



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT-
ZONE 7 WATER AGENCY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Livermore, California

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT-
ZONE 7 WATER AGENCY**

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY THE FINANCE AND MANAGEMENT DEPARTMENT

OSBORN K. SOLITEI, ASSISTANT GENERAL MANAGER – FINANCE

PRINTED ON RECYCLED PAPER

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT- ZONE 7 WATER AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Organization Structure	xiv
List of Elected Officials and Agency Management	xv
Project Team.....	xvi
FINANCIAL SECTION	
<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	5
<i>Basic Financial Statements</i>	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	23
Reconciliation of the Governmental Funds - Fund Balance with the Governmental Activities Statement of Net Position.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	25
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Change in Net Position of Governmental Activities.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance Flood Protection Operations – Budget and Actual	27
Statement of Net Position – Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Notes to Basic Financial Statements.....	31

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT– ZONE 7 WATER AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Table of Contents

	<u>Page</u>
<i>Required Supplemental Information:</i>	
Cost-Sharing Employer Defined Pension Plan:	
Schedule of the Plan’s Proportionate Share of the Net Pension Liability And Related Ratio as of the Measurement Date – Miscellaneous.....	58
Schedule of Contributions - Miscellaneous.....	59
<i>Supplementary Information:</i>	
Combining Statement of Net Position.....	62
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	64
Combining Statement of Cash Flows	66
STATISTICAL SECTION	
Net Position by Component.....	72
Changes in Net Position.....	73
Fund Balances of Governmental Funds – Last 10 Fiscal Years	74
Changes in Fund Balance of Governmental Funds – Last 10 Fiscal Years	75
Revenue Capacity.....	76
Treated/Untreated Water Rates.....	78
Water Sales by Category.....	79
Principal Treated Water Customers.....	80
Assessed Value of Taxable Property	81
Property Tax Rates.....	82
Property Tax Levies and Collections.....	83
Principal Property Tax Payers	84
Water Enterprise Outstanding Debt by Type	85
Legal Debt Margin Information.....	86
Demographic and Economic Statistics.....	87

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT– ZONE 7 WATER AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Table of Contents

	<u>Page</u>
STATISTICAL SECTION (CONTINUED)	
Principal Employers in Alameda County	88
Full-time Equivalent District Employees by Function/Program Budget	89
Operating Indicators	90
Operating Information – Capital Asset Statistics	91



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551-9486 • PHONE (925) 454-5000

November 23, 2015

To the Board of Directors:

The Comprehensive Annual Financial Report of the Zone 7 Water Agency

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Agency), for the fiscal year ended June 30, 2015.

The Comprehensive Annual 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.

Maze & Associates, a firm of licensed certified public accountants, have issued an unmodified (“clean”) opinion on the Agency financial statements for the year ended June 30, 2015. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2015, are free of material misstatement. The independent auditor’s 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 Comprehensive Annual Financial Report (“CAFR”) follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada (“GFOA”) and the Agency is submitting this CAFR 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. Zone 7 was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independently-elected board to provide local control of integrated water resources. The Agency's Administrative Office is located 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 a population of approximately 220,000 people and it 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 to 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. Zone 7 is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

All cities within Zone 7 service area continue to grow, with the cities of San Ramon and Livermore supporting the largest overall populations. The cities of Dublin and San Ramon have grown the most over the period from 2000 to 2015 and track similar to the population growth in Alameda County. Livermore and Pleasanton had slight increases in population which is similar in percentage increase to California's population growth.

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

History and Services

Since long before the Zone 7 Water Agency was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper. Although the 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 back then 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 is now located.

The Agency was established in 1957 by local voters demanding local control over local water-resource planning, flood protection and financing. It has taken the Valley a long way to 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 recreational and environmental benefits 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 being approved by Valley cities at no cost or harm to existing residents.

Since its formation, the Agency has continued to take steps to expand its level of local control and autonomy. Most recently, 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.

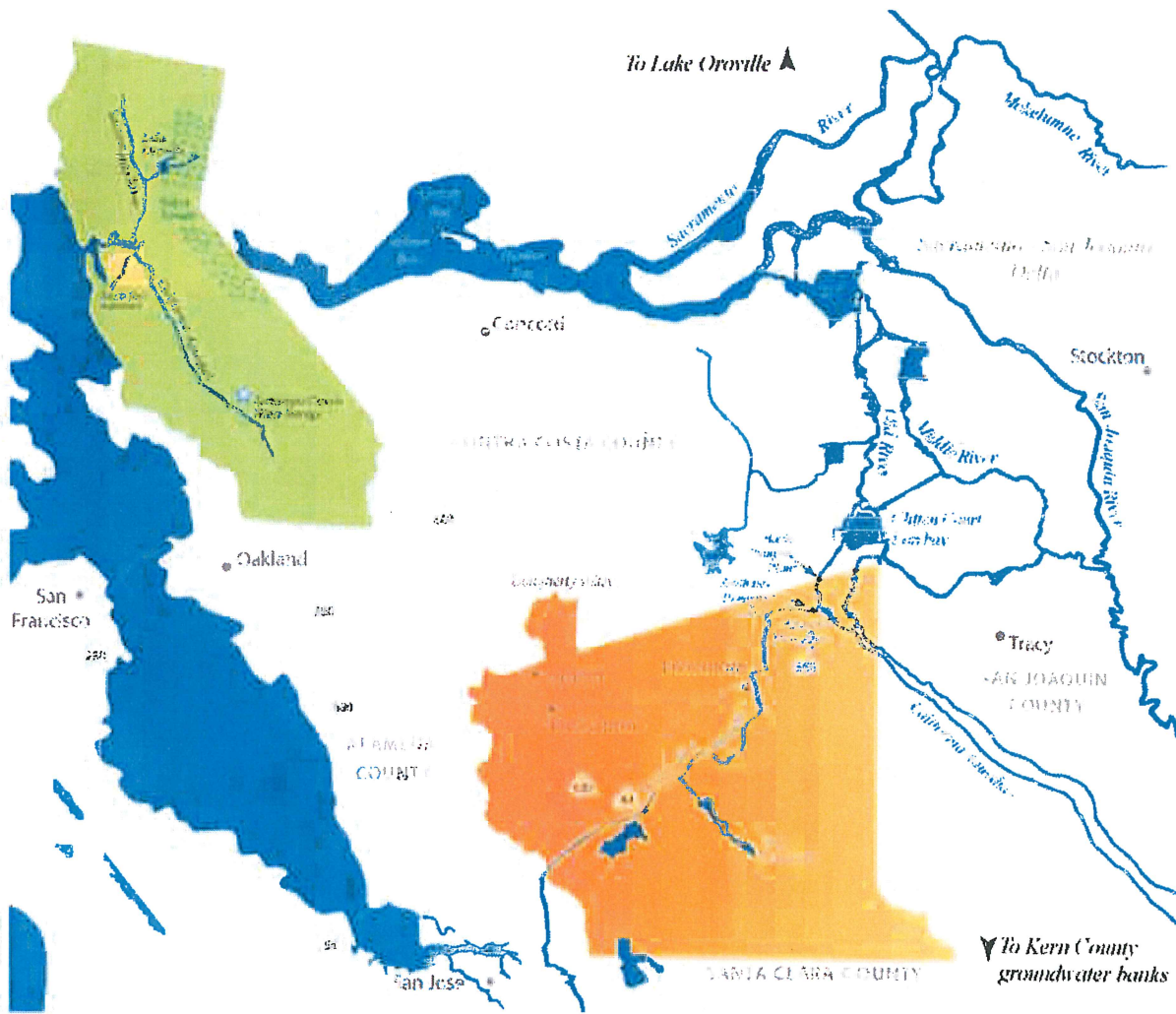
Local control has allowed the Agency to develop master plans that sustainably integrate and optimize water supply reliability, water quality, flood management and environmental stewardship.

Meanwhile, the Agency has participated with other water, recycled water, sewer and stormwater utilities in the Tri-Valley to explore potential opportunities to pool services/equipment for increased efficiency.

Zone 7's Service Area

The Agency supplies treated drinking water to retailers serving more than 220,000 people and businesses in Pleasanton, Livermore, Dublin, and through 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 flood protection to all of eastern Alameda County.

Below is an overview of Zone 7's service area.



Mission

Zone 7 Water Agency is committed to providing a reliable supply of high-quality water and an effective flood-control system to the Livermore – Amador Valley. In fulfilling our present and future commitments to the community, we will develop and manage our water resources in a fiscally responsible, innovative, proactive, and environmentally sensitive way.

Vision

To be recognized as the platinum standard water and flood control district in which to live, work and do business by enhancing the quality of life, economic vitality and environmental health of the communities we serve.

Values

- *Open and Transparent* - The Board's meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.
- *Customer Service* - Our commitment to the community requires prompt, respectful and courteous relations with our customers, both internal and external, as well as pursuing community partnerships and collaboration with other area public agencies when beneficial to the public.
- *Integrity* - We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.
- *Fiscally Responsible* - We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.
- *Environmentally Sensitive* - In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.
- *Innovative/Proactive* - We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.
- *Safety* - We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.
- *Employee Development* - We foster a respect for diversity, equality, a spirit of performance-based accountability and productivity along with personal and professional growth for all team members so as to achieve excellence through the collective energy that comes from a work environment where each employee can flourish and succeed to their highest potential.

Economic Condition and Fiscal Outlook

Signs in early 2014 showing that California was in its third straight dry winter led to declarations of both state and local drought emergencies, pointing to the need to conserve water. Since 80 percent of Zone 7's water supply begins as Sierra snowmelt and is conveyed to the Valley through the Delta as part of the State Water Project, it is critical to local water supply reliability to continue on the path toward improving conveyance of water through the Delta and improving the Delta ecosystem. Indeed, 2013 was the driest in 150 years and Alameda County was among 27 counties in the state to be listed by the U.S. Department of Agriculture as "*natural disaster areas*" due to drought, making farmers eligible for low-interest federal loans. Allocations for 2014 from the State Water Project to Zone 7 and other water contractors stood at 5 percent – the lowest in SWP history. The low allocation had a huge impact on water availability in 2014.

Seven of the last 10 years have been below normal, dry, or critically dry, and the Agency and other State Water Project contractors have received annual allocations averaging only 56 percent of their contract amounts. Locally, the long-term impacts have been cumulative, even though 2011 was relatively wet. As a result of this unfortunate climatic history, the Agency took a leadership role in 2014 in establishing, for the first time in its history, mandatory minimum guidelines for its service area to achieve a needed 25 percent reduction in water use over the course of the year by cutting back on outdoor watering by 50 to 60 percent. Of course this conservation effort had an adverse impact on Agency finances as water sales have decreased in correlation to the reduced water usage. On April 1, 2015, Governor Brown issued an Executive Order, primarily for calendar year 2015, requiring 25% water conservation measures statewide for residential use compared to 2013 use. Conservation of this magnitude significantly reduces revenues, in FY 2014-15.

With the continuing drought emergency, 2015 is presenting significant challenges for the Agency in terms of both water supply and finances, but there are some bright spots as well. Among other things, it's proving that the years of proactive building of groundwater and financial reserves; though they will need replenishment, will help get us through these tough times. Another dry year also means there are fewer issues that arise relative to flood protection, but also require proactive actions in advance of an El Niño, a wet weather phenomenon, which is currently being forecast for the winter of 2015-16.

The Agency's service area has experienced modest recovery from the overall market crisis of FY 2008-09. Alameda County Assessor's office reported the 2014-15 local assessment roll of \$229.2 billion, reflecting a \$13.9 billion or 6.47% increase above FY 2013-14's assessment roll. The net local roll, after all legal exemptions have been applied, totals \$218.6 billion. The primary reason for this year's assessed value growth is attributed to the recovery in real estate market values.¹ FY 2014-15 local assessment roll of \$229.2 billion is 10.6% higher than FY 2008-09 local assessment roll of \$207.2 billion.

Unemployment rates were on the rise prior to the 2008 recession and peaked in 2010. Rates have continued to improve since 2010 and as of June 2015 are showing signs of leveling off. The

¹ County of Alameda County Assessor's Office FY 2014-15 Annual Report

unemployment rate reported through June 2015 for all of Alameda County is currently at 4.6% versus 6.2% for California.²

In 2014-15, the service area continued to experience improvement in the number of new home and commercial permits being pulled, such as the Livermore developments along El Charro Road and the Pleasanton Gateway project in the Bernal area.

Other economic issues facing the Agency include the increasing fiscal impacts from state mandated water conservation efforts, the increased State Water Project charges, the slow recovery of the local economy and unsteady state of the global economy, combined with the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

Long-Term Financial Planning/Strategic Planning

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. Water sales for fiscal year 2014-15 were \$27.3 million. For calendar year 2014, the Board adopted a 2.65 percent increase (average of \$1.04 per month per household) in the wholesale treated water rate, relative to calendar year 2013. For calendar year 2015, the Board adopted a 3 percent increase (average of \$1.21 per month per household) in the wholesale treated water rate, relative to calendar year 2014.

Strategic Planning

As part of the Agency's strategic planning five general strategic planning priorities were identified. These priorities were developed to ensure all of the Agency's efforts are focused on fulfilling the mission of the agency, and to further ensure the most immediate needs are addressed in an efficient and cost-effective manner. The five general priorities (listed below) include a number of specific strategic planning sub-priorities and form the basis for master plans, budgets, capital plans and other resource allocation planning.

- Provide customers with a reliable, cost-effective and safe water supply.
- Provide Eastern Alameda County with an effective system of flood protection.
- Provide the Agency with effective organization, administration and governance.
- Operate the Agency in a fiscally-responsible manner.
- Increase public understanding of the Agency and its functions.

Capital Improvement Program

The Capital Improvement Program (CIP) describes the capital investments the Agency intends to make over a multi-year period. The CIP is the basis from which final capital budgeting decisions flow and the Agency prepares a ten-year CIP for the Water System and a five-year CIP for the Flood Protection

² Bureau of Labor Statistics - Local Area Unemployment

System. The CIP is updated every other year. The CIP document is presented to the Board for acceptance and approval.

For the purpose 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 at least \$50,000 or over and having five years of useful life are included in the capital improvement planning process.

The FY 2014-15 ten-year Capital Improvement Plan (CIP) for the Water System includes a total of 94 capital projects with an estimated cost of over \$546 million. The FY 2014-15 five-year CIP for the Flood Protection System includes a total of 27 capital projects with an estimated cost of over \$56.3 million.³

Beginning in 2010, staff re-evaluated the Asset Management Program (AMP) and on June 15, 2011, the Board adopted Resolution 11-4092 accepting the AMP update and the needed funding levels via a transfer from the Water Enterprise Fund to the Renewal/Replacement & System-wide Improvements Fund. The AMP update identified short and long-term renewal/improvement needs and the associated annual funding level necessary to implement these projects. The Board approved an annual funding level of \$11.4 million (in 2011 dollars) with a six-year ramp up to this amount by FY 2016-17. The AMP is updated about every five years.

Significant Accomplishments

Water Supply, Reliability and Quality

- **Wise management of limited drought supplies:** The Agency's Out-of-Valley groundwater banking programs and its local groundwater basin management operations successfully operated as a kind of drought bank account for the region's benefit. Through careful management of resources, the Agency minimized 2014 local groundwater pumping to reserve groundwater supplies for 2015 in planning for continued drought, and saved enough imported surface water to carry about 9,000 AF of surface water supplies into 2015.
- **Drought emergency projects with lasting benefits:** The Agency expedited construction of a new well, refurbished some existing wells for improved reliability, and built a pipeline to move water captured in local mining operations to a lake that has groundwater basin recharge capability.
- **Water conservation outreach/coordination with retailers:** The Agency and the Valley's water retailers did extensive joint outreach on drought-related conservation, including advertising and development of a regional website, resulting in residents and businesses achieving and even surpassing the needed 25 percent conservation for 2014.
- **Agreements to bolster future reliability:** The Agency and an expanding number of Bay Area partners broadened efforts to develop solutions aimed at improving regional water supply reliability.

³ Zone 7 Water Agency - FY 2014-15 Capital Improvement Program

Zone 7's Board approved an agreement involving dry-year water and multi-year pool water purchases from the Yuba County Water District; and another with Contra Costa Water District that (subject to state approval) provides for an exchange of up to 2,500 acre-feet of water on a one-year trial basis to boost reliability of the Agency's supply during summer, when demands peak.

- **Key capital projects:** Phase 1 and Phase 2 of the Del Valle Water Treatment Plant's Superpulsator Rehabilitation Project was completed. The superpulsators are an integral component of the water-treatment process.
- **Capital Improvement Plan:** Looking to the future, the Agency's board adopted a FY 2015/16 Capital Improvement Program laying out plans for key investments in water quality and reliability projects over the next decade.
- **Delta sustainability:** The Agency continued to actively support improving conveyance through the Delta while improving the ecosystem and to advocate for the Agency's interests in water supply reliability throughout the process.
- **Nutrient Management Plan:** The Agency completed work on a blueprint for managing nutrient loading to the Livermore-Amador Valley Groundwater Basin to achieve sustainable groundwater quality. The plan adopted by the Board in 2015.
- **New Well Ordinance:** The Agency worked with the County of Alameda Public Works to update the County well ordinance and entered into a memorandum of understanding (MOU) to be the Administering Agency for Eastern Alameda County.
- **Partnership for Safe Water recognition:** The Agency's Del Valle Water Treatment Plant was honored by receiving a "Directors Award of Recognition" from the Partnership for Safe Water for 15 consecutive years – a milestone achieved by only 30 water utilities across the country since the program's inception.

Flood Protection/Stream Management Master Plan

- **Sediment study:** In addition to completing regular maintenance activities of its flood control facilities to ensure they remain in good working order, the Agency continued work on sediment studies that will help the Agency develop a more cost-effective maintenance plan to reduce flooding risks from sediment buildup in some streams.
- **Stream Management Master Plan (SMMP) Update:** In support of the SMMP, the Agency worked to finalize system-wide hydrology and hydraulic models that represent existing conditions of the upper Alameda Creek Watershed to help clarify program needs and priorities.
- **Flood Control Bank Repairs:** Completed seven bank repairs totaling 853 linear feet, 15 soil bioengineering brush walls, 4,889 linear feet of access roadway, six outfall structure rehabilitations, 372 linear feet of concrete lining repairs, and two trash collector installations. Total construction cost was \$850,000.

Multi-Benefit Projects/Environmental/Community Partnerships

- **Chain of Lakes:** The Agency completed the Preliminary Lake Use Evaluation for the Chain of Lakes, outlining integrated plans to maximize water resource uses of the former gravel quarry sites while identifying compatible secondary uses to achieve multiple public benefits, and finalized near-term plans for Lakes H, I and Cope.
- **Living Arroyos Program:** The collaborative public-private partnership with the City of Livermore and Urban Creeks Council enjoyed several accomplishments in 2014, including – with help from community volunteers -- planting nearly 3,000 riparian plants at the Agency’s Arroyo Mocho Stanley Reach stream enhancement project.
- **Upper Altamont Creek Demonstration Project:** The Agency and its partners worked under a U.S. Environmental Protection Agency (USEPA) Healthy Watersheds Grant to launch two demonstration bank stabilization projects on the upper Altamont Creek in Livermore’s Springtown area to improve creek water quality and the environment.
- **“Climate Registered” status:** The Agency achieved this status with The Climate Registry for its proactive steps in helping to address global climate change.

Financial Accountability & Cost Efficiency

- **Tri-Valley Intergovernmental Reciprocal Services Master Agreement:** The Board adopted a resolution to enter into an agreement with other Tri-Valley governmental agencies that provides a framework for member agencies to obtain services/supplies from each other, at a reduced cost to the public.
- **Budget book presentation awards:** For the second consecutive year, the Agency received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the 2014-15 Fiscal Year budget. Additionally, the Agency received the “Excellence Award in Operating Budget” award, for the first time, from the California Society of Municipal Finance Officers (CSMFO) for its FY 14/15 Budget Book.
- **Reserves Soften Financial Impacts of Drought:** Financial pressures related mainly to the record drought of 2014 were eased by long-term fiscal and water supply planning and continued efficiency measures. The Agency used all of its drought reserve and a large portion of its “rate stabilization reserve.” As a result, it was able to hold down increases in wholesale treated water rates to 3 percent for 2015.
- **Energy efficiency:** In continued moves to save money and simultaneously be environmental stewards, the Agency increased its alternative power and renewable energy use portfolio by completing a Power and Water Resources Pooling Authority (PWRPA) project at the Patterson

Pass Water Treatment Plant. It then launched a PWRPA installation project at its Mocho Groundwater Demineralization Plant and two nearby wells.

- **Mechanical Dewatering System:** As a significant cost-efficiency measure (and for improved reliability), the Agency purchased a centrifuge and related equipment for handling of chemical residuals from the water treatment process at the Del Valle Water Treatment Plant. Equipment had previously been rented at a higher cost.
- **Grant funding:** The agency continued to be a leader in the Bay Area effort to secure Integrated Regional Water Management Planning grant funds, and worked to secure grant funding for drought relief on behalf of its ratepayers. In November 2014, the Department of Water Resources announced that the Agency would receive \$3 million in grants for two drought-relief projects and another \$282,000 to augment Agency water conservation programs.

Financial Policies

Financial Management Framework

The financial management framework adopted by Zone 7 on November 16, 2011, assures that Zone 7 prudently manages and adequately plans for the funding of current and future operational requirements and capital resources necessary to achieve the Agency's mission and maintains financial and accounting records of all transactions in accordance with general law and generally accepted accounting principles and practices. It provides staff with a framework to develop policies and procedures to ensure Zone 7's mission by providing financial health and stability to the Agency. The framework guides staff in the assessment, levy and collection of taxes, the adoption of the Agency budget, and the appropriation, accounting, and transfer of funds.

In keeping with Resolution No. 09-3266, which states that "The Agency's General Manager has full charge and control of the day-to-day management, operation and administration of the Agency," the General Manager shall retain primary jurisdiction, responsibility, and authority for all matters pertaining to the day-to-day financial management of the Agency. To direct, control, supervise, and manage the development, preparation, organization, administration, operation, implementation, and maintenance of a comprehensive financial management program for Zone 7, the General Manager shall be designated as the fiscal officer of the Agency. The General Manager may delegate any of the powers and duties conferred upon him or her as fiscal officer to any other employee of the Agency or may recommend that such powers and duties or any part of them be performed under contract.

To assure security of the system, the General Manager shall cause an audit of the financial transactions and records of the Agency to be made at least annually by a third party certified public accountant (i.e., one not employed by the Agency). As soon as possible at the end of each fiscal year a final audit and report shall be completed and submitted to the Board of Directors. Copies shall be placed on file in the office of the General Manager and be available for public inspection.

Financial Reserves

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Interim Reserve policy on April 17, 2013. The policy covers reserves for; Operating/Emergency Reserves, Flood Control Project Reserves, Rate Stabilization Reserve, Drought Contingency Reserve, Water Renewal, Replacement & System-wide Improvements Capital Reserves, and Water Expansion Capital Reserves.

Budget Controls

The Agency maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the annually appropriated budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Program. 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 limited 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 Control). The guidelines used by the Agency in developing this formal budget process are those recommended by the Government Finance Officers Association (GFOA).

Debt Management

The Agency operates under a pay-as-you-go philosophy which minimizes any debt financing. Currently, the Agency does not maintain any outstanding debt obligations. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the debt service obligation for Cawelo Water District for the Groundwater Banking Program which is in the Capital Improvement Program (CIP). Similarly, the state incurs debt for capital projects to maintain, improve or expand the State Water Project infrastructure and 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% 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.

Awards

The Agency has received the following awards:

- The Government Finance Officers Association (GFOA) “Distinguished Budget Presentation Award” and an “Excellence Award in Operating Budget” award, from the California Society of Municipal Finance Officers (CSMFO) for its FY 2014-15 Budget Book.
- The Government Leadership Award for developing the Tri-Valley Intergovernmental Reciprocal Services Master Agreement, as an example of working together and furthering good government efforts. This award was given from the California Local Agency Formation Commission (CALAFCO) to the Agency and its partners (Livermore, Pleasanton, DSRSD, Dublin and San Ramon).
- The District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of the Agency's outstanding efforts to promote transparency and good governance.

Acknowledgements

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance and Accounting Departments, Office of the General Manager, and other departmental staff, who have demonstrated their professionalism, dedication and efficiency in the preparation of this report. We also thank auditors, Maze & Associates for their assistance and guidance. Finally, we wish to express our sincere appreciation to the Agency's Board of Directors and management for providing policy direction and a firm foundation of support for pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,



G.F. Duerig

General Manager

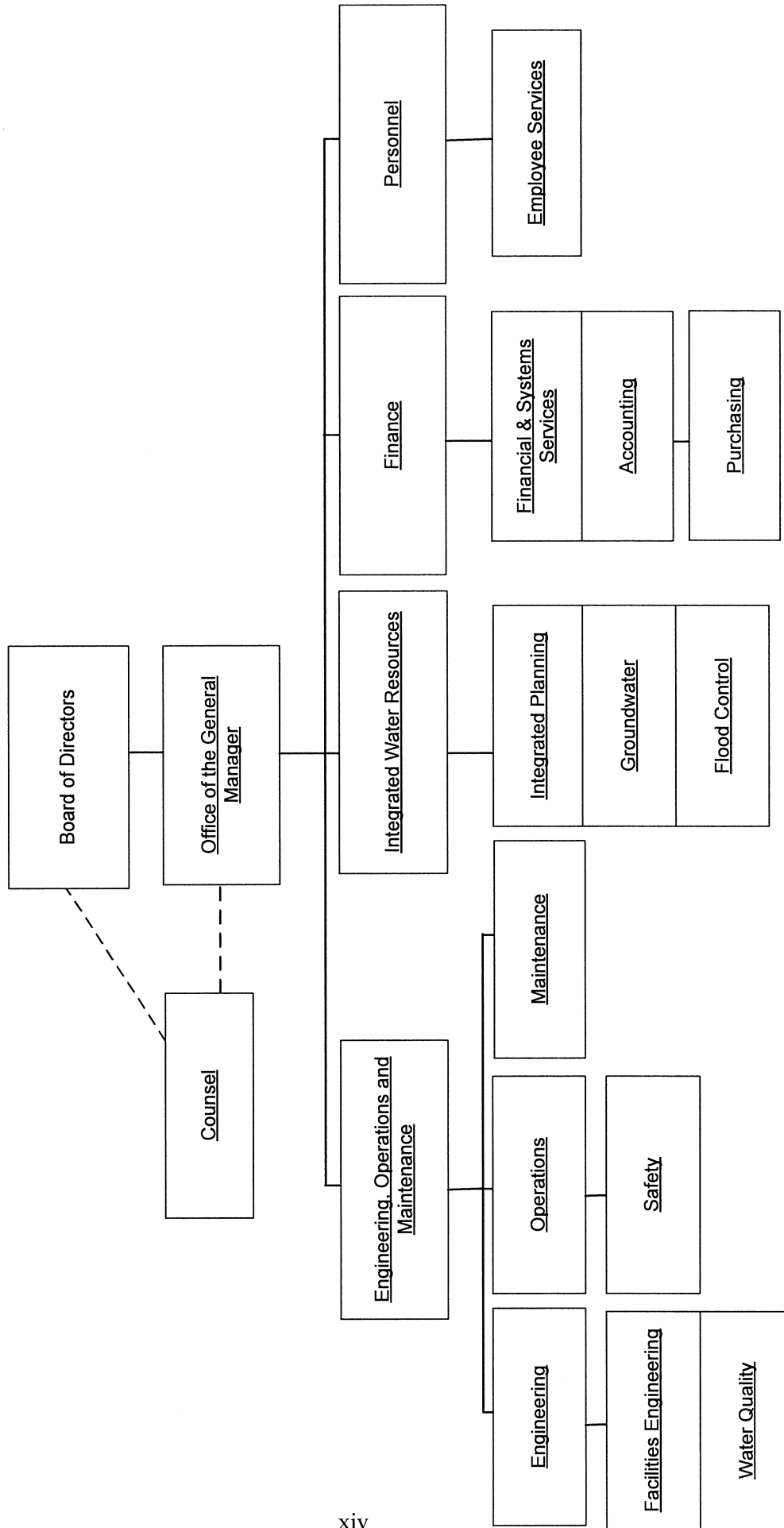


Osborn K. Solitei

Assistant General Manager, Finance

Functional Organizational Chart

FY 15/16



LIST OF ELECTED OFFICIALS AND AGENCY MANAGEMENT



Sarah Palmer, *President*

Board Member since 2006 -- Term Expires June 30, 2018



Dick Quigley, *Vice President*

Board Member since 2004 -- Term Expires June 30, 2016



Angela Ramirez Holmes

Board Member since 2012 -- Term Expires June 30, 2016



Jim McGrail

Board Member since 2014 -- Term Expires June 30, 2018



John Greci

Board Member since 1994 -- Term Expires June 30, 2018



Sandy Figuers

Board Member since 2008 -- Term Expires June 30, 2016



Bill Stevens

Board Member since 1998 -- Term Expires June 30, 2018

AGENCY MANAGEMENT

G.F. Duerig, General Manager

Osborn K. Solitei, Assistant General Manager, Finance

Kurt Arends, Assistant General Manager, Engineering

Tom Hughes, Assistant General Manager, Human Resources

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

**Comprehensive Annual Financial Report
Project Team**

Audit/Financial Statement Coordinator

Osborn K. Solitei, Assistant General Manager – Finance

Tamara Baptista

Financial & Systems Services Manager

Margaret Chun

Accounting Services Manager

Teri Yasuda

Senior Auditor Accountant

Mike Wallace

Analyst

JaVia Green

Analyst

Special Assistance - Departments

Office of the General Manager &
Human Resources Section

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities and major funds of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (Agency) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and major funds of the Agency as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required a prior period adjustment of net position as discussed in Note 1N to the financial statements:

Statement No. 68 – Accounting and Financial Reporting for Pensions

Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The Introductory Section and Statistical Section, as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Summarized Comparative Information

We have previously audited the Agency's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maze + Associates

Pleasant Hill, California
November 23, 2015

This Page Left Intentionally Blank

Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency Management’s Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (Unaudited)

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, 2015 and 2014. 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 2015 to 2014 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
- Capital Assets
- Debt Administration
- Request for Information

Financial Highlights

- The Agency’s net position decreased by \$2.6 million or 0.6 percent from \$398.8 million to \$396.2 million mainly due to the effect of the implementation of GASB Statement No. 68 and recognizing the Agency’s net pension liability in the amount of \$22.2 million at June 30, 2015.
- Operating revenues increased by \$4.4 million or 5.1 percent from \$86.6 million to \$91 million mainly due to water connection and development impact fees, property tax growth offset by the reduction in demand for water in response to severe drought conditions.
- Operating expenses increased by \$4.1 million or 5.4 percent from \$76.6 million to \$80.7 million mainly due to increases in State Water Project costs, and water enterprise operations, slightly offset by a decrease renewal and replacement expenses.
- Capital assets increased by \$0.9 million or 0.4 percent from \$242 million to \$242.9 million.
- The Agency implemented a 3 percent water rate increase for calendar year 2015 (average increase of \$1.21 per household monthly) in the wholesale treated water rate, relative to calendar year 2014.

Overview of Financial Statements

This discussion and analysis serves 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.

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.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

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 Flood Protection Fund and Flood Protection Drainage and 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 two funds; Flood Protection Operations and Flood Protection Drainage and Development Impact Fee. 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.

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 six enterprise funds; Water Enterprise Operations, State Water Facilities, Water Enterprise Capital Improvement Renewal/Replacement & System-Wide, Water Expansion, Water Facilities and Water Supply. 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.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

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 supplemental 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 also 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. A summary of the Agency's Statement of Net Position is presented below:

Statement of Net Position June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 67,436,221	\$ 57,054,555	\$ 103,463,809	\$ 106,475,587	\$ 170,900,030	\$ 163,530,142
Capital assets	30,385,318	30,403,950	212,562,797	211,603,471	242,948,115	242,007,421
TOTAL ASSETS	97,821,539	\$ 87,458,505	316,026,606	318,079,058	413,848,145	405,537,563
Deferred Outflows of Resources						
Pension related	988,972	-	9,102,575	-	10,091,547	-
Liabilities:						
Current liabilities	249,075	287,858	4,059,034	5,929,099	4,308,109	6,216,957
Long-term liabilities	2,179,671	-	20,431,988	528,961	22,611,659	528,961
TOTAL LIABILITIES	2,428,746	287,858	24,491,022	6,458,060	26,919,768	6,745,918
Deferred Outflows of Resources						
Pension related	79,322	-	730,082	-	809,404	-
Net Position:						
Net Investment in capital assets	30,385,318	30,403,950	212,562,797	211,603,471	242,948,115	242,007,421
Restricted	49,177,969	41,506,430	42,658,132	33,346,253	91,836,101	74,852,683
Unrestricted	16,739,156	15,260,267	44,687,148	66,671,274	61,426,304	81,931,541
TOTAL NET POSITION	\$ 96,302,443	\$ 87,170,647	\$ 299,908,077	\$ 311,620,998	\$ 396,210,520	\$ 398,791,645

As the above table indicates, the total assets increased by \$8.3 million from \$405.5 million to \$413.8 million during the fiscal year ended June 30, 2015. The increase is mainly due to higher water connection and development impact fee revenue. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2015, total assets and deferred outflows of resources exceeded its liabilities

Management’s Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

and deferred inflows of resources by \$389.2 million compared to \$398.8 million at June 30, 2014.

The largest portion of the Agency’s net position, \$242.9 million or 61 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.

For governmental activities, net investment in capital assets decreased slightly by \$0.02 million or 0.1 percent and the investment in capital assets for business-type activities increased \$1 million or 0.5 percent.

Deferred outflows of resources is the amount of the effect of the GASB Statement No. 68 that defers Alameda County Employees’ Retirement Association (“ACERA”) pension contributions after the measurement date until the next fiscal year as a subsequent offset to the net pension liability. The deferred pension contributions at June 30, 2015 were \$10.1 million.

Deferred inflows of resources is the result of GASB Statement No. 68 and is deferred difference between expected and actual investment returns in ACERA pension fund which will be amortized as a component of pension expense over time. As of June 30, 2015, the deferred inflows of resources were \$0.8 million.

The total net position decreased by \$2.6 million or 0.6 percent from \$398.8 million to \$396.2 million mainly due to the recognition of net pension liability pursuant to GASB Statement No. 68 at June 30, 2015.

Statement of Net Position June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 57,054,555	\$ 65,714,158	\$ 106,475,587	\$ 140,005,021	\$ 163,530,142	\$ 205,719,179
Capital assets	30,403,950	16,232,189	211,603,471	202,295,691	242,007,421	218,527,880
TOTAL ASSETS	87,458,505	81,946,347	318,079,058	342,300,712	405,537,563	424,247,059
Liabilities:						
Current liabilities	287,858	710,648	5,929,099	34,304,740	6,216,957	35,015,388
Long-term liabilities	-	-	528,961	447,621	528,961	447,621
TOTAL LIABILITIES	287,858	710,648	6,458,060	34,752,361	6,745,918	35,463,009
Net Position:						
Net Investment in capital assets	30,403,950	16,232,189	211,603,471	202,295,691	242,007,421	218,527,880
Restricted	41,506,430	40,648,531	33,346,253	31,644,568	74,852,683	72,293,099
Unrestricted	15,260,267	24,354,979	66,671,274	73,608,092	81,931,541	97,963,071
TOTAL NET POSITION	\$ 87,170,647	\$ 81,235,699	\$ 311,620,998	\$ 307,548,351	\$ 398,791,645	\$ 388,784,050

For FY 2013-14, the largest portion of the Agency’s net position, \$242 million or 61 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). Agency’s overall net position increased by \$10 million during the fiscal year ended June 30, 2014. The government-wide statement of net position for the Agency’s governmental and business-type activities indicates that as of June 30, 2014, total assets exceeded its liabilities by \$398.8 million compared to \$388.8 million at June 30, 2013.

The net position of the Agency’s Flood Protection activities increased by \$5.9 million or 7.3 percent during the 2014 fiscal year. The Agency’s business-type activities net position increased by \$4.1 million or 1.3 percent over previous year and the net investment in capital assets increased by \$9.3 million. The current liabilities were reduced due to the payoff of the agency’s \$30.5 million line of credit in December 2013.

More information and details can be found on capital assets in the notes to the financial statements – Note 4.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

Statement of Activities and Changes in Net Position For the Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 450,658	\$ 57,142	\$ 42,702,404	\$ 49,373,407	\$ 43,153,062	\$ 49,430,549
Grants and other contributions	112,334	64,318	446,592	385,730	558,926	450,048
Capital grants and contributions	8,032,445	4,766,236	31,891,325	24,931,228	39,923,770	29,697,464
General Revenues:						
Property Taxes	6,759,202	6,201,653	-	-	6,759,202	6,201,653
Investment earnings and others	260,490	376,936	365,112	437,661	625,602	814,597
Total Revenues	15,615,129	11,466,285	75,405,433	75,128,026	91,020,562	86,594,311
Expenses:						
Flood Protection	4,705,166	1,488,735	-	-	4,705,166	1,488,735
Flood Protection Drainage						
Development Impact Fee	499,169	4,029,268	-	-	499,169	4,029,268
State Water Project	-	-	16,359,406	13,681,891	16,359,406	13,681,891
Water Enterprise	-	-	59,122,995	57,386,822	59,122,995	57,386,822
Total Expenses	5,204,335	5,518,003	75,482,401	71,068,713	80,686,736	76,586,716
Changes in net position						
before transfers	10,410,794	5,948,282	(76,968)	4,059,313	10,333,826	10,007,595
Transfers	(13,333)	(13,334)	13,333	13,334	-	-
Changes in net position	10,397,461	5,934,948	(63,635)	4,072,647	10,333,826	10,007,595
Beginning net position, as adjusted	85,904,982	81,235,699	299,971,712	307,548,351	385,876,694	388,784,050
TOTAL NET POSITION	\$96,302,443	\$87,170,647	\$299,908,077	\$311,620,998	\$396,210,520	\$398,791,645

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 decreased by \$2.6 million from the prior year. The table above indicates the Agency total revenues increased by \$4.4 million or 5.1 percent to \$91 million from \$86.6 in the prior year. The increase is mainly due water connection fees, development impact fees and property tax growth offset by the reduction in demand for water in response to severe drought conditions.

During Calendar Year 2015, the Agency's retailers are required to meet mandatory conservation through Executive Order B-29-15, which sets conservation goals to each retail water agency throughout the State to achieve an overall state-wide 25 percent reduction in water usage. These cutbacks also affect the Agency's water sales revenue.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

Statement of Activities and Changes in Net Position For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 57,142	\$ 35,661	\$ 49,373,407	\$ 50,179,254	\$ 49,430,549	\$ 50,214,915
Grants and other contributions	64,318	61,578	385,730	68,416	450,048	129,994
Capital grants and contributions	4,766,236	5,081,900	24,931,228	30,789,082	29,697,464	35,870,982
General Revenues:						
Property Taxes	6,201,653	5,959,083	-	-	6,201,653	5,959,083
Investment earnings and others	376,936	193,378	437,661	362,588	814,597	555,966
Total Revenues	11,466,285	11,331,600	75,128,026	81,399,340	86,594,311	92,730,940
Expenses:						
Flood Protection	1,488,735	3,947,332	-	-	1,488,735	3,947,332
Flood Protection Drainage Development Impact Fee	4,029,268	705,688	-	-	4,029,268	705,688
State Water Project	-	-	13,681,891	14,002,380	13,681,891	14,002,380
Water Enterprise	-	-	57,386,822	54,868,275	57,386,822	54,868,275
Total Expenses	5,518,003	4,653,020	71,068,713	68,870,655	76,586,716	73,523,675
Changes in net position						
before transfers	5,948,282	6,678,580	4,059,313	12,528,685	10,007,595	19,207,265
Transfers	(13,334)	-	13,334	-	-	-
Changes in net position	5,934,948	6,678,580	4,072,647	12,528,685	10,007,595	19,207,265
Beginning net position	81,235,699	74,557,119	307,548,351	295,019,666	388,784,050	369,576,785
TOTAL NET POSITION	\$87,170,647	\$81,235,699	\$311,620,998	\$307,548,351	\$398,791,645	\$388,784,050

The Agency's net position in overall increased by \$10 million during the fiscal year ended June 30, 2014. The table above indicates the Agency total revenues decreased by \$6.1 million or 6.6 percent to \$86.6 million from \$92.7 for FY 2012-13 mainly due to a decrease of \$4.1 million or 9.6 percent from the prior year due to the decrease in connection fee revenue received for new development and a decrease of \$2.6 million or 6.7 percent from the prior year as a result of lower water sales (due to water conservation for the drought).

Agency total expenses increased by \$3.1 million or 4.2 percent to \$76.6 million from \$73.5 for FY 2012-13 mainly due to an increase of \$1.9 million or 9.4 percent for drought emergency capital projects and an increase of \$0.6 million or 1.7 percent for water purchases and water storage costs.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

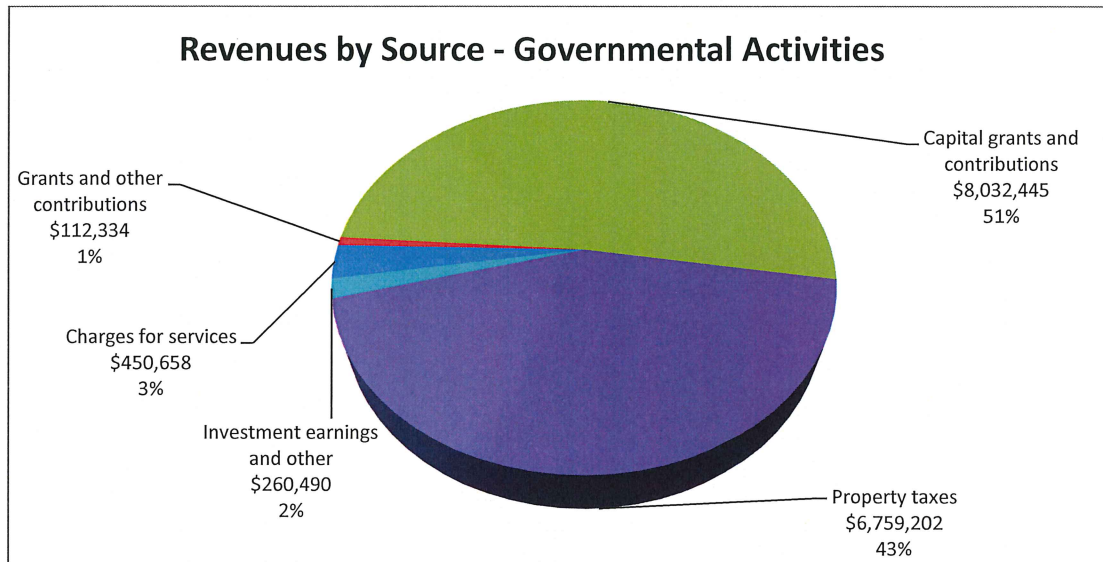
Governmental activities

The net position for the Agency's governmental activities increased by \$9.1 million from \$87.2 million to \$96.3 million, mainly due to increase in development impact fee revenue and property taxes and offset by the recognition of the net pension liability pursuant to GASB Statement No. 68 at June 30, 2015. Total revenues were \$15.6 million while total expenses, including transfers amounted to \$5.2 million.

Revenues: Significant changes in revenue are as follows:

Total revenues increased \$4.1 million over prior year or 36.2 percent.

- Capital grants and contributions increased \$3.3 million or 68.5 percent due to development impact fee revenue for the development along El Charro Road in Livermore and the Pleasanton Gateway project in Bernal area in Pleasanton.
- Property taxes increased \$0.6 million, or 9 percent because of slightly higher total assessed value.



Expenses: Significant changes in expenses are as follows:

Total expenses decreased \$0.3 million from prior year or 5.7 percent.

- Flood Protection fund increased by \$3.2 million, while Flood Protection Drainage and Development Impact fund decreased \$3.5 million due to the Watershed Protection Property land purchase in the prior year – no land was purchased during FY 2014-15.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

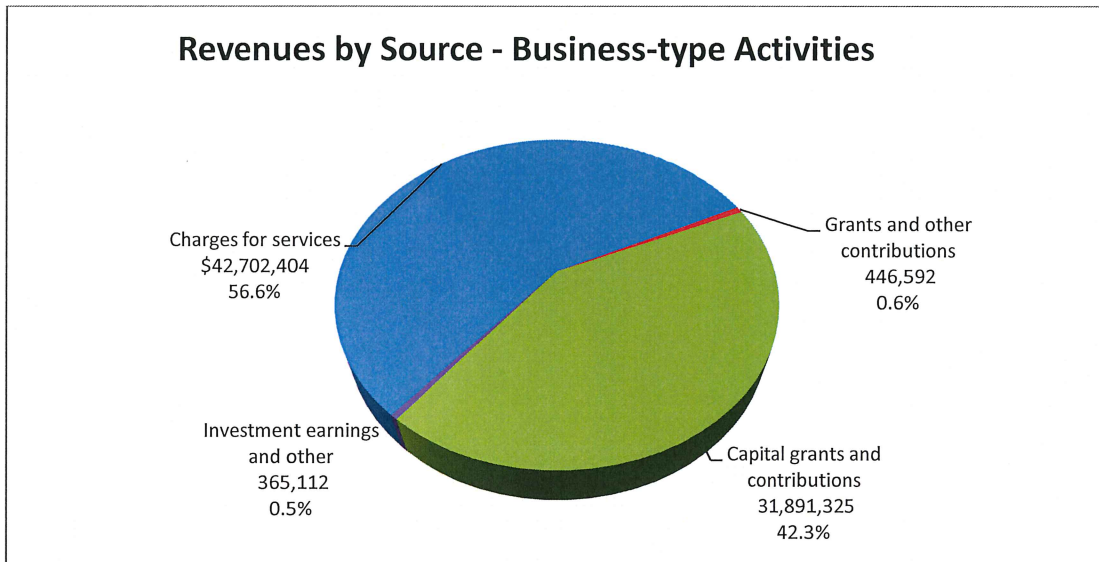
Business-type activities

The net position for the Agency's business-type activities decreased by \$11.7 million from \$311.6 million to \$299.9 million, mainly due to the recognition of the net pension liability pursuant to GASB Statement No. 68 at June 30, 2015. Total revenues as of June 30, 2015 were \$75.4 million and total expenses (including transfers) were \$75.5 million.

Revenues: Significant changes in revenue are as follows:

Total revenues increased \$0.3 million over prior year or 0.4 percent.

- Charges for services decreased \$6.7 million or 13.5 percent from the prior year mainly due to lower water sales due to reduction in demand for water in response to severe drought conditions.
- Capital grants and contributions increased \$7 million or 27.9 percent due to connection fee revenue for developments along El Charro Road in Livermore, the Pleasanton Gateway project in the Bernal area of Pleasanton and Dougherty Valley.



Expenses: Significant changes in expenses are as follows:

Total expenses increased \$4.4 million over the prior year or 6.2 percent.

- State water project costs increased \$2.7 million or 19.6 percent because of higher expenses incurred by the State of California ("State").
- Water enterprise operations expenses increased \$1.7 million or 3 percent mainly due to an increase in water purchases costs and an increase in salaries due to more staff time spent in this fund than planned due to drought planning efforts.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

Governmental funds

The Agency's governmental funds consist of two funds; Flood Protection Operations and Flood Protection Drainage and Development Impact Fee. As of June 30, 2015, the Agency's governmental funds reported combined ending fund balance of \$67.2 million of which \$18 million is committed and \$49.2 million is restricted.

The \$67.2 million ending fund balance is an increase of \$10.4 million or 18.4 percent during the current year mainly due to a \$3.2 million increase in development impact fee for developments along El Charro Road in Livermore and the Pleasanton Gateway project in Pleasanton and an increase of \$0.6 million in property tax due to an 8.65 percent increase in assessed property valuations in the service area. Compared to last fiscal year, the expenditures decrease by \$14.5 million mainly due to a one-time Watershed Protection Property land purchase of \$10M in the prior year.

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, 2015 was \$8.0 million, a decrease of \$0.8 million from prior fiscal year.

Operating revenue increased by \$0.7 million due to an increase for DWR refunds and an increase in the Dougherty Valley Surcharge assessment. Non-operating revenues increased \$1 million due to an increase of property tax revenues as a result of the property tax override levy. Operating expenses increased by \$2.7 million or 20 percent due to a pass-through from DWR for fixed charges associated with the State Water Project. In June 2014, DWR announced that they were experiencing cash flow issues and adjusted the 2015 Statement of Charges to cover the majority of the shortfall. The Agency's share was approximately \$3 million.

- **Non-Major Water Enterprise Funds** –

- **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. Net position of the Water Enterprise Operations Fund as of June 30, 2015 was \$217 million, a decrease of \$14.9 million from prior fiscal year mainly due to effect of the implementation of GASB No. 68 and the Agency recognizing net pension liability and also decreased water sales as a result of the severe drought.

Operating revenues decreased by \$9.3 million mainly due to reduction in demand for water in response to severe drought conditions. Operating expenses slightly increased by \$1.6 million mainly due to salaries and wages, as capital projects are deferred and labor resources are shifted from capital projects and redistributed to this fund. In FY 2015, \$12.8 million was transferred from the Water Enterprise fund to fund the Agency's Asset Management Program ("AMP") compared to \$8.5 million in the prior fiscal year.

- **Water Enterprise Capital Improvement Renewal/Replacement & System-Wide** – The purpose of this fund is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded. This fund pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system. As of June 30, 2015, the net position for the fund was \$24.1 million, an increase of \$6.6 million from prior fiscal year. The increase is mainly due to the transfer of \$12.8 million from the Water Enterprise Operations Fund to fund the AMP. The transfer was \$4.3 million higher than the previous fiscal year.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

Operating revenues for the facility use (development fees) increased slightly by \$0.3 million from prior fiscal year. Operating expenses for contractual services decreased \$11.7 million from the prior year due to higher one-time capital expenses (drought projects and land purchase) in FY 2013-14.

- **Water 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, 2015, the net position for the fund was \$42.6 million, an increase of \$9.5 million from prior fiscal year.

Operating revenues were \$7.3 million from prior fiscal year. This increase is primarily due to an increase in connection fee revenue by \$7 million or 32 percent due to increased development, particularly along El Charro Road in Livermore and the Pleasanton Gateway project in Pleasanton. Operating expenses were \$0.5 million more than FY 2013-14 primarily due to an increase in the debt service payment for the South Bay Aqueduct Improvement and Enlargement project.

Governmental Funds Budgetary highlights

A comparative budgetary statement for the Agency's general governmental funds (General Fund) follows:

	Final Budgeted Amounts	Actual Amounts	Budget Variance	
			June 30, 2015	June 30, 2014
Resources (inflows):				
Taxes	\$ 6,307,731	\$ 6,759,202	\$ 451,471	\$ 222,096
Intergovernmental revenues	64,700	112,334	47,634	9,628
Charges for services	13,000	450,658	437,658	54,142
Interest and rentals	85,505	121,514	36,009	(30,671)
Other	35,000	713	(34,287)	123,576
Amounts available for appropriation	<u>\$ 6,505,936</u>	<u>\$ 7,444,421</u>	<u>\$ 938,485</u>	<u>\$ 378,771</u>
Charges to appropriations (outflows):				
Flood Protection:				
Salaries and employee benefits transferred from District-wide	\$ 2,098,094	\$ 2,037,487	\$ 60,607	\$ (135,919)
Services and supplies	9,462,926	2,597,391	6,865,535	6,058,641
Capital outlay:				
Equipment and capital structures	2,718,541	47,300	2,671,241	4,364,890
Total changes to appropriations	<u>\$ 14,279,561</u>	<u>\$ 4,682,178</u>	<u>\$ 9,597,383</u>	<u>\$ 10,287,612</u>
Excess of resources over charges to appropriations	\$ (7,773,625)	\$ 2,762,243	\$ 10,535,868	\$ 10,666,383
Other Financing Sources		(13,333)	13,333	13,334
Net change in fund balance	\$ (7,773,625)	\$ 2,748,910	\$ 10,522,535	\$ 10,653,049
Fund balance beginning		\$ 15,260,267		
Fund balance ending		\$ 18,009,177		

Management’s Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

The table below shows that the Final Budget of \$14.3 million increased by \$4 million from the Board Approved budget of \$10.4 million due to encumbrance and project carryovers.

Board Approved Budget	Encumbrance Carryovers	Project Carryovers	Additional Appropriation	Final Budget
\$ 10,416,092	\$ 649,476	\$ 3,213,993	\$ -	\$ 14,279,561

The Agency’s actual general fund revenues are over the budget by \$0.9 million or 14.4 percent.

Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the adjusted budget by \$9.6 million. The variance is primarily due to a mild storm season resulting in less than planned storm repairs, which is the major expense category in this fund.

Capital assets

As of June 30, 2015, the agency’s investment in capital assets totaled \$242.9 million (net of accumulated depreciation) which is an increase of \$0.9 million over the capital assets balance of \$242.0 million at June 30, 2014. The increase in capital assets was primarily the result of the completion of several capital projects during the year. The investment in capital assets includes easements, land, water treatment plants, flood control channels, pipelines, reservoirs, water entitlements, wells, Supervisory Control and Data Acquisition (“SCADA”) project, vehicles and others as provided in the table below.

There were several projects completed during fiscal year 2015. This includes, the Cope Lake Slope Improvements, Chain of Lakes Well #5, Cope Lake – Lake I Pipeline, DVWTP Sludge Handling Improvements, PPWTP Ferric Chloride & Caustic Improvements, DVWTP Caustic Soda System, Arroyo Mocho Stanley Reach Upstream of Isabel, the PPWTP UF Clarifier Corrosion Control Upgrade, and the Construction in Progress mentioned above in the Financial Highlights. Additional information on the Agency’s capital assets is provided in Note 4 of the financial statements.

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

Capital Assets Business-type Activities For the Years Ended June 30, 2015, 2014 and 2013 (\$ Millions)								
	2015	2014	2015 vs. 2014		2013	2014 vs. 2013		
			\$ Change	% Change		\$ Change	% Change	
Easements	\$ 1.4	\$ 1.4	\$ -	0%	\$ 1.4	\$ -	0%	
Land	8.2	8.2	-	0%	1.3	6.9	540%	
Treatment Plants	109.9	107.1	2.8	3%	106.5	0.5	1%	
Construction in Progress	24.7	27.1	(2.3)	-9%	19.7	7.4	38%	
Pipelines	54.1	52.7	1.4	3%	52.7	-	0%	
Reservoirs	1.9	1.9	-	0%	1.9	-	0%	
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%	
Wellfields	30.3	26.4	3.9	15%	26.4	-	0%	
Supervisory Control and Data Acquisition project	9.7	9.7	-	0%	9.7	-	0%	
Other	6.3	5.2	1.1	21%	4.9	0.3	6%	
Subtotal	283.1	276.3	6.8	2%	261.2	15.2	6%	
Less Accumulated depreciation/amortization	70.6	64.7	5.9	9%	58.9	5.8	10%	
Capital assets, net	\$ 212.6	\$ 211.6	\$ 1.0	0.5%	\$ 202.3	\$ 9.3	4.6%	

Capital Assets Governmental Activities For the Years Ended June 30, 2015, 2014 and 2013 (\$ Millions)								
	2015	2014	2015 vs. 2014		2013	2014 vs. 2013		
			\$ Change	% Change		\$ Change	% Change	
Land	\$ 20.0	\$ 20.0	\$ (0.0)	0%	\$ 6.9	\$ 13.1	191%	
Flood Control Channels	12.4	9.9	2.5	25%	9.9	-	0%	
Construction in Progress	0.0	3.4	(3.3)	-99%	2.1	1.2	59%	
Other	1.0	-	1.0	0%	-	-	0%	
Subtotal	33.5	33.3	0.2	1%	18.9	14.4	76%	
Less Accumulated depreciation/amortization	3.1	2.9	0.2	7%	2.7	0.2	7%	
Capital assets, net	\$ 30.4	\$ 30.4	\$ (0.0)	0%	\$ 16.2	\$ 14.2	87%	

Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2014 (continued)

Debt Administration

The Agency operates under a pay-as-you-go basis which minimizes any debt financing.

Currently, the Agency does not maintain any outstanding debt obligations. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the debt service obligation for Cawelo Water District for the Groundwater Banking Program which is in the Capital Improvement Program (CIP). Similarly, the state incurs 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.

Economic factors and next year's budget and rates

- The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20 percent by the end of 2020, and calls for agricultural water suppliers to prepare and adopt water management plans. Failure to meet this goal currently results in an agency not being eligible for state grants. Water conservation and other recycling efforts are nearing the level of "demand hardening" or maximum potential as all new construction and landscaping is utilizing improved ecological designs, and older systems have been updated. Water demands continue to decrease while fixed costs remain high.
- The Agency's retailers are required to meet mandatory conservation as stated in Executive Order B-29-15. The order sets conservation goals to each retail water agency throughout the State to achieve an overall statewide 25 percent reduction in water usage through February 2016. Executive Order B-36-15, which was issued on November 13, 2015, extends conservation restrictions until October 31, 2016 if drought conditions persist through January 2016.
- New development within the service area has been picking up, providing slight to moderate growth in the number of water rate payers and in connection fee revenue. Property values in the Agency's service area have increased slightly, showing signs of a slow economic recovery.
- Alameda County's average unemployment rate has decreased markedly, registering 4.6 percent as of June 2015 versus 6.3 percent for California.
- On October 21, 2015, the Board adopted the following uniform rate structure, eliminating the four-tier rate structure, and approved a temporary conservation surcharge of \$248 per AF in 2016 which will sunset on December 31, 2016. The adopted rates are as follows:

<u>Calendar Year</u>	<u>Rate per Acre-Foot</u>	<u>Rate per 100 Cubic Feet (CCF)</u>
2016	\$1,372	\$3.15
2017	\$1,276	\$2.93
2018	\$1,446	\$3.32

The above factors were considered in preparing the Agency's FY 2015-16 Budget and the water rates for calendar years 2016, 2017 and 2018.

Requests 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>.

This Page Left Intentionally Blank

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2015

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total	
			2015	2014
ASSETS				
Current assets				
Pooled Cash in County Treasury (Note 2)	\$62,940,463	\$92,722,399	\$155,662,862	\$155,241,729
Accounts receivable, net	4,495,758	10,651,410	15,147,168	8,198,413
Prepaid expenses		90,000	90,000	90,000
Total current assets	<u>67,436,221</u>	<u>103,463,809</u>	<u>170,900,030</u>	<u>163,530,142</u>
Noncurrent assets				
Capital assets (Note 4):				
Rights of way, water entitlements, easements and construction in progress	20,036,041	70,930,115	90,966,156	96,622,407
Depreciable, net	<u>10,349,277</u>	<u>141,632,682</u>	<u>151,981,959</u>	<u>145,385,014</u>
Total noncurrent assets	<u>30,385,318</u>	<u>212,562,797</u>	<u>242,948,115</u>	<u>242,007,421</u>
Total assets	<u>97,821,539</u>	<u>316,026,606</u>	<u>413,848,145</u>	<u>405,537,563</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension related (Note 6)	<u>988,972</u>	<u>9,102,575</u>	<u>10,091,547</u>	
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	249,075	2,876,430	3,125,505	5,169,610
Deposits-water facilities		328,839	328,839	343,518
Unearned revenue		16,000	16,000	
Compensated absences (Note 1J)		<u>837,765</u>	<u>837,765</u>	<u>703,829</u>
Total current liabilities	<u>249,075</u>	<u>4,059,034</u>	<u>4,308,109</u>	<u>6,216,957</u>
Noncurrent liabilities				
Compensated absences (Note 1J)		370,114	370,114	528,961
Net pension liability (Note 6)	<u>2,179,671</u>	<u>20,061,874</u>	<u>22,241,545</u>	
Total noncurrent liabilities	<u>2,179,671</u>	<u>20,431,988</u>	<u>22,611,659</u>	<u>528,961</u>
Total liabilities	<u>2,428,746</u>	<u>24,491,022</u>	<u>26,919,768</u>	<u>6,745,918</u>
DEFERRED INFLOW OF RESOURCES				
Pension related (Note 6)	<u>79,322</u>	<u>730,082</u>	<u>809,404</u>	
NET POSITION (Note 5)				
Net investment in capital assets	30,385,318	212,562,797	242,948,115	242,007,421
Restricted	49,177,969	42,658,132	91,836,101	74,852,683
Unrestricted	<u>16,739,156</u>	<u>44,687,148</u>	<u>61,426,304</u>	<u>81,931,541</u>
Total net position	<u>\$96,302,443</u>	<u>\$299,908,077</u>	<u>\$396,210,520</u>	<u>\$398,791,645</u>

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Flood Protection Operations	\$4,705,166	\$450,658	\$112,334	\$713	\$563,705
Flood Protection Drainage Development Impact Fee	499,169			8,031,732	8,031,732
Total governmental activities	5,204,335	450,658	112,334	8,032,445	8,595,437
Business-type activities:					
State Water Project	16,359,406	15,429,166	76,913		15,506,079
Water Enterprise	59,122,995	27,273,238	369,679	31,891,325	59,534,242
Total business-type activities	75,482,401	42,702,404	446,592	31,891,325	75,040,321
Total	\$80,686,736	\$43,153,062	\$558,926	\$39,923,770	\$83,635,758
General revenues:					
Property taxes:					
Secured					
Unsecured					
Supplemental					
Investment earnings					
Rental charges					
Total general revenues					
Transfers, net					
Change in net position					
Net position-beginning of year, as adjusted (Note 1N)					
Net position-end of year					

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total	
		2015	2014
(\$4,141,461)		(\$4,141,461)	(\$1,208,699)
7,532,563		7,532,563	765,528
3,391,102		3,391,102	(443,171)
	(\$853,327)	(853,327)	105,570
	411,247	411,247	3,516,082
	(442,080)	(442,080)	3,621,652
3,391,102	(442,080)	2,949,022	3,178,481
6,215,285		6,215,285	5,755,844
358,225		358,225	325,557
185,692		185,692	120,252
194,118	314,297	508,415	524,791
66,372	50,815	117,187	102,670
7,019,692	365,112	7,384,804	6,829,114
(13,333)	13,333		
10,397,461	(63,635)	10,333,826	10,007,595
85,904,982	299,971,712	385,876,694	388,784,050
\$96,302,443	\$299,908,077	\$396,210,520	\$398,791,645

This Page Left Intentionally Blank

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2015

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	Flood Protection Operations	Flood Protection and Drainage Development Impact Fee	Totals	
			2015	2014
ASSETS				
Current assets				
Cash in County treasury (Note 2)	\$18,190,150	\$44,750,313	\$62,940,463	\$55,017,628
Accounts receivable, net	54,319	4,441,439	4,495,758	2,036,927
Total assets	\$18,244,469	\$49,191,752	\$67,436,221	\$57,054,555
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$235,292	\$13,783	\$249,075	\$287,858
Total liabilities	235,292	13,783	249,075	287,858
FUND BALANCES (Note 5)				
Restricted		49,177,969	49,177,969	41,506,430
Committed:				
Flood Protection Capital Projects	13,150,974		13,150,974	9,402,748
Flood Protection Operating Contingency	4,542,387		4,542,387	5,208,046
Flood Protection Encumbrances	315,816		315,816	649,473
Total fund balances	18,009,177	49,177,969	67,187,146	56,766,697
Total liabilities and fund balances	\$18,244,469	\$49,191,752	\$67,436,221	\$57,054,555

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 RECONCILIATION OF
 GOVERNMENTAL FUNDS - FUND BALANCE
 WITH THE GOVERNMENTAL ACTIVITIES
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	2015
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$67,187,146
<p>Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds above because of the following:</p>	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	30,385,318
LONG TERM LIABILITIES	
Net pension liability and related deferred inflows and outflows of resources	(1,270,021)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$96,302,443

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	Flood Protection Operations	Flood Protection and Drainage Development Impact Fee	Totals	
			2015	2014
REVENUES				
Property taxes	\$6,759,202		\$6,759,202	\$6,201,653
Intergovernmental revenues	112,334	\$32,357	144,691	64,318
Charges for services	450,658	7,999,375	8,450,033	4,823,378
Interest and rentals	121,514	138,976	260,490	189,800
Other revenues	713		713	187,136
Total revenues	7,444,421	8,170,708	15,615,129	11,466,285
EXPENDITURES				
Current:				
Flood protection:				
Salaries and employee benefits transferred from district-wide	2,037,487	215,168	2,252,655	2,535,779
Services and supplies	2,597,391	223,801	2,821,192	2,650,121
Capital outlay:				
Equipment and capital infrastructure	47,300	60,200	107,500	14,503,864
Total expenditures	4,682,178	499,169	5,181,347	19,689,764
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,762,243	7,671,539	10,433,782	(8,223,479)
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3)	(13,333)		(13,333)	(13,334)
NET CHANGE IN FUND BALANCES	2,748,910	7,671,539	10,420,449	(8,236,813)
FUND BALANCES, BEGINNING OF YEAR	15,260,267	41,506,430	56,766,697	65,003,510
FUND BALANCES, END OF YEAR	\$18,009,177	\$49,177,969	\$67,187,146	\$56,766,697

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 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, 2015

	2015
The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$10,420,449
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
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 expense.	
The capital outlay expenditures are therefore added back to fund balance	195,955
Depreciation expense is deducted from the fund balance	(214,587)
ACCRUAL OF NON-CURRENT ITEMS	
Net pension liability and related deferred inflows and outflows of resources	(4,356)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$10,397,461

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 FLOOD PROTECTION OPERATIONS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property taxes	\$6,307,731	\$6,307,731	\$6,759,202	\$451,471
Intergovernmental revenue	64,700	64,700	112,334	47,634
Charges for services	13,000	13,000	450,658	437,658
Interest and rentals	85,505	85,505	121,514	36,009
Other revenue	35,000	35,000	713	(34,287)
TOTAL REVENUES	<u>6,505,936</u>	<u>6,505,936</u>	<u>7,444,421</u>	<u>938,485</u>
EXPENDITURES				
Current:				
Flood protection:				
Salaries and benefits	2,098,094	2,098,094	2,037,487	60,607
Services and supplies	8,317,998	9,462,926	2,597,391	6,865,535
Capital outlay:				
Equipment and capital structure		2,718,541	47,300	2,671,241
TOTAL EXPENDITURES	<u>10,416,092</u>	<u>14,279,561</u>	<u>4,682,178</u>	<u>9,597,383</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(3,910,156)</u>	<u>(7,773,625)</u>	<u>2,762,243</u>	<u>10,535,868</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3)			(13,333)	13,333
NET CHANGE IN FUND BALANCE	<u>(\$3,910,156)</u>	<u>(\$7,773,625)</u>	2,748,910	<u>\$10,522,535</u>
Fund balance, beginning of year			<u>15,260,267</u>	
Fund balance, end of year			<u>\$18,009,177</u>	

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	State Water Facilities	Non-Major Water Enterprise Funds	Totals	
			2015	2014
ASSETS				
Current assets:				
Cash in County treasury (Note 2)	\$8,199,523	\$84,522,876	\$92,722,399	\$100,224,101
Receivables, net		10,651,410	10,651,410	6,161,486
Prepaid deposits		90,000	90,000	90,000
Total current assets	<u>8,199,523</u>	<u>95,264,286</u>	<u>103,463,809</u>	<u>106,475,587</u>
Noncurrent assets:				
Capital assets (Note 4), right of ways, water entitlements and construction in progress		70,930,115	70,930,115	73,279,176
Improvements, net of depreciation		141,632,682	141,632,682	138,324,295
Total noncurrent assets		<u>212,562,797</u>	<u>212,562,797</u>	<u>211,603,471</u>
Total assets	<u>8,199,523</u>	<u>307,827,083</u>	<u>316,026,606</u>	<u>318,079,058</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension related (Note 6)		9,102,575	9,102,575	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	173,907	2,702,523	2,876,430	4,881,752
Deposits		328,839	328,839	343,518
Unearned Revenue		16,000	16,000	
Compensated absences (Note 1J)		837,765	837,765	703,829
Total current liabilities	<u>173,907</u>	<u>3,885,127</u>	<u>4,059,034</u>	<u>5,929,099</u>
Noncurrent liabilities:				
Compensated absences (Note 1J)		370,114	370,114	528,961
Net pension liability (Note 6)		20,061,874	20,061,874	
Total noncurrent liabilities		<u>20,431,988</u>	<u>20,431,988</u>	<u>528,961</u>
Total liabilities	<u>173,907</u>	<u>24,317,115</u>	<u>24,491,022</u>	<u>6,458,060</u>
DEFERRED INFLOW OF RESOURCES				
Pension related (Note 6)		730,082	730,082	
NET POSITION (Note 5)				
Net Investment in capital assets		212,562,797	212,562,797	211,603,471
Restricted		42,658,132	42,658,132	33,346,253
Unrestricted	8,025,616	36,661,532	44,687,148	66,671,274
Total net position	<u>8,025,616</u>	<u>291,882,461</u>	<u>299,908,077</u>	<u>311,620,998</u>
Total liabilities and net position	<u>\$8,199,523</u>	<u>\$316,199,576</u>	<u>\$324,399,099</u>	<u>\$318,079,058</u>

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	State Water Facilities	Non-Major Water Enterprise Funds	Totals	
			2015	2014
OPERATING REVENUES				
Water sales		\$26,552,568	\$26,552,568	\$35,616,588
Connection and development fees		28,521,399	28,521,399	21,973,245
Charges for services		720,670	720,670	2,938
Other revenues	\$3,368,688	3,369,926	6,738,614	5,695,332
Total operating revenues	3,368,688	59,164,563	62,533,251	63,288,103
OPERATING EXPENSES				
Salaries, wages and benefits		16,980,052	16,980,052	15,785,516
Contractual services		3,658,497	3,658,497	3,711,700
Technical supplies		103,651	103,651	126,647
Chemical purchases		2,025,912	2,025,912	1,788,873
Water purchases	16,359,406	20,237,005	36,596,411	34,874,538
Water storage		4,043,018	4,043,018	2,049,152
Utilities		1,779,476	1,779,476	2,286,718
Maintenance and repairs		1,454,090	1,454,090	1,419,527
Equipment and building rents		1,121,585	1,121,585	1,047,397
Other services and supplies		1,406,629	1,406,629	1,766,905
Risk management		429,534	429,534	335,047
Depreciation (Note 4)		5,883,546	5,883,546	5,876,693
Total operating expenses	16,359,406	59,122,995	75,482,401	71,068,713
Operating income (loss)	(12,990,718)	41,568	(12,949,150)	(7,780,610)
NONOPERATING REVENUES				
Property taxes	12,060,478		12,060,478	11,016,532
Intergovernmental revenue	76,913	369,679	446,592	385,730
Interest income and rental fees	29,054	336,058	365,112	437,661
Total nonoperating revenues	12,166,445	705,737	12,872,182	11,839,923
Income (loss) before transfers	(824,273)	747,305	(76,968)	4,059,313
Transfers in (Note 3)		24,311,245	24,311,245	23,649,078
Transfers (out) (Note 3)		(24,297,912)	(24,297,912)	(23,635,744)
Change in net position	(824,273)	760,638	(63,635)	4,072,647
Net position, beginning of year, as adjusted (Note 1N)	8,849,889	291,121,823	299,971,712	307,548,351
Net position, end of year	\$8,025,616	\$291,882,461	\$299,908,077	\$311,620,998

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	State Water Facilities	Non-Major Water Enterprise Funds	Total	
			2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,368,688	\$30,881,012	\$34,249,700	\$45,612,702
Connection and development fees		23,778,948	23,778,948	21,973,245
Payments to employees		(16,965,668)	(16,965,668)	(15,696,976)
Payments to suppliers	(16,185,499)	(38,421,826)	(54,607,325)	(47,296,228)
Net cash provided (used) by operating activities	(12,816,811)	(727,534)	(13,544,345)	4,592,743
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in		24,311,245	24,311,245	23,649,078
Transfers (out)		(24,297,912)	(24,297,912)	(23,635,744)
Property Tax	12,060,478		12,060,478	11,016,532
Intergovernmental	76,913	369,679	446,592	385,730
Cash flows from noncapital financing activities	12,137,391	383,012	12,520,403	11,415,596
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of property, plant, and equipment		(6,842,872)	(6,842,872)	(15,184,473)
Principal retirement of long term debt				(30,500,000)
Cash flows from (used for) capital and related financing activities		(6,842,872)	(6,842,872)	(45,684,473)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	29,054	336,058	365,112	437,661
Cash flows from investing activities	29,054	336,058	365,112	437,661
Net increase (decrease) in cash and cash equivalents	(650,366)	(6,851,336)	(7,501,702)	(29,238,473)
Cash and investments at beginning of period	8,849,889	91,374,212	100,224,101	129,462,574
Cash and investments at end of period	\$8,199,523	\$84,522,876	\$92,722,399	\$100,224,101
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	(\$12,990,718)	\$41,568	(\$12,949,150)	(\$7,780,610)
Adjustments to reconcile operating income to cash flows				
Depreciation		5,883,546	5,883,546	5,876,693
Changes in assets and liabilities				
Receivables		(4,489,924)	(4,489,924)	4,290,961
Accounts payable and accrued expenses	173,907	(2,179,229)	(2,005,322)	2,110,276
Unearned revenue		16,000		
Compensated absences		(24,911)	(24,911)	88,540
Deposits		(14,679)	(14,679)	6,883
Net pension liability, deferred inflows and deferred outflows		40,095	40,095	
Net cash provided (used) by operating activities	(12,816,811)	(727,534)	(13,544,345)	\$4,592,743

See accompanying notes to financial statements

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (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. The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reported purposes.

B. Basis of Presentation

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (the Agency). These statements distinguish between the *governmental* and *business-type activity* of the Agency. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the Agency and for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position are available, restricted resources are used for qualified expenditures for capital improvement projects before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about the Agency's funds. The fund financial statements present all governmental funds and the water enterprise funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following governmental funds:

- 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 Drainage 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 proprietary funds:

- The *State Water Facilities Fund* is used for fixed State water charges and State water project bonded indebtedness.
- The *Water Enterprise Operations Fund* account for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, water facilities, water resources and water supply planning.
- The *Water Enterprise Capital Improvement Renewal and Replacement Fund* is used for improvement, renewal and replacement program.
- The *Water Enterprise Capital Expansion Fund* is used for Water Enterprise capital expansion projects and water purchases.
- 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.
- The *Water Supply and Reliability Fund* is used for future water, water storage and Delta-related projects.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which the grant revenue is received; and revenue from investments is recognized when earned.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. 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 capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

D. 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.

E. Receivables

Accounts receivable arise from billings to customers for water and certain improvements made to customers' property. Uncollectible amounts from individual customers are not significant.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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. Contributed assets are reported at fair market value as of the date received. 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
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	50 years
Rights of way	Indefinite
Water entitlement	Indefinite

G. 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 this Non-GAAP budgetary basis.

H. 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 Drainage Development Impact Fee Fund. Encumbrances at year end are reported as reservation of fund balances since they do not constitute expenditures or liabilities.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes

The Agency receives property taxes and fixed state water charges from Alameda 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.

J. 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. As of June 30, 2015, the balance of compensated absences is \$1,207,879.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reclassification

For the year ended June 30, 2015, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2015 presentation.

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

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the Agency implemented this Statement in fiscal year ending June 30, 2015, which required an adjustment to the Agency's financial statements.

Accordingly, beginning net positions of the Water Enterprise Operations Fund was reduced by \$10,758,154; the Water Enterprise Capital Improvement Renewal and Replacement Fund was reduced by \$658,663; and the Water Enterprise Capital Expansion Fund was reduced by \$232,469. The Governmental activities net position was reduced by \$1,265,665. These reductions reflect the recording of net pension liabilities, deferred inflows of resources and deferred outflows of resources as required under the new GASBs.

The financial statements for fiscal year ended June 30, 2014 could not be adjusted as the information required to do so was not readily available. See Note 6 for additional information.

GASB Statement No. 69 – In 2012, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This Statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. This statement did not have a significant impact to the Agency's financial statements.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 71 – In 2014, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the Agency implemented this Statement in fiscal year ending June 30, 2015, along with GASB 68 as discussed above.

O. New GASB Pronouncement

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

- In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for the Agency's fiscal year ending June 30, 2016.
- In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB Statement No. 73), which establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, as well as for the assets accumulated for the purposes of providing those pensions. GASB Statement No. 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. GASB Statement No. 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB Statement No. 68. GASB Statement No. 73 is effective for the Agency's fiscal year ending June 30, 2016.
- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB Statement No. 74), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB Statement No. 74 is effective for the Agency's fiscal year ending June 30, 2017.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which establishes new accounting and financial reporting requirements for OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the Agency's fiscal year ending June 30, 2018.
- In June 2014, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB Statement No. 76), which clarifies the hierarchy of generally accepted accounting principles (GAAP), and reduces the GAAP hierarchy to two catalogues of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. GASB Statement No. 76 is effective for the Agency's fiscal year ending June 30, 2016.
- In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB Statement No. 77), which requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB Statement No. 77 is effective for the Agency's fiscal year ending June 30, 2017.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 - CASH AND INVESTMENTS

The Agency follows the County’s practice of pooling cash and investments with the County Treasurer.

Summary of the cash and investments is as follows:

	<u>2015</u>	<u>2014</u>
Pooled Cash and Investment in County Treasury	<u>\$155,662,862</u>	<u>\$155,241,729</u>
Cash and Investments in Governmental Funds	\$62,940,463	\$55,017,628
Cash and Investments in Proprietary Funds	<u>92,722,399</u>	<u>100,224,101</u>
Total	<u>\$155,662,862</u>	<u>\$155,241,729</u>

Investment in the Alameda County Treasurer’s Investment Pool

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.

Investment Guidelines

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.

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.

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.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 - CASH AND INVESTMENTS (Continued)

As of June 30, 2015, approximately 46.7 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

Disclosures 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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).

Concentration of Credit Risk

The investment policy of the County 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 2015 Alameda County Comprehensive Annual Financial Report.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 – INTERFUND TRANSFERS

Transfers during the fiscal year ended June 30, 2015, comprised of the following:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>	
Governmental Fund			
Flood Protection Operations	Non-Major Water Enterprise Funds	\$13,333	(A)
Enterprise Funds:			
Non-Major Water Enterprise Funds	Non-Major Water Enterprise Funds	<u>24,297,912</u>	(B), (C)
		<u>\$24,311,245</u>	

(A) Transfer to fund vehicle replacement.

(B) Transfer to fund capital improvements.

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS

A. Summary

The following is a summary of capital assets as of June 30, 2015:

<i>Governmental Activities</i>	Balance at June 30, 2014	Additions	Transfers	Balance at June 30, 2015
Capital assets not being depreciated:				
Rights of way	\$19,987,928			\$19,987,928
Construction in progress	3,355,303	\$195,955	(\$3,503,145)	48,113
 Total capital assets not being depreciated	 23,343,231	 195,955	 (3,503,145)	 20,036,041
 Capital assets being depreciated:				
Flood control channels	9,939,359		2,454,260	12,393,619
Other infrastructure			1,048,885	1,048,885
Total capital assets being depreciated	9,939,359		3,503,145	13,442,504
 Less accumulated depreciation for:				
Flood control channels	2,878,640	194,920		3,073,560
Other infrastructure		19,667		19,667
 Total accumulated depreciation	 2,878,640	 214,587		 3,093,227
 Net capital assets being depreciated	 7,060,719	 (214,587)	 3,503,145	 10,349,277
 Governmental activity capital assets, net	 \$30,403,950	 (\$18,632)		 \$30,385,318

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS (Continued)

<i>Business-Type Activities</i>	Balance at June 30, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets not being depreciated:					
Rights of way	\$8,177,133				\$8,177,133
Water entitlements	36,655,364				36,655,364
Easements	1,350,090				1,350,090
Construction in progress	27,096,589	\$6,775,866		(\$9,124,927)	24,747,528
Total capital assets not being depreciated	73,279,176	6,775,866		(9,124,927)	70,930,115
Capital assets being depreciated:					
Equipment	3,461,828	67,006	\$11,350		3,517,484
Treatment plants	107,065,919			2,813,128	109,879,047
Office building	1,264,251				1,264,251
Reservoir	1,934,197				1,934,197
Pipelines	52,670,181			1,388,918	54,059,099
Wellfields	26,435,329			3,873,996	30,309,325
Supervisory Control and Data Acquisition project	9,704,664				9,704,664
Other infrastructure	487,550			1,048,885	1,536,435
Total capital assets being depreciated	203,023,919	67,006	11,350	9,124,927	212,204,502
Less accumulated depreciation for:					
Equipment	2,840,204	186,587	11,350		3,015,441
Treatment plants	37,555,971	3,150,058			40,706,029
Office building	848,344	31,606			879,950
Reservoir	1,005,996	48,355			1,054,351
Pipelines	12,721,719	1,264,756			13,986,475
Wellfields	5,046,573	685,096			5,731,669
Supervisory Control and Data Acquisition project	4,609,715	485,233			5,094,948
Other infrastructure	71,102	31,855			102,957
Total accumulated depreciation	64,699,624	5,883,546	11,350		70,571,820
Net capital assets being depreciated	138,324,295	(5,816,540)		9,124,927	141,632,682
Business-Type activity capital assets, net	\$211,603,471	\$959,326			\$212,562,797

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS (Continued)

B. Construction in Progress

Construction in Progress at June 30, 2015 comprises the following projects:

Governmental Activities

Projects	
Arroyo Mocho-Stanley Reach	\$48,113
Total	\$48,113

Business-Type Activities

Projects	
Altamont Water Treatment Plant (AWTP)-Site Acquisition and Raw Water	\$15,527,815
Del Valle Water Treatment Plant (DVWTP) Superpulsator Rehabilitation	4,829,624
Altamont Water Treatment Plant	1,334,628
Altamont Pipeline - County Reach	592,392
Busch Valley Well #1	1,263,399
Chain of Lakes Well #5	389,657
Arroyo Mocho/Lake H Diversion	375,642
DVWTP Aqua Ammonia Facility	10,846
DVWTP 4.5 MG Clearwell Interior Recoating	49,689
Stoneridge Cross-Valley Isolation Valve	373,836
Total	\$24,747,528

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – NET POSITION AND FUND BALANCES

Net Position

Net Position is the excess of all the Agency's assets over all its liabilities, regardless of fund. Net Position are divided into three captions under GASB Statement 34. These captions apply only to Net Position and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position, if any, which is restricted as to 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 describes the portion of Net Position which is not restricted to use.

Fund Balance

Governmental fund balances represent the net current position of each fund. Net current positions generally represent a fund's cash and receivables, less its liabilities.

The Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Restricted fund balances, if any, have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal resolution of the Board of Directors. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 – RETIREMENT PLAN

A. 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, 2014. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available 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.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 – RETIREMENT PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	Tier 4
	Prior to July 1, 1983	July 1, 1983 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.6% at 62	2.43% at 65	2.5% at 67
Benefit vesting schedule	* Age 50 with 10 years of service * 30 years of service at any age * Age 70 with any amount of service		Age 52 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or age 30 years, regardless of age.
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	4% - 100%	2% - 100%	4% - 100%
Required employee contribution rates	8.97%	7.28%	8.12%
Required employer contribution rates	25.22%	24.34%	22.69%

Contributions – The Plan requires employees to pay a portion of the basic retirement benefit and a portion of future COL costs. However, the Agency has paid the majority of the employees' basic contributions in accordance with the Memorandum of Understanding (MOU). Employees must pay the COL portion of the employee rate. For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were \$3,602,017.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2015, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$22,241,545</u>

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 – RETIREMENT PLAN (Continued)

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, 2014, 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, 2013 rolled forward to December 31, 2014 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 as of December 31, 2013 and 2014 was as follows:

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered- employee payroll	Net Pension Liability as a percentage of its covered- employee payroll
2014	1.6%	\$16,330,816	\$11,415,851	143.05%
2015	1.6%	22,241,545	12,318,588	180.55%

For the year ended June 30, 2015, the Agency recognized pension expense of \$3,602,017. At June 30, 2015, 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
Pension contributions subsequent to measurement date	\$4,324,438	
Differences between expected and actual experience		\$809,404
Changes of assumptions	4,228,689	
Change in proportion and differences between employer contributions and proportionate share of contributions	332,008	
Net difference between projected and actual earnings on pension plan investments	1,206,412	
Total	\$10,091,547	\$809,404

The \$4,324,438 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 year ended June 30, 2016.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 – RETIREMENT PLAN (Continued)

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 Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$1,441,777	\$202,351
2017	1,441,777	202,351
2018	1,441,777	202,351
2019	1,441,778	202,351

Actuarial Assumptions – The total pension liabilities in the December 31, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2013
Measurement Date	December 31, 2014
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation Rate	3.50%
Payroll Growth	3.75%
Projected Salary Increase	4.60% - 7.20% (1)
Cost of Living Adjustments	Tiers 1 and 3: 3.00% Tiers 2 and 4: 2.00%
Investment Rate of Return	7.80% (2)
Mortality	RP-2000 Combined Healthy Mortality Table

(1) Vary by service, including inflation

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

Discount Rate – The discount rate used to measure the total pension liability was 7.25% 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 total pension liability as December 31, 2014.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 – RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined in 2013 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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	25.60%	5.91%
Domestic Small Cap Equity	6.40%	6.47%
Developed International Equity	20.25%	6.88%
Emerging Markets Equity	6.75%	8.24%
U.S. Core Fixed Income	11.25%	0.73%
High Yield Bonds	1.50%	2.67%
International Bonds	2.25%	0.42%
Real Estate	6.00%	4.95%
Commodities	2.00%	4.25%
Absolute Return (Hedge Fund)	7.50%	3.17%
Real Return	3.00%	0.70%
Private Equity	7.50%	11.94%
Total	100%	

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:

1% Decrease	6.60%
Net Pension Liability	\$33,676,237
Current Discount Rate	7.60%
Net Pension Liability	\$22,241,545
1% Increase	8.60%
Net Pension Liability	\$12,743,687

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

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 post employment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. Retired employees from the Agency receive a monthly medical allowance toward the cost of their retiree health insurance from the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is a funded trust that receives 50% of the investment earnings that are in excess of the target investment return of the ACERA pension fund. The Agency funds the premiums for current active employees while ACERA funds the premiums for retirees.

As the underlying cost for non-Medicare eligible retirees is higher than the blended average of actives and non-Medicare eligible retirees, there is an implicit subsidy inherent in the cost allocation process. GASB 45 requires employers using a blended rate for active and non-Medicare eligible retirees to recognize the implicit subsidy liability.

The SRBR is used to fund these benefits for eligible retirees, including retirees from the County and other employers who contribute to the ACERA pension fund, including the Agency. Accordingly, the Agency believes it has already accounted for the payments to be made from the SRBR indirectly through its pension contributions and therefore the Agency's only GASB 45 liability is for the implicit subsidy. Furthermore, as the Board of Retirement cannot make payments to retirees after the SRBR is exhausted, the liability for these benefits is capped at the amount of SRBR assets, therefore, the unfunded liability for these benefits is, by definition, zero.

The funding of these benefits is limited to investment earnings to a special reserve allocated in accordance with the statute. The Board of Retirement has no authority to demand funding from employers or member participants to fund these benefits. If these reserves were depleted, benefits provided by the program will cease. Under the current actuarial assumptions it is anticipated that the reserves will be sufficient to fund the program through the year 2028 based on the December 31, 2013 valuation. Because of the limitations on the Board of Retirement's ability to provide these benefits, this program is considered to be 100% funded through 2028.

NOTE 8 - INSURANCE

The Agency is self-insured for 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.

Type of Coverage	Coverage Limit	Self-Insured/Deductible
General Liability, including Auto Liability	\$35,000,000	\$1,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	600,000,000	50,000
Crime	15,000,000	2,500
Pollution	10,000,000	250,000

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - 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 management activities the Agency has entered into various water supply commitment contracts to reduce the risk of supply shortages. Under these water right agreements, the Agency has agreed to pay annual amounts for the delivery of committed levels of water supplies.

As part of its water management activities the Agency has entered into various water supply commitment contracts to reduce the risk of supply shortages. Under these water right agreements, the Agency has agreed to pay annual amounts for the delivery of committed levels of water supplies.

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 2015 and 2014, the costs under the contract were \$17.6 million and \$16.1 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 2015 and 2014, the costs under Amendment No. 24 were \$18.5 million and \$17.5 million, respectively with a remaining obligation of \$249.4 million as of June 30, 2015 to be paid by 2035.

Byron-Bethany Irrigation District: The Agency has a water supply agreement through December 31, 2030 with the District which provides for the annual delivery of water supplies from 2,000 acre-feet up to a maximum of 5,000 AF when BBID has surplus supplies available. The Agency is required to pay a flat rate cost per AF set forth in the agreement for water delivered, but has an annual take-or-pay minimum of \$90,000 regardless of whether water is delivered. In fiscal years 2015 and 2014, the costs under the agreement were \$90,000 and \$367,569, respectively.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - COMMITMENT AND CONTINGENT LIABILITIES (Continued)

Groundwater Banking and Exchange Program (The "Program"): In June, 2006, the Agency entered into a Water Banking and Exchange Program Agreement whereby Cawelo stores up to 120,000 AF of water deposited by the Agency in facilities Cawelo developed, constructed, owns and operates. The Agency may request the return of up to 10,000 AF of stored water per year. In addition, the Agreement provides for an exchange of water acquired under the Agency's DWR agreement and Cawelo's own contract providing DWR water rights. The Program contemplated by this Agreement will provide additional groundwater storage for the Agency resulting in better use of its SWP supplies and will provide improved reliability of supplies and overall higher groundwater levels for Cawelo, by transferring to Cawelo, for Cawelo's sole use, up to one half of Agency's delivered water. In exchange for these water rights, the Agency reimburses Cawelo certain operating and maintenance costs, pays certain fees which vary based on water stored, returned or exchanged, and makes fixed capital payments. In fiscal years 2015 and 2014, the costs under the agreement were \$2.2 million and \$1.3 million, respectively.

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 years 2015 and 2014, the Agency's share of operating, maintenance and capital costs and certain fees under the agreement were \$1.8 million and \$0.8 million, respectively.

C. Operating Lease

On June 4, 2003, the Agency executed a lease-buy-option agreement with a developer to build a new administrative-engineering building in Livermore, California. The agreement calls for a 15 year operating lease, with annual rents to start at \$986,831 increasing to \$1,302,133 in year 15, with a purchase option of \$12,153,000. Occupancy started February 19, 2005. For the fiscal year ended June 30, 2015, the Agency paid \$1,189,198. A schedule of future rents is as follows:

For the Year Ending June 30	
<hr/>	
2016	\$1,212,958
2017	1,237,241
2018	1,262,026
2019	1,287,173
2020	<u>759,577</u>
Totals	<u><u>\$5,758,975</u></u>

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

This Page Left Intentionally Blank

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

COST-SHARING 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 total 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.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND RELATED RATIO AS OF
THE MEASUREMENT DATE**

	<u>Miscellaneous</u>
	<u>December 31, 2014</u>
Plan's proportion of the Net Pension Liability (Asset)	1.6%
Plan's proportion share of the Net Pension Liability (Asset)	\$22,241,545
Plan's Covered Employee Payroll	12,318,588
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	180.55%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	1.6%
Plan's Proportionate Share of Aggregate Employer Contributions	3,415,865

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous
	June 30, 2015
Actuarially determined contribution	\$4,324,438
Contributions in relation to the actuarially determined contributions	(4,324,438)
Contribution deficiency (excess)	\$0
Covered-employee payroll	\$12,505,557
Contributions as a percentage of covered-employee payroll	34.58%

Notes to Schedule

Valuation date: December 31, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	(1)
Inflation	3.50%
Salary increases	(2)
Investment rate of return	7.80% (3)
Mortality	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020
Post Retirement Benefit Increase	Contract COLA 2.00% - 3.00% of retirement income

(1) The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.

(2) Depending on age, service and type of employment

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

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

This Page Left Intentionally Blank

SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 NON-MAJOR WATER ENTERPRISE FUNDS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2015

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement	Water Enterprise Capital Expansion
ASSETS			
Current assets:			
Cash in County treasury	\$14,201,574	\$25,162,990	\$36,728,046
Receivables, net	4,148,521	94,055	6,408,834
Prepaid deposits	90,000		
Total current assets	18,440,095	25,257,045	43,136,880
Noncurrent assets:			
Capital assets, right of ways, water entitlements and construction in progress	70,930,115		
Improvements, net of depreciation	141,632,682		
Total noncurrent assets	212,562,797		
Total assets	231,002,892	25,257,045	43,136,880
DEFERRED OUTFLOW OF RESOURCES			
Pension related	8,406,258	514,669	181,648
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,962,384	494,660	245,479
Deposits			
Unearned Revenue	16,000		
Compensated absences	837,765		
Total current liabilities	2,816,149	494,660	245,479
Noncurrent liabilities:			
Compensated absences	370,114		
Net pension liability	18,527,207	1,134,319	400,348
Total noncurrent liabilities	18,897,321	1,134,319	400,348
Total liabilities	21,713,470	1,628,979	645,827
DEFERRED INFLOW OF RESOURCES			
Pension related	674,233	41,280	14,569
NET POSITION			
Net Investment in capital assets	212,562,797		
Restricted			42,658,132
Unrestricted	4,458,650	24,101,455	
Total net position	217,021,447	24,101,455	42,658,132
Total liabilities and net position	\$238,734,917	\$25,730,434	\$43,303,959

Water Facilities	Water Supply and Reliability	Totals	
		2015	2014
\$3,650,742	\$4,779,524	\$84,522,876	\$91,374,212
		10,651,410	6,161,486
		90,000	90,000
<u>3,650,742</u>	<u>4,779,524</u>	<u>95,264,286</u>	<u>97,625,698</u>
		70,930,115	73,279,176
		141,632,682	138,324,295
		212,562,797	211,603,471
<u>3,650,742</u>	<u>4,779,524</u>	<u>307,827,083</u>	<u>309,229,169</u>
		9,102,575	
		2,702,523	4,881,752
328,839		328,839	343,518
		16,000	
		837,765	1,232,790
<u>328,839</u>		<u>3,885,127</u>	<u>6,458,060</u>
		370,114	
		20,061,874	
		20,431,988	
<u>328,839</u>		<u>24,317,115</u>	<u>6,458,060</u>
		730,082	
		212,562,797	211,603,471
3,321,903	4,779,524	42,658,132	82,317,749
		36,661,532	8,849,889
<u>3,321,903</u>	<u>4,779,524</u>	<u>291,882,461</u>	<u>302,771,109</u>
<u>\$3,650,742</u>	<u>\$4,779,524</u>	<u>\$316,199,576</u>	<u>\$309,229,169</u>

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 NON-MAJOR WATER ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement	Water Enterprise Capital Expansion
OPERATING REVENUES			
Water sales	\$26,552,568		
Connection and development fees			\$28,521,399
Charges for services	11,321	709,349	
Other revenues	482,265		2,845,986
Total operating revenues	27,046,154	709,349	31,367,385
OPERATING EXPENSES			
Salaries, wages and benefits	15,662,596	978,815	338,641
Contractual services	2,408,295	1,249,153	1,049
Technical supplies	103,651		
Chemical purchases	2,025,912		
Water purchases	2,377,486		17,859,519
Water storage	2,699,114		1,343,904
Utilities	1,779,341	28	107
Maintenance and repairs	1,454,090		
Equipment and building rents	133,706	555,749	432,130
Other services and supplies	1,327,792	21,923	56,914
Risk management	429,534		
Depreciation	5,883,546		
Total operating expenses	36,285,063	2,805,668	20,032,264
Operating income (loss)	(9,238,909)	(2,096,319)	11,335,121
NONOPERATING REVENUES			
Intergovernmental revenue	220,575	104,373	44,731
Interest income and rental fees	131,164	67,415	110,113
Total nonoperating revenues	351,739	171,788	154,844
Income (loss) before transfers	(8,887,170)	(1,924,531)	11,489,965
Transfers in	9,138,260	13,475,143	1,697,842
Transfers (out)	(15,172,985)	(5,481,468)	(3,643,459)
Change in net position	(14,921,895)	6,069,144	9,544,348
Net position, beginning of year, as adjusted	231,943,342	18,032,311	33,113,784
Net position, end of year	\$217,021,447	\$24,101,455	\$42,658,132

Water Facilities	Water Supply and Reliability	Totals	
		2015	2014
		\$26,552,568	\$35,616,588
		28,521,399	21,973,245
		720,670	2,938
\$41,675		3,369,926	3,004,070
41,675		59,164,563	60,596,841
		16,980,052	15,785,516
		3,658,497	3,711,700
		103,651	126,647
		2,025,912	1,788,873
		20,237,005	21,192,647
		4,043,018	2,049,152
		1,779,476	2,286,718
		1,454,090	1,419,527
		1,121,585	1,047,397
		1,406,629	1,766,905
		429,534	335,047
		5,883,546	5,876,693
		59,122,995	57,386,822
41,675		41,568	3,210,019
11,822	\$15,544	369,679	306,063
		336,058	335,627
11,822	15,544	705,737	641,690
53,497	15,544	747,305	3,851,709
		24,311,245	23,649,078
		(24,297,912)	(23,635,744)
53,497	15,544	760,638	3,865,043
3,268,406	4,763,980	291,121,823	298,906,066
\$3,321,903	\$4,779,524	\$291,882,461	\$302,771,109

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 NON-MAJOR WATER ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014

	Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement	Water Enterprise Capital Expansion
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$27,298,681	\$709,349	\$2,845,986
Connection and development fees		(94,055)	23,873,003
Payments to employees	(15,650,479)	(976,548)	(338,641)
Payments to suppliers	(15,167,504)	(3,086,596)	(20,167,726)
Net cash provided (used) by operating activities	<u>(3,519,302)</u>	<u>(3,447,850)</u>	<u>6,212,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	9,138,260	13,475,143	1,697,842
Transfers (out)	(15,172,985)	(5,481,468)	(3,643,459)
Intergovernmental	220,575	104,373	44,731
Cash flows from noncapital financing activities	<u>(5,814,150)</u>	<u>8,098,048</u>	<u>(1,900,886)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant, and equipment	(6,842,872)		
Principal retirement of long term debt			
Cash flows from (used for) capital and related financing activities	<u>(6,842,872)</u>		
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	131,164	67,415	110,113
Cash flows from investing activities	<u>131,164</u>	<u>67,415</u>	<u>110,113</u>
Net increase (decrease) in cash and cash equivalents	(16,045,160)	4,717,613	4,421,849
Cash and investments at beginning of period	<u>30,246,734</u>	<u>20,445,377</u>	<u>32,306,197</u>
Cash and investments at end of period	<u>\$14,201,574</u>	<u>\$25,162,990</u>	<u>\$36,728,046</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(\$9,238,909)	(\$2,096,319)	\$11,335,121
Adjustments to reconcile operating income (loss) to cash flows			
Depreciation	5,883,546		
Changes in assets and liabilities			
Receivables	252,527	(94,055)	(4,648,396)
Accounts payable and accrued expenses	(444,583)	(1,259,743)	(474,903)
Unearned revenue	16,000		
Compensated absences	(24,911)		
Deposits			
Net pension liability, deferred inflows and deferred outflows	37,028	2,267	800
Net cash provided (used) by operating activities	<u>(\$3,519,302)</u>	<u>(\$3,447,850)</u>	<u>\$6,212,622</u>

Water Facilities	Water Supply and Reliability	Total	
		2015	2014
\$26,996		\$30,881,012	\$43,227,503
		23,778,948	21,973,245
		(16,965,668)	(15,696,976)
		(38,421,826)	(33,614,337)
<u>26,996</u>		<u>(727,534)</u>	<u>15,889,435</u>
		24,311,245	23,649,078
		(24,297,912)	(23,635,744)
		369,679	
		<u>383,012</u>	<u>13,334</u>
		(6,842,872)	(15,184,473)
			(30,500,000)
		<u>(6,842,872)</u>	<u>(45,684,473)</u>
<u>11,822</u>	<u>\$15,544</u>	<u>336,058</u>	<u>335,627</u>
<u>11,822</u>	<u>15,544</u>	<u>336,058</u>	<u>335,627</u>
<u>38,818</u>	<u>15,544</u>	<u>(6,851,336)</u>	<u>(29,446,077)</u>
<u>3,611,924</u>	<u>4,763,980</u>	<u>91,374,212</u>	<u>120,820,289</u>
<u>\$3,650,742</u>	<u>\$4,779,524</u>	<u>\$84,522,876</u>	<u>\$91,374,212</u>
\$41,675		\$41,568	\$3,516,082
		5,883,546	5,876,693
		(4,489,924)	4,290,961
		(2,179,229)	2,110,276
		16,000	
		(24,911)	88,540
(14,679)		(14,679)	6,883
		40,095	
<u>\$26,996</u>		<u>(\$727,534)</u>	<u>\$15,889,435</u>

This Page Left Intentionally Blank

STATISTICAL SECTION

This Page Left Intentionally Blank

Statistical Section

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have change over time. (Tables 1-4)

Revenue Capacity

These schedules contain information to help the reader assess the Agency's revenue sources and rate structure. (Pages Tables 4-13)

Debt Capacity

These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future. (Tables 14-15)

Demographic and Economic Information

This schedule offers demographic, economic, and Agency indicators to help the reader understand the environment within which the Agency's financial activities take place. (Tables 16-18)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs. (Tables 18-20)

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(Table 1)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015
Governmental activities										
Net investment in capital assets	\$16,196,422	\$16,060,687	\$15,924,957	\$14,860,651	\$14,661,865	\$14,479,216	\$14,301,567	\$16,232,189	\$30,403,950	\$30,385,318
Restricted	31,757,569	29,324,790	32,362,298	32,794,924	57,518,054	58,914,899	36,696,155	60,596,601	52,037,227	49,177,969
Unrestricted	10,802,945	14,738,814	17,109,262	21,506,376	477,102	3,928,002	23,559,397	4,406,909	4,729,470	16,739,156
Total governmental activities net position	\$58,756,936	\$60,124,291	\$65,396,517	\$69,161,951	\$72,657,021	\$77,322,117	\$74,557,119	\$81,235,699	\$87,170,647	\$96,302,443
Business-type activities										
Net investment in capital assets	\$135,999,501	\$145,699,484	\$167,732,246	\$208,712,439	\$214,245,244	\$208,841,658	\$205,651,283	\$202,295,691	\$211,603,471	\$212,562,797
Restricted	96,155,014	100,549,356	92,106,375	44,608,852	43,769,762	40,041,672	37,928,558	65,125,317	22,815,456	42,658,132
Unrestricted	26,355,268	26,165,844	36,005,753	41,038,344	39,299,226	39,394,747	41,291,980	40,127,373	77,202,071	44,687,148
Total business-type activities net position	\$258,509,783	\$272,414,684	\$295,844,374	\$294,359,635	\$297,314,232	\$288,278,077	\$284,871,821	\$307,548,381	\$311,620,998	\$299,908,077
Primary government										
Net investment in capital assets	\$152,195,923	\$161,760,171	\$183,657,203	\$223,573,090	\$228,907,109	\$223,320,874	\$219,952,850	\$218,527,880	\$242,007,421	\$242,948,115
Restricted	127,912,583	129,874,146	124,468,673	77,403,776	101,287,816	98,956,571	74,624,713	125,721,918	74,852,683	91,836,101
Unrestricted	37,158,213	40,904,658	53,115,015	62,544,720	39,776,328	43,322,749	64,851,377	44,534,282	81,931,541	61,426,304
Total primary governmental activities net position	\$317,266,719	\$332,538,975	\$361,240,891	\$363,521,586	\$369,971,253	\$365,600,194	\$359,428,940	\$388,784,080	\$398,791,645	\$396,210,520

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Table 2)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015
Expenses										
Governmental activities										
Flood Protection Operations	\$2,855,578	\$4,554,442	\$4,036,466	\$3,561,070	\$3,547,907	\$4,063,566	\$8,499,485	\$3,947,332	\$1,488,735	\$4,705,166
Flood Protection Drainage DIF	6,895,638	9,246,157	7,491,450	4,576,721	561,339	615,758	5,903,778	705,688	4,029,268	499,169
Total governmental activities expenses	9,751,216	13,800,599	11,527,916	8,137,791	4,109,246	4,679,324	14,403,263	4,653,020	5,518,003	5,204,335
Business-type activities										
State Water Project				8,015,944	8,787,104	10,670,494	13,858,280	14,002,380	13,681,891	16,359,406
Non-Major Water Enterprise Funds	31,983,252	40,327,973	38,369,422	51,004,895	49,257,457	50,869,431	51,267,019	54,868,275	57,386,822	59,122,995
Total business-type activities	31,983,252	40,327,973	38,369,422	59,020,839	58,044,561	61,539,925	65,125,299	68,870,655	71,068,713	75,482,401
Total primary government expenses	\$41,734,468	\$54,128,572	\$49,897,338	\$67,158,630	\$62,153,807	\$66,219,249	\$79,528,562	\$73,523,675	\$76,586,716	\$80,686,736
Program Revenues										
Governmental activities										
Charges for Services:										
Flood Protection Operations	\$41,068	\$42,203	\$35,466	\$34,156	\$11,078	\$12,771	\$40,851	\$35,661	\$57,142	\$450,658
Operating grants and contributions	290,461	603,680	231,034	64,915	54,264	53,229	61,249	61,578	64,318	112,334
Other program revenues	2,746,164	405,355	465,947	10,493,106	1,191,832	3,187,574	5,505,787	5,095,420	4,953,372	8,032,445
Total governmental activities program revenues	3,077,693	1,051,238	732,447	10,592,177	1,257,174	3,253,574	5,607,887	5,192,659	5,074,832	8,595,437
Business-type activities										
Charges for Services:										
State Water Project	5,243,206	10,237,492	11,911,136	8,480,378	9,686,655	12,206,165	15,489,732	11,942,972	13,707,794	15,429,166
Non-Major Water Enterprise Funds	9,026,204	28,424,690	29,972,803	30,059,518	30,857,470	31,855,389	35,528,292	38,200,851	35,668,056	27,273,238
Operating grants and contributions	105,909	310,920	109,599	80,073	808,207	444,139	106,194	68,416	385,730	446,592
Capital grants and contributions	8,824,258	9,249,348	5,196,887	12,322,711	20,787,373	11,810,379	13,700,090	30,824,513	24,928,785	31,891,325
Total business-type activities program revenues	23,199,577	48,222,450	47,190,425	50,942,680	62,139,705	56,316,072	64,824,308	81,036,752	74,690,365	75,040,321
Total primary government program revenues	\$26,277,270	\$49,273,688	\$47,922,872	\$61,534,857	\$63,396,879	\$59,569,646	\$70,432,195	\$86,229,411	\$79,765,197	\$83,635,758
Net (Expense)/Revenue										
Governmental activities										
	(\$6,673,523)	(\$12,749,361)	(\$10,795,469)	\$2,454,386	(\$2,852,072)	(\$1,425,750)	(\$8,795,376)	\$539,639	(\$443,171)	\$3,391,102
Business-type activities										
	(8,783,675)	7,894,477	8,821,003	(8,078,159)	4,095,144	(5,223,853)	(300,991)	12,166,097	3,621,652	(442,080)
Total primary government net revenues	\$15,457,198	(\$4,854,884)	(\$1,974,466)	(\$5,623,773)	\$1,243,072	(\$6,649,603)	(\$9,096,367)	\$12,705,736	\$3,178,481	\$2,949,022
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property	\$4,652,745	\$10,237,492	\$11,911,136	\$6,129,952	\$5,918,281	\$5,745,003	\$5,773,050	\$5,959,083	\$6,201,653	\$6,759,202
Investment earnings and rental charges	1,500,115	2,018,824	2,161,502	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490
Transfers	155,063	1,860,400	1,995,057	(1,319)					(13,334)	(13,333)
Total governmental activities	6,307,923	14,116,716	16,067,695	7,480,987	6,347,142	6,090,846	6,030,378	6,138,941	6,378,119	7,006,359
Business-type activities										
Investment earnings	4,465,279	5,979,424	6,023,904	2,862,182	682,341	704,257	610,133	331,588	390,865	314,297
Rental charges	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	46,796	50,815
Transfers	500,384			1,319					13,334	13,333
Total business-type activities	4,996,663	6,010,424	6,054,904	2,894,501	713,341	735,257	641,133	362,588	450,995	378,445
Total primary government	\$11,304,586	\$20,127,140	\$22,122,599	\$10,375,488	\$7,060,483	\$6,826,103	\$6,671,511	\$6,501,529	\$6,829,114	\$7,384,804
Change in Net Position										
Governmental activities										
	(365,600)	1,367,355	5,272,226	9,935,373	3,495,070	4,665,096	(2,764,998)	6,678,580	5,934,948	10,397,461
Business-type activities										
	(3,787,012)	13,904,901	14,875,907	(5,183,658)	4,808,485	(4,488,596)	340,142	12,528,685	4,072,647	(63,635)
Total primary government	(\$4,152,612)	\$15,272,256	\$20,148,133	\$4,751,715	\$8,303,555	\$176,500	(\$2,424,856)	\$19,207,265	\$10,007,595	\$10,333,826

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Table 3)

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>			<u>Restricted</u>	<u>Committed</u>	<u>Total</u>
		<u>Capital project</u>	<u>Specific projects and programs</u>	<u>Undesignated</u>			
2006		31,757,569	7,884,661	2,918,284			42,560,514
2007		29,324,790	8,783,429	5,955,385			44,063,604
2008		32,362,298	10,868,214	6,241,048			49,471,560
2009		32,794,924	20,185,762	1,320,614			54,301,300
2010	179,791	33,505,378	23,832,885	477,102			57,995,156
2011					26,027,983	36,814,918	62,842,901
2012					36,696,155	23,559,397	60,255,552
2013					40,648,531	24,354,979	65,003,510
2014					41,506,430	15,260,267	56,766,697
2015					49,177,969	18,009,177	67,187,146

Note: FY 2009/10 and prior fund balance amounts have not been restated for the implementation of GASB Statement 54, which the Agency implemented in FY 2010/11

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Table 4)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Property taxes	\$4,652,745	\$10,237,492	\$11,911,136	\$6,129,952	\$5,918,281	\$5,745,003	\$5,773,050	\$5,959,083	\$6,201,653	\$6,759,202
Intergovernmental revenues	290,461	603,680	231,034	64,915	54,264	53,229	61,249	61,578	64,318	144,691
Charges for services	2,770,350	429,803	499,630	10,423,524	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033
Interest and rentals	1,500,115	2,018,824	2,161,502	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490
Other revenues	16,882	17,755	1,783	103,738	23,928	21,626	41,461	13,520	187,136	713
Total revenues	9,230,553	13,307,554	14,805,085	18,074,483	7,604,316	9,344,420	11,638,265	11,331,600	11,466,285	15,615,129
Expenditures										
Salaries and employee benefits										
transferred from district-wide	1,701,942	1,896,753	2,048,297	1,857,126	1,703,900	1,937,436	2,243,556	2,631,352	2,535,779	2,252,655
Services and supplies	7,913,539	11,768,111	9,343,889	2,194,896	2,206,560	2,559,113	6,851,120	3,498,544	2,650,121	2,821,192
Equipment and capital structure	135,735	135,735		3,921,997		126	5,130,850	451,740	14,503,864	107,500
Other							88	2,006		
Total Expenditures	9,751,216	13,800,599	11,392,186	7,974,019	3,910,460	4,496,675	14,225,614	6,583,642	19,689,764	5,181,347
Excess of revenues over/(under) expenditures	(520,663)	(493,045)	3,412,899	10,100,464	3,693,856	4,847,745	(2,587,349)	4,747,958	(8,223,479)	10,433,782
Other Financing Sources (Uses)										
Transfers in				(1,319)						
Transfers out	155,063	1,860,400	1,995,057						(13,334)	(13,333)
Total other financing sources (uses)	155,063	1,860,400	1,995,057	(1,319)					(13,334)	(13,333)
Net change in fund balances	(\$365,600)	\$1,367,355	\$5,407,956	\$10,099,145	\$3,693,856	\$4,847,745	(\$2,587,349)	\$4,747,958	(\$8,236,813)	\$10,420,449

Source: Zone 7 Finance Department, Governmental Income Statement

Zone 7 Water Agency

Revenue Capacity

Ten-Year Summary of Revenue by Source

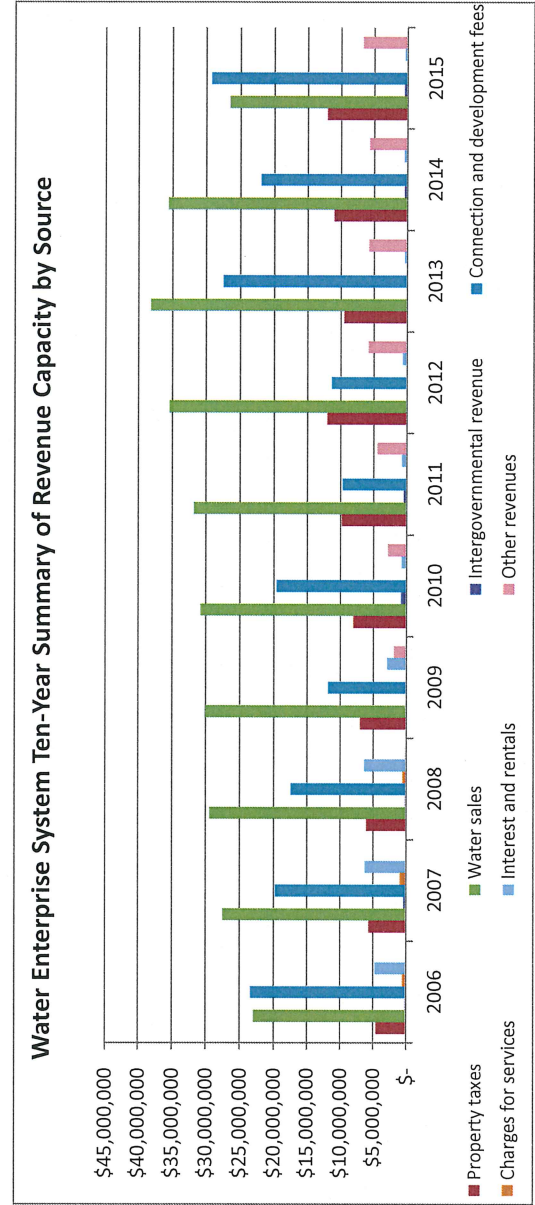
Fiscal Year Ended June 30

(Table 5)

Water Enterprise System

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Property taxes	\$ 4,561,102	\$ 5,706,166	\$ 6,065,570	\$ 7,077,008	\$ 8,085,099	\$ 9,860,412	\$ 12,017,106	\$ 9,517,243	\$ 11,016,532	\$ 12,060,478
Water sales	23,004,919	27,465,738	29,416,874	30,013,013	30,777,082	31,785,517	35,398,908	38,130,264	35,616,588	26,552,568
Intergovernmental revenue	143,486	356,930	155,339	80,073	808,207	444,139	106,194	68,416	385,730	446,592
Connection and development fees	23,407,573	19,782,554	17,433,022	11,852,496	19,601,871	9,697,595	11,345,942	27,483,527	21,973,245	29,230,598
Charges for services	551,268	924,253	520,463	46,505	80,388	69,872	129,384	70,587	2,938	11,471
Interest and rentals	4,708,384	6,272,757	6,396,019	2,893,182	713,341	735,257	641,133	362,588	437,661	365,112
Other revenues	67,464	126,585	174,631	1,873,585	2,787,058	4,458,537	5,826,774	5,766,715	5,695,332	6,738,614
Total Revenues	\$ 56,444,196	\$ 60,634,983	\$ 60,161,918	\$ 53,835,862	\$ 62,853,046	\$ 57,051,329	\$ 65,465,441	\$ 81,399,340	\$ 75,128,026	\$ 75,405,433

Water Enterprise System Ten-Year Summary of Revenue Capacity by Source



Zone 7 Water Agency

Revenue Capacity

Ten-Year Summary of Revenue by Source

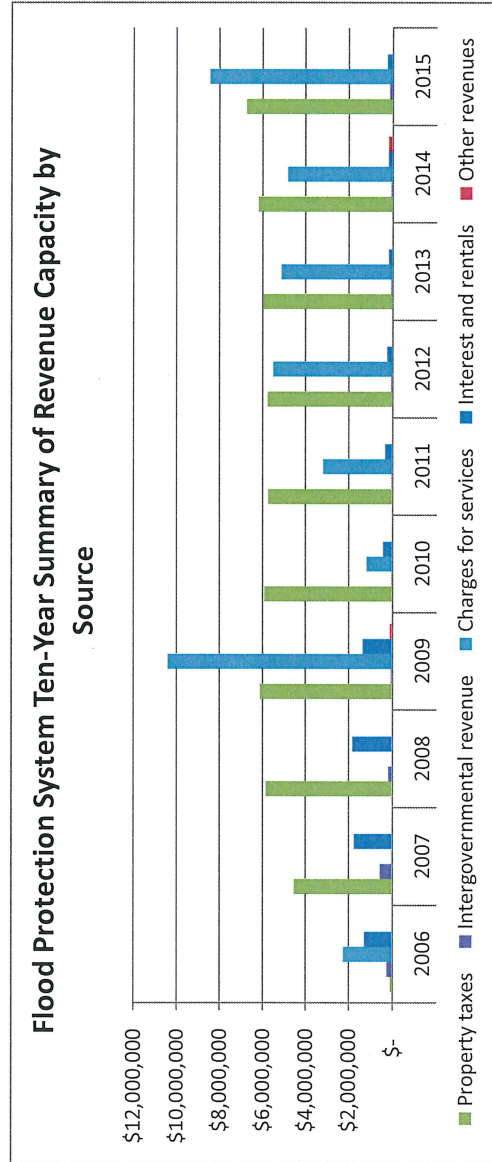
Fiscal Year Ended June 30

(Table 6)

Flood Protection System

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Property taxes	\$ 91,643	\$ 4,531,326	\$ 5,845,566	\$ 6,129,952	\$ 5,918,281	\$ 5,745,003	\$ 5,773,050	\$ 5,959,083	\$ 6,201,653	\$ 6,759,202
Intergovernmental revenue	252,884	557,670	185,294	64,915	54,264	53,229	61,249	61,578	64,318	144,691
Charges for services	2,240,367	42,203	35,466	10,423,524	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033
Interest and rentals	1,288,010	1,756,491	1,820,387	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490
Other revenues	16,882	17,755	1,783	103,738	23,928	21,626	41,461	13,520	187,136	713
Total Revenues	\$ 3,889,786	\$ 6,905,445	\$ 7,888,496	\$ 18,074,483	\$ 7,604,316	\$ 9,344,420	\$ 11,638,265	\$ 11,331,600	\$ 11,466,285	\$ 15,615,129

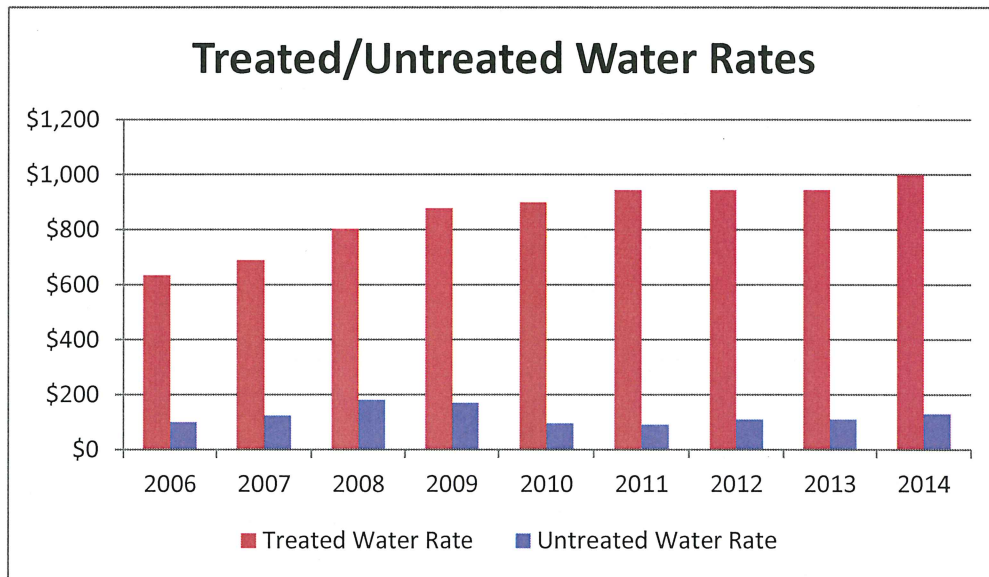
Source: Financial Statements



Zone 7 Water Agency
Treated/Untreated Water Rates
Ten-Year History
(In Acre Feet)
(Table 7)

Calendar Year	Treated Water Rate		Untreated Water Rate	
	Rate/AF	% Change Year over Year	Rate/AF	% Change Year over Year
2006	\$591	na	\$93	na
2007	\$635	7.5%	\$100	7.5%
2008	\$689	8.4%	\$124	24.0%
2009	\$804	16.2%	\$181	45.9%
2010	\$878	9.3%	\$171	-5.4%
2011	\$900	2.5%	\$97	-43.5%
2012	\$945	5.0%	\$92	-4.8%
2013	\$945	0.0%	\$110	20.0%
2014	\$945	2.7%	\$110	0.0%
2015	\$999	3.0%	\$130	17.7%

Source: Finance

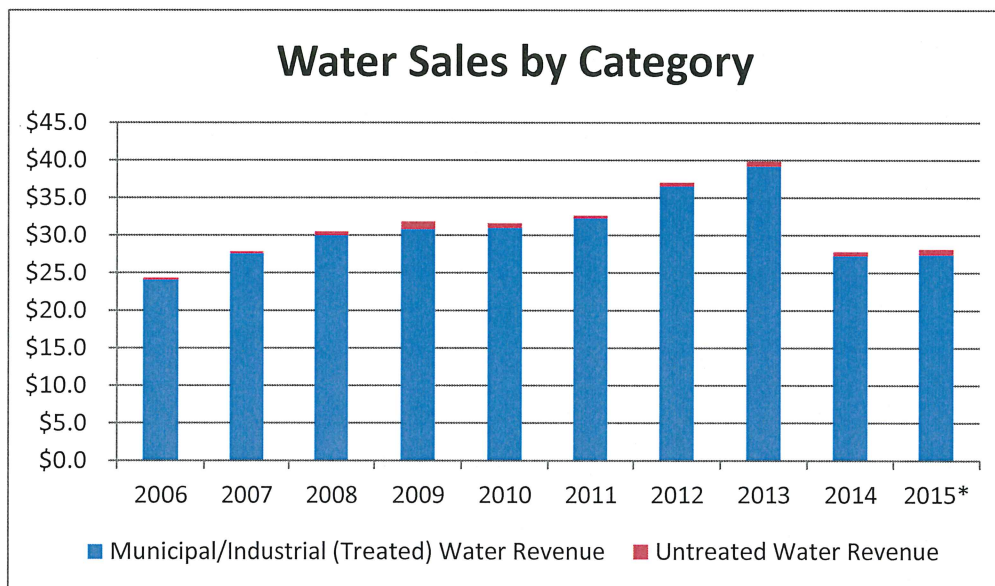


Zone 7 Water Agency
Water Sales by Category
 Ten-Year History
 (In Millions)
 (Table 8)

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2006	\$24.1	\$0.3	\$24.3
2007	\$27.6	\$0.3	\$27.9
2008	\$30.0	\$0.5	\$30.5
2009	\$30.8	\$1.0	\$31.9
2010	\$31.0	\$0.6	\$31.6
2011	\$32.3	\$0.4	\$32.6
2012	\$36.5	\$0.5	\$37.0
2013	\$39.2	\$0.7	\$39.9
2014	\$27.3	\$0.6	\$27.8
2015*	\$27.4	\$0.7	\$28.2

Source: Finance

*2015 values for both Treated & Untreated water are based on projected amounts not actual.



Zone 7 Water Agency
 Principal Treated Water Customers
 Current Complete Year Comparison to Nine Years Ago
 (Calendar Year)
 (Table 9)

2014

2005

Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption	Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption
City of Pleasanton	9,645	1	33%	City of Pleasanton	14,911	1	37%
Dublin San Ramon Services District	8,550	2	30%	Dublin San Ramon Services District	9,880	2	24%
California Water	5,405	3	19%	California Water	8,427	3	21%
City of Livermore	5,064	4	18%	City of Livermore	6,893	4	17%
All other treated water customers*	196	5	1%	All other treated water customers*	260	5	1%
Total Annual Consumption (AF)	28,860		100%	Total Annual Consumption (AF)	40,371		100%

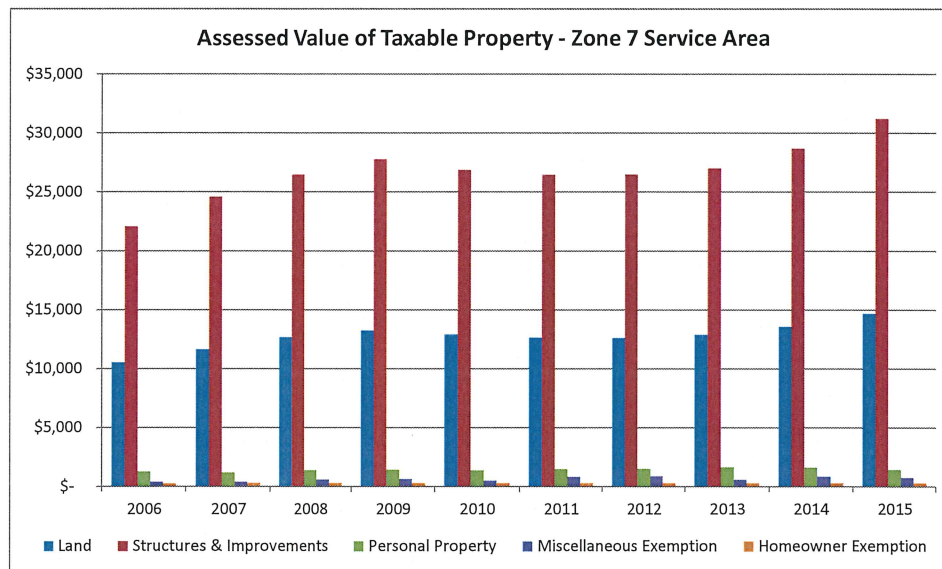
Source: Finance

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

Zone 7 Water Agency
 Assessed Value of Taxable Property - Zone 7 Service Area
 Last Ten Fiscal Years
 Fiscal Year Ended June 30
 (\$ Millions)
 (Table 10)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed Value of Taxable Property										
Land	\$ 10,533	\$ 11,645	\$ 12,677	\$ 13,263	\$ 12,927	\$ 12,660	\$ 12,635	\$ 12,905	\$ 13,587	\$ 14,680
Structures & Improvements	22,069	24,603	26,484	27,777	26,874	26,492	26,507	27,029	28,695	31,246
Personal Property	1,280	1,196	1,388	1,424	1,372	1,491	1,508	1,652	1,611	1,419
Miscellaneous Exemption	392	393	580	637	512	831	891	599	867	755
Subtotal	33,490	37,051	39,968	41,827	40,662	39,811	39,760	40,988	43,026	46,591
Homeowner Exemption	277	289	292	295	298	297	298	297	299	300
Net Total	\$ 33,213	\$ 36,762	\$ 39,675	\$ 41,532	\$ 40,363	\$ 39,514	\$ 39,462	\$ 40,690	\$ 42,727	\$ 46,291

Source: Alameda County Assessors Office



Zone 7 Water Agency
Property Tax Rates (1)
Direct and Overlapping Governments
(Rates per \$1,000 of assessed value)
Last Ten Fiscal Years
(Table 11)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Direct Rates:										
City of Livermore Direct Rates	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Overlapping Rates (2):										
School District	0.0830%	0.0692%	0.0626%	0.0616%	0.0674%	0.0635%	0.0627%	0.0607%	0.0596%	0.0497%
Community College	0.0158%	0.0159%	0.0164%	0.0183%	0.0195%	0.0211%	0.0214%	0.0219%	0.0214%	0.0217%
Bay Area Rapid Transit	0.0048%	0.0050%	0.0076%	0.0090%	0.0057%	0.0031%	0.0041%	0.0043%	0.0075%	0.0045%
Zone 7 Flood Control	0.0130%	0.0151%	0.0150%	0.0169%	0.0203%	0.0250%	0.0307%	0.0228%	0.0257%	0.0250%
Total Direct and Overlapping Rate	1.1166%	1.1052%	1.1016%	1.1058%	1.1129%	1.1127%	1.1189%	1.1097%	1.1142%	1.1009%

Source: Alameda County Treasurer and Tax Collector

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.

Zone 7 Water Agency
Property Tax Levies and Collections
Last Ten Fiscal Years
(Table 12)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Delinquent Tax Collections
		Amount	Percentage of Levy	
2006	\$ 4,652,745	\$ 4,652,745	100%	0%
2007	10,237,492	10,237,492	100%	0%
2008	11,911,136	11,911,136	100%	0%
2009	13,206,960	13,206,960	100%	0%
2010	14,003,380	14,003,380	100%	0%
2011	15,605,415	15,605,415	100%	0%
2012	17,790,156	17,790,156	100%	0%
2013	15,476,326	15,476,326	100%	0%
2014	17,218,185	17,218,185	100%	0%
2015	18,819,680	18,819,680	100%	0%

Source: Finance

Table
Zone 7 Water Agency
 Principal Property Tax Payers
 Current year and Nine Years Ago
 (Calendar Year)
 (Table 13)

2015

2006

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Agency Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Agency Assessed Value
Kaiser Foundation Health Plan	\$ 430,545,066	1	0.93%	Kaiser Foundation Health Plan	\$ 217,696,656	1	0.66%
Stoneridge Properties	243,030,900	2	0.53%	Peoplesoft Properties Inc	211,158,106	2	0.64%
SFI Pleasanton LLC	219,942,146	3	0.48%	Stoneridge Properties	208,253,549	3	0.63%
Turst NOIP Dublin LP	152,798,425	4	0.33%	6200 Stoneridge Mall Rd Inv	170,886,534	4	0.51%
Safeway, Inc	150,698,132	5	0.33%	Safeway, Inc	137,929,508	5	0.42%
Paragon Outlet Livermore Valley LLC	150,683,826	6	0.33%	Pleasant Property LLC	136,825,333	6	0.41%
Stoneridge Residential LLC	148,086,880	7	0.32%	Applera Corporation	127,812,476	7	0.38%
Applera Corporation	145,907,078	8	0.32%	Shops at Waterford LLC	120,381,158	8	0.36%
Tishman Speyer Archstone Smith	128,207,825	9	0.28%	Toll California II Limited Partnership	117,145,829	9	0.35%
Oracle America Inc/Peoplesoft	127,431,038	10	0.28%	Bit Holdings Fifty Six Inc	116,782,555	10	0.35%
	\$1,897,331,316		4.10%		\$ 1,564,871,704		4.71%

Source: City of Livermore, City of Pleasanton, and City of Dublin's Comprehensive Annual Financial Report

Zone 7 Water Agency
Water Enterprise Outstanding Debt by Type
Years 2006 -2035
(Table 14)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$	-	-	60,000,000	60,000,000	60,000,000	30,500,000	30,500,000	30,500,000	-	-

Source: Finance - Installment Sale Agreement dated 01/8/15

On January 15, 2008, the District signed an installment sale agreement with the Municipal Finance Corporation and Wells Fargo Bank for a tax-exempt revolving line of credit in the amount of \$60,000,000 for a six-year term. Effective January 19, 2011, the board approved reducing the line to a maximum amount of \$30,500,000. The line carried a variable interest rate based on a calculation of 81.41% of bank's Prime rate, less 2.3%.

Zone 7 Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years
(millions)
(Table 15)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 1,661	\$ 1,838	\$ 1,984	\$ 2,077	\$ 2,018	\$ 1,976	\$ 1,973	\$ 2,035	\$ 2,136	\$ 2,315
Total Net Debt Applicable to Limit	-	-	60	60	60	30.5	30.5	30.5	-	-
Legal Debt Margin	\$ -	\$ -	\$ 1,924	\$ 2,017	\$ 1,958	\$ 1,945	\$ 1,943	\$ 2,004	\$ 2,136	\$ 2,315

Total net debt applocated to the limit as a percentage of the debt limit

	0%	0%	3%	3%	3%	2%	2%	1%	0%	0%
--	----	----	----	----	----	----	----	----	----	----

Source: Alameda County Assessors Office and Finance

Zone 7 Water Agency
Demographic and Economic Statistics
For Alameda County and the Zone 7 Service Area
Ten Fiscal Years (2006-2015)
(Table 16)

Fiscal Year	Zone 7 Service Area (Acres)	Population Served the Agency's Service Area	Total Population Alameda County ¹	Total Personal Income County (\$ billions)	Per Capita Personal Income Alameda County ²	Unemployment Rate Alameda County ³	Consumer Price Index Alameda County (% change in CPI)
2006	272,000	199,000	1,444,484	\$ 69.10	\$ 47,803	4.6	3.2
2007	272,000	204,000	1,455,715	71.90	49,375	4.8	3.4
2008	272,000	211,000	1,477,208	73.50	49,791	6.1	3.0
2009	272,000	216,000	1,498,539	70.20	46,824	11.1	0.8
2010	272,000	220,000	1,513,527	72.40	47,854	11.3	1.3
2011	272,000	224,000	1,531,324	78.20	51,049	10.8	2.7
2012	272,000	229,000	1,553,960	84.50	54,379	9.5	2.7
2013	272,000	233,000	1,578,891	87.40	55,338	7.4	2.2
2014	272,000	239,000	1,584,516*	95.10*	58,454*	5.8	2.7*
2015	272,000	245,000	1,601,820*	101.40*	59,724*	5.2*	3.2*

Source: County Demographics - Alameda County Economic Forecast, CA Department of Transportation and the Alameda County FY 2013-24 Comprehensive Annual Financial Report

* 2014 and 2015 figures are forecasted estimates.

¹ Census Bureau midyear population estimates. Estimates for 2010-2013 reflect County population estimates available as of March 2014.

² Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2013 reflect County population estimates available as of March 2014.

³ Unemployment rates reflected as of June of each year (data from August 2014 release)

Zone 7 Water Agency
Principal Employers In Alameda County
Current Complete Year and Nine Years Ago
(Table 17)

Company/Organization	Business Type	City	Number of Employees January 1, 2014 (1)	Rank	Percentage of Total County Employment (2)	Number of Employees January 1, 2005 (1)	Rank	Percentage of Total County Employment (2)
University of California Berkeley (including Berkeley National Labs) (3)	Education	Berkeley	19,779	1	2.53%	22,753	2	3.10%
County of Alameda (4)	Local Government	Oakland	9,042	2	1.16%	6,925	5	0.94%
Kaiser Permanente Medical Group (3)	Health Care	Oakland	8,618	3	1.10%	25,070	1	3.42%
Lawrence Livermore National Laboratory (3)	Scientific & Technical Services	Livermore	8,007	4	1.02%	7,984	7	1.09%
Safeway Inc., (3)	Supermarkets & Other Grocery	Pleasanton	7,570	5	0.97%	10,000	4	1.36%
Alta Bates Summit Medical Center (3)	Health Care	Oakland, Berkeley	7,443	6	0.95%	5,000	12	0.68%
Oakland Unified School District (3)	Elementary & Secondary Schools	Oakland	5,660	7	0.72%	-	20+	-
City of Oakland (3)	Local Government	Oakland	4,604	8	0.60%	4,157	13	0.60%
Tesla Motors (3)	Automotive Mfg. & Energy Storage	Fremont	4,500	9	0.58%	-	20+	0.58%
Waste Management Inc. (3)	Waste Management & Environmental Services	Oakland	3,753	10	0.48%	-	-	-
Total Alameda County top 10 Employees			78,976		10.11%	81,889		11.77%

Source: Alameda County FY 2013-14 Comprehensive Annual Financial Report

- 1 The number of employees, except for County of Alameda and City of Oakland include Alameda County and Contra Costa County employees Total employment within County of Alameda is unavailable.
- 2 Percentage calculated based on Alameda County's Employment of 781,400 for 2014 and 734,100 for 2005 (Source: Employment Development Department)
- 3 Information from InfoGroup USA as of January 1, 2014. Information as of June 30, 2014 is not available, except for County of Alameda employer.
- 4 Information from County of Alameda's database as of June 30, 2014

Zone 7 Water Agency
 Full-time Equivalent District Employees by Function/Program Budget
 Last Ten Fiscal Years
 (Table 18)

Division/Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Office of the General Manager	10.3	12.3	13.3	13.8	13	10	14	7	7	8
Integrated Planning								7.5	7.5	8.5
Finance:										
Finance and Accounting	15	15	14	12	11	10	11	9	9	10
Employee Services	4	4	4	6	6	6	6	7	7	7
Engineering:										
Facilities Engineering	20.5	19.3	19.5	16	16	16	15	13	14	12
Groundwater Protection	4	6	6	7	9	9	8	7	7	8.5
Water Quality	10	7	7	7	7.5	7.5	7.5	7.5	7.5	7.5
Flood Control	8	8.2	8	3	7	7	6	5	5	6
Operations	29	29	29	29	25	24	24	24	24	24
Maintenance	10	10	10	19	18	19	19	19	19	20
Total FTE	110.8	110.8	110.8	112.8	112.5	108.5	110.5	106	107	111.5

Zone 7 Water Agency
Operating Indicators
Fiscal Years 2006-2015
(Table 19)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Enterprise System										
Total Groundwater pumped-water year (AF)	3,802	4,791	6,855	10,084	8,919	6,264	12,105	9,555	8,782	2,565
Total Artificial Stream Recharge (AF)	4,583	4,811	2,229	3,984	6,773	4,555	8,778	7,887	3,832	4,600
New water connections	1,774	1,245	797	539	544	412	489	1,187	928	1,195
Total drilling permits issued	224	229	182	100	130	140	149	159	193	110
Flood Protection System										
Flood Protection area managed (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	17	26	20	30	34	30	36	36	30	35
Flood Protection development reviews	65	57	76	47	27	31	15	18	13	13

Source: Agency Statistics

Zone 7 Water Agency
 Operating Information
 Capital Asset Statistics
 Fiscal Years 2006-2015
 (Table 20)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of treatment plants	2	2	2	3	3	3	3	3	3	3
Miles of pipeline	35	35	35	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	2	2
Number of wells operated	7	7	7	7	9	9	9	9	10	10
Total Groundwater storage (AF)	234,000	229,000	229,000	226,000	229,000	234,000	225,000	220,000	208,000	212,000
Total Groundwater operational storage-water year (AF)	106,000	101,000	101,000	98,000	101,000	106,000	97,000	92,000	80,000	84,000

Source: Agency Statistics

AF = acre foot = (43,560 cubic feet) = 325,851 gallons

This Page Left Intentionally Blank