The Agency elected to receive the property taxes from the County under the Teeter Bill. Under this program the Agency receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

The override property tax amount is used to pay the cost for use of the State Department of Water Resources (DWR) water delivery system, which includes repayment of voter approved, State incurred, long-term debt. The Agency projects such costs annually and requests that the County collect that amount. 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. For the year ended June 30, 2024, the Agency recognized \$24 million of State water facilities property tax.

L. Compensated Absences

The Agency’s policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The Agency will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the Agency, as these benefits do not vest with the employee. Therefore, sick leave is recorded as an expenditure in the period that the benefit is taken.

M. 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. Deferred charge on refunding 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.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Pension and OPEB

For purposes of measuring the aggregate net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension/OPEB reporting:

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Measurement Period	January 1, 2023 to December 31, 2023

Gains and losses related to changes in net pension/OPEB liability and fiduciary net position are recognized in pension/OPEB expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions/OPEB and are to be recognized in future pension/OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

O. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by any related debt, and deferred inflows of resources related to such borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is offset by unspent proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets as to the use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the Board of Directors, prior to the end of the reporting period. Board of Directors adoption of a resolution is required to commit resources or to rescind the commitment. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Q. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Agency's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Agency uses the unrestricted resources in the following order: (1) Committed, (2) Assigned, (3) Unassigned, except for instances wherein an ordinance specifies the fund balance.

R. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement

During the fiscal year ended June 30, 2024, the Agency implemented the following accounting standards:

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this Statement did not have a significant effect on the Agency's financial statements for the fiscal year ended June 30, 2024.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

T. New GASB Pronouncements

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

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the Agency’s fiscal year ending June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the Agency’s fiscal year ending June 30, 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Application of this statement is effective for the Agency’s fiscal year ending June 30, 2026.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Application of this statement is effective for the City’s fiscal year ending June 30, 2026.

Note 2 – Cash and Investments

The Agency’s cash and investments consist of the following at June 30, 2024:

Pooled Cash and investment in County Treasury	\$ 160,748,054
Cash and investments - Agency Treasury	143,411,922
Restricted cash and investments	35,013,625
Total cash and investments	\$ 339,173,601
Cash and investment in Government Funds	\$ 110,879,876
Cash and investments in Proprietary Funds	228,293,725
Total cash and investments	\$ 339,173,601

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

Demand Deposits

The carrying amounts of cash deposits were \$30,066,781 at June 30, 2024, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the Agency’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency’s name.

The fair value of pledged securities must equal at least 110% of the Agency’s cash deposits. California law also allows institutions to secure the Agency’s deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency’s total cash deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Agency, however, has not waived the collateralization requirements.

Investments Authorized by California Government Code and the Agency’s Investment Policy

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Portfolio	Maximum in Portfolio	Maximum Investment in One Issuer
US Treasury Obligations	5 Years	N/A	N/A	100%
Federal Agencies	5 Years	N/A	N/A	100%
Bankers' Acceptance	180 Days	A-1	25%	40%
Commercial Paper	270 Days	A-1	5%	40%
Medium Term Corporate Notes	5 Years	A	5%	30%
Negotiable Certificates of Deposit	5 Years	A/A-1	5%	30%
Certificates of Time Deposit	5 Years	A	FDIC Limit	30%
Money Market Mutual Funds	Daily Liquidity	Top ranking	10%	20%
California Local Agency Investment Fund (LAIF)	N/A	N/A	N/A	State Limit
Municipal Bonds & Notes	5 Years	A	N/A	40%
Repurchase Agreements (REPO)	360 Days	A	(A)	20%
California Asset Management Program (CAMP)	Daily Liquidity	(C)	Per CAMP	10%
Supranational Obligations	5 Years	AA	(B)	30%
Asset-Backed Securities	5 Years	AA	N/A	20%

(A) Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

(B) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank

(C) Rated highest rating by an NRSRO

The Agency’s pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of principal, liquidity and yield.

The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

Investments Authorized by California Government Code and the Agency’s Investment Policy (Continued)

The Agency’s external investment pool is not registered with the Securities and Exchange Commission but rather the County Board of Supervisors created the Treasury Oversight Committee to establish regulations of the pooled investments.

A copy of the County investment policy is available upon request from the Alameda County Auditor- Controller’s Office at 1221 Oak Street, Room 249, Oakland, California, 94612.

The non-pooled cash and investments are invested in accordance with the Agency’s Investment Policy and the California Government Code which allows the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Agency’s Investment Policy where the Agency Investment Policy is more restrictive.

The Agency is in compliance with the Board approved Investment Policy and California Government Code requirements.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency’s Investment Policy.

Pension Trust – Investment Policy

The Agency established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the Agency’s pension plan. The pension trust Fund’s specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the Agency. Those guidelines are as follows:

Risk Tolerance

Moderately Conservative – The account’s risk tolerance has been rated moderately conservative, which demonstrates that the account can accept modest price fluctuations to pursue its investment objectives.

Security Guidelines

Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities. In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Investment Objective

The primary objective is to generate a reasonable level of growth. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the Alameda County Employees’ Retirement Association (ACERA) Trust.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

Pension Trust – Investment Policy (Continued)

<i>Strategic Ranges:</i>	Cash-	0% to 20%
	Fixed Income-	50% to 80%
	Equity-	20% to 40%

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2024, approximately 40.7 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

Information about the sensitivity of the fair values of the Agency’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency’s investment maturity or earliest call date:

Investment Type	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<i>Pooled Cash and Investments in County Treasury</i>					
Cash in County Pool	\$ -	\$ -	\$ -	\$ -	\$ 160,748,054
<i>Cash and Investments - Agency Treasury</i>					
U.S. Treasury Notes	11,983,265	54,963,570	16,726,250	-	83,673,085
Asset-backed Securities	-	3,287,467	25,536,516	-	28,823,983
Corporate Bonds	3,233,020	9,266,184	11,920,372	-	24,419,576
Certificate of Deposit	-	1,363,352	-	-	1,363,352
Money Markey Fund	3,499,057	-	-	-	3,499,057
Total	18,715,342	68,880,573	54,183,138	-	141,779,053
Cash in bank					1,632,869
<i>Total Cash and Investments - Agency Treasury</i>					143,411,922
<i>Restricted Cash and Investments</i>					
U.S. Treasury Notes	8,036,020	-	-	-	8,036,020
Money Market Fund	24,934,855	-	-	-	24,934,855
Investment Held by Pension Trust	-	-	-	2,042,750	2,042,750
Total	\$ 32,970,875	\$ -	\$ -	\$ 2,042,750	35,013,625
<i>Total Restricted Cash and Investments</i>					35,013,625
Total Cash and Investments					\$ 339,173,601

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2024 for each investment type as provided by Moody’s Investor Service:

Investment Type	Aaa	Aa2	Aa3	A1	A2	Total
<i>Pooled Cash and Investments in County Treasury</i>						
Not rated:						
Cash in County Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$160,748,054
<i>Cash and Investments - Agency Treasury</i>						
U.S. Treasury Notes	83,673,085	-	-	-	-	83,673,085
Asset-backed Securities	24,874,317	-	-	-	-	24,874,317
Corporate Bonds	4,253,774	5,229,157	4,431,779	7,923,584	2,581,282	24,419,576
Certificate of Deposit	-	1,363,352	-	-	-	1,363,352
Not rated:						
Asset Backed Securities	-	-	-	-	-	3,949,666
Cash in bank	-	-	-	-	-	1,632,869
Money Markey Fund	-	-	-	-	-	3,499,057
Total Cash and Investments - Agency Treasury	112,801,176	6,592,509	4,431,779	7,923,584	2,581,282	143,411,922
<i>Restricted Cash and Investments</i>						
U.S. Treasury Notes	8,036,020	-	-	-	-	8,036,020
Not rated:						
Money Market Fund	-	-	-	-	-	24,934,855
Investment Held by Pension Trust	-	-	-	-	-	2,042,750
Total Restricted Cash and Investments	8,036,020	-	-	-	-	35,013,625
Total Cash and Investments						<u>\$339,173,601</u>

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Disclosure Relating to Concentration of Credit Risk

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2024 Alameda County Annual Comprehensive Financial Report.

Fair Value Hierarchy

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

Fair Value Hierarchy (Continued)

As of June 30, 2024, the Agency had \$160,748,054 of cash and investments pooled with the Alameda County Treasurer that is exempt from the fair value hierarchy. The fair value of the pooled investment fund is provided by the Alameda County Treasurer and is valued using quoted prices for identical instruments in markets that are not active. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Agency as of June 30, 2024:

	Level 1	Level 2	Uncategorized	Total
<i>Investments - Agency Treasury</i>				
Investments by Fair Value Level				
U.S. Treasury Notes	\$ 83,673,085	\$ -	\$ -	\$ 83,673,085
Asset-backed Securities	-	28,823,983	-	28,823,983
Corporate Bonds	-	24,419,576	-	24,419,576
Certificate of Deposit	-	1,363,352	-	1,363,352
Investments Measured at Amortized Cost				
Money Market Fund	-	-	3,499,057	3,499,057
<i>Total Investments - Agency Treasury</i>	83,673,085	54,606,911	3,499,057	141,779,053
<i>Restricted Investments</i>				
Investments by Fair Value Level				
Investment Held by Pension Trust	-	2,042,750	-	2,042,750
U.S. Treasury Notes	8,036,020	-	-	8,036,020
Investments Measured at Amortized Cost				
Money Market Fund	-	-	24,934,855	24,934,855
<i>Total Restricted Investments</i>	8,036,020	2,042,750	24,934,855	35,013,625
Total Investments				\$ 176,792,678

Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the Agency's custodian bank.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 3 – Interfund Transfers

A. Due to/from Other Funds

The following is a summary of due to and from other funds as of June 30, 2024:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Flood Protection Operations Fund	Environmental Protection - EPA	\$ 3,692
Flood Protection Operations Fund	State Grants Fund	365,628
Flood Protection Operations Fund	CalOES Fund	121,018
Flood Protection Development Impact Fee Fund	State Grants Fund	284,007
Total Interfund Receivables/Payables		\$ 774,345

The interfund balances resulted from eligible reimbursable grant expenses being paid from the receivable funds and grant proceeds were not yet collected as of June 30, 2024.

B. Transfers

During the year ended June 30, 2024, the Agency had the following transfers:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfer</u>	<u>Amount</u>
<u>Enterprise Funds:</u>		
Water Enterprise Operations	Flood Protection Operations	\$ 11,890 (A)
Water Enterprise Operations	Water Enterprise Capital Expansion	1,124,177 (C)
Water Enterprise Capital Expansion	Water Facilities Fund	1,050,000 (D)
<u>Governmental Funds:</u>		
State Grants Fund	Flood Protection Operations Funds	318,175 (B)
State Grants Fund	Flood Protection Development Impact	221,105 (B)
		<u>\$ 2,725,347</u>

(A) Transfer to fund vehicle replacement.

(B) Transfer to fund State grant expenses

(C) Transfer of completed construction projects and other capital assets.

(D) Transfer to fund Sites Reservoir Project and Los Vaqueros Reservoir Project.

Note 4 – Lease Receivable

The portion of the Agency’s property is leased to others. Such property includes special purpose facilities. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the Agency. The terms of the arrangements range from 2 to 7 years. The calculated interest rates used vary depending on the length of the lease. For the fiscal year ended June 30, 2024, the Agency recognized \$27,111 in lease revenue and \$1,370 in interest revenue in the governmental activities, and recognized \$41,755 in lease revenue and \$1,828 in interest revenue in the business type activities.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 4 – Leases (Continued)

A. Lease receivable

A summary of changes in lease receivables in governmental activities and business activities for the fiscal year ended June 30, 2024 are as follows:

	Balance			Classification		
	July 1, 2023	Additions	Deletions	June 30, 2024	Due within One Year	Due in More Than One Year
Governmental activities	\$ 421,028	\$ -	\$ (23,410)	\$ 397,618	\$ 23,487	\$ 374,131
Business-type activities	453,198	-	(39,792)	413,406	23,487	389,919

Lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 23,487	\$ 1,293	\$ 24,780	\$ 39,960	\$ 1,660	\$ 41,620
2026	23,565	1,215	24,780	40,129	1,491	41,620
2027	23,643	1,137	24,780	40,300	1,320	41,620
2028	23,720	1,060	24,780	40,470	1,150	41,620
2029	23,799	981	24,780	40,641	979	41,620
2030-2034	120,180	3,720	123,900	143,667	2,434	146,101
2035-2039	122,178	1,722	123,900	52,362	738	53,100
2040-2041	37,046	124	37,170	15,877	52	15,929
Total	\$ 397,618	\$ 11,252	\$ 408,870	\$ 413,406	\$ 9,824	\$ 423,230

B. Lease-Related Deferred Inflows of Resources

As of June 30, 2024, the amounts reported as deferred inflows of resources related to leases will be recognized as lease revenue as follows:

Year Ending June 30,	Governmental activities	Business-type activities	Total
2025	\$ 23,961	\$ 40,405	\$ 64,366
2026	23,961	40,405	64,366
2027	23,961	40,405	64,366
2028	23,961	40,405	64,366
2029	23,961	40,405	64,366
2030-2034	119,805	141,759	261,564
2035-2039	119,805	51,345	171,150
2040-2041	39,932	17,113	57,045
Total	\$ 399,347	\$ 412,242	\$ 811,589

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2024 is as follows:

<i>Governmental Activities:</i>	Balance July 1, 2023	Additions	Transfers	Balance June 30, 2024
<i>Capital assets not being depreciated:</i>				
Right of way	\$ 21,203,051	\$ -	\$ -	\$ 21,203,051
Easements	36,960	-	-	36,960
Total capital assets not being depreciated	21,240,011	-	-	21,240,011
<i>Capital assets being depreciated:</i>				
Flood control channels	12,393,619	-	-	12,393,619
Other infrastructure	2,985,984	37,054	-	3,023,038
Office building	1,851,075	-	-	1,851,075
Equipment	187,785	6,654	-	194,439
Total capital assets being depreciated	17,418,463	43,708	-	17,462,171
Less accumulated depreciation for:				
Flood control channels	(4,927,432)	(231,734)	-	(5,159,166)
Other infrastructure	(267,109)	(92,052)	-	(359,161)
Office building	(231,568)	(62,582)	-	(294,150)
Equipment	(44,304)	(38,112)	-	(82,416)
Total accumulated depreciation	(5,470,413)	(424,480)	-	(5,894,893)
Total capital assets being depreciated, net	11,948,050	(380,772)	-	11,567,278
Total governmental activities	\$ 33,188,061	\$ (380,772)	\$ -	\$ 32,807,289

Depreciation expense in the amount of \$424,480 was charged to Flood Protection of the primary government.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2024 is as follows:

<i>Business--Type Activities:</i>	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
<i>Capital assets not being depreciated:</i>					
Rights of way	\$ 9,553,081	\$ -	\$ -	\$ -	\$ 9,553,081
Water entitlements	36,655,364	-	-	-	36,655,364
Easements	1,862,074	-	-	-	1,862,074
Construction in progress	15,777,706	21,152,644	(1,820,076)	(16,613,821)	18,496,453
Total capital assets not being depreciated	<u>63,848,225</u>	<u>21,152,644</u>	<u>(1,820,076)</u>	<u>(16,613,821)</u>	<u>66,566,972</u>
<i>Capital assets being depreciated:</i>					
Equipment	5,577,575	181,917	(188,353)	-	5,571,139
Treatment plants	260,576,012	-	-	4,037,981	264,613,993
Office building	8,575,380	-	-	-	8,575,380
Reservoir	3,005,321	-	-	-	3,005,321
Pipelines	53,929,752	-	-	-	53,929,752
Wellfields	31,202,337	-	(769,998)	11,763,936	42,196,275
SCADA project	9,704,664	-	-	541,240	10,245,904
Other infrastructure	4,154,940	-	-	270,664	4,425,604
Total capital assets being depreciated	<u>376,725,981</u>	<u>181,917</u>	<u>(958,351)</u>	<u>16,613,821</u>	<u>392,563,368</u>
Less accumulated depreciation for:					
Equipment	(4,547,045)	(426,253)	188,353	-	(4,784,945)
Treatment plants	(56,195,198)	(6,420,602)	-	-	(62,615,800)
Office buildings	(2,057,519)	(275,722)	-	-	(2,333,241)
Reservoirs	(1,517,111)	(75,192)	-	-	(1,592,303)
Pipelines	(23,907,592)	(1,241,533)	-	-	(25,149,125)
Wellfields	(11,916,642)	(982,375)	367,353	-	(12,531,664)
SCADA project	(8,976,814)	(491,247)	-	-	(9,468,061)
Other infrastructure	(632,645)	(106,129)	-	-	(738,774)
Total accumulated depreciation	<u>(109,750,566)</u>	<u>(10,019,053)</u>	<u>555,706</u>	<u>-</u>	<u>(119,213,913)</u>
Total capital assets being depreciated, net	<u>266,975,415</u>	<u>(9,837,136)</u>	<u>(402,645)</u>	<u>16,613,821</u>	<u>273,349,455</u>
Subscription assets, not being amortized					
Development in progress - software	-	10,000	-	-	10,000
Subscription assets, being amortized					
Subscription assets, being amortized	73,493	271,189	(73,493)	-	271,189
Less accumulated amortization					
Less accumulated amortization	(65,328)	(68,945)	73,493	-	(60,780)
Total subscription asset, being amortized net	<u>8,165</u>	<u>202,244</u>	<u>-</u>	<u>-</u>	<u>210,409</u>
Total business-type activities	<u>\$ 330,831,805</u>	<u>\$ 11,527,752</u>	<u>\$ (2,222,721)</u>	<u>\$ -</u>	<u>\$ 340,136,836</u>

Depreciation and amortization expense in the amount of \$10,019,053 and \$68,945, respectively, were charged to Water Enterprise Operations of the primary government.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 5 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

Construction in Progress at June 30, 2024 comprises the following projects:

Enterprise Projects	
COL PFAS Treatment Facility	\$ 7,572,319
MGDP Concentrate Conditioning Facility Project	6,272,661
Wells & MGDP Electrical Replacement Projects	3,398,719
Chain of Lakes (COL) Pipeline	950,351
Hopyard Pipeline Corrosion Protection Project	98,906
DVWTP Underdrain Pump Station Replacement Project	86,801
North Canyons EV Chargers	60,834
DVWTP Booster Pump Station VFDs Replacement Project	32,326
PPWTP Coagulant Tanks Replacement	23,536
Total	\$ 18,496,453

Note 6 – Long-Term Debt

Summary of changes in business-type activities long-term debt for the year ended June 30, 2024 is as follows:

	Original Issue Amount	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Amount due within one year	Amount more than one year
Bond payable							
2018 Water Revenue Bonds	\$ 64,010,000	\$ 58,370,000	\$ -	\$ (1,595,000)	\$ 56,775,000	\$ 1,680,000	\$ 55,095,000
Plus: Unamortized Bond Premium	7,506,832	4,128,601	-	(525,455)	3,603,146	-	3,603,146
2023 Water Revenue Bonds	28,795,000	-	28,795,000	-	28,795,000	420,000	28,375,000
Plus: Unamortized Bond Premium	1,204,212	-	1,204,212	(111,221)	1,092,991	-	1,092,991
Total bonds payable		62,498,601	29,999,212	(2,231,676)	90,266,137	2,100,000	88,166,137
Subscription liabilities		-	176,593	-	176,593	86,261	90,332
Total long-term debt		\$ 62,498,601	\$ 30,175,805	\$ (2,231,676)	\$ 90,442,730	\$ 2,186,261	\$ 88,256,469

Water Revenue Bonds

On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority (LVWFA), issued the 2018 Water Revenue Bonds in the amount of \$64,010,000. Proceeds of the issuance were used to pay the cost of the 2018 Water Project, consisting of a water treatment plant and related facilities, prepay \$15,290,000 of the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, and to pay costs of issuance. Interest rates range from 3% to 5%. Principal and interest payments are due annually beginning July 1, 2019 through July 1, 2048. The principal balance outstanding at June 30, 2024 was \$56,775,000.

In October 2023, the Agency, via the LVWFA, issued the 2023 Water Revenue Bonds in the amount of \$28,795,000. Proceeds of the issuance being used to pay the cost of the 2023 Water Project, which generally consists of water treatment facilities, related site improvements, certain other capital improvements for the Agency's water system and to pay cost of issuance. The interest rate is 5%. Principal and interest payments are due annually beginning January 1, 2024 through July 1, 2053. The principal balance outstanding at June 30, 2024 was \$28,795,000.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Long Term Debt (Continued)

Water Revenue Bonds (Continued)

The Agency’s bond covenants contain events of default that require the net revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. The Agency’s bonds also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the bonds, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

At June 30, 2024, the debt service payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
2025	\$ 2,100,000	\$ 1,429,250	\$ 3,529,250
2026	2,215,000	1,407,625	3,622,625
2027	2,325,000	1,384,750	3,709,750
2028	2,450,000	1,360,625	3,810,625
2029	2,575,000	1,335,250	3,910,250
2030-2034	15,015,000	6,248,750	21,263,750
2035-2039	14,130,000	5,391,125	19,521,125
2040-2044	16,165,000	4,291,250	20,456,250
2045-2049	20,400,000	2,879,375	23,279,375
2050-2054	8,195,000	1,065,125	9,260,125
Total Payments Due	85,570,000	<u>\$ 26,793,125</u>	<u>\$ 112,363,125</u>
Unamortized Premium	4,696,137		
Total	<u>\$ 90,266,137</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 Agency has evaluated the 2018 Water Revenue Bonds issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2024. The initial arbitrage evaluation of the 2023 Water Revenue Bonds will be performed later in calendar year 2024.

Subscription-Based Information Technology Arrangement (SBITA) Liability

The Agency has entered into a subscription-based IT arrangement and has recorded a liability to offset the right-to-use assets. These are calculated using the current U.S. Treasury rate at the time the SBITA agreement is executed. As of June 30, 2024, the remaining balance was \$176,593. Principal and interest to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2025	\$ 86,261	\$ 8,336	\$ 94,597
2026	90,332	4,265	94,597
Total	<u>\$ 176,593</u>	<u>\$ 12,601</u>	<u>\$ 189,194</u>

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2024 is as follows:

	<u>Governmental</u>	<u>Proprietary</u>
Beginning Balance	\$ 69,947	\$ 1,487,298
Additions	57,939	796,073
Payments	(72,329)	(789,590)
Ending Balance	<u>\$ 55,557</u>	<u>\$ 1,493,781</u>
Current portion	<u>\$ 28,939</u>	<u>\$ 778,092</u>
Non-current Portion	<u>\$ 26,618</u>	<u>\$ 715,689</u>

Accrued vacation and sick leave are liquidated by the fund that has recorded the liability.

Note 8 – Alameda County Employees’ Retirement Association Pension Plan

Plan Descriptions – Substantially all Agency permanent employees are required to participate in the Alameda County Employees’ Retirement Association (ACERA), a cost-sharing multiple employer public defined benefit retirement plan (Plan). The latest available actuarial and financial information for the Plan is for the year ended December 31, 2023. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available online at ACERA.org or by writing to Alameda County Employees’ Retirement Association, 475 14th Street #1000, Oakland, California 94612.

Benefits Provided – The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Retirement benefits are based on age, length of service, date of membership and final average salary.

Subject to vested status, employees can withdraw contributions plus interests credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

The Plans’ provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 4</u>
Hire date	Prior to July 1, 1983	July 1, 1983 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.61% at 62	2.43% at 65	2.5% at 67
Benefit vesting schedule	Age 50 with 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years, regardless of age.		Age 52 with 5 years of service or age 70 regardless of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Maximum monthly benefits, as a % of eligible compensation	100%	100%	100%
Required employee contribution rates	8.0% - 16.63%	5.79% - 12.15%	9.30%
Required employer contribution rates	16.71% to 25.06%	15.66% to 23.49%	23.10%

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Alameda County Employees’ Retirement Association Pension Plan (Continued)

Contributions – The pension plan under the 1937 Act has no legal contractual maximum contribution rates. The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits and are between 5.79 and 18.78 percent of their annual covered salary effective September 2023. Member contributions are refundable upon termination from the retirement system.

State and Federal laws as well as the California Constitution provide the authority for the establishment of ACERA benefit provisions. In most cases where the 1937 Act provides options concerning the allowance of credit for service, the offering of benefits, or the modification of benefit levels, the law generally requires approval of the employer’s governing board for the option to take effect. Separately, in 1984 the Alameda Board of Supervisors and the Board of Retirement approved the adoption of Article 5.5 of the 1937 Act. This adoption permitted the establishment of a Supplemental Retirees Benefit Reserve (SRBR) for ACERA.

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of the SRBR funds to the Board of Retirement. Supplemental benefits currently provided through the SRBR include supplemental COLA, retiree death benefit and retiree health benefits including the Monthly Medical Allowance (MMA), dental and vision care, and Medicare Part B reimbursement. The provision of all supplemental benefits from the SRBR is subject to available funding and annual review and authorization by the Board of Retirement. SRBR benefits are not vested.

In 2006 the Board of Retirement approved the allocation of SRBR funds to Postemployment Medical Benefits and Other Pension Benefits. These two programs provide the supplemental benefits described above. For the year ended June 30, 2024, the contributions recognized as part of pension expense for the Plan were \$1,872,272. Typically, Flood Protection Operations and Water Enterprise Operations funds have been used to liquidate pension liabilities.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2024, the Agency reported net pension liabilities of \$15,118,022 for its proportionate share of the net pension liability of the Plan.

The Agency’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023 using standard update procedures. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency’s proportionate share of the net pension liability for the Plan is as follows:

Reporting Date as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll	Net Pension Liability as a percentage of its covered payroll
2022	2.45%	\$ 11,803,112	\$ 13,078,647	90.25%
2023	1.16%	18,337,949	13,522,119	135.61%
2024	1.26%	15,118,022	14,436,509	104.72%

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Alameda County Employees’ Retirement Association Pension Plan (Continued)

For the year ended June 30, 2024, the Agency recognized pension credit of \$2,318,198. Changes in the Net Pension Liability are recorded in the fund that recorded the liability. At June 30, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after measurement date	\$ 2,042,616	\$ -
Changes in assumptions	560,528	836,110
Difference between actual and expected experience	1,034,498	125,112
Difference between projected and actual earning on pension plan investments	1,528,889	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	776,246	3,384,082
Total	\$ 5,942,777	\$ 4,345,304

The \$2,042,616 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows / (Inflows) of Resources
2025	\$ (531,767)
2026	(135,080)
2027	809,314
2028	(587,610)
2029	-
Total	\$ (445,143)

Actuarial Assumptions – The total pension liabilities in the December 31, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.45% - 8.00% ⁽¹⁾
Cost of Living Adjustments	Tier 1: 2.75% ; Tier 2 and 4: 2.00%
Investment Rate of Return	7.00% ⁽²⁾
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables

(1) Vary by service, including inflation

(2) Net of pension plan investment expenses, including inflation

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Alameda County Employees’ Retirement Association Pension Plan (Continued)

Discount Rate – The discount rate used to measure the net pension liability was 7.00% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the net pension liability as December 31, 2023.

The long-term expected rate of return on pension plan investments was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	21.60%	6.00%
Domestic Small Cap Equity	2.40%	6.65%
Developed International Equity	16.30%	7.01%
Small Cap International Equity	2.90%	7.34%
Emerging Markets Equity	4.80%	8.80%
U.S. Core Fixed Income	10.50%	1.97%
High Yield Bonds	1.50%	4.63%
Global Fixed Income	2.00%	1.17%
Private equity	11.00%	9.84%
Core Real Estate	6.30%	3.86%
Value added Real Estate	1.80%	6.70%
Opportunistic Real Estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private Credit	4.00%	6.57%
Absolute Return	8.00%	2.10%
Infrastructure	5.10%	7.30%
Total	100.00%	

A change in the discount rate would affect the measurement of the Total Pension Liability (TPL). A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for a relatively small change in the discount rate. The following presents the Agency’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plan, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Proportionate Share of Net Pension Liability		
Discount Rate	Current Discount	Discount Rate
- 1% (6.00%)	Rate (7.00%)	+ 1% (8.00%)
\$ 29,393,667	\$ 15,118,022	\$ 3,403,310

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Postemployment Benefits Other Than Retirement

A. General Information about the Agency’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The Agency, through the County of Alameda (County), is a participant under the Alameda County Employees’ Retirement Association’s (ACERA) defined contribution plan for other postemployment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Funding Policy – The postemployment medical, dental and vision benefits are currently provided through the Supplemental Retirees Benefit Reserve (SRBR) as described in the Alameda County Employees’ Retirement Association Pension Plan note. The SRBR is a funded trust that receives fifty percent of the investment earnings that are in excess of the assumed investment rate of return of the ACERA Defined Benefit Pension Plan. The Agency, through the County, does not make postemployment medical benefit payments directly to retirees and does not have the ability to fund these benefits. However, the Agency’s pension contribution to ACERA would be lower if not for the excess interest transfer to the SRBR.

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2024:

Membership Eligibility	<p><i>Service Retirees:</i> Retired with at least 10 years of services (including deferred vested members who terminate employment and receive a retirement benefit from ACERA).</p> <p><i>Disabled Retirees:</i> A minimum of 10 years of service required for non-duty disability. There is no minimum service requirement for duty disability.</p>								
Benefit Eligibility	<p><u>1 Monthly Medical Allowance</u></p> <p><i>Service Retirees:</i> For retirees, a Maximum Monthly Medical Allowance of \$616.12 per month is provided, effective January 1, 2023 and through December 31, 2023. For the period January 1, 2024 through December 31, 2024 the maximum allowance will increase to \$635.37 per month. For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was \$471.99 and \$486.74 per month for 2023 and 2024, respectively. These Allowances are subject to the following subsidy schedule:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Completed Years of Service</u></th> <th style="text-align: right;"><u>Percentage Subsidized</u></th> </tr> </thead> <tbody> <tr> <td>10-14</td> <td style="text-align: right;">50%</td> </tr> <tr> <td>15-19</td> <td style="text-align: right;">75%</td> </tr> <tr> <td>20+</td> <td style="text-align: right;">100%</td> </tr> </tbody> </table> <p><i>Disabled Retirees:</i> Non-duty retirees receive the same Monthly Medical Allowance as services retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those services retirees with 20 or more years of service.</p> <p><u>2 Medical Benefit Reimbursement Plan:</u></p> <p>The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must</p> <ul style="list-style-type: none"> - Have at least 10 years of ACERA service, - Be eligible for Monthly Medical Allowance, - Provide proof of enrollment in Medical Part B <p><u>3 Dental and Vision Plans:</u></p> <p>The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premium will be \$55.87 in 2023 and \$55.68 in 2024. The eligibility for these premiums is as follows:</p> <p><i>Service Retirees:</i> Retired with at least 10 years of service.</p> <p><i>Disabled Retirees:</i> For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement. For duty disabled retirees, there is no minimum service requirement.</p>	<u>Completed Years of Service</u>	<u>Percentage Subsidized</u>	10-14	50%	15-19	75%	20+	100%
<u>Completed Years of Service</u>	<u>Percentage Subsidized</u>								
10-14	50%								
15-19	75%								
20+	100%								

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Postemployment Benefits Other Than Retirement (Continued)

A. General Information about the Agency’s Other Post Employment Benefit (OPEB) Plan (Continued)

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2024 (Continued):

Deferred Benefit	Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.
Death Benefit	Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2024:

Active employees	103
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	Not available
Inactive employees entitled to but not yet receiving benefit payments	Not available
Total	103

B. Net OPEB Liability (Assets)

Actuarial Methods and Assumptions – The Agency’s net OPEB liability (assets) was measured as of December 31, 2023 and the net OPEB liability (assets) was determined by an actuarial valuation dated December 31, 2022 that was rolled forward using standard update procedures to determine the Agency’s net OPEB liability as of June 30, 2024, based on the following actuarial methods and assumptions:

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Salary increases	3.25%
Investment Rate of Return	7.00%
Mortality Rate	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables
Healthcare Trend Rates	Non-Medicare medical plan - 8.50% in 2024, 7.50% in 2025, then graded from 7.00% in 2026 to ultimate 4.50% over 10 years. Medicare medical plan - 16.47% in 2024, then graded from 7.00% in 2025 to ultimate 4.50% over 10 years. Dental - 0.00% in 2024 to reflect a two-year rate guarantee (premiums fixed at 2024 level for 2024 and 2025) and 4.00% thereafter. Vision - 0.00% for the first year to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter. Medicare Part B - 4.5%

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Postemployment Benefits Other Than Retirement (Continued)

C. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Agency, as well as what the Agency’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

Net OPEB Liability		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
\$ 3,423,110	\$ 1,889,593	\$ 619,371

Net OPEB Liability		
Healthcare		
1% Decrease (5.75% to 3.50%)	Cost Trend Rate (6.75% to 4.50%)	1% Increase (7.75% to 5.50%)
\$ 402,977	\$ 1,889,593	\$ 3,728,525

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Agency recognized OPEB expense of \$473,001. Changes in the Net OPEB Liability are recorded in the fund that recorded the liability. At June 30, 2024, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes in assumptions	\$ 230,269	\$ 406,448
Difference between actual and expected experience	-	626,338
Difference between projected and actual earnings on OPEB plan investments	1,323,919	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	238,047	185,898
Total	\$ 1,792,235	\$ 1,218,684

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2025	\$ (262,267)
2026	195,928
2027	956,362
2028	(232,978)
2029	(71,005)
Thereafter	(12,489)
Total	\$ 573,551

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Insurance

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority Property and Liability Insurance Programs for risk of loss. These programs provide general liability, including auto, property, crime, pollution, and cyber liability insurance coverage. The Agency is self-insured for worker's compensation claims under the County of Alameda self-insurance/ excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties. As of June 30, 2024, the Agency participated in the liability and property programs of the ACWA/JPIA as follows:

Type of Coverage	Coverage Limit	Deductible
General Liability, including Auto Liability	\$55,000,000	\$5,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	500,000,000	25,000
Excess Crime	3,000,000	100,000
Pollution	10,000,000	250,000
Cyber Liability	5,000,000	50,000

Note 11 – Commitment and Contingent Liabilities

A. Litigation

The Agency is subject to various lawsuits or claims in the normal course of business including challenges over certain rates and changes and from time to time is involved in lawsuits in which damages are sought. The ultimate outcome of these matters is not presently determinable. In the opinion of the Agency, these actions when finally adjudicated will not have a material adverse effect on the financial position of the Agency.

B. Water Supply Commitments

As part of its water supply management activities, the Agency has entered into agreements to help secure water supply from a multitude of strategies. Under these agreements, the Agency has agreed to pay for the delivery and storage of committed levels of water supplies. The Agency is also participating in a number of future water storage, supply and reliability projects with a goal of diversifying supply and storage. Projects in various stages of planning, permitting and feasibility studies include the Delta Conveyance Project, Sites Reservoir, potable reuse and a local storage project.

California Department of Water Resources: The Agency has a cost-sharing water supply contract with the Department of Water Resources (DWR) which provides for the annual allocation of 80,619- acre feet (AF) of water through 2035. DWR as project manager and administrator, developed, constructed, operates and maintains the State Water Project (SWP) to provide water to the Agency and the other water wholesalers. The Agency costs under the contract consists of a variable operating cost component and a semi-fixed capital cost component, including debt service on bonds issued by DWR to construct the project and it determines the cost annually. In fiscal years 2024 and 2023, the costs under the contract were \$32.8 million and \$27.9 million, respectively.

Effective November 7th, 2003, Amendment No. 24 to the Water Supply Contract between the DWR and the Agency was executed to set forth their agreement regarding the Agency's responsibility for the repayment of costs for the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, was \$314.7 million. In fiscal years 2024 and 2023, the costs under Amendment No. 24 were \$17 million and 16.8 million, respectively with a remaining obligation of \$122.3 million as of June 30, 2024 to be paid by 2035.

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 11 – Commitment and Contingent Liabilities (Continued)

B. Water Supply Commitments (Continued)

Semitropic Water Storage District: In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal year 2023 the Agency's share of the operating, and maintenance costs and certain fees under the agreement were \$1.9 million and in fiscal year 2024 were \$1.2 million.

Delta Conveyance Design and Construction Joint Powers Authority: Since May 14, 2018, the Agency and other participating water agencies have been involved with the Delta Conveyance Design and Construction Joint Powers Authority ("DCA"). The DCA, which is a Joint Powers Authority, entered into an agreement with California Department of Water Resources (DWR) establishing that the DCA will undertake those activities required to complete the design and construction of the Delta Conveyance Project (DCP). The DCP encompasses construction of substantial water conveyance infrastructure to protect and maintain ecosystem health, maintain water quality, and restore and protect SWP water supplies from climate change, sea level rise, and seismic risk. As of late 2024, the project remains in the planning and permitting stage. In December of 2023, DWR certified the Final Environmental Impact Report for the project, identifying the Bethany Alignment as the proposed project for a proposed single tunnel with 6,000 cfs of capacity. The Agency is participating in the Delta Conveyance Project at a 2.2% participation level of the total project among other participating water agencies. Through a funding agreement with DWR for environmental planning costs, the Agency has contributed \$2.4 million in calendar years 2023 and 2024. To-date no debt has been issued by DWR and it is unknown when debt will be issued.

Delta Conveyance Finance Authority: On July 3, 2018, the Agency along with two other agencies formed the Delta Conveyance Finance Authority ("DCFA"). Subsequently, additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund the DCP. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according to water allocations.

The Agency has a 2% share of State Water Project Table A allocations and the Agency is participating in the Delta Conveyance Project at a 2.2% participation level of the total project among other participating water agencies. The Agency's actual cost share for the DCP may vary depending on final DCP participation. To-date no debt has been issued by the DCF A and it is unknown when debt will be issued.

Alameda County Flood Control and Water Conservation District, Zone 7
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 11 – Commitment and Contingent Liabilities (Continued)

B. Water Supply Commitments (Continued)

Los Vaqueros Reservoir Expansion Project: In 2021, the Los Vaqueros Reservoir Joint Powers Authority (the “Los Vaqueros JPA”) was formed for the purpose of designing, constructing, operating and administering the Los Vaqueros Reservoir Expansion Project (the “Project”). The purpose of the Project is to enhance regional water conveyance and storage, provide for public benefits by expanding existing conveyance facilities, construct new conveyance facilities serving Los Vaqueros Reservoir, and expand the Los Vaqueros Reservoir from 160,000 acre-feet to 275,000 acre-feet. The Agency is a member of the Los Vaqueros JPA along with seven other water agencies. JPA members are currently funding the project under a Multi-Party Agreement that was originally signed in 2019. The Multi-Party Agreement has been amended six times and currently funds the project through June 2025. The Sixth Amendment, a no-cost time extension amendment, was executed by the Agency in July 2024. The total capital cost of the project is estimated at approximately \$1.6 billion (in future dollars) with \$650 million expected to be funded by state and federal programs with remaining costs funded by project partners, including the Agency. The costs are subject to change with the final cost of the Project. In September 2023, the JPA submitted a Water Infrastructure Finance and Innovation Act Loan application for \$675 million. All new and expanded facilities are expected to be constructed and operational by 2034. Agency participation and costs will be dependent on its project benefits which continue to be analyzed and negotiated with the Authority as part of a Service Agreement. The Agency may withdraw from the Los Vaqueros JPA with no obligation to participate in or fund the project until the Service Agreement is signed.

In fiscal year 2024, the Agency’s funding under Amendment 5 of the Multi-Party Agreement was \$1.4 million.

In September 2024, the Board of Directors of the Contra Costa Water District (CCWD), the owner and operator of the Los Vaqueros Reservoir, moved towards concluding its participation in Phase 2 of the Project hence, ending the viability of the Project. However, should the Project proceed, execution of a Service Agreement is expected in 2025.

Sites Reservoir Project: In 2016, the Agency identified the proposed Sites Reservoir Project as a possible source of additional water supply and storage. As envisioned, the Sites Reservoir is a new off-stream reservoir to be located 75 miles northwest of Sacramento, in the Antelope Valley of the Coast Range, on rangeland approximately 10 miles west of Maxwell in Colusa County. The Sites Reservoir is envisioned to provide approximately 1.5 million acre-feet of new surface storage capacity, and 270 thousand acre-feet per year of long-term average water supply yield. The water stored in the project would be diverted from the Sacramento River and could provide additional water supply that could be used for dry-year benefits. The Agency is a member of the Sites Reservoir Committee, a group of 30 agencies that are participating in certain planning activities in connection with the proposed development of the project, including the development of environmental planning documents, a federal feasibility report and project permitting. The total estimated project costs are \$3.9 billion (in 2021 dollars) with up to \$1.59 billion expected to be funded with State and Federal programs. The Sites Authority also applied for a \$2.2 billion Water Infrastructure Finance and Innovation Act Loan in March 2023.

In January 2022, the Agency's Board approved the Third Amendment to the 2019 Sites Reservoir Project Agreement in an amount not-to-exceed \$4.0 million to continue participation in planning activities through the end of 2024. Since the Third Amendment was executed, the Project has made significant milestones. The final Environmental Impact Statement/Environmental Impact Report was approved and certified in November 2023. The project is currently working on its water rights permit and expect it by mid-2025. The Agency's agreement to participate in funding of this phase of project development activities does not commit the Agency to participate in any actual reservoir project that may be undertaken in the future.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
For the Year Ended June 30, 2024

COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the net pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2024

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Measurement period	2023	2022	2021	2020	2019
Plan's proportion of the net pension liability	1.26%	1.16%	2.45%	1.00%	1.11%
Plan's proportionate share of the net pension liability	\$ 15,118,022	\$ 18,337,949	\$ 11,803,112	\$ 17,207,178	\$ 18,610,738
Plan's covered payroll	\$ 14,436,509	\$ 13,522,119	\$ 13,078,647	\$ 11,869,970	\$ 12,130,078
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	104.72%	135.61%	90.25%	144.96%	153.43%
Plan fiduciary net position as a percentage of the total pension liability	1.26%	1.16%	2.45%	1.00%	1.11%
Measurement period	2018	2017	2016	2015	2014
Plan's proportion of the net pension liability	1.24%	1.26%	1.46%	1.18%	1.60%
Plan's proportionate share of the net pension liability	\$ 26,320,948	\$ 19,859,054	\$ 25,488,068	\$ 24,951,866	\$ 22,241,545
Plan's covered payroll	\$ 11,719,529	\$ 12,229,930	\$ 12,536,863	\$ 13,014,942	\$ 12,318,588
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	224.59%	162.38%	203.30%	191.72%	180.55%
Plan fiduciary net position as a percentage of the total pension liability	1.24%	1.26%	1.46%	1.18%	1.60%

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions - Pensions
For the Year Ended June 30, 2024

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Fiscal year	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 3,558,864	\$ 3,321,931	\$ 3,216,634	\$ 2,711,470	\$ 2,923,829
Contributions in relation to the actuarially determined contribution	(3,558,864)	(3,321,931)	(3,216,634)	(2,711,470)	(2,923,829)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,356,298	\$ 14,088,709	\$ 13,229,994	\$ 12,615,174	\$ 12,184,391
Contributions as a percentage of covered payroll	23.18%	23.58%	24.31%	21.49%	24.00%

Fiscal year	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,468,041	\$ 4,272,678	\$ 4,616,119	\$ 4,568,731	\$ 4,324,438
Contributions in relation to the actuarially determined contribution	(4,468,041)	(4,272,678)	(4,616,119)	(4,568,731)	(4,324,438)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 11,839,254	\$ 11,997,578	\$ 12,351,170	\$ 12,840,271	\$ 12,505,577
Contributions as a percentage of covered payroll	37.74%	35.61%	37.37%	35.58%	34.58%

Methods and assumptions used to determine contribution rates:

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.45% - 8.00% ⁽¹⁾
Cost of Living Adjustments	Tier 1: 2.75% ; Tier 2 and 4:2.00%
Investment Rate of Return	7.00% ⁽²⁾
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables

⁽¹⁾ Vary by service, including inflation

⁽²⁾ Net of pension plan investment expenses, including inflation

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
For the Year Ended June 30, 2024

COST-SHARING MULTIPLE EMPLOYER DEFINED OPEB PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

This schedule reports the proportion (percentage) of the collective net OPEB liability, the proportionate share (amount) of the collective net OPEB liability, the employer's covered employee payroll, the proportionate share (amount of the collective net OPEB liability as a percentage of the employer's covered employee payroll and the OPEB plan's fiduciary net position as a percentage of the net OPEB liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net OPEB Liability (Assets) and Related Ratios
For the Year Ended June 30, 2024

Last Ten Fiscal Years¹

Cost-Sharing Multiple-Employer Defined OPEB Plan

Measurement period	2023	2022	2021	2020	2019
Plan's proportion of the net OPEB liability	1.19%	1.14%	1.12%	1.09%	0.78%
Plan's proportionate share of the net OPEB liability (asset)	\$ 1,889,593	\$ 1,685,246	\$ (3,632,078)	\$ 56,071	\$ 678,897
Plan's covered payroll	\$ 14,436,509	\$ 13,522,119	\$ 13,078,647	\$ 11,869,970	\$ 12,130,078
Plan's proportionate share of the net OPEB liability as a percentage of its covered payroll	13.09%	12.46%	-27.77%	0.47%	5.60%
Plan's fiduciary net position as a percentage of the total net OPEB liability	1.19%	1.14%	1.12%	1.09%	0.78%

Fiscal year 2018 was the 1st year of implementation, therefore only seven years are shown.

**Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency**

Required Supplementary Information

**Schedule of the Agency's Proportionate Share of the Net OPEB Liability (Assets) and Related Ratios (Continued)
For the Year Ended June 30, 2024**

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined OPEB Plan

Measurement period	2018	2017
Plan's proportion of the net OPEB liability	1.29%	1.43%
Plan's proportionate share of the net OPEB liability (asset)	\$ 2,295,442	\$ 298,850
Plan's covered payroll	\$ 11,719,530	\$ 12,229,930
Plan's proportionate share of the net OPEB liability as a percentage of its covered payroll	19.59%	2.44%
Plan's fiduciary net position as a percentage of the total net OPEB liability	1.29%	1.43%

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions - OPEB
For the Year Ended June 30, 2024

Last Ten Fiscal Years¹

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan

Fiscal Year	2024	2023	2022	2021
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,896,674	\$ 13,154,667	\$ 9,142,247	\$ 8,531,883
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Fiscal Year	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 5,942,078	\$ 9,400,208	\$ 9,957,944
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

¹Fiscal year 2018 was the 1st year of implementation, therefore only seven years are shown.

Notes to Schedule:

Valuation date	December 31, 2022
Measurement Date	December 31, 2023
Actuarial cost method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	3.25%
Investment rate of return	7.00%
Mortality rates	Pub-2010 General Healthy Retiree Headcount-Weighted Above- Median Mortality Tables
Healthcare Trend Rates	Non-Medicare medical plan - 8.50% in 2024, 7.50% in 2025, then graded from 7.00% in 2026 to ultimate 4.50% over 10 years. Medicare medical plan - 16.47% in 2024, then graded from 7.00% in 2025 to ultimate 4.50% over 10 years. Dental - 0.00% in 2024 to reflect a two-year rate guarantee (premiums fixed at 2024 level for 2024 and 2025 and 4.00% thereafter. Vision - 0.00% for the first year to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter. Medicare Part B - 4.5%

SUPPLEMENTARY INFORMATION

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

(With summarized information as of June 30, 2023)

	Environmental Protection Agency (EPA) Grant - Federal	Cal OES Grant Federal	State Grant	Totals	
				2024	2023
ASSETS					
Current Assets					
Cash in Agency treasury	\$ -	\$ -	\$ 539,280	\$ 539,280	\$ -
Accounts receivable, net	53,070	121,018	649,635	823,723	392,165
Total assets	<u>\$ 53,070</u>	<u>\$ 121,018</u>	<u>\$ 1,188,915</u>	<u>\$ 1,363,003</u>	<u>\$ 392,165</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 49,378	\$ -	\$ -	\$ 49,378	\$ 25,826
Due to other funds	3,692	121,018	649,635	774,345	366,339
Total liabilities	<u>53,070</u>	<u>121,018</u>	<u>649,635</u>	<u>823,723</u>	<u>392,165</u>
Deferred inflows of resources:					
Unavailable revenues	-	-	539,280	539,280	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>539,280</u>	<u>539,280</u>	<u>-</u>
FUND BALANCES					
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 53,070</u>	<u>\$ 121,018</u>	<u>\$ 1,188,915</u>	<u>\$ 1,363,003</u>	<u>\$ 392,165</u>

**Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

	Environmental	Cal OES	State Grant	Totals	
	Protection Agency (EPA) Grant- Federal	Grant Federal		2024	2023
REVENUES:					
Intergovernmental revenues	\$ 130,838	\$ 121,018	\$ 110,355	\$ 362,211	\$ 486,234
Other revenue	-	-	-	-	82,347
Total revenues	130,838	121,018	110,355	\$ 362,211	568,581
EXPENDITURES:					
Current:					
Salaries and employee benefits transferred from district-wide	7,994	-	-	7,994	7,460
Services and supplies	122,844	121,018	612,581	856,443	221,476
Capital outlay:					
Equipment and capital infrastructure	-	-	37,054	37,054	339,645
Total expenditures	130,838	121,018	649,635	901,491	568,581
Excess (deficiency) of revenues over expenditures	-	-	(539,280)	(539,280)	-
OTHER FINANCING SOURCES:					
Transfers in	-	-	539,280	539,280	-
Total other financing sources	-	-	539,280	539,280	-
NET CHANGES IN FUND BALANCES	-	-	-	-	-
FUND BALANCES:					
Beginning of year	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Statement of Net Position
Nonmajor Water Enterprise Fund
June 30, 2024

(With summarized information as of June 30, 2023)

	Water Facilities	Totals	
		2024	2023
ASSETS			
Current assets:			
Cash in County Treasury	\$ 424,934	\$ 424,934	\$ 1,460,076
Total current assets	424,934	424,934	1,460,076
Total assets	424,934	424,934	1,460,076
LIABILITIES			
Current Liabilities:			
Deposits	325,384	325,384	343,372
Total current liabilities	325,384	325,384	343,372
Total liabilities	325,384	325,384	343,372
NET POSITION			
Unrestricted	99,550	99,550	1,116,704
Total net position	\$ 99,550	\$ 99,550	\$ 1,116,704

**Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency**

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Water Enterprise Fund
For the Year Ended June 30, 2024**

(With summarized information for the year ended June 30, 2023)

	Water	Totals	
	Facilities	2024	2023
NONOPERATING REVENUES:			
Investment earnings	\$ 32,846	\$ 32,846	\$ 30,058
NET INCOME BEFORE TRANSFERS	<u>32,846</u>	<u>32,846</u>	<u>30,058</u>
TRANSFERS:			
Transfers (out)	(1,050,000)	(1,050,000)	(1,448,560)
CHANGES IN NET POSITION	<u>(1,017,154)</u>	<u>(1,017,154)</u>	<u>(1,418,502)</u>
NET POSITION:			
Beginning of year	1,116,704	1,116,704	2,535,206
End of year	<u>\$ 99,550</u>	<u>\$ 99,550</u>	<u>\$ 1,116,704</u>

Alameda County Flood Control and Water Conservation District, Zone 7

Zone 7 Water Agency

Combining Statement of Cash Flows

Nonmajor Water Enterprise Fund

For the Year Ended June 30, 2024

(With summarized information for the year ended June 30, 2023)

	Water Facilities	Totals	
		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Refund of customers deposits	\$ (17,988)	\$ (17,988)	\$ 20,124
Net cash provided by (used in) operating activities	<u>(17,988)</u>	<u>(17,988)</u>	<u>20,124</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (out)	(1,050,000)	(1,050,000)	(1,448,560)
Net cash (used in) noncapital financing activities	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>(1,448,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	32,846	32,846	30,058
Net cash provided by investing activities	<u>32,846</u>	<u>32,846</u>	<u>30,058</u>
Net (decrease) in cash and cash equivalents	(1,035,142)	(1,035,142)	(1,398,378)
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,460,076	1,460,076	2,858,454
End of year	<u>\$ 424,934</u>	<u>\$ 424,934</u>	<u>\$ 1,460,076</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to cash flows			
Changes in assets and liabilities			
Deposits	(17,988)	(17,988)	20,124
Net cash provided by (used in) operating activities	<u>\$ (17,988)</u>	<u>\$ (17,988)</u>	<u>\$ 20,124</u>

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STATISTICAL SECTION

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statistical Section Overview

This part of the Alameda County Flood and Water Conservation District, Zone 7's Annual Comprehensive 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.

	Pages
Contents	
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	106-113
Revenue Capacity	
These schedules contain information to help the reader assess one of the government's most significant local revenue sources - property tax.	114-122
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	123-124
Demographic and Economic Information	
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	125-126
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	127-129

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities					
Net investment in capital assets	\$ 30,385,318	\$ 30,334,638	\$ 31,990,546	\$ 32,247,481	\$ 33,164,265
Restricted	49,177,969	56,059,067	58,149,272	62,760,525	66,872,665
Unrestricted	16,739,156	19,133,427	20,484,357	16,662,343	15,346,434
Total governmental activities net position	<u>96,302,443</u>	<u>105,527,132</u>	<u>110,624,175</u>	<u>111,670,349</u>	<u>115,383,364</u>
Business-type activities					
Net investment in capital assets	212,562,797	188,968,433	194,732,197	198,348,996	210,675,110
Restricted	50,917,217	82,151,910	97,494,721	107,414,628	127,521,329
Unrestricted	36,428,063	30,717,428	37,712,019	47,669,365	48,823,266
Total business-type activities net position	<u>299,908,077</u>	<u>301,837,771</u>	<u>329,938,937</u>	<u>353,432,989</u>	<u>387,019,705</u>
Primary government					
Net investment in capital assets	242,948,115	219,303,071	226,722,743	230,596,477	243,839,375
Restricted	100,095,186	138,210,977	155,643,993	170,175,153	194,393,994
Unrestricted	53,167,219	49,850,855	58,196,376	64,331,708	64,169,700
Total primary governmental activities net position	<u>\$ 396,210,520</u>	<u>\$ 407,364,903</u>	<u>\$ 440,563,112</u>	<u>\$ 465,103,338</u>	<u>\$ 502,403,069</u>

(a) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retroactive application resulted in a restatement of fiscal year 2021 balances.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022 balances.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Net Position by Component (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2020</u>	<u>2021 (a)</u>	<u>2022 (b)</u>	<u>2023</u>	<u>2024</u>
Governmental activities					
Net investment in capital assets	\$ 32,993,757	\$ 32,772,306	\$ 32,886,671	\$ 33,188,061	\$ 32,807,289
Restricted	69,648,891	72,715,433	74,143,148	76,008,569	79,970,351
Unrestricted	17,937,525	20,035,351	18,805,955	22,483,372	26,915,708
Total governmental activities net position	<u>120,580,173</u>	<u>125,523,090</u>	<u>125,835,774</u>	<u>131,680,002</u>	<u>139,693,348</u>
Business-type activities					
Net investment in capital assets	227,930,485	246,768,274	273,744,254	276,759,129	281,764,763
Restricted	131,461,963	110,609,342	114,367,484	119,149,689	150,221,709
Unrestricted	56,022,343	71,635,497	53,058,873	58,447,787	46,528,255
Total business-type activities net position	<u>415,414,791</u>	<u>429,013,113</u>	<u>441,170,611</u>	<u>454,356,605</u>	<u>478,514,727</u>
Primary government					
Net investment in capital assets	260,924,242	279,540,580	306,630,925	309,947,190	314,572,052
Restricted	201,110,854	183,324,775	188,510,632	195,158,258	230,192,060
Unrestricted	73,959,868	91,670,848	71,864,828	80,931,159	73,443,963
Total primary governmental activities net position	<u>\$ 535,994,964</u>	<u>\$ 554,536,203</u>	<u>\$ 567,006,385</u>	<u>\$ 586,036,607</u>	<u>\$ 618,208,075</u>

(a) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retroactive application resulted in a restatement of fiscal year 2021 balances.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022 balances.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2015	2016	2017	2018	2019
Expenses					
Governmental activities					
Flood Protection Operations	\$ 4,705,166	\$ 5,328,998	\$ 5,341,751	\$ 12,859,064	\$ 10,308,973
Flood Protection Drainage DIF	499,169	794,922	1,841,555	542,139	367,976
Flood Protection Grants				1,230,924	125,352
Total governmental activities expenses	<u>5,204,335</u>	<u>6,123,920</u>	<u>7,183,306</u>	<u>14,632,127</u>	<u>10,802,301</u>
Business-type activities					
State Water Project	16,359,406	20,621,344	20,985,604	19,794,128	21,420,192
Water Enterprise Funds	59,122,995	81,257,514	60,641,826	75,273,928	63,564,015
Total business-type activities	<u>75,482,401</u>	<u>101,878,858</u>	<u>81,627,430</u>	<u>95,068,056</u>	<u>84,984,207</u>
Total primary government expenses	<u><u>80,686,736</u></u>	<u><u>108,002,778</u></u>	<u><u>88,810,736</u></u>	<u><u>109,700,183</u></u>	<u><u>95,786,508</u></u>
Program Revenues					
Governmental activities					
Charges for Services	517,030	7,556,578	3,683,683	4,652,449	3,522,081
Operating grants and contributions	112,334	71,562	181,418	182,315	70,969
Capital grants and contributions	8,032,445	40,202	13,263	1,230,924	125,352
Total governmental activities program revenues	<u>8,661,809</u>	<u>7,668,342</u>	<u>3,878,364</u>	<u>6,065,688</u>	<u>3,718,402</u>
Business-type activities					
Charges for Services:					
State Water Project	13,708,844	19,419,226	20,795,420	22,927,398	23,420,521
Water Enterprise Funds	56,369,393	68,594,249	77,826,527	84,362,659	83,227,173
Operating grants and contributions	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525
Capital grants and contributions				-	-
Total business-type activities program	<u>75,091,136</u>	<u>103,298,519</u>	<u>108,801,061</u>	<u>114,525,997</u>	<u>113,371,219</u>
Total primary government program revenues	<u><u>83,752,945</u></u>	<u><u>110,966,861</u></u>	<u><u>112,679,425</u></u>	<u><u>120,591,685</u></u>	<u><u>117,089,621</u></u>
Net (Expense)/Revenue					
Governmental activities	3,457,474	1,544,422	(3,304,942)	(8,566,439)	(7,083,899)
Business-type activities	(391,265)	1,419,661	27,173,631	19,457,941	28,387,012
Total primary government net revenues	<u><u>3,066,209</u></u>	<u><u>2,964,083</u></u>	<u><u>23,868,689</u></u>	<u><u>10,891,502</u></u>	<u><u>21,303,113</u></u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	6,759,202	7,329,117	7,895,448	8,518,064	9,144,785
Investment earnings	194,118	342,127	518,982	897,199	1,485,504
Transfers	(13,333)	(13,333)	(12,445)	(12,444)	(12,444)
Other		22,356		34,267	179,069
Total governmental activities	<u>6,939,987</u>	<u>7,680,267</u>	<u>8,401,985</u>	<u>9,437,086</u>	<u>10,796,914</u>
Business-type activities					
Investment earnings	314,297	496,700	915,090	2,021,455	5,187,260
Transfers	13,333	13,333	12,445	12,444	12,444
Total business-type activities	<u>327,630</u>	<u>510,033</u>	<u>927,535</u>	<u>2,033,899</u>	<u>5,199,704</u>
Total primary government	<u><u>7,267,617</u></u>	<u><u>8,190,300</u></u>	<u><u>9,329,520</u></u>	<u><u>11,470,985</u></u>	<u><u>15,996,618</u></u>
Change in Net Position					
Governmental activities	10,397,461	9,224,689	5,097,043	870,647	3,713,015
Business-type activities	(63,635)	1,929,694	28,101,166	21,491,840	33,586,716
Total primary government	<u><u>\$ 10,333,826</u></u>	<u><u>\$ 11,154,383</u></u>	<u><u>\$ 33,198,209</u></u>	<u><u>\$ 22,362,487</u></u>	<u><u>\$ 37,299,731</u></u>

(a) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retroactive application resulted in a restatement of fiscal year 2021 balances.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2020	2021 (a)	2022 (b)	2023	2024
Expenses					
Governmental activities					
Flood Protection Operations	\$ 9,547,702	\$ 8,949,669	\$ 12,352,060	\$ 8,811,830	\$ 10,431,196
Flood Protection Drainage DIF	168,503	208,142	381,617	176,869	68,043
Flood Protection Grants	497,987	474,319	432,140	228,936	864,437
Total governmental activities expenses	<u>10,214,192</u>	<u>9,632,130</u>	<u>13,165,817</u>	<u>9,217,635</u>	<u>11,363,676</u>
Business-type activities					
State Water Project	24,333,554	23,173,321	24,331,873	25,703,191	27,290,867
Water Enterprise Funds	61,634,465	67,019,978	70,157,980	71,877,411	78,348,684
Total business-type activities	<u>85,968,019</u>	<u>90,193,299</u>	<u>94,489,853</u>	<u>97,580,602</u>	<u>105,639,551</u>
Total primary government expenses	<u><u>96,182,211</u></u>	<u><u>99,825,429</u></u>	<u><u>107,655,670</u></u>	<u><u>106,798,237</u></u>	<u><u>117,003,227</u></u>
Program Revenues					
Governmental activities					
Charges for Services	1,694,933	2,624,628	1,714,458	1,384,402	2,387,743
Operating grants and contributions	79,929	81,730	84,034	90,914	753,675
Capital grants and contributions	488,451	482,306	399,290	486,234	241,193
Total governmental activities program revenues	<u>2,263,313</u>	<u>3,188,664</u>	<u>2,197,782</u>	<u>1,961,550</u>	<u>3,382,611</u>
Business-type activities					
Charges for Services:					
State Water Project	23,415,684	24,633,172	26,102,946	25,850,736	26,611,140
Water Enterprise Funds	79,931,895	71,244,549	76,031,347	73,538,954	77,287,586
Operating grants and contributions	6,509,157	6,640,850	6,710,435	9,752,717	6,137,284
Capital grants and contributions	26,226	-	-	-	11,497,801
Total business-type activities program	<u>109,882,962</u>	<u>102,518,571</u>	<u>108,844,728</u>	<u>109,142,407</u>	<u>121,533,811</u>
Total primary government program revenues	<u><u>112,146,275</u></u>	<u><u>105,707,235</u></u>	<u><u>111,042,510</u></u>	<u><u>111,103,957</u></u>	<u><u>124,916,422</u></u>
Net (Expense)/Revenue					
Governmental activities	(7,950,879)	(6,443,466)	(10,968,035)	(7,256,085)	(7,981,065)
Business-type activities	23,914,943	12,325,272	14,354,875	11,561,805	15,894,260
Total primary government net revenues	<u><u>15,964,064</u></u>	<u><u>5,881,806</u></u>	<u><u>3,386,840</u></u>	<u><u>4,305,720</u></u>	<u><u>7,913,195</u></u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	9,834,264	10,344,149	10,791,532	11,647,326	12,182,791
Investment earnings	1,745,490	956,235	268,495	1,280,020	3,485,104
Transfers	(11,890)	(11,890)	(11,890)	(11,890)	(11,890)
Other	1,579,824	97,889	232,582	184,857	338,406
Total governmental activities	<u>13,147,688</u>	<u>11,386,383</u>	<u>11,280,719</u>	<u>13,100,313</u>	<u>15,994,411</u>
Business-type activities					
Investment earnings	4,468,253	1,261,160	(2,209,267)	1,612,299	8,251,972
Transfers	11,890	11,890	11,890	11,890	11,890
Total business-type activities	<u>4,480,143</u>	<u>1,273,050</u>	<u>(2,197,377)</u>	<u>1,624,189</u>	<u>8,263,862</u>
Total primary government	<u><u>17,627,831</u></u>	<u><u>12,659,433</u></u>	<u><u>9,083,342</u></u>	<u><u>14,724,502</u></u>	<u><u>24,258,273</u></u>
Change in Net Position					
Governmental activities	5,196,809	4,942,917	312,684	5,844,228	8,013,346
Business-type activities	28,395,086	13,598,322	12,157,498	13,185,994	24,158,122
Total primary government	<u><u>\$ 33,591,895</u></u>	<u><u>\$ 18,541,239</u></u>	<u><u>\$ 12,470,182</u></u>	<u><u>\$ 19,030,222</u></u>	<u><u>\$ 32,171,468</u></u>

(a) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retroactive application resulted in a restatement of fiscal year 2021 balances.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022.

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Total</u>
2015	\$ 49,177,969	\$ 18,009,177	\$ 67,187,146
2016	56,059,067	20,666,297	76,725,364
2017	58,149,272	21,898,222	80,047,494
2018	62,760,525	18,352,377	81,112,902
2019	66,872,665	17,602,713	84,475,378
2020	69,648,891	20,010,475	89,659,366
2021	72,715,433	22,150,273	94,865,706
2022	74,143,148	20,431,275	94,574,423
2023	76,008,569	23,822,802	99,831,371
2024	79,970,351	27,604,075	107,574,426

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues					
Property taxes	\$ 6,759,202	\$ 7,329,117	\$ 7,895,448	\$ 8,518,064	\$ 9,144,785
Intergovernmental	144,691	71,562	181,418	1,413,239	196,321
Charges for services	8,516,405	7,556,578	3,683,683	4,652,449	3,522,081
Investment earnings	194,118	342,127	518,982	897,199	1,485,504
Rental Income					
Other revenues	713	62,558	13,263	34,267	179,069
Total revenues	<u>15,615,129</u>	<u>15,361,942</u>	<u>12,292,794</u>	<u>15,515,218</u>	<u>14,527,760</u>
Expenditures					
Salaries and employee benefits					
transferred from district-wide	2,252,655	2,455,453	1,961,724	2,292,919	2,332,437
Services and supplies	2,821,192	3,354,938	4,187,243	11,014,697	8,612,252
Equipment and capital structures	107,500		2,809,252	1,129,750	208,151
Other					
Total Expenditures	<u>5,181,347</u>	<u>5,810,391</u>	<u>8,958,219</u>	<u>14,437,366</u>	<u>11,152,840</u>
Excess of revenues over/(under) expenditures	<u>10,433,782</u>	<u>9,551,551</u>	<u>3,334,575</u>	<u>1,077,852</u>	<u>3,374,920</u>
Other Financing Sources (Uses)					
Gain on disposal of capital assets	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(13,333)	(13,333)	(12,445)	(12,444)	(12,444)
Total other financing sources (uses)	<u>(13,333)</u>	<u>(13,333)</u>	<u>(12,445)</u>	<u>(12,444)</u>	<u>(12,444)</u>
Net change in fund balances	<u>\$ 10,420,449</u>	<u>\$ 9,538,218</u>	<u>\$ 3,322,130</u>	<u>\$ 1,065,408</u>	<u>\$ 3,362,476</u>

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues					
Property taxes	\$ 9,834,264	\$ 10,344,149	\$ 10,791,532	\$ 11,647,326	\$ 12,182,791
Intergovernmental	568,380	556,049	483,324	577,148	455,588
Charges for services	1,694,933	2,624,628	1,690,497	1,360,441	2,360,632
Investment earnings	1,745,490	956,235	268,495	1,280,020	3,485,104
Rental Income		7,987	23,961	23,961	27,111
Other revenues	1,579,824	97,889	232,582	184,857	319,926
Total revenues	<u>15,422,891</u>	<u>14,586,937</u>	<u>13,490,391</u>	<u>15,073,753</u>	<u>18,831,152</u>
Expenditures					
Salaries and employee benefits					
transferred from district-wide	2,205,357	2,401,207	2,484,861	2,250,551	2,533,566
Services and supplies	8,008,597	6,966,093	10,873,497	6,876,779	8,517,413
Equipment and capital structures	13,059	1,407	411,426	677,585	43,708
Other					
Total Expenditures	<u>10,227,013</u>	<u>9,368,707</u>	<u>13,769,784</u>	<u>9,804,915</u>	<u>11,094,687</u>
Excess of revenues over/(under) expenditures	<u>5,195,878</u>	<u>5,218,230</u>	<u>(279,393)</u>	<u>5,268,838</u>	<u>7,736,465</u>
Other Financing Sources (Uses)					
Gain on disposal of capital assets	-	-	-	-	18,480
Transfers In	-	-	-	-	539,280
Transfers Out	(11,890)	(11,890)	(11,890)	(11,890)	(551,170)
Total other financing sources (uses)	<u>(11,890)</u>	<u>(11,890)</u>	<u>(11,890)</u>	<u>(11,890)</u>	<u>6,590</u>
Net change in fund balances	<u>\$ 5,183,988</u>	<u>\$ 5,206,340</u>	<u>\$ (291,283)</u>	<u>\$ 5,256,948</u>	<u>\$ 7,743,055</u>

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

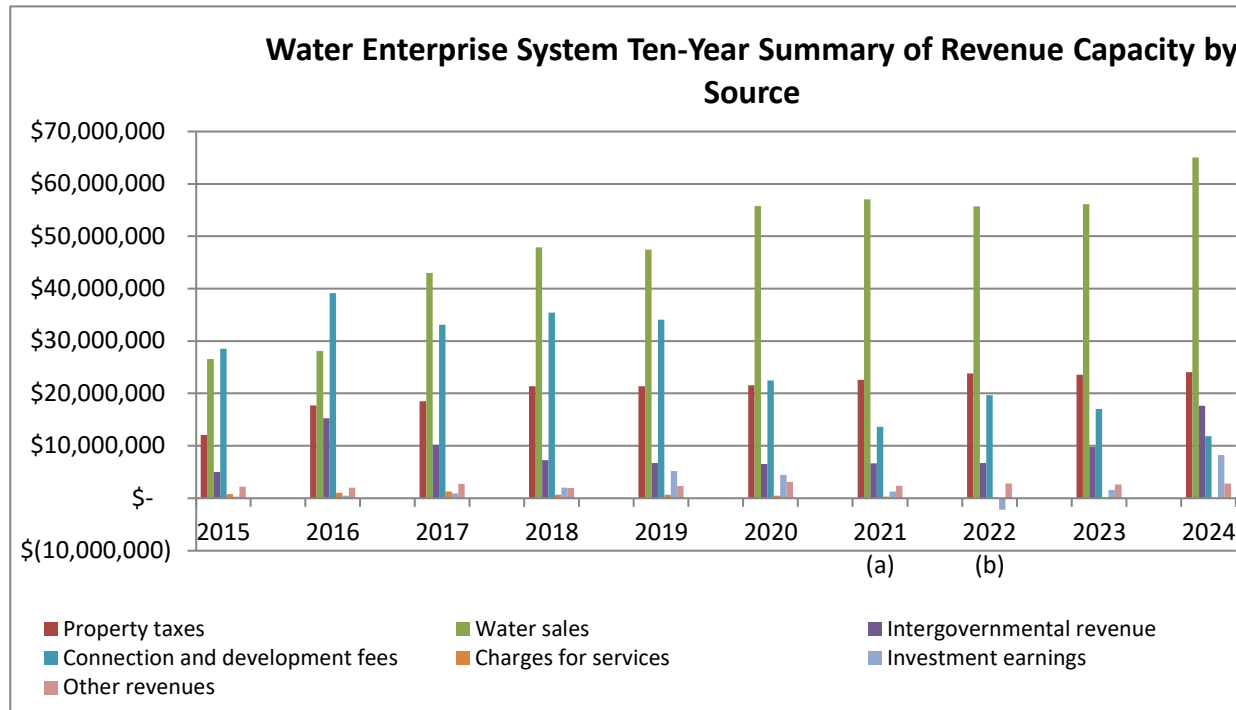
Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30

Water Enterprise System

	2015	2016	2017	2018	2019	2020	2021 (a)	2022 (b)	2023	2024
Revenues										
Property taxes	\$ 12,060,478	\$ 17,716,841	\$ 18,524,750	\$ 21,385,641	\$ 21,353,809	\$ 21,553,508	\$ 22,616,173	\$ 23,836,161	\$ 23,540,590	\$ 24,043,448
Water sales	26,552,568	28,110,974	42,975,960	47,860,145	47,440,592	55,777,208	57,012,484	55,670,511	56,105,302	65,069,514
Intergovernmental revenue	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525	6,509,157	6,640,850	6,710,435	9,752,717	17,635,085
Connection and development fees	28,521,399	39,135,444	33,128,280	35,434,462	34,068,092	22,461,926	13,609,527	19,669,509	17,023,627	11,860,411
Charges for services	771,485	1,050,070	1,276,122	665,688	687,569	500,371	277,722	144,160	86,983	91,125
Investment earnings	314,297	496,700	915,090	2,021,455	5,187,260	4,468,253	1,261,160	(2,209,267)	1,612,299	8,251,972
Other revenues	2,172,307	2,000,146	2,716,835	1,944,121	2,310,887	3,080,792	2,361,815	2,813,952	2,633,188	2,834,228
Total Revenues	\$ 75,405,433	\$ 103,795,219	\$ 109,716,151	\$ 116,547,452	\$ 117,771,734	\$ 114,351,215	\$ 103,779,731	\$ 106,635,461	\$ 110,754,706	\$ 129,785,783

(a) Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022.

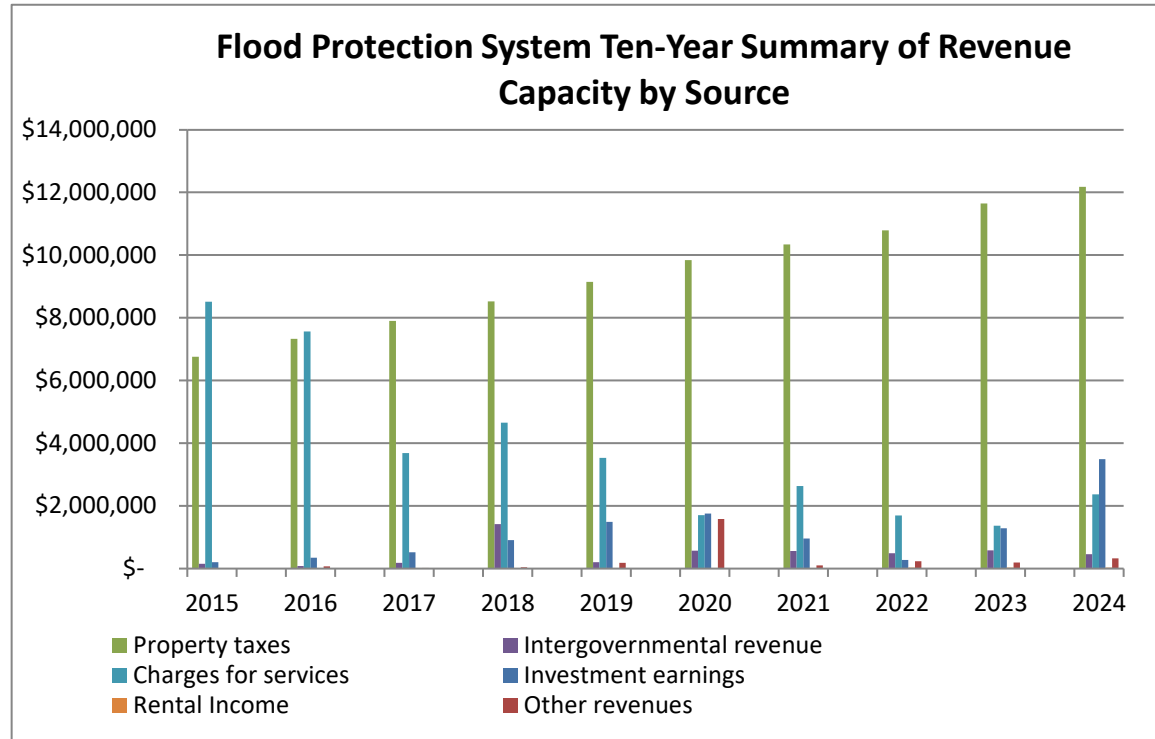


**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30**

Flood Protection System

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Property taxes	\$ 6,759,202	\$ 7,329,117	\$ 7,895,448	\$ 8,518,064	\$ 9,144,785	\$ 9,834,264	\$ 10,344,149	\$ 10,791,532	\$ 11,647,326	\$ 12,182,791
Intergovernmental revenue	144,691	71,562	181,418	1,413,239	196,321	568,380	556,049	483,324	577,148	455,588
Charges for services	8,516,405	7,556,578	3,683,683	4,652,449	3,522,081	1,694,933	2,624,628	1,690,497	1,360,441	2,360,632
Investment earnings	194,118	342,127	518,982	897,199	1,485,504	1,745,490	956,235	268,495	1,280,020	3,485,104
Rental Income	-	-	-	-	-	-	7,987	23,961	23,961	27,111
Other revenues	713	62,558	13,263	34,267	179,069	1,579,824	97,889	232,582	184,857	319,926
Total Revenues	\$ 15,615,129	\$ 15,361,942	\$ 12,292,794	\$ 15,515,218	\$ 14,527,760	\$ 15,422,891	\$ 14,586,937	\$ 13,490,391	\$ 15,073,753	\$ 18,831,152

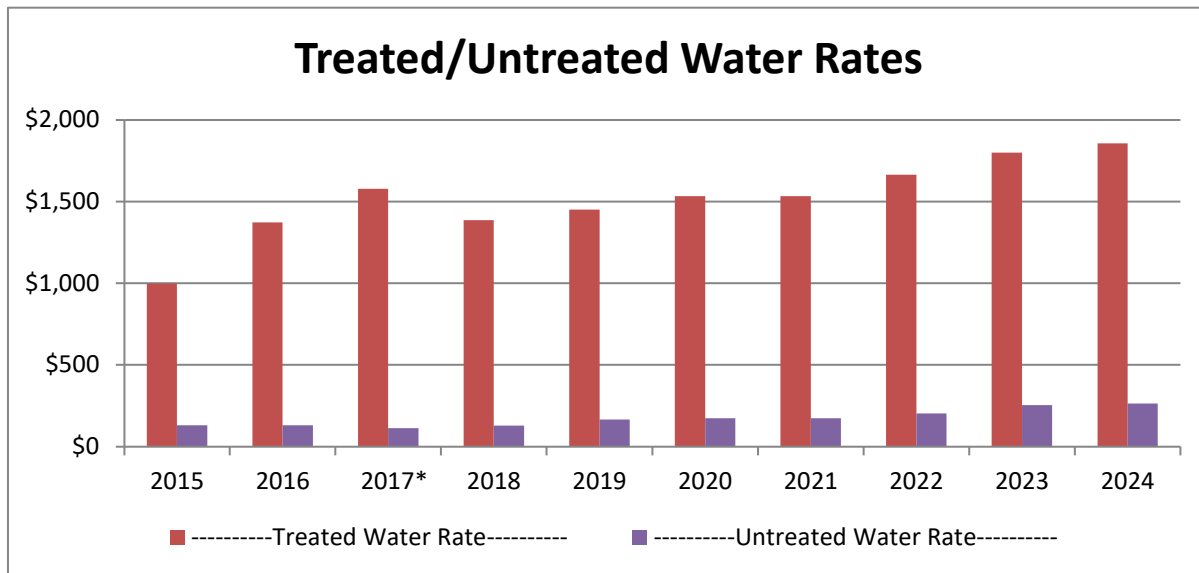
Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.



**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Treated and Untreated Water Rates
Ten-Year History
(In Acre Feet)**

Calendar Year	-----Treated Water Rate-----		-----Untreated Water Rate-----	
	Rate/AF	% Change Year Over	Rate/AF	% Change Year Over Year
2015	\$999	0.0%	\$130	0.0%
2016	\$1,372	37.3%	\$130	0.0%
2017*	\$1,577	14.9%	\$113	-13.1%
2018	\$1,385	-12.2%	\$129	14.2%
2019	\$1,451	4.8%	\$167	29.5%
2020	\$1,533	5.7%	\$173	3.6%
2021	\$1,533	0.0%	\$173	0.0%
2022	\$1,664	8.5%	\$204	17.9%
2023	\$1,799	8.1%	\$255	25.0%
2024	\$1,856	3.1%	\$263	25.0%

*In 2017, the agency changed its rates structure to include volume-based and fixed-based components. The rates shown include a mix of volume-based rates and fixed charges expressed in acre-feet.

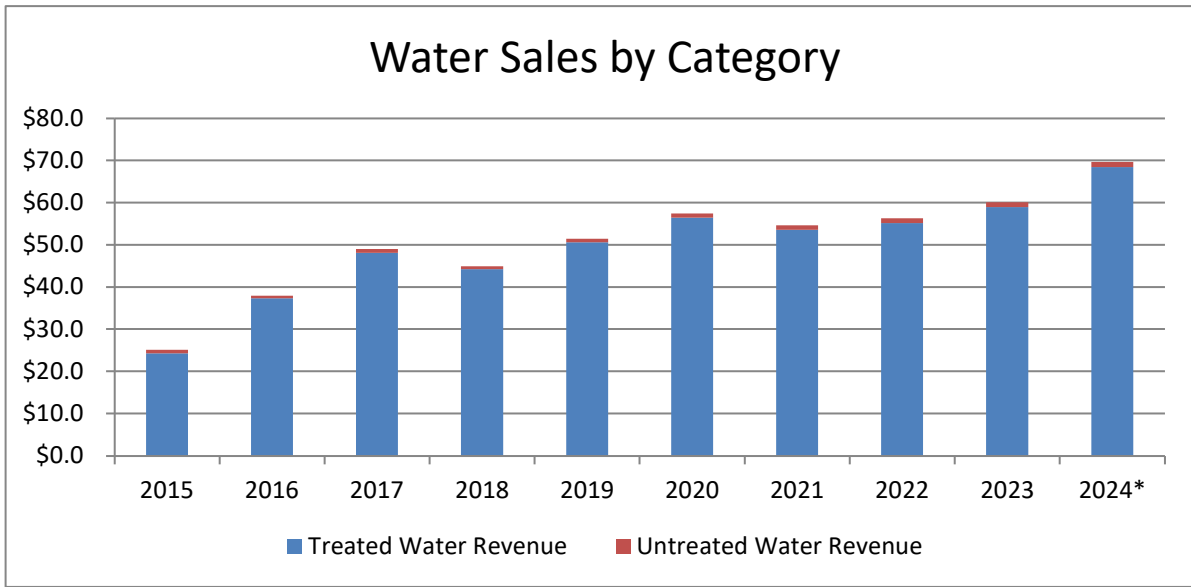


Source: Zone 7 Finance Department

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Water Sales by Category
Ten-Year History
(amounts expressed in millions)

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2015	\$24.3	\$0.8	\$25.1
2016	\$37.3	\$0.6	\$37.9
2017	\$48.1	\$0.9	\$49.0
2018	\$44.2	\$0.7	\$44.9
2019	\$50.6	\$0.8	\$51.4
2020	\$56.4	\$1.0	\$57.4
2021	\$53.5	\$1.0	\$54.6
2022	\$55.2	\$1.1	\$56.3
2023	\$58.9	\$1.2	\$60.1
2024*	\$68.4	\$1.2	\$69.6

*Calendar Year 2024 revenue is forecasted.



Source: Zone 7 Finance Department

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Principal Treated Water Customers
Current Complete Year Comparison to Nine Years Ago
(Calendar Year)

Customer	-----2023-----			-----2014-----			
	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption	Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption
City of Pleasanton	12,642	1	37%	City of Pleasanton	9,645	1	33%
Dublin San Ramon Services District	9,533	2	28%	Dublin San Ramon Services District	8,550	2	30%
City of Livermore	5,742	3	17%	California Water Service Company	5,405	3	19%
California Water Service Company	5,593	4	17%	City of Livermore	5,064	4	18%
All other treated water customers ¹	340	5	1%	All other treated water customers ¹	195	5	0.7%
Total Annual Consumption (AF)	33,850		100%	Total Annual Consumption (AF)	28,859		100%

Source: Zone 7 Finance Department

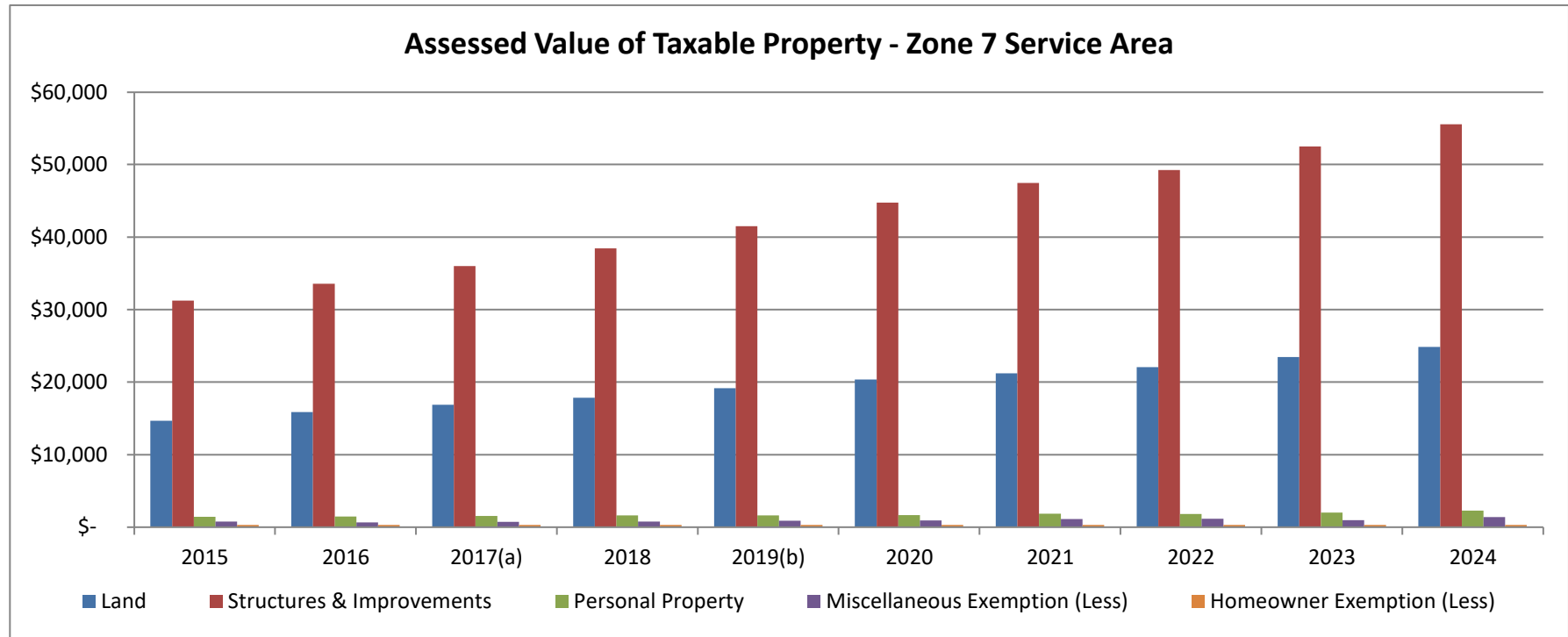
¹Other treated customers include Lawrence Livermore Laboratory, Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Assessed Value of Taxable Property - Zone 7 Service Area
Last Ten Fiscal Years
Fiscal Year Ended June 30
(expressed in millions)

	Fiscal Year									
	2015	2016	2017(a)	2018	2019(b)	2020	2021	2022	2023	2024
Assessed Value of Taxable Property										
Land	\$ 14,680	\$ 15,861	\$ 16,884	\$ 17,825	\$ 19,166	\$ 20,359	\$ 21,220	\$ 22,068	\$ 23,473	\$ 24,862
Structures & Improvements	31,246	33,555	35,989	38,434	41,506	44,764	47,473	49,260	52,485	55,537
Personal Property	1,419	1,473	1,536	1,625	1,622	1,667	1,858	1,829	2,005	2,280
Miscellaneous Exemption (Less)	755	661	748	769	870	921	1,130	1,167	961	1,387
Subtotal	46,590	50,228	53,661	57,115	61,424	65,869	69,421	71,990	77,002	81,292
Homeowner Exemption (Less)	300	303	304	306	307	309	308	305	302	299
Net Total	\$ 46,290	\$ 49,925	\$ 53,357	\$ 56,809	\$ 61,117	\$ 65,560	\$ 69,113	\$ 71,685	\$ 76,700	\$ 80,993

(a) 2017 Personal Property has been revised.

(b) 2019 Miscellaneous Exemption has been revised.



Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Property Tax Rates⁽¹⁾
Direct and Overlapping Governments
Last Ten Fiscal Years
(Rates per \$1,000 of Assessed value)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Direct Rates:										
City of Livermore	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County GO Bond					0.0112%	0.0108%	0.0036%	0.0041%	0.0103%	0.0088%
Overlapping Rates⁽²⁾:										
School District	0.0497%	0.0404%	0.0886%	0.0803%	0.0771%	0.0743%	0.0691%	0.0706%	0.0638%	0.0540%
Community College	0.0217%	0.0198%	0.0246%	0.0445%	0.0443%	0.0422%	0.0214%	0.0458%	0.0388%	0.0416%
Bay Area Rapid Transit	0.0045%	0.0026%	0.0080%	0.0084%	0.0070%	0.0120%	0.0139%	0.0060%	0.0140%	0.0134%
Zone 7 Flood Control	0.0250%	0.0343%	0.0333%	0.0359%	0.0332%	0.0309%	0.0309%	0.0307%	0.0279%	0.0267%
Total Direct and Overlapping Rates	1.1009%	1.0971%	1.1545%	1.1691%	1.1728%	1.1702%	1.1389%	1.1572%	1.1548%	1.1445%

Source: Alameda County Auditor-Controller Agency

- Note:
- (1) The above data represents a single tax area within the Agency's jurisdiction and is presented herein to show readers general trends of property tax rates.
 - (2) Overlapping rates are those local and county governments that apply to property owners within the City of Livermore. Not all overlapping rates apply to all property owners. For an overlapping rate to apply, the property has to be located within that district's geographic boundary.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied	Amount Collected Within Fiscal Year	Percentage of Levy	Delinquent Tax Collections
2015	\$ 18,819,680	\$ 18,819,680	100%	0%
2016	25,045,958	25,045,958	100%	0%
2017	26,420,199	26,420,199	100%	0%
2018	28,225,563	28,225,563	100%	0%
2019	28,991,052	28,991,052	100%	0%
2020	29,433,103	29,433,103	100%	0%
2021	30,722,352	30,722,352	100%	0%
2022	32,008,443	32,008,443	100%	0%
2023	32,885,000	32,885,000	100%	0%
2024	33,419,000	33,419,000	100%	0%

Source: Zone 7 Finance Department

**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Principal Property Tax Payers
Current Year and Nine Years Ago
(Fiscal Year)**

Taxpayer	2024 ⁽¹⁾			2015 ⁽²⁾		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Total Assessed Value
Kaiser Foundation Hospitals	\$ 292,156,296	1	0.37%			
Stoneridge Creek Pleasanton CCRC LLC	289,056,929	2	0.36%			
Stoneridge Properties	285,685,553	3	0.36%	243,030,900	2	0.54%
Workday Inc.	274,297,640	4	0.34%			
Rosewood Commons Property Owner LLC	272,493,963	5	0.34%			
OAK Owens 20172020 LLC	263,133,918	6	0.33%			
Kaiser Foundation Health Plan Inc	258,095,570	7	0.32%	430,545,066	1	0.93%
Livermore Premium Outlets LLC	234,208,559	8	0.03%			
6200 Stoneridge Mall Road Investors LLC	229,299,962	9	0.29%			
ESSEX Pleasanton Owner LP	210,688,668	10	0.26%			
SFI Pleasanton LLC				219,942,146	3	0.47%
Trust NOIP Dublin LP				152,798,425	4	0.33%
Safeway Inc.				150,698,132	5	0.33%
Paragon Outlet Livermore Valley LLC				150,683,826	6	0.33%
Stoneridge Residential LLC				148,086,880	7	0.32%
Applera Corporation				145,907,078	8	0.32%
Tishman Speyer Archstone Smith				128,207,825	9	0.28%
Oracle America Inc/Peoplesoft				127,431,038	10	0.28%
	\$ 2,609,117,058		3.01%	\$ 1,897,331,316		4.10%

Source: (1) County of Alameda 2023-24 FY Top 10 Taxpayers by Primary Tax Code Area (Secured)
(2) Zone 7 Water Agency ACFR for FY 2015

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Water Enterprise Outstanding Debt by Type
Last Ten Fiscal Years

	2015	2016	2017	2018 ¹	2019	2020	2021	2022	2023	2024
2018 Water Revenue Bond ¹	\$ -	\$ -	\$ -	\$ 71,376,744	\$ 70,735,844	\$ 68,705,423	\$ 66,661,411	\$ 64,592,816	\$ 62,498,601	\$ 60,378,146
2023 Water Revenue Bond ²										29,887,991
Total	\$ -	\$ -	\$ -	\$ 71,376,744	\$ 70,735,844	\$ 68,705,423	\$ 66,661,411	\$ 64,592,816	\$ 62,498,601	\$ 90,266,137
Total Debt Per Capita	\$ -	\$ -	\$ -	\$ 275	\$ 272	\$ 264	\$ 256	\$ 243	\$ 235	\$ 339

Source: Zone 7 Finance Department

¹ In March 2018, the Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of \$64,010,000.

² In October 2023, the Agency, via the Livermore Valley Water Financing Authority, issued the 2023 Water Revenue Bonds in the amount of \$28,795,000.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years
(In Millions)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt Limit	\$ 2,315	\$ 2,496	\$ 2,668	\$ 2,840	\$ 3,056	\$ 3,278	\$ 3,456	\$ 3,584	\$ 3,835	\$ 4,050
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 2,315	\$ 2,496	\$ 2,668	\$ 2,840	\$ 3,056	\$ 3,278	\$ 3,456	\$ 3,584	\$ 3,835	\$ 4,050
Total net debt applied to the limit as a percentage of the debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Alameda County Assessor's Office and Zone 7 Finance Department

**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Demographic and Economic Statistics
For Alameda County and the Zone 7 Service Area
Last Ten Fiscal Years**

Fiscal Year	Zone 7 Service Area (Acres)	Population Served within Zone 7's Service Area¹	Total Population Alameda County²	Total Personal Income Alameda County (billions)²	Per Capita Income Alameda County²	Unemployment Rate Alameda County	Consumer Price Index Alameda County (% change in CPI)
2015	272,000	245,000	1,611,318	\$ 104.4	\$ 64,466	5.2%	3.2%
2016	272,000	247,000	1,629,738	111.5	65,045	4.7%	3.1%
2017	272,000	255,023	1,646,405	118.7	69,350	4.0%	3.0%
2018	272,000	259,165	1,656,884	127.7	75,045	3.1%	4.3%
2019	272,000	260,000	1,666,753	134.8	76,644	3.1%	2.7%
2020	272,000	260,000	1,670,834	130.8	76,837	13.5%	1.6%
2021	272,000	260,000	1,656,591	138.7	78,805	6.6%	3.2%
2022	272,000	266,000	1,651,979	155.3	87,575	3.0%	6.8%
2023	272,000	266,000	1,636,194	167.0	89,023	4.2%	2.9%
2024	272,000	266,000	1,641,869	193.6	109,841	4.7%	3.2%

¹ Population of Service Area are estimates and includes the cities of Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 3.36% of City of San Ramon).

² Figures are estimates

Sources: State of California Department of Finance
State of California Department of Transportation
U.S. Bureau of Labor Statistics San Francisco Area
State of California Employment Development Department Labor Market Information

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Principal Employers Within the Service Area
Current Year and Nine Years Ago

CITY OF DUBLIN ¹

-----2023 ^A -----			-----2015-----		
Company/Organization	Number of Employees	Percentage of Total Employment ⁴	Company/Organization	Number of Employees	Percentage of Total Employment ⁴
United States Government & Federal Correction Institute	1,589	4.90%	United States Government & Federal Correction Institute	2,100	7.53%
County of Alameda	1,307	4.03%	Ross Stores Headquarters	1,200	4.30%
Dublin Unified School District	1,200	3.70%	Dublin Unified School District	1,117	4.00%
Ross Stores Headquarters	1,160	3.58%	SAP (Formerly: Sybase)	604	2.16%
Patelco Credit Union	831	2.56%	Zeiss Meditec	535	1.92%
Zeiss Meditec	692	2.14%	County of Alameda	465	1.67%
Kaiser Permanente	601	1.85%	Target Stores	388	1.39%
Target Stores	334	1.03%	Callidus Cloud	350	1.25%
Snowflake, Inc.	250	0.77%	De Silva Gates Construction	300	1.08%
TriNet	215	0.66%	Safeway	284	1.02%
Total Employment	32,400	25.24%	Total Employment	27,900	26.32%

CITY OF LIVERMORE ²

-----2023 ^A -----			-----2014 ^B -----		
Company/Organization	Number of Employees	Percentage of Total Employment	Company/Organization	Number of Employees	Percentage of Total Employment
Lawrence Livermore National	9,291	17.21%	Lawrence Livermore National	5,723	16.49%
Sandia National Lab	1,842	3.41%	Sandia National Lab	1,139	3.28%
Livermore Valley	1,380	2.56%	Livermore Valley	1,236	3.56%
Joint Unified School District	1,055	1.95%	Joint Unified School District	850	2.45%
Lam Research	825	1.53%	Kaiser Permanente	833	2.40%
Form Factor	813	1.51%	Form Factor	736	2.12%
Kaiser Permanente	640	1.19%	Wente	501	1.44%
GILLIG	562	1.04%	Livermore Area Recreation and Parks District	500	1.44%
US Foodservice Inc	410	0.76%	Comcast	463	1.33%
Topcon Positioning Systems	305	0.56%	Las Positas College	432	1.24%
Las Positas College	305	0.56%	Valley Care Health Systems	432	1.24%
Total Employment	31.72%	31.72%	Total Employment	35.75%	35.75%

CITY OF PLEASANTON ³

-----2023 ^A -----			-----2015-----		
Company/Organization	Number of Employees	Percentage of Total Employment	Company/Organization	Number of Employees	Percentage of Total Employment
Workday Inc	5,548	9.00%	Kaiser Permanente	3,741	6.79%
Kaiser Foundation Hospitals	3,549	5.76%	Safeway Inc	2,600	4.72%
Roche Molecular Systems Inc	927	1.50%	Wokday	2,250	4.09%
Stanford Healthcare - Valleycar	896	1.45%	Oracle	1,612	2.93%
Oracle America Inc	882	1.43%	Valley Care Medical Center	1,300	2.36%
Veeva Systems Inc	858	1.39%	Pleasanton Unified School Dist.	1,293	2.35%
Thermo Fisher	579	0.94%	Ellie Mae	832	1.51%
10x Genomics	560	0.91%	Clorox Service Company	682	1.24%
Ice Mortgage Technology Inc	556	0.90%	State Compensation Ins. Fund	650	1.18%
Blume Global Inc	500	0.81%	Thermo Fisher Scientific	579	1.05%
Total Employment	24.09%	24.09%	Total Employment	28.22%	28.22%

Note: ^ANumber of Employees and Percentage of Total Employment unavailable for 2024.

^BNumber of Employees and Percentage of Total Employment unavailable for City of Livermore FY2014/15

Source: ¹City of Dublin, Annual Comprehensive Financial Report FY 2022/23

²City of Livermore, Annual Comprehensive Financial Report FY 2022/23

³City of Pleasanton, Annual Comprehensive Financial Report FY 2022/23 and FY 2014/15

⁴Percentage calculated based on Dublin's Employment of 32,400 for 2023 and 27,900 for 2015 (Source: State of California Employment Development Department)

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Full-time Equivalent Agency Employees by Function/Program Budget
Last Ten Fiscal Years

Division/Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Office of the General Manager	7	8	9	9	9	10	10	10	11	11
Integrated Planning	7.5	8.5	9.5	9.5	6.5	8.5	9.5	8.5	11	11
Finance:										
Accounting, Finance & Purchasing	9	10	10	10	10	11	11	11	12	12
Human Resources	7	7	4	4	3	3	3	3	3	3
Engineering:										
Facilities Engineering	14	12	13	13	10	12	11	11	11	11
Groundwater	7	8.5	7.5	7.5	7.5	7.5	7	7	7	7
Water Quality	7.5	7.5	7.5	7.5	7.5	7.5	7	7	7	7
Flood Protection	5	6	7	7	8	7	5.5	5.5	5	5
Operations	24	24	27	27	28	29	30	30	30	30
Maintenance	19	20	20	20	19	19	21	22	25	25
Total FTE	107	111.5	114.5	114.5	108.5	114.5	115.0	115.0	122.0	122.0

Source: Zone 7 Finance Department

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Operating Indicators
Fiscal Years 2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Enterprise System										
Total Groundwater pumped (AF) ¹	2,565	2,002	2,300	4,700	8,200	10,100	16,400	15,200	5,100	3,200
Total Artificial Stream Recharge (AF)	3,766	8,910	8,300	9,100	3,100	4,040	830	110	4,400	9,200
New water connections	1,196	1,600	1,338	1,301	1,214	796	470	643	522	354
Total drilling permits issued	171	133	155	165	154	119	130	136	125	113
Flood Protection System										
Flood Protection area managed (sq. miles)	425	425	425	425	425	425	425	425	425	425
Flood Protection channels (miles)	37	37	37	37	37	37	37	37	37	37
Flood Protection encroachment permits issued	31	34	24	32	37	44	23	18	20	17
Flood Protection development referrals	13	15	20	15	11	18	26	45	49	48

Source: Facilities Engineering, Flood Protection, Groundwater and Integrated Planning departments.

¹ Calculated on a Water Year basis (October 1 - September 30)

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Operating Information - Capital Asset Statistics
Fiscal Years 2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of treatment plants	3	3	3	3	3	3	3	3	3	4
Miles of pipeline	41	41	41	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	3	3
Number of wells operated	10	10	10	10	10	10	10	10	10	10
Total Groundwater storage (AF) ^{1,2}	213,000	226,000	248,000	249,000	252,000	246,000	230,000	218,000	230,000	253,000
Total Groundwater operational storage-water year (AF) ²	85,000	98,000	120,000	121,000	124,000	118,000	102,000	90,000	102,000	125,000

Source: Facilities Engineering and Integrated Planning

¹ 2024 total and operational Groundwater Storage are estimates based on mid-September water levels. Actual values get calculated at end of each year.

² Calculated on a Water Year basis (October 1 - September 30).

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors of the
Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Livermore, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alameda County Flood Control And Water Conservation District, Zone 7, Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Directors of the
Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Livermore, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Walnut Creek, California
December 5, 2024



December 5, 2024

www.pungroup.cpa



To the Board of Directors
Alameda County Flood Control and Water Conservation
District, Zone 7 Water Agency
Livermore, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District, Zone 7 Water Agency (the “Agency”) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standard*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the basic financial statements. As described in Note 1 to the financial statements, the Agency implemented the following accounting standards:

New Accounting Standards:

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this Statement did not have a significant effect on the Agency’s financial statements for the fiscal year ended June 30, 2024.

No other new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the investment fair market value is based on information provided by U.S. Bank, the custodian of the investments for the Agency’s investment in Negotiable Certificate of Deposits based on matrix pricing, and asset-backed securities and corporate bonds based on interactive data. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management’s estimate of the depreciation and amortization on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on financial statements on fiduciary net position for Alameda County Employees’ Retirement Association (ACERA). We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the net other postemployment benefits (“OPEB”) liability is based on the actuarial valuation on total OPEB liability and financial statements on fiduciary net position. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- Note 1 – Summary of Significant Accounting Policies
- Note 2 – Cash and Investments
- Note 6 – Long-Term Debt
- Note 8 – Alameda County Employees’ Retirement Association Pension Plan
- Note 9 – Postemployment Benefits Other Than Retirement
- Note 11 – Commitment and Contingent Liabilities

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2024.

To the Board of Directors
Alameda County Flood Control and Water Conservation
District, Zone 7 Water Agency, California
Page 3

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis, the Schedule of the Agency’s Proportionate Share of Net Pension Liability and Related Ratios, and the Schedules of Contributions - Pensions, the Schedule of the Agency’s Proportionate Share of Net OPEB Liability (Asset) and Related Ratios and Schedule of Contributions – OPEB, which is required supplementary information (“RSI”) supplementing the basic financial statements. Our procedures consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Combining and Individual Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and the Statistical Sections, which accompany the financial statements but are not RSI. Such information has 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.

Restriction on Use

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

Very truly yours,

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

Walnut Creek, California

DATE: December 12, 2024

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager - Finance

SUBJECT: Proposed Amended Reserve Policy

SUMMARY:

- The proposed action is in support of Strategic Plan Goal G – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Initiative No. 24 – continue to effectively manage financial resources. In carrying out these fiscal responsibilities, staff periodically reviews financial policies to ensure continued alignment with the Agency’s financial objectives, best practices, and the current fiscal environment.
- The Agency’s Reserve Policy was adopted on May 15, 2019, via Resolution No. 19-37. The purpose of the Reserve Policy is to demonstrate to the community of rate payers, bondholders, and rating/regulatory agencies that the Board of Directors is committed to the Agency’s long-term financial health, stability, and viability. Prudent financial management dictates the Agency maintain appropriate reserves for operating and capital needs, debt obligations, and funding for emergencies and unforeseen events.
- Per the Finance Committee’s request, staff reviewed the Agency’s Reserve Policy. Based on staff’s review, the following amendments are proposed:

1. State Water Facilities Reserve Maximum Level (page 11):

Proposed Change: Remove maximum reserve level.

Justification: The State Water Facilities reserve amount exceeds the maximum level. This proposed change enhances the Agency’s financial stability, anticipating and preparing for future volatile State Water Project capital cost increases. Based on the State Water Project budget report for calendar years 2024 and 2025, the total capital need over the next 12 years is estimated to be \$6.0 billion. The Agency will be responsible for its proportional share of these costs (approximately 1.9%). Removing the maximum level helps to offset the expected cost increases and allows for smoothing of future property tax override collections.

2. Policy Review (page 11):

Proposed Change: Add a policy review section.

Justification: The proposed change brings the Reserve Policy in compliance with the third recommendation from the Zone 7 Board's Policy Review and Update (June 2022), requiring every policy, adopted or revised, to include a timeline for an official review of the policy.

- Staff also made minor edits to the Reserve Policy to incorporate best practices and current information.
- Staff seeks direction from the Finance Committee on the proposed amendments to the Reserve Policy outlined in this report. Staff plans to bring the proposed amended Reserve Policy to the December 18, 2024, regular Board meeting for adoption.

FUNDING:

N/A

RECOMMENDED ACTION:

Discuss and provide direction.

ATTACHMENTS:

1. Clean Reserve Policy
2. Redlined Reserve Policy

POLICY AND PROCEDURE

POLICY TITLE: Reserve Policy	NUMBER: Z7AF-140-16	PAGE: 1 of 11
APPROVED BY: Board of Directors Authorizing Resolution No. 24-__	REVISION: 3	EFFECTIVE DATE:

1. POLICY STATEMENT

The purpose of this policy is to ensure Zone 7 Water Agency (“Zone 7” or “the Agency”) operates in a productive, cost-effective and efficient manner. A robust reserve policy demonstrates to the community of rate payers, bondholders, and rating and regulatory agencies that the Board of Directors is committed to the Agency’s long-term financial health, stability, and viability. Prudent financial management dictates the Agency maintain appropriate reserves for operating and capital needs, debt obligations, and funding for emergencies and unforeseen events.

The Agency will strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds (“Funds”) will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further, Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the “Board”) adopted a Financial Management Framework (the “Framework”) on November 16, 2011 (Resolution Number 11-4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Final Reserve Policy has been developed in keeping with the Framework after evaluating the efficacy of an Interim Reserve Policy adopted in 2013. One of the Framework’s goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Agency shall maintain reserve levels, as directed by the Board, through the strategic planning and budget processes.

2. FUNDS

Zone 7 maintains financial assets in separate funds that are clearly identifiable and segregated for specific purposes in accordance with laws and regulations. The Agency shall not commingle funds that are established under different functions of the Agency nor shall it commingle developer fees with operational funding.

This Policy establishes Reserve Funds for each of the following major funding areas.

Water Enterprise Operations and Capital Projects Fund (Funds 100 and 120)

These funds account for enterprise operation and administration, emergency and support services, variable State Water Project charges, water facilities maintenance and operation, water facilities, water resources and water supply planning, and renewal, replacement and system-wide improvement types of capital projects.

State Water Project Fund (Fund 110)

This fund is used for fixed State Water Project charges, including State Water Project bonded indebtedness.

Water Enterprise Capital Expansion Fund (Fund 130)

Expansion is funded by water connection fee revenue imposed on new development to fund new development's fair share of capital projects necessary to accommodate growth. These water connection fees are subject to the provisions contained in the California Mitigation Fee Act (Government Code § 66000 et seq.)

Flood Protection Operations Fund (Fund 200)

This fund provides for general administration and regional flood control services, including renewal, replacement and system-wide improvement types of capital projects to ensure the controlled runoff of the Valley's excess stormwater runoff.

Flood Protection Development Impact Fee Fund (Fund 210)

Expansion is funded by development impact fees imposed on new development to pay for new development's fair share of the acquisition, construction, engineering and improvement of the flood protection and/or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof. Development fees are collected in accordance with the California Mitigation Fee Act (Government Code § 66000 et seq.)

3. RESERVE FUND DEFINITIONS

Restricted Reserves: Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations, for example water connection fees or flood protection developer impact fees per the California Mitigation Fee Act.

Designated Reserves: Funds set aside for a specific purpose determined by Zone 7's Board of Directors as documented by minute order, resolution or ordinance. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

Unrestricted Reserves: Have no imposed restrictions as to their use.

4. GENERAL PROVISIONS

Purpose of Reserve Funds

Reserves are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs
- Meet bond covenant requirements

Segregation of Funds

The Agency will not transfer moneys between reserve funds that are established under different functions of the Agency. The Agency may complete interfund borrowing between reserves of different functions of the Agency at current market rates. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

Periodic Review Dates for Balances

Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget, annual financial audit and periodic water rate discussions.

5. POLICY COMPLIANCE

The Minimum established for each reserve represents the target that is acceptable from both risk and long-range financial planning perspectives, as well as demonstrating financial stability to the rating agencies and lending institutions. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives and cost management measures. To ensure reliable service to its ratepayers and to maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

Upon Board adoption of this policy, necessary actions will be taken to comply with this policy. Periodic reviews will ensure that reserves are in compliance with policy. In the event that a reserve has fallen below the minimum, and other reserves are above minimum and/or maximum, a transfer(s) shall be made from other reserve(s) within that fund to bring the non-compliant reserve to the minimum level. If reserves are depleted, the reserves shall be replenished within the two (2) year budget period to the established or re-established target through revenue generating alternatives and/or cost management measures. If cumulative reserves within a fund exceed maximum levels, a report will be made to the Board and alternative solutions considered.

Revenue-generating alternatives and cost management measures (either alone or in combination with each other) include, but are not limited to:

- rates, fees and charges
- capital financing
- investment of funds
- grants
- energy efficiencies
- pooled services/equipment agreements
- chemical purchase consortiums
- deferral or acceleration of capital projects, as appropriate

6. RESERVE FUND TARGET LEVELS AND MANAGEMENT

The following section describes Zone 7 reserves, target levels and management of funds.

WATER ENTERPRISE OPERATIONS FUND RESERVES

The Water Enterprise Operations fund has three reserve categories:

- A. Operating Reserve
- B. Emergency Reserve
- C. Reserve for Economic Uncertainties

A. OPERATING RESERVE

The Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. The amounts in this reserve will fluctuate depending on the annual operating expenses of Zone 7. Money on deposit in this reserve may be used for:

- unanticipated operating expenses
- daily cash flow requirements
- minor emergencies such as unanticipated infrastructure failures.
- supplement losses to water sales revenue resulting from impacts of drought conditions

- use during periods of unanticipated fluctuations in treated water rate revenues and cost of service in order to offset significant increases in water rates

Minimum Level

The minimum level shall be equal to sixty (60) days of the Agency's budgeted total operating expenses.

Target Level

Zone 7 shall strive to maintain a target level equal to ninety (90) days of Agency's budgeted total operating expenses.

Maximum Level

The maximum level shall not exceed one hundred twenty (120) days of the total budgeted operating expenses.

Events or Conditions Prompting the Use of the Fund – This reserve may be routinely utilized to cover temporary cash flow deficiencies caused by timing differences between the receipt of revenue and actual expenses or extraordinary decreases in revenues and unexpected increases in expenses.

B. EMERGENCY RESERVE

This reserve serves as working capital to address early stages of repairs and other activities while the Agency reviews accessing insurance, Federal Emergency Management Agency (FEMA) and other reimbursements, developing other revenue streams or other funding mechanisms to address long term repairs. Funds in the Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event or disaster, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7. FEMA may provide reimbursement to utilities after a catastrophic event; however, the reimbursement may take up to three years. It is important to have immediate funding available for the repairs, especially given the seismic vulnerability of the region and potential multi-year delays in reimbursement.

Minimum Level

The minimum level shall be equal to two percent (2%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Target Level

Zone 7 shall strive to maintain a target level equal to two- and one- half percent (2.5%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Maximum Level

The maximum level shall not exceed three percent (3%) of the capital assets of the enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the fund and declaring a local state of emergency. Funds will be transferred to the appropriate capital or operating fund as necessary.

C. RESERVE FOR ECONOMIC UNCERTAINTIES

The Agency shall maintain a reserve for uncertain economic conditions. A reserve of this level is prudent to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

Minimum Level

The minimum level shall be equal to 10% of budgeted volume-based water sales revenue.

Target Level

The Agency will strive for target level equal to 15% of budgeted volume-based water sales revenue.

Maximum Level

The maximum level shall not exceed 20% of budgeted volume-based water sales revenue.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the reserve.

DEBT SERVICE RATE STABILIZATION RESERVE

Debt Rate Stabilization Reserves established by bond requirements may be used to pay debt service if revenues are insufficient to satisfy annual debt service requirements. These reserves shall be within the Water Enterprise Renewal & Replacement and System-Wide Improvements and the Water Enterprise Capital Expansion funds. The target amount shall be equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Minimum and Maximum Levels

This Reserve will not be required to have a minimum or maximum level.

Target Level

The Agency will strive for target level equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve to pay debt service if revenues are insufficient to satisfy annual debt service requirements. If funds from this reserve are used, the Agency is required to replenish the reserves as required by bond covenants.

WATER ENTERPRISE RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs and to facilitate completion of multi-year projects. The amount on deposit in the Water Enterprise Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the Water System Capital Improvement Plan and the Asset Management Program (AMP), both of which are reviewed and approved by the Board of Directors periodically.

Minimum Level

The minimum level shall be equal to 100% of the estimated pay-go capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this reserve, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent Asset Management Plan and the current Capital Improvement Plan. Funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of minimum levels.

Events or Conditions Prompting the Use of the Fund – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvement capital projects.

WATER ENTERPRISE CAPITAL EXPANSION RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet additional demands created by development. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are four separate reserves to be used for:

1. The construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund"); and,
2. The Future Contractors' share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund"); and,
3. Any year when revenues are insufficient to satisfy annual debt service requirements (Debt Service Rate Stabilization Reserve).
4. The Water Enterprise Capital Expansion Reserve is used for the funding of capital projects to accommodate development.

Minimum Level

The minimum level shall be equal to 60% of the estimated non-discretionary amount budgeted annually.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund

borrowings or other financing arrangements. Funds on deposit in the Debt Service Rate Stabilization Reserve SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.

Events or Conditions Prompting the Use of the Fund – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

FLOOD PROTECTION OPERATING RESERVE

The amounts in the Flood Protection Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Protection Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs.

Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum Level

The minimum level shall be equal to twenty percent (20%) of the Agency's annually budgeted flood protection operating expenses, excluding capital.

Target Level

Not applicable

Maximum Level

The maximum level shall not exceed fifty percent (50%) of the Agency's annually budgeted flood protection operating expenses, excluding capital.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.

FLOOD PROTECTION CAPITAL PROJECT RESERVE

The Flood Protection Capital Project Reserve holds the balance of funds once the Flood Protection Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Protection Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7's flood protection needs. Capital projects are

identified and funded during the budget process. The forthcoming Flood Management Plan will direct the Agency's future flood capital projects.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – The Flood Protection Project Reserve may be used at any time for flood protection maintenance or improvement projects not related to development.

FLOOD PROTECTION DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for Flood Protection facilities and is intended to provide funding for any Flood Protection facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.

STATE WATER FACILITIES RESERVE

The amounts in the State Water Facilities Reserve Fund fluctuate depending on the receipt of property taxes and the annual expenses of Zone 7 related to fixed charges for the State Water Project. The State Water Facilities Reserve Fund is designated by the Board to maintain a reserve for fixed costs related to the State Water Project that are not tied to development. This reserve may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project fixed costs. The State Water Project costs are highly volatile and challenging to predict. This reserve will also accumulate funds to offset volatile future increases in State Water Project capital costs, allowing for smoothing of future property tax override collections.

Minimum Level

The minimum level shall be equal to fifty percent (50%) of the following year's projected annual operating expenses.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this reserve. The reserve shall accumulate funds to pay for future State Water Project costs.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases and/or unexpected increases in expenses.

VEHICLE REPLACEMENT RESERVE

The purpose of this reserve is to fund planned replacement of vehicles and equipment that have reached the end of their useful lives. This reserve is funded by direct charges to departments for actual maintenance and operation costs, interest earnings and net proceeds from the sale of replaced vehicles and equipment. The reserve will be drawn down as replacement vehicles and equipment are purchased. This reserve shall have no minimum, maximum or target.

7. POLICY REVIEW

The General Manager, or designee (Treasurer/Assistant General Manager – Finance), will be responsible for reviewing and updating this Reserve Policy every five years, and presenting any recommended revisions to the Board of Directors for adoption.

8. HISTORY

Date	Action	Resolution
August 8, 1985	Originally adopted	Minute Order
September 28, 2016	Updated	16-166
May 15, 2019	Updated	19-37
TBD	Updated	

POLICY AND PROCEDURE

POLICY TITLE: Reserve Policy	NUMBER: Z7AF-140-16	PAGE: 1 of 11
APPROVED BY: <u>Zone 7 Board of Directors</u> <u>Authorizing Resolution No. 24-</u>	REVISION: <u>3</u>	EFFECTIVE DATE: <u>May 15, 2019</u>

1. POLICY STATEMENT

~~The purpose of this policy is to ensure Zone 7 Water Agency ("Zone 7" or "the Agency") operates in a productive, cost-effective and efficient manner. A robust reserve policy demonstrates to the community of rate payers, bondholders, and rating and regulatory agencies that the Board of Directors is committed to the Agency's long-term financial health, stability, and viability. Prudent financial management dictates the Agency maintain appropriate reserves for operating and capital needs, debt obligations, and funding for emergencies and unforeseen events. Zone 7's mission is to provide a reliable supply of high-quality water and effective flood control in a fiscally-responsible way. A key element of prudent financial management is to ensure that sufficient funding is available for current operating, capital, and debt service needs.~~

~~Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Zone 7 Water Agency ("Zone 7" or the "Agency")~~ The Agency will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds ("Funds") will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further, Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 11-4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Final Reserve Policy has been developed in keeping with the Framework after evaluating the efficacy of an Interim Reserve Policy adopted in 2013. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. ~~The Board shall designate specific funds and maintain minimum fund balances consistent with definitions and funding levels outlined in the Policy. The Agency shall maintain reserve levels, as directed by the Board, through the strategic planning and budget processes.~~

2. FUNDS

Zone 7 maintains financial assets in separate funds that are clearly identifiable and segregated for specific purposes in accordance with laws and regulations. The Agency shall not commingle funds that are established under different functions of the Agency nor shall it commingle developer fees with operational funding.

This Policy establishes Reserve Funds for each of the following major funding areas.

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These funds account for enterprise operation and administration, emergency and support services, variable State ~~water~~ Water Project charges, water facilities maintenance and operation, water facilities, water resources and water supply planning, and renewal, replacement and system-wide improvement types of capital projects.

State Water Project Fund (Fund 110)

This fund is used for fixed State Water Project charges, including State Water Project bonded indebtedness.

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Expansion is funded by water connection fee revenue imposed on new development to fund new development's fair share of capital projects necessary to accommodate growth. These water connection fees are subject to the provisions contained in the California Mitigation Fee Act (Government Code § 66000 et seq.)

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This fund provides for general administration and regional flood control services, including renewal, replacement and system-wide improvement types of capital projects to ensure the controlled runoff of the Valley's excess stormwater runoff.

Flood Protection Development Impact Fee Fund (Fund 210)

Expansion is funded by development impact fees imposed on new development to pay for new development's fair share of the acquisition, construction, engineering and improvement of the flood protection and/or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof. Development fees are collected in accordance with the California Mitigation Fee Act (Government Code § 66000 et seq.)

3. RESERVE FUND DEFINITIONS

Restricted Reserves: Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations, for example water connection fees or flood protection developer impact fees per the California Mitigation Fee Act.

Designated Reserves: Funds set aside for a specific purpose determined by Zone 7's Board of Directors as documented by minute order, resolution or ordinance. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

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4. GENERAL PROVISIONS

Purpose of Reserve Funds

Reserves are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs
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Segregation of Funds

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Periodic Review Dates for Balances

Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget, annual financial audit and periodic water rate discussions.

5. POLICY COMPLIANCE

The Minimum established for each reserve represents the target that is acceptable from both risk and long-range financial planning perspectives, as well as demonstrating financial stability to the

rating agencies and lending institutions. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives and cost management measures. To ensure reliable service to its ratepayers and to maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

Upon Board adoption of this policy, necessary actions will be taken to comply with this policy. Periodic reviews will ensure that reserves are in compliance with policy. In the event that a reserve has fallen below the minimum, and other reserves are above minimum and/or maximum, a transfer(s) shall be made from other reserve(s) within that fund to bring the non-compliant reserve to the minimum level. If reserves are depleted, the reserves shall be replenished within the two (2) year budget period to the established or re-established target through revenue generating alternatives and/or cost management measures. If cumulative reserves within a fund exceed maximum levels, a report will be made to the Board and alternative solutions considered.

Revenue-generating alternatives and cost management measures (either alone or in combination with each other) include, but are not limited to:

- rates, fees and charges
- capital financing
- investment of funds
- grants
- energy efficiencies
- pooled services/equipment agreements
- chemical purchase consortiums
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6. RESERVE FUND TARGET LEVELS AND MANAGEMENT

The following section describes Zone 7 reserves, target levels and management of funds.

WATER ENTERPRISE OPERATIONS FUND RESERVES

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- A. Operating Reserve
- B. Emergency Reserve
- C. Reserve for Economic Uncertainties

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- unanticipated operating expenses
- daily cash flow requirements
- minor emergencies such as unanticipated infrastructure failures.
- supplement losses to water sales revenue resulting from impacts of drought conditions
- use during periods of unanticipated fluctuations in treated water rate revenues and cost of service in order to offset significant increases in water rates

Minimum Level

~~Funding shall be targeted at a~~The minimum ~~amount level shall be~~ equal to sixty (60) days of the Agency's budgeted total operating expenses.

Target Level

Zone 7 shall strive to maintain a target ~~level balance~~ equal to ninety (90) days of Agency's budgeted total operating expenses.

Maximum Level

The maximum ~~amount level~~ shall not exceed one hundred twenty (120) days of the total budgeted operating expenses.

Events or Conditions Prompting the Use of the Fund – This reserve may be routinely utilized to cover temporary cash flow deficiencies caused by timing differences between the receipt of revenue and actual expenses or extraordinary decreases in revenues and unexpected increases in expenses.

B. EMERGENCY RESERVE

This reserve serves as working capital to address early stages of repairs and other activities while the Agency reviews accessing insurance, ~~The~~ Federal Emergency Management Agency (FEMA) and other reimbursements, developing other revenue streams or other funding mechanisms to address long term repairs. Funds in the Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event or disaster, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7. FEMA may provide reimbursement to utilities after a catastrophic event; however, the reimbursement may take up to three years. It is important to have immediate funding available for the repairs, especially given the seismic vulnerability of the region and potential multi-year delays in reimbursement.

Minimum Level

~~Funding shall be targeted at a~~The minimum ~~level shall be~~ equal to two percent (2%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically ~~-~~active location of the Agency.

Target Level

Zone 7 shall strive to maintain a target ~~balance-level~~ equal to two- and one- half percent (2.5%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically -active location of the Agency.

Maximum Level

The maximum ~~amount-level~~ shall not exceed three percent (3%) of the capital assets of the enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically -active location of the Agency.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the fund and declaring a local state of emergency. Funds will be transferred to the appropriate capital or operating fund as necessary.

C. RESERVE FOR ECONOMIC UNCERTAINTIES

The Agency shall maintain a reserve for uncertain economic conditions. A reserve of this level is prudent to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

Minimum Level

~~Funding-~~The ~~minimum level~~ shall be equal to 10% of budgeted volume-based water sales revenue.

Target Level

The Agency will strive for target ~~balance-level~~ equal to 15% of budgeted volume-based water sales revenue.

Maximum Level

~~Maximum-~~The ~~maximum fundinglevel~~ shall not exceed 20% of budgeted volume-based water sales revenue.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the reserve.

DEBT SERVICE RATE STABILIZATION RESERVE

Debt Rate Stabilization Reserves established by bond requirements may be used to pay debt service if revenues are insufficient to satisfy annual debt service requirements. These reserves

shall be within the Water Enterprise Renewal & Replacement and System-Wide Improvements and the Water Enterprise Capital Expansion funds. The target amount shall be equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Minimum and Maximum Levels

This Reserve will not be required to have a minimum or maximum balance level.

Target Level

The Agency will strive for target balance level equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve to pay debt service if revenues are insufficient to satisfy annual debt service requirements. If funds from this reserve are used, the Agency is required to replenish the reserves as required by bond covenants.

WATER ENTERPRISE RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. ~~The recent drought related drop in reserve levels, combined with an increased need for capital projects has created the need for external funding.~~ The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs and to facilitate completion of multi-year projects. The amount on deposit in the Water Enterprise Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the ~~ten (10)-year~~ Water System Capital Improvement Plan Program and the Asset Management Program (AMP), both of which are reviewed and approved by the Board of Directors periodically.

Minimum Level

~~Funding for the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve shall be targeted at a~~The minimum amount level shall be equal to 100% of the estimated pay-go capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum ~~target level~~ for this reserve, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent Asset Management Plan and the current Capital Improvement Plan. Funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of minimum levels.

Events or Conditions Prompting the Use of the Fund – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvement capital projects.

WATER ENTERPRISE CAPITAL EXPANSION RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. ~~The recent drought related drop in reserve levels, combined with an increased need for capital projects has created the need for external funding.~~ The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet additional demands created by development. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are four separate reserves to be used for:

1. The construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund"); and,
2. The Future Contractors' share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund"); and,
3. Any year when revenues are insufficient to satisfy annual debt service requirements (Debt Service Rate Stabilization Reserve).
4. The Water Enterprise Capital Expansion Reserve is used for the funding of capital projects to accommodate development.

Minimum Level

~~Funding for the Water Enterprise Capital Expansion Reserve shall be targeted at a~~The minimum ~~amount-level shall be~~ equal to 60% of the estimated non-discretionary amount budgeted annually.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum ~~limitation-level~~ for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Debt Service Rate Stabilization Reserve SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.

Events or Conditions Prompting the Use of the Fund – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

FLOOD PROTECTION OPERATING RESERVE

The amounts in the Flood Protection Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Protection Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs.

Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum Level

~~Funding shall be targeted at a~~The minimum ~~amount-level shall be~~ equal to twenty percent (20%) of the Agency's ~~annually~~ budgeted ~~total-annual~~ flood protection operating expenses, excluding capital.

Target Level

Not applicable

Maximum Level

The maximum amount level shall not exceed fifty percent (50%) of the Agency's annually total budgeted flood protection operating expenses, excluding capital.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.

FLOOD PROTECTION CAPITAL PROJECT RESERVE

The Flood Protection Capital Project Reserve holds the balance of funds once the Flood Protection Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Protection Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7's flood protection needs. ~~These Capital projects are identified and funded during the budget process. The forthcoming Flood Management Plan will direct the Agency's future flood capital projects, included in the current Flood Protection Capital Improvement Plan and in the Stream Management Master Plan and any related updates.~~

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum balance level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – The Flood Protection Project Reserve may be used at any time for flood protection maintenance or improvement projects not related to development.

FLOOD PROTECTION ~~AND STORM WATER DRAINAGE~~ DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for Flood Protection facilities and is intended to provide funding for any Flood Protection facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum balance level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.

STATE WATER FACILITIES ~~OPERATING-RESERVE~~

The amounts in the State Water Facilities ~~Operating~~ Reserve Fund ~~will~~ fluctuate depending on the receipt of property taxes and the annual expenses of Zone 7 related to fixed charges for the State Water Project. The State Water Facilities ~~Operating~~ Reserve Fund is designated by the Board to maintain a reserve for fixed costs related to the State Water Project that are not tied to development ~~and to meet routine cash flow needs~~. This ~~fund-reserve~~ may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project fixed costs. The State Water Project costs are highly volatile and challenging to predict. This reserve will also accumulate funds to offset volatile future increases in State Water Project capital costs, allowing for smoothing of future property tax override collections.

Minimum Level

~~Funding shall be targeted at a~~The minimum ~~amount-level shall be~~ equal to fifty percent (50%) of the following year's projected annual operating expenses.

Target Level

Not applicable

Maximum Level

~~Zone 7 will not have a maximum level for this reserve. The reserve shall accumulate funds to pay for future State Water Project costs. The maximum amount shall not exceed 100% of the following year's projected annual operating expenses.~~

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases and/or unexpected increases in expenses.

VEHICLE REPLACEMENT RESERVE

The purpose of this reserve is to fund planned replacement of vehicles and equipment that have reached the end of their useful lives. This reserve is funded by direct charges to departments for actual maintenance and operation costs, interest earnings and net proceeds from the sale of replaced vehicles and equipment. The reserve will be drawn down as replacement vehicles and equipment are purchased. This reserve shall have no minimum, maximum or target.

7. POLICY REVIEW

The General Manager, or designee (Treasurer/Assistant General Manager – Finance), will be responsible for reviewing and updating this Reserve Policy every five years, and presenting any recommended revisions to the Board of Directors for adoption.

8. HISTORY

Date	Action	Resolution
August 8, 1985	Originally adopted	Minute Order
September 28, 2016	Updated	16-166
May 15, 2019	Updated	19-37
<u>TBD</u>	<u>Updated</u>	