

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7

BASIC FINANCIAL STATEMENTS

And

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

With

Independent Auditors' Report

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Zone 7's financial performance provides an overview of the Zones financial activities for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

1. Zone 7's net assets increased by \$20,148,133 or 6.01%. Governmental activities \$5,272,226, and Business-Type activities \$14,875,907.
2. The 10 MGD Dissolved Air Flotation Project at Del Valle Water Treatment Plant became in service July 1, 2007, and was capitalized from Construction in Progress at a cost of \$12,775,417. Also, prior period assets from the SCADA Project were added as of July 1, 2007 in the amount of \$2,505,779.
3. Water Sales Revenues within the Proprietary Funds increased \$1,951,496, 7.1%, while total Zone 7 Expenses decreased \$4,231,234, (7.8)% overall.
4. Construction in Progress at year-end include the Altamont Water Treatment Plant Site Acquisition and Pipeline Projects @ 23.1 million, the Wellhead Demineralization Project @ 17.4 million and the Chain of Lakes Wells 1 & 2 and Facilities and Improvements Projects @ 7.7 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Zone 7 as a whole and present a longer-term view of the Zone's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Zone's operations in more detail than the government-wide financial statements by providing information about the Zone's most significant funds. The remaining statements provide financial information about the activities for which Zone 7 acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting Zone 7 as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about Zone 7's finances is, "is Zone 7 as a whole better off or worse off as a result of this years activities?" The Statement of Net Assets and the Statement of Activities report information about Zone 7 as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Zone 7's net assets and the changes in them. You can think of Zone 7's net assets-the difference between assets and liabilities-as one way to measure Zone 7's financial health, or financial position. Over time, increases or decreases in Zone 7's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Zone's property tax base and the condition of the Zone's infrastructure to assess the overall health of Zone 7.

### Reporting Zone 7's Most Significant Funds

#### Fund Financial Statements

The fund financial statements begin on page 5 and provide detailed information about the most significant funds-not Zone 7 as a whole. Some funds are required to be established by State law and any bond covenants. However the Board of Directors establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money. Zone 7's two kinds of funds-governmental and proprietary-use different accounting approaches.

1) Governmental Funds-Basic services including Flood Control, State Water Project and Special Drainage Area Operations 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of Zone 7's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Zone 7's programs.

2) Proprietary Funds-Enterprise Activities including Water Sales, Capital Replacement and Renewal, Capital Expansion, Water Facilities Trust and Water Supply Trust, are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Net Activities, using the accrual method of accounting.

### Zone 7 as Trustee

#### Reporting Zone 7's Fiduciary Responsibilities

Zone 7 is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. The Zone's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Zone's other financial statements because the Zone cannot use these assets to finance its operations. Zone 7 is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ZONE 7 AS A WHOLE

Our analysis focuses on the net assets and changes in net assets of Zone 7's governmental-wide activities. A condensed comparative governmental-wide Statement of Net Assets and Statement of Activities and Changes in Net Assets follows:

Statement of Net Assets  
As of June 30, 2008 and 2007

	<u>Governmental-Wide Activities</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current and Other Assets	\$194,034,470	\$191,789,536
Capital Assets	<u>183,325,679</u>	<u>161,558,012</u>
Total Assets	<u>377,360,149</u>	<u>353,347,548</u>
Current Liabilities	14,985,252	19,746,518
Noncurrent Liabilities	<u>1,134,006</u>	<u>1,062,055</u>
Total Liabilities	<u>16,119,258</u>	<u>20,808,573</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	183,657,203	161,760,171
Unrestricted-Designated	162,647,965	158,418,209
Unrestricted-Undesignated	<u>14,935,723</u>	<u>12,360,595</u>
Total Net Assets	<u>\$361,240,891</u>	<u>\$332,538,975</u>

Statement of Activities and Changes in Net Assets  
Through the Year Ended June 30, 2008 and 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues		
Charges for Services	\$ 29,972,803	\$ 28,424,690
Grants and Other Contributions	340,633	914,600
Other Program Revenues	17,609,436	19,934,398
General Revenues		
Property Taxes	11,911,136	10,237,492
Investment Earnings and Other	<u>10,075,733</u>	<u>9,889,648</u>
Total Revenues	<u>69,909,741</u>	<u>69,400,828</u>
Expenses		
General Government	3,900,736	4,554,442
State Water Project	5,818,236	6,507,786
Special District Assessment Operations	1,673,214	2,738,371
Cost of Water Sales	27,847,084	27,334,311
Facility Use Fees-Capital Improvement Projects	3,989,242	3,223,297
Water Connection Fees-Capital Expansion Projects	<u>6,533,096</u>	<u>9,770,365</u>
Total Expenses	<u>49,761,608</u>	<u>54,128,572</u>
Increase (Decrease) in Net Assets	<u>\$ 20,148,133</u>	<u>\$ 15,272,256</u>

## General Fund Budgetary Highlights

Actual revenues and expenditures compared favorably to the final budget. A combined comparative budgetary statement for the Zone's general governmental funds (General and State Water Project) follows:

	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)	
			June 30, 2008	June 30, 2007
<b>Resources (inflows):</b>				
Taxes	\$11,423,977	\$11,911,136	\$ 487,159	\$ 1,603,743
Intergovernmental	95,032	231,034	136,002	511,580
Charges for Services	412,000	499,630	87,630	(139,197)
Interest and Rentals	699,660	1,071,042	371,382	486,704
Other	510,000	1,783	(508,217)	(492,245)
Amounts available for Appropriations	<u>13,140,669</u>	<u>13,714,625</u>	<u>573,956</u>	<u>1,970,585</u>
<b>Charges to appropriations (outflows):</b>				
Salaries and Benefits	1,199,470	1,555,217	(355,747)	(344,174)
Services and Supplies	25,959,107	8,163,755	17,795,352	14,136,789
Equipment and Cap. Struc.	362,679	-	362,679	(117,735)
Total Charges to Appropriations	<u>27,521,256</u>	<u>9,718,972</u>	<u>17,802,284</u>	<u>13,674,880</u>
Excess of Resources Over Charges to Appropriations	(14,380,587)	3,995,653	18,376,240	15,645,465
Fund Balance Allocations	<u>14,380,587</u>	<u>-</u>	<u>(14,380,587)</u>	<u>(14,487,599)</u>
Excess of Resources Over Charges to Appropriations	<u>\$ -</u>	<u>\$ 3,995,653</u>	<u>\$ 3,995,653</u>	<u>\$ 1,157,866</u>

A detailed Budgetary Comparison Statement of the General Fund and State Water Project Fund for the year ended June 30, 2008 can be found on page 7.

## Capital Assets

A summary of changes in Capital Assets, Proprietary Enterprise Fund and Governmental General Fund, can be found on page 18. Highlights include capitalizing the 10 MGD Dissolved Air Flotation Project at Del Valle Water Treatment Plant and the Construction in Progress mentioned above in the Financial Highlights. Detailed Construction in Progress Job descriptions as of June 30, 2008 can be found on Page 19, and complete Depreciation Schedules for the year ended June 30, 2008 can be found on pages 26-28.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

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*Low  
Accountancy  
David M. Low, CPA*

INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying basic financial statements of Alameda County Flood Control and Water Conservation District - Zone 7, as of June 30, 2008, and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of Alameda County Flood Control and Water Conservation District - Zone 7's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Alameda County Flood Control and Water Conservation District - Zone 7, at June 30, 2008, and the results of its activities, changes in net assets and cash flows of its proprietary fund, and the results of its activities and changes in fund balances of its governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Low Accountancy*

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Low Accountancy  
David M. Low, CPA

September 26, 2008



ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Primary Government		
<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash in County Treasury	\$ 49,757,365	\$136,153,857	\$185,911,222
Accounts Receivable, Net	35,926	7,997,322	8,033,248
Prepaid Expenses	-	90,000	90,000
Total Current Assets	<u>49,793,291</u>	<u>144,241,179</u>	<u>194,034,470</u>
Noncurrent Assets			
Capital Assets			
Rights of Way, Water Entitlements and Construction in Progress	4,930,534	88,220,693	93,151,227
Improvements and Equipment, Net of Depreciation	10,994,423	79,180,029	90,174,452
Total Noncurrent Assets	<u>15,924,957</u>	<u>167,400,722</u>	<u>183,325,679</u>
Total Assets	<u>65,718,248</u>	<u>311,641,901</u>	<u>377,360,149</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable and Accrued Expenses	321,731	5,844,939	6,166,670
Deposits-Water Facilities Trust	-	404,102	404,102
Deferred Revenues	-	8,414,480	8,414,480
Total Current Liabilities	<u>321,731</u>	<u>14,663,521</u>	<u>14,985,252</u>
Noncurrent Liabilities			
Compensated Absences Payable	-	1,134,006	1,134,006
Total Liabilities	<u>321,731</u>	<u>15,797,527</u>	<u>16,119,258</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	15,924,957	167,732,246	183,657,203
Unrestricted-Designated for Capital Projects	32,362,298	92,106,375	124,468,673
Specific Projects and Programs	10,868,214	27,311,078	38,179,292
Undesignated	<u>6,241,048</u>	<u>8,694,675</u>	<u>14,935,723</u>
Total Net Assets	<u>\$ 65,396,517</u>	<u>\$295,844,374</u>	<u>\$361,240,891</u>

The notes to the financial statements are an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
GOVERNMENT-WIDE FINANCIAL STATEMENTS -  
STATEMENT OF ACTIVITIES AND  
CHANGES IN NET ASSETS  
JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Grants and Other Contributions	Other Program Revenues	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
Governmental Activities						
General Government	\$ 3,900,736	\$ 185,294	\$ 1,783	\$ (3,678,193)	\$ -	\$ (3,678,193)
State Water Project	5,818,236	45,740	-	(5,308,332)	-	(5,308,332)
Special Drainage Area Operations	1,673,214	-	-	(1,673,214)	-	(1,673,214)
<b>Total Governmental Activities</b>	<b>11,392,186</b>	<b>231,034</b>	<b>1,783</b>	<b>(10,659,739)</b>	<b>-</b>	<b>(10,659,739)</b>
<b>Business-Type Activities</b>						
Water Sales	27,847,084	109,599	109,547	-	1,805,442	1,805,442
Facility Use Fees-Capital Improvement	3,989,242	-	1,352,413	-	(2,636,504)	(2,636,504)
Water Connection Fees-Capital Expansion	6,533,096	-	16,145,693	-	9,652,065	9,652,065
<b>Total Business-Type Activities</b>	<b>38,369,422</b>	<b>109,599</b>	<b>17,607,653</b>	<b>-</b>	<b>8,821,003</b>	<b>8,821,003</b>
<b>Total Primary Government</b>	<b>\$ 49,761,608</b>	<b>\$ 340,633</b>	<b>\$ 17,609,436</b>	<b>(10,659,739)</b>	<b>8,821,003</b>	<b>(1,838,736)</b>
<b>General Revenues:</b>						
Taxes						
Property Taxes						
Secured				10,959,477	-	10,959,477
Unsecured				539,321	-	539,321
Supplemental				412,338	-	412,338
Investment Earnings				2,136,841	6,023,904	8,160,745
Rental Charges				24,661	31,000	55,661
Transfers				1,995,057	-	1,995,057
General Expenditures: Depreciation				(135,730)	-	(135,730)
<b>Total General Revenues, Expenditures and Transfers</b>				<b>15,931,965</b>	<b>6,054,904</b>	<b>21,986,869</b>
Change in Net Assets				5,272,226	14,875,907	20,148,133
Net Assets-Beginning of Year				60,124,291	272,414,684	332,538,975
Prior Period Adjustments				-	8,553,783	8,553,783
<b>Net Assets-End of Year</b>				<b>\$ 65,396,517</b>	<b>\$ 295,844,374</b>	<b>\$ 361,240,891</b>

The notes to the financial statements are an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
GOVERNMENTAL FUND FINANCIAL STATEMENTS  
COMBINED BALANCE SHEET  
JUNE 30, 2008

	State Water Project	SDA Operations	Totals June 30, 2008	Totals June 30, 2007
<u>ASSETS</u>				
Current Assets				
Cash in County Treasury	\$17,970,985	\$5,269,405	\$49,757,365	\$44,405,895
Accounts Receivable, Net	35,926	-	35,926	293,979
Total Assets	<u>\$18,006,911</u>	<u>\$5,269,405</u>	<u>\$49,793,291</u>	<u>\$44,699,874</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable and Accrued Expenses	\$ 293,920	\$ 27,811	\$ 321,731	\$ 636,270
Total Liabilities	<u>293,920</u>	<u>27,811</u>	<u>321,731</u>	<u>636,270</u>
<u>FUND BALANCE</u>				
Unreserved - Designated for Capital Projects	6,658,908	25,703,390	32,362,298	29,324,790
Specific Projects and Programs	4,813,035	785,774	10,868,214	8,783,429
Unreserved - Undesignated	<u>6,241,048</u>	-	<u>6,241,048</u>	<u>5,955,385</u>
Total Fund Balance	<u>17,712,991</u>	<u>26,489,164</u>	<u>49,471,560</u>	<u>44,063,604</u>
Total Liabilities and Fund Balance	<u>\$18,006,911</u>	<u>\$5,269,405</u>	<u>\$26,516,975</u>	
Amounts reported for governmental activities in the statement of net assets are different from the government-wide statement of net assets because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Net assets of governmental activities			<u>15,924,957</u>	<u>16,060,687</u>
			<u>\$65,396,517</u>	<u>\$60,124,291</u>

The notes to the financial statements are  
an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
GOVERNMENTAL FUND FINANCIAL STATEMENTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008

	General	State Water Project	SDA Operations	Totals June 30, 2008	Totals June 30, 2007
<b>Revenues:</b>					
Taxes	\$ 5,845,566	\$ 6,065,570	\$ -	\$ 11,911,136	\$ 10,237,492
Intergovernmental Revenues	185,294	45,740	-	231,034	603,680
Charges for Services	35,466	464,164	-	499,630	429,803
Interest and Rentals	729,927	341,115	1,090,460	2,161,502	2,018,824
Other Revenues	<u>1,783</u>	-	-	<u>1,783</u>	<u>17,755</u>
Total Revenues	<u>6,798,036</u>	<u>6,916,589</u>	<u>1,090,460</u>	<u>14,805,085</u>	<u>13,307,554</u>
<b>Expenditures:</b>					
Salaries and Employee Benefits					
Transferred from District-Wide	1,555,217	-	493,080	2,048,297	1,896,753
Services and Supplies	<u>2,345,519</u>	<u>5,818,236</u>	<u>1,180,134</u>	<u>9,343,889</u>	<u>11,768,111</u>
Total Expenditures	<u>3,900,736</u>	<u>5,818,236</u>	<u>1,673,214</u>	<u>11,392,186</u>	<u>13,664,864</u>
Excess Revenues Over (Under)	2,897,300	1,098,353	(582,754)	3,412,899	(357,310)
Expenditures					
Other Financing Sources (Uses):					
Operating Transfers In (Out)	-	-	1,995,057	1,995,057	1,860,400
Fund Balance, Beginning of Year	14,815,691	4,171,052	25,076,861	44,063,604	42,560,514
Fund Transfer In (Out)	-	-	-	-	-
Fund Balance, End of Year	<u>\$17,712,991</u>	<u>\$5,269,405</u>	<u>\$26,489,164</u>	<u>\$49,471,560</u>	<u>\$44,063,604</u>

The notes to the financial statements are an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
 WATER CONSERVATION DISTRICT - ZONE 7  
 GOVERNMENTAL FUND FINANCIAL STATEMENTS  
 BUDGETARY COMPARISON STATEMENT  
 GENERAL AND STATE WATER PROJECT FUNDS  
 YEAR ENDED JUNE 30, 2008

	General Fund				State Water Project				
	Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive(Neg.)
	Original	Final	Budgetary Basis	Final Budget	Original	Final	Budgetary Basis		
Resources (inflows):									
Taxes	\$ 4,812,149	\$ 5,745,377	\$5,845,566	\$ 100,189	\$ 5,678,600	\$ 5,678,600	\$6,065,570	\$ 386,970	
Intergovernmental Revenues	51,963	54,532	185,294	130,762	40,500	40,500	45,740	5,240	
Charges for Services	39,000	39,000	35,466	(3,534)	373,000	373,000	464,164	91,164	
Interest and Rentals	529,660	529,660	729,927	200,267	170,000	170,000	341,115	171,115	
Other Revenues	10,000	10,000	1,783	(8,217)	500,000	500,000	-	(500,000)	
Amounts available for appropriations	5,442,772	6,378,569	6,798,036	419,467	6,762,100	6,762,100	6,916,589	154,489	
Charges to appropriations (outflows):									
Salaries and Benefits	1,199,470	1,199,470	1,555,217	(355,747)	-	-	-	-	
Services and Supplies	16,086,004	15,478,652	2,345,519	13,133,133	10,480,455	10,480,455	5,818,236	4,662,219	
Equipment and Capital Structures	381,679	362,679	-	362,679	-	-	-	-	
Total charges to appropriations	17,667,153	17,040,801	3,900,736	13,140,065	10,480,455	10,480,455	5,818,236	4,662,219	
Excess (Deficiency) of Resources Over Charges to Appropriations	(12,224,381)	(10,662,232)	2,897,300	13,559,532	(3,718,355)	(3,718,355)	1,098,353	4,816,708	
Fund Balance Allocations	12,224,381	10,662,232	-	(10,662,232)	3,718,355	3,718,355	-	(3,718,355)	
Excess (Deficiency) of Resources Over Charges to Appropriations	\$ -	\$ -	\$ 2,897,300	\$ 2,897,300	\$ -	\$ -	\$ 1,098,353	\$ 1,098,353	

The notes to the financial statements are an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
PROPRIETARY FUND FINANCIAL STATEMENTS  
COMBINED STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion	Water Facilities Trust	Water Supply Trust	Totals June 30, 2008	Totals June 30, 2007
<b>ASSETS</b>							
Current Assets							
Cash in County Treasury	\$ 21,005,244	\$25,780,672	\$81,499,077	\$3,311,145	\$4,557,719	\$136,153,857	\$139,069,230
Accounts Receivable, Net	6,925,775	31,980	1,039,567	-	-	7,997,322	7,930,432
Prepaid Deposits	<u>90,000</u>	-	-	-	-	<u>90,000</u>	<u>90,000</u>
Total Current Assets	<u>28,021,019</u>	<u>\$25,812,652</u>	<u>\$82,538,644</u>	<u>3,311,145</u>	<u>4,557,719</u>	<u>144,241,179</u>	<u>147,089,662</u>
Noncurrent Assets							
Capital Assets-Rights of Way, Water Entitlements & Construction in Progress Improvements, Net of Depr.	88,220,693	-	-	-	-	88,220,693	77,492,287
Total Noncurrent Assets	<u>167,400,722</u>	-	-	-	-	<u>167,400,722</u>	<u>68,005,038</u>
Total Assets	<u>\$195,421,741</u>	<u>\$25,812,652</u>	<u>\$82,538,644</u>	<u>\$3,311,145</u>	<u>\$4,557,719</u>	<u>\$311,641,901</u>	<u>\$292,586,987</u>
<b>LIABILITIES</b>							
Current Liabilities							
Accounts Payable and Accrued Expenses	\$ 1,628,856	\$ 1,037,950	\$ 3,178,133	\$ -	\$ -	\$ 5,844,939	\$ 3,167,163
Deposits	-	-	8,414,480	404,102	-	404,102	6,756,950
Deferred Revenues	-	-	-	-	-	8,414,480	9,186,135
Total Current Liabilities	<u>1,628,856</u>	<u>1,037,950</u>	<u>11,592,613</u>	<u>404,102</u>	<u>-</u>	<u>14,663,521</u>	<u>19,110,248</u>
Noncurrent Liabilities							
Compensated Absences	1,134,006	-	-	-	-	1,134,006	1,062,055
Total Liabilities	<u>2,762,862</u>	<u>1,037,950</u>	<u>11,592,613</u>	<u>404,102</u>	<u>-</u>	<u>15,797,527</u>	<u>20,172,303</u>
<b>NET ASSETS</b>							
Invested in Capital Assets, Net of Related Debt	167,732,246	-	-	-	-	167,732,246	145,699,484
Unrestricted-Designated for Capital Projects	4,155,655	23,531,438	64,419,282	-	-	92,106,375	100,549,356
Designated Projects	12,076,303	1,243,264	6,526,749	2,907,043	4,557,719	27,311,078	19,760,634
Undesignated	<u>8,694,675</u>	-	-	-	-	<u>8,694,675</u>	<u>6,405,210</u>
Total Net Assets	<u>192,658,879</u>	<u>24,774,702</u>	<u>70,946,031</u>	<u>2,907,043</u>	<u>4,557,719</u>	<u>295,844,374</u>	<u>272,414,684</u>
Total Liabilities and Net Assets	<u>\$195,421,741</u>	<u>\$25,812,652</u>	<u>\$82,538,644</u>	<u>\$3,311,145</u>	<u>\$4,557,719</u>	<u>\$311,641,901</u>	<u>\$292,586,987</u>

The notes to the financial statements are an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
PROPRIETARY FUND FINANCIAL STATEMENTS  
COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008

	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion	Water Facilities Trust	Water Supply Trust	Totals June 30, 2008	Totals June 30, 2007
<b>Revenues:</b>							
Water Sales	\$ 29,416,874	\$ -	\$ -	\$ -	\$ -	\$ 29,416,874	\$ 27,465,378
Intergovernmental Revenues	109,599	-	-	-	-	109,599	310,920
Charges for Services	16,506	325	39,468	-	-	56,299	536,653
Other Revenues	64,455	9,253	55,831	45,092	-	174,631	126,585
<b>Total Revenues</b>	<u>29,607,434</u>	<u>9,578</u>	<u>95,299</u>	<u>45,092</u>	<u>-</u>	<u>29,757,402</u>	<u>28,439,896</u>
<b>Expenses:</b>							
Salaries, Wages and Benefits	9,866,500	1,009,412	2,812,063	-	-	13,687,975	12,857,943
Contractual Services	2,262,979	8,296,378	15,371,901	-	-	25,931,258	20,811,513
Supplies	152,050	-	-	-	-	152,050	162,464
Chemical Purchases	2,262,815	-	-	-	-	2,262,815	1,945,162
Water Purchases	4,283,474	-	3,204,506	-	-	7,487,980	5,302,603
Water Storage	375,050	-	1,233,351	-	-	1,608,401	3,002,401
Utilities	1,132,234	151,922	13,034	-	-	1,297,190	1,295,976
Maintenance and Repairs	2,451,828	-	-	-	-	2,451,828	2,361,166
Equipment and Building Rents	83,595	473,672	380,411	-	-	937,678	935,139
Office Expenses	1,031,747	128,435	755,076	-	-	1,915,258	1,555,175
Risk Management	192,529	-	-	-	-	192,529	211,042
Depreciation	3,752,283	-	-	-	-	3,752,283	4,989,625
Expenses Capitalized	-	(6,070,577)	(17,237,246)	-	-	(23,307,823)	(15,102,236)
<b>Total Expenses</b>	<u>27,847,084</u>	<u>3,989,242</u>	<u>6,533,096</u>	<u>-</u>	<u>-</u>	<u>38,369,422</u>	<u>40,327,973</u>
<b>Net Operating Income (Loss)</b>	<u>1,760,350</u>	<u>(3,979,664)</u>	<u>(6,437,797)</u>	<u>45,092</u>	<u>-</u>	<u>(8,612,019)</u>	<u>(11,888,077)</u>
<b>Other Income (Expenses):</b>							
Connection Fees	-	1,343,160	16,089,862	-	-	17,433,022	19,782,554
Interest Income and Rental Fees	901,229	1,186,164	3,644,342	135,699	187,470	6,054,904	6,010,424
Operating Transfers In (Out), Net	186,093	(2,643)	(183,450)	-	-	-	-
<b>Total Other Income (Expenses)</b>	<u>1,087,322</u>	<u>2,526,681</u>	<u>19,550,754</u>	<u>135,699</u>	<u>187,470</u>	<u>23,487,926</u>	<u>25,792,978</u>
<b>Net Income (Loss)</b>	<u>2,847,672</u>	<u>(1,452,983)</u>	<u>13,112,957</u>	<u>180,791</u>	<u>187,470</u>	<u>14,875,907</u>	<u>13,904,901</u>
<b>Net Assets, Beginning of Year</b>	<u>169,677,574</u>	<u>26,853,452</u>	<u>75,070,321</u>	<u>2,776,252</u>	<u>(1,962,915)</u>	<u>272,414,684</u>	<u>258,509,783</u>
<b>Prior Period Adjustments</b>	<u>2,270,619</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>6,333,164</u>	<u>8,553,783</u>	<u>-</u>
<b>Net Asset Transfer In (Out)</b>	<u>17,863,014</u>	<u>(625,767)</u>	<u>(17,237,247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$192,658,879</u>	<u>\$24,774,702</u>	<u>\$70,946,031</u>	<u>\$2,907,043</u>	<u>\$ 4,557,719</u>	<u>\$295,844,374</u>	<u>\$272,414,684</u>

The notes to the financial statements are an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
PROPRIETARY FUND FINANCIAL STATEMENTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008

Increase (Decrease) In Cash and Cash Equivalents:	<u>Total Proprietary Funds</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash Flows From (Used For) Operations:		
Receipts From Customers	\$ 29,690,513	\$ 26,701,615
Payments To Employees	(13,616,024)	(12,842,529)
Payments To Suppliers	(17,186,108)	(25,126,322)
Net Cash From (Used For) Operations	<u>(1,111,619)</u>	<u>(11,267,236)</u>
Cash Flows From Noncapital Financing Activities:		
Interest Income and Rental Fees	<u>6,054,904</u>	<u>6,010,424</u>
Net Cash From Noncapital Financing	<u>6,054,904</u>	<u>6,010,424</u>
Cash Flows From Capital and Related Financing Activities:		
Connection Fees	17,433,022	19,782,554
Purchase of Property, Plant and Equip.	(25,291,680)	(14,752,842)
Net Asset Transfers In	17,863,014	13,867,389
Net Asset Transfers Out	<u>(17,863,014)</u>	<u>(13,867,389)</u>
Net Cash From (Used For) Capital and Related Financing Activities	<u>(7,858,658)</u>	<u>5,029,712</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,915,373)	(227,100)
Cash and Cash Equivalents - Beg. Of Year	<u>139,069,230</u>	<u>139,296,330</u>
Cash and Cash Equivalents - End Of Year	<u>\$136,153,857</u>	<u>\$139,069,230</u>
Reconciliation of Operating Income (Loss) To Net Cash From (Used For) Operations:		
Operating Income (Loss)	\$ (8,612,019)	\$ (11,888,077)
Adjustments Not Affecting Cash:		
Depreciation	3,752,283	4,989,625
Prior Period Adjustments	8,553,783	-
Changes in Assets and Liabilities:		
Receivables	(66,890)	(1,442,162)
Accounts payable	2,677,776	(1,475,939)
Accrued compensation	71,951	15,414
Deposits and Deferred Revenues	<u>(7,488,503)</u>	<u>(1,466,097)</u>
Total Adjustments	<u>7,500,400</u>	<u>620,841</u>
Net Cash From (Used For) Operations	<u>\$ (1,111,619)</u>	<u>\$ (11,267,236)</u>

The notes to the financial statements are  
an integral part of this statement.



ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
FIDUCIARY FUND FINANCIAL STATEMENTS  
STATEMENT OF FIDUCIARY NET ASSETS  
GOVERNMENTAL SPECIAL DRAINAGE AREA TRUST FUND  
JUNE 30, 2008

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<u>ASSETS</u>		
Cash in County Treasury	\$9,097,452	\$7,530,194
Investments	-	-
Receivables:		
Accrued interest	<u>-</u>	<u>-</u>
Total	<u>\$9,097,452</u>	<u>\$7,530,194</u>
 <u>LIABILITIES</u>		
Liabilities:		
Deposits	\$9,097,452	\$7,530,194
Due to other governments	<u>-</u>	<u>-</u>
Total Liabilities	<u>9,097,452</u>	<u>7,530,194</u>
 <u>NET ASSETS</u>		
Unrestricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>-</u>	<u>-</u>
Total Liabilities and And Net Assets	<u>\$9,097,452</u>	<u>\$7,530,194</u>

The notes to the financial statements are  
an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
FIDUCIARY FUND FINANCIAL STATEMENTS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
GOVERNMENTAL SPECIAL DRAINAGE AREA TRUST FUND  
YEAR ENDED JUNE 30, 2008

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>Additions:</b>		
Developer Contributions	\$1,694,985	\$1,732,366
Interest and revenues	<u>371,375</u>	<u>306,056</u>
Total Additions	<u>2,066,360</u>	<u>2,038,422</u>
<b>Deductions:</b>		
Services and supplies	-	-
Structures and improvements	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
Net Increase (Decrease) Before Transfers	2,066,360	2,038,422
Transfers to SDA Operations Fund	<u>(2,066,360)</u>	<u>(2,038,422)</u>
Net Increase (Decrease)	<u>-</u>	<u>-</u>
Net Assets, Beginning Of Year	<u>-</u>	<u>-</u>
Net Assets, End Of Year	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are  
an integral part of this statement.

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT - ZONE 7  
NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Description of Reporting Entity

Alameda County Flood Control and Water Conservation District-Zone 7 is a public corporation, organized and existing under the constitution and laws of the State of California. Zone 7 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 Zone 7 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting purposes. Zone 7 has elected implementation of GASB Statement Nos. 33 and 34 and these statements are presented according to those requirements. The more significant of Zone 7's accounting policies are described below.

B. Basis of Accounting/Measurement Focus

The accounts of Zone 7 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which the spending activities are controlled.

Government-Wide Financial Statements

The Zone 7 Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for Zone 7 accompanied by a total column. Fiduciary activities of Zone 7 are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of Zone 7's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for Zone 7 are reported in three categories: 1) charges for services, 2) grants and other contributions, and 3) other program revenues.

### Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Combined Balance Sheet, a Combined Statement of Revenues, Expenditures and Changes in Fund Balance and a Budgetary Comparison Statement. All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except the revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by Zone 7 are property taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

### Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. These include the expendable Water Facilities and Water Supply Trust Funds. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

### Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. Zone 7's Fiduciary funds represent Agency Funds, (Reimbursable Special Drainage Area Developer Fees), which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

### C. Capital Assets & Prior Period Adjustment

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Zone 7 accounts for all equipment purchases in excess of \$5,000 in accordance with the policy established by the Alameda County Auditor-Controller. All other capital assets including improvements and infrastructure are capitalized on a project-by-project basis, as determined by Zone 7's engineering staff and GASB Statement No. 34 requirements. As of July 1, 2002, Zone 7 also adheres to Auditor-Controllers policy of capitalizing land in excess of \$5,000, infrastructure, buildings, improvements, and land improvements in excess of \$250,000 and software in excess of \$1,000,000.

Prior Period Adjustment-In adherence to the above policies, as of June 30, 2007, Zone 7 reconciled its Proprietary infrastructure and equipment assets with Alameda County's records. Certain infrastructure and equipment assets and their related accumulated depreciation were removed, and certain infrastructure assets, in particular, SCADA Project, were added resulting in a net increase to fixed asset fund balances of \$2,270,619.

In accordance with GASB Statement No. 34, Zone 7 has determined inclusion of their governmental infrastructure capital assets (flood control channels and their related right of ways). As of June 30, 2003, the engineering staff has identified 37 miles of flood control channels within the boundaries of its service area. Staff was able to determine the historical cost or estimated historical cost of the 37 identified miles. As a result of the required adjustment, beginning net assets-governmental activities were restated at June 30, 2002 to include the net book value of the 37 miles (\$8,180,032).

Depreciation of all exhaustible capital assets is charged as an expense against their operations. Accumulated depreciation is reported on their balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

<u>Capital Asset</u>	<u>Useful Life</u>
Treatment Plants	40 years
Treatment Plant 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	100 years
Rights of Way	Indefinite
Water Entitlements	Indefinite

D. Budgets and Budgetary Accounting - Governmental Fund Financial Statements

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

Budgets for the Governmental Funds are prepared to include encumbrances at year-end. Budget comparisons presented are on this Non-GAAP budgetary basis.

E. 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 General Fund and Special Revenue Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Compensated Absences - Proprietary Fund Financial Statements

The District has accrued a liability for vacation pay and overtime compensation which has been earned but not taken in pay by District employees. The liability for compensated absences is recorded as an accrued liability in accordance with Statement 16 of the Governmental Accounting Standards Board. Commencing January 1, 2000, Alameda County will recognize accrued vacation to a 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 District, 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.

G. Compensated Absences - Governmental Fund Financial Statements

As discussed below, Zone 7's Flood Control payroll is recorded in the Zone 7 Water Enterprise Fund and then allocated to the various funds in the Agency. This allocation includes charges based on actual time and weighted labor rates. The vacation expenditure of the Zone is a portion of unapplied payroll which is allocated to each fund on a pro-rata basis.

H. Payroll - Governmental Fund Financial Statements

All Zone 7's payroll is recorded on the books of the Alameda County Flood Control and Water Conservation District - Zone 7 Water Enterprise Fund. The charges are then allocated to the appropriate Governmental Fund. For the fiscal year ending June 30, 2008, payroll in Governmental Funds amounted to \$2,048,297.

I. Property Taxes - Governmental Fund Types

Property tax revenues are recognized for the period in which they are levied. All actual receipts of taxes plus taxes collected by Alameda County and transferred to the District within 60 days after the end of the year have been considered current year income. Alameda County imposes a lien date of March 1, levy date of September 1, due dates of November 1 and February 1 and delinquent dates of December 10 and April 10.

J. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investments held with the Alameda County Treasury, as described in Note 11, to be cash equivalents.

K. Pervasiveness 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 disclosures 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.

2. Changes in Capital Assets

A summary of changes in improvements, infrastructure and equipment for the Proprietary-Enterprise Fund is as follows:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Rights-of Way	\$ 60,800	\$ 196,000	\$ -	\$ 256,800
Grading & Paving	378,056	-	-	378,056
Reservoir	2,098,321	-	164,124	1,934,197
Treatment				
Plants	59,139,939	12,775,417	2,066,028	69,849,328
Pipelines	14,647,059	1,231,289	191,986	15,686,362
Equipment	2,397,628	84,041	146,466	2,335,203
Office Building	1,370,970	-	106,719	1,264,251
Wellfields	14,571,294	-	1,080,291	13,491,003
SCADA Project	7,198,885	2,505,779	-	9,704,664
Water Entitlements	36,655,364	-	-	36,655,364
Construction				
in progress	<u>40,776,123</u>	<u>21,451,355</u>	<u>10,918,949</u>	<u>51,308,529</u>
	<u>\$179,294,439</u>	<u>\$38,243,881</u>	<u>\$14,674,563</u>	<u>\$202,863,757</u>

A depreciation schedule for the above Enterprise Assets can be found on Pages 26-27.

A summary of changes in improvements and infrastructure for the Governmental General Fund is as follows:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Rights of Way	\$ 4,930,534	\$ -	\$ -	\$ 4,930,534
Flood Control				
Channels	<u>13,572,970</u>	<u>-</u>	<u>-</u>	<u>13,572,970</u>
	<u>\$ 18,503,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,503,504</u>

A depreciation schedule for the above Governmental Assets can be found on Page 28.



Construction in Progress is composed of the following:

	Expended as of June 30, 2008		
	<u>Contract</u>	<u>Other</u>	<u>Total</u>
Emergency Generators	\$ 688,531	336,557	\$1,025,088
CIMIS Weather Station	127	11,165	11,292
Wellhead Demin. I/II	16,069,257	1,364,510	17,433,767
Intrsn. Alarms 4 Prod. & Dist.	297,813	167,032	464,845
PPWTP-Rapid Mixer Improvements	36,106	19,308	55,414
DV/PPWTP-Taste & Odor Treatm.	220,918	149,873	370,791
PPWTP-Improvement Project	109,855	106,322	216,177
DV Suprpulstr & Drain Sys Imp.	-	14,226	14,226
PPWTP Ammonia Fac. Repl. Proj	39,007	130,805	169,812
DVWTP-Flash Mixer Replacement	8,515	28,815	37,330
PP Ammntn Sys Cnvrnsn Pr-Vacm	-	18,071	18,071
PPWTP Roof Replacement Proj	21,282	-	21,282
DV 3&4.5 MG Clrwl1 Recoat	32,158	7,626	39,784
PPWTP Naocl Tank Renwl/Replac	-	6,369	6,369
Chain of Lakes Wells 1 & 2	3,429,260	1,148,442	4,577,702
El Charro Pipeline 1	2,651	17,157	19,808
AWTP-Site Acquis/Raw H2O T	13,568,960	1,901,117	15,470,077
2007 PWTP UF Plant Modifica.	225,111	350,049	575,160
UF Plant Ferric Chlor Storage	32,199	70,360	102,559
Altamont WTP	383,026	1,397,184	1,780,210
Altamont Pipeline-Liv Reach	1,534,030	3,629,300	5,163,330
Altamont Pipeline-County Rea	6,210	593,414	599,624
CEQA Lake H Divers	140,346	129,806	270,152
Chain of Lakes Facilities & I	1,037,670	1,340,439	2,378,109
Lake I South Road & Ramps	361,548	126,002	487,550
Totals	<u>\$38,244,580</u>	<u>\$13,063,949</u>	<u>\$51,308,529</u>

### 3. Lease Obligations

On June 4, 2003, Zone 7 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 escalating operating lease, with annual rents to start at \$986,831 to \$1,302,133 through year 15, with a purchase option of \$12,153,000. Occupancy started February 19, 2005, and for the year ended June 30, 2008, Zone 7 paid \$1,069,958. A schedule of future rents is as follows:

Fiscal Year Ending	Lease Obligation
June 30, 2009	\$ 1,056,002
June 30, 2010	1,076,993
June 30, 2011	1,098,560
June 30, 2012	1,120,585
June 30, 2013	1,143,017
Remaining Balance	<u>8,114,071</u>
Total	<u>\$13,609,228</u>

### 4. Deferred Compensation Plan

The District adopted a deferred compensation plan created in accordance with Internal Revenue Code Section 457 for the benefit of its employees in 1974. This plan allows all eligible employees to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of retirement compensation deferred under the plans, all property and rights purchased with those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. Contributions are deducted from the payroll of enrolled employees and remitted to the trustee and plan administrator, Prudential Retirement Services, Inc. Administration, custodian and other fees are paid by the investment companies.

### 5. Litigation

There are no pending lawsuits against Zone 7 arising from the normal course of business.

6. Retained Earnings - Unrestricted - Designated for Capital Projects - Proprietary Fund Financial Statements

On June 6, 1979, the Board of Directors passed Resolution No. 913 which designated cash fund 21874 as the "Zone 7 Capital Facilities Expansion Improvement and Replacement Fund". This resolution also approved a \$1,000,000 transfer from the General Fund to the Capital Replacement Fund and approved further transfers from time to time as approved by the General Manager. During the fiscal year ended June 30, 1995, Fund 21875 was established as a Capital Expansion Fund. Fund 21874 remained as the Improvement and Replacement fund.

The net assets as of June 30, 2008, consists of the following:

Cash in County Treasury, net of payables-Fund 21874	\$23,531,438
Cash in County Treasury, net of payables-Fund 21875	<u>64,419,282</u>
Designated for Capital Facilities Expansion, Improvements and Replacements	<u>\$ 87,950,720</u>

7. Retained Earnings - Unrestricted -Designated for Designated Projects and Programs - Proprietary Fund Financial Statements

As indicated in Note 3, Zone 7 has an option to purchase the building and has established reserves in its proprietary and governmental funds. The reserved building fund balance as of June 30, 2008, is \$2,267,109 in proprietary funds and \$699,399 in governmental funds. In addition to the above, the Board of Directors has designated \$4,681,000 to the Reserve for DWR Charges Fund, \$5,000,000 to the Rate Stabilization Fund, \$5,782,103 to the Operating/Emergency Reserve Fund, and \$2,116,104 to Designated Account Reserves.

8. Current Liabilities - Deferred Revenue - Treated Connection Fees Proprietary Fund Financial Statements

In December, 2000, the Zone purchased 10,000 acre-feet of water entitlements, bringing its total State Water Project annual entitlements to 80,619 acre-feet. The purchase is intended to supply water to the North Livermore area, and was funded by 2,035 prepaid treated connection fees at \$4,915/connection. The \$10,000,000 prepayment is considered deferred revenue until the developer or subsequent purchaser utilizes the connection entitlement. Through the year ended June 30, 2008, new construction has commenced on 323 parcels, bringing the deferred balance to \$8,414,480.

9. Water Facilities Trust - Reclamation Project - Proprietary Fund Financial Statements & Prior Period Adjustment

During the fiscal year ended June 30, 1989, Zone 7 executed agreements with various sand and gravel companies in order to preserve the Zone's ability to maintain water quality and quantity within the land areas that the sand and gravel companies will be mining. The agreements specify that annual reclamation fees be paid to Zone 7 based on the amount of sand and gravel sold by the companies. Zone 7 intends to use these funds to restore and maintain the water resources of the mined areas. The funds are included in the Water Facilities Trust, and total \$2,907,043 at June 30, 2008. A prior period adjustment of \$50,000 was made to reduce an old receivable.

10. Water Supply Trust - Proprietary Fund Financial Statements & Prior Period Adjustment

As described in Note 16, when escrow closed in February, 2000, Zone 7 created a "Water Supply Trust" to disburse payments in accordance with the escrow agreement, various contracts and amendments. At June 30, 2008, the Trust had the following assets, liabilities and net assets:

Cash in County Treasury		<u>\$ 4,557,719</u>
Water Trust Deposits @ June 30, 2007	\$6,333,164	
Prior Period Adjustment to reclassify prior period payments to Fund Balance	<u>(6,333,164)</u>	\$ <u>          -</u>
Net Assets @ June 30, 2008		<u>\$ 4,557,719</u>

11. Cash and Investments

Cash and investments are deposits in an investment pool maintained by the Alameda County Treasurer. Pooled investment earnings are allocated by the Treasurer to each fund based on the cash and investment balances in these funds at the end of each accounting period. The make up of these investments can be found in the Alameda County Treasurers Investment Pool Market Value Report as of June 30, 2008, however the majority of the Pool was comprised of collateralized securities (Treasury Notes, Bills Federal Agencies and Commercial paper).

12. Retirement Commitment

Qualified employees are covered under the Alameda County Employees' Retirement Association contributory retirement plan. Effective July 1, 1983 Alameda County adopted a second benefit and rate structure for employees eligible to enter the retirement system beginning July 1, 1983. This second contribution and benefit structure (Tier 2) will result in reduced costs to the District. Zone 7 contributions to this plan are paid currently, based on a percentage of the qualified employees' salaries. The amount contributed for 2007-08 was \$2,381,604 (Tier 1, \$381,356 and Tier 2 \$2,000,248) and the amount contributed for 2006-07 was \$2,352,650. The unfunded liability is not available from the plan administrator.

13. Special Drainage Area Trust Fund - Governmental Fund Financial Statements

This fund is accounted for as a special revenue trust fund in order to conform with Resolution 6922. This resolution requires that fees collected be expended for land acquisition, construction, engineering, repairs, maintenance and operations, or reimbursement of costs for drainage facilities within the special drainage areas. The resolution also provides that 50% of all fees collected subsequent to December 31, 1970 may be reimbursed to developers. As of June 30, 2008, the trust fund has \$9,097,452 set aside for reimbursement to developers.

#### 14. Self-Insurance

Zone 7 is self-insured for claims under the County of Alameda self-insurance/excess insurance program. Self-insured coverage per incident include 1) General and auto liability up to \$1,000,000, 2) Property up to \$50,000, including Flood up to \$25,000 per unit, Earthquake up to 5% of replacement value and 3) Workers' compensation up to \$3,000,000. The County is a member of the California State Association of Counties (CSAC), a California Counties joint powers risk management authority. The CSAC and various other carriers provide excess insurance coverage as follows: 1) General and auto liability up to \$31,000,000 in excess of \$1,000,000, 2) Property up to replacement in excess of self-insured limits and no more than \$600,000,000 for All Risk, up to \$575,000,000 for Flood, up to \$425,000,000 for Earthquake and 3) Workers' compensation up to statutory limits in excess of \$3,000,000. The premiums to CSAC are single premium based with exception of Workers' compensation, which is subject to retrospective adjustment based substantially upon the actual claims experience of the County. All unemployment claims are covered by the State EDD and charged to the County on a dollar for dollar reimbursement program. Annual allocated insurance charges to the District are based on County risk management studies of prior year claims and amounted to \$192,529 for the fiscal year ended June 30, 2008.

#### 15. Line of Credit

On January 15, 2008, Zone 7 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 term of six years. The line carries a variable interest rate based on a calculation of 81.41% of LIBOR plus 0.16% and current Prime rate. There are no prepayment penalties, an unused portion fee of 0.05%/year applies, a debt service coverage of 1.0 times net revenues has to be maintained and there was a \$-0- balance @ June 30, 2008.

#### 16. Commitments and Contingencies

In January, 2006, Zone 7 was notified by the Department of Water Resources that its share of the South Bay Aqueduct Improvement and Enlargement Project would be approximately 71% of the total cost or \$86,600,000, to be financed with 30-year bonds through the fiscal year 2035-36. \$1,230,548 was paid for the fiscal year ended June 30, 2008.

In June, 2006, Zone 7 entered into a Water Banking and Exchange Program with Cawelo Water District. Zone 7's capital cost is approximately \$19,000,000 to be financed by 30-year revenue bonds issued by Cawelo. In addition, Zone 7 will pay for transportation of the water to and from the banking site. \$1,233,979 was paid for the year ended June 30, 2008.

Zone 7 has committed to the building and operation of a new water treatment plant and related pipeline in the Altamont Hills, east of Livermore, California. The total estimated cost is \$195,000,000 of which approximately \$23,000,000 has already been capitalized as construction in progress. Operations are scheduled to commence around 2013.

16. Commitments and Contingencies-(concluded)

In accordance with GASB Statement 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions", other post-employment benefits (OPEBs), including medical, dental, life insurance, long-term care and long-term disability, Zone 7's estimated annual required contribution for the year ended June 30, 2008 is \$62,000, and is 95% funded by the Alameda County Supplemental Retirement Benefits Reserves Funds.

In January, 1998, the Zone entered into five separate contracts in order to provide one of its major customers a reliable water supply for use in Dougherty Valley. These contracts were necessary to allow the additional transfer and storage of purchased water. In April, 1998, legal action was brought against the Zone challenging its right to provide water outside Alameda County, and that Zone 7 violated the California Environmental Quality Act (CEQA) in approving the contracts. On its motion to close the above action, the court ruled Zone 7 acted within its authorized powers in entering the contracts, and the requirements of the CEQA were fully met. Final escrow closed in February, 2000. Also, upon close of escrow, the Zone received \$7,000,000 in Water Entitlements, which is considered contributed capital in these financial statements.

In compliance with CEQA, the Board adopted Resolution 99-2057, approving negotiations for necessary agreements to implement the "Modified Near-Term Project", as identified in the Final EIR report for the Water Supply Planning Program. The Zone entered into the following contracts to implement the "Project":

- A) Effective January 1, 1999, a 15-year agreement with Byron-Bethany Irrigation District to purchase up to 5,000 acre-feet of water per year, with a minimum of 2,000 acre-feet per year available for Zone 7, and a minimum payment of \$90,000 per year.
- B) Commencing January 1, 2000, the purchase and permanent transfer of 15,000 acre-feet of State Water Project Entitlements from the Lost Hills Water District for a purchase price of \$15,000,000 and assumption of State Water Project "fixed costs" of approximately \$900,000 per year.

S U P P L E M E N T A R Y I N F O R M A T I O N



Alameda County Flood Control and Water Conservation District - Zone 7  
 Property, Plant, and Equipment - Depreciation Expense  
 Proprietary Fund Type - Enterprise Fund  
 June 30, 2008

Asset Description	FW Category	Year Acquired	Cost	Useful Life (months)	Prior Depreciation	Current Year Depreciation
Water Entitlements-Purch.	ENTITLE	1998-1999	15,000,000.00	0	-	-
Water Entitlements-Contrib.	ENTITLE	1999-2000	7,000,000.00	0	-	-
Water Entitlements-Purch.	ENTITLE	2000-2001	10,000,000.00	0	-	-
Water Entitlements-Purch.	ENTITLE	2003-2004	3,925,414.99	0	-	-
Water Entitlements-Purch.	ENTITLE	2003-2004	729,948.74	0	-	-
Equipment	EQUIP	1987-1988	31,736.93	Varies	31,736.93	-
Equipment	EQUIP	1990-1991	6,207.54	Varies	6,207.54	-
Equipment	EQUIP	1991-1992	172,256.75	Varies	172,256.75	-
Equipment	EQUIP	1992-1993	125,484.44	Varies	125,484.44	-
Equipment	EQUIP	1994-1995	119,826.60	Varies	119,826.60	-
Equipment	EQUIP	1995-1996	5,376.33	Varies	5,376.33	-
Equipment	EQUIP	1996-1997	115,066.65	Varies	115,066.65	-
Equipment	EQUIP	1997-1998	74,101.46	Varies	74,101.46	-
Equipment	EQUIP	1998-1999	111,214.29	Varies	111,214.29	-
Equipment	EQUIP	1999-2000	100,752.36	Varies	100,752.36	-
Equipment	EQUIP	2000-2001	106,535.34	Varies	106,535.34	-
Equipment	EQUIP	2001-2002	154,904.69	Varies	154,904.69	-
Equipment	EQUIP	2002-2003	349,816.62	Varies	310,133.91	39,682.71
Equipment	EQUIP	2003-2004	131,882.85	Varies	85,873.95	26,376.60
Equipment	EQUIP	2004-2005	134,316.58	Varies	64,731.30	26,863.20
Equipment	EQUIP	2005-2006	248,342.69	Varies	80,472.80	49,668.48
Equipment	EQUIP	2006-2007	270,141.10	Varies	31,029.04	54,028.20
Equipment	EQUIP	2007-2008	77,239.69	Varies	-	5,149.28
Grading and Paving	GRADING	1994-1995	378,056.14	480	118,138.00	9,451.44
Office Building	OFFICE	1985-1986	1,034,416.45	480	549,339.00	25,860.36
Office Building Imprvmts.	OFFICE	1993-1994	229,834.36	480	77,571.00	5,745.84
Pipeline-PPWTP	PIPELINE	1975-1976	3,952,198.38	480	3,137,059.00	98,805.00
Mocho Pipeline	PIPELINE	1991-1992	1,748,684.38	480	699,472.00	43,717.08
Vineyard Pipeline	PIPELINE	1996-1997	8,754,190.62	480	2,407,405.00	218,854.80
Altamont Pipeline EIR (WIP)	PIPELINE	2004-2005	1,231,288.91	0	-	-
Treatment Plant-PPWTP	PLANTS	1975-1976	4,837,299.60	480	3,812,617.00	120,932.52
Treatment Plant	PLANTS	1979-1980	898,315.00	480	623,209.00	22,457.88
Treatment Plant	PLANTS	1985-1986	65,473.00	396	42,656.00	1,984.08
Treatment Plant	PLANTS	1986-1987	3,828,876.00	480	2,010,162.00	95,721.96

(continued)

Alameda County Flood Control and Water Conservation District - Zone 7  
 Property, Plant, and Equipment - Depreciation Expense  
 Proprietary Fund Type - Enterprise Fund  
 June 30, 2008

Asset Description	FW Category	Year Acquired	Cost	Useful Life (months)	Prior Depreciation	Current Year Depreciation
Treatmt.Plnt.Expan.-DVWTP	PLANTS	1990-1991	10,415,638.00	480	4,426,647.00	260,391.00
Treatmt. Plant Impr.-PPWTP	PLANTS	1991-1992	1,254,701.00	480	501,888.00	31,367.52
Laboratory upgrade	PLANTS	1991-1992	3,166,734.08	480	1,266,688.00	79,168.32
Treatment Plant Imprvmts.	PLANTS	1993-1994	628,089.00	480	211,977.00	15,702.24
Hypochlor Install-DVWTP	PLANTS	1997-1998	555,084.05	480	131,841.00	13,877.16
Turbidity Monitor-Plants	PLANTS	1998-1999	309,938.76	120	278,946.00	30,993.84
Treatm. Pl. Retrofit-DVWTP	PLANTS	1999-2000	1,409,175.87	240	563,672.00	70,458.84
Particle Counters-DV & PP	PLANTS	2001-2002	369,228.46	120	221,538.00	36,922.80
Booster Pump Station-DVWTP	PLANTS	2001-2002	2,843,435.44	240	853,032.00	142,171.80
Altamont EIR (WIP)	PLANTS	2001-2002	685,187.96	0	-	-
Treatm. Pl.-PPWTP Ultrafil	PLANTS	2002-2003	17,448,902.67	300	2,846,529.00	697,956.12
Solids Dewatering-DVWTP	PLANTS	2004-2005	6,079,514.51	300	729,543.00	243,180.60
HVAC Improvements-DVWTP	PLANTS	2005-2006	1,937,118.21	300	154,970.00	77,484.72
Treatm. Pl.-PPWTP-Water Ln.	PLANTS	2006-2007	341,199.39	240	17,060.00	17,059.92
10 MGD Dissolved Air Float DV	PLANTS	2007-2008	12,775,417.03	480	-	319,385.40
Reservoir	RESERV	1984-1985	1,039,102.36	480	577,809.00	25,977.60
Reservoir-Lakes Cope & I	RESERV	2003-2004	895,095.00	480	89,508.00	22,377.36
Rights of Way	RIGHTS	-	60,800.00	0	-	-
Rights of Way - Wellfield Land #11	RIGHTS	1993-1994	196,000.00	0	-	-
SCADA Project	SCADA	2004-2005	9,704,664.36	240	1,213,083.02	485,233.20
Wellfield	WELLS	1989-1990	787,444.74	480	344,687.00	19,686.12
Wellfield Improvements	WELLS	1993-1994	1,935,251.00	480	653,147.21	48,381.24
Wellfield Impvts	WELLS	1995-1996	410,756.95	480	120,502.00	10,268.88
Wellfield-Hopyard #7	WELLS	1998-1999	1,395,431.39	480	313,884.00	34,885.80
Wellfield-Hopyard #9	WELLS	2001-2002	627,935.07	480	94,194.00	15,698.40
Mochu Wells No. 3 & 4	WELLS	2002-2003	6,024,188.05	480	753,025.00	150,604.68
Wellfields-3 Amm.Stor.Sys.	WELLS	2004-2005	2,309,995.44	480	173,250.00	57,749.88
Construction in Progress		2007-2008	51,308,528.88		-	-
			<u>202,863,757.15</u>		<u>31,710,752.61</u>	<u>3,752,282.87</u>

ALAMEDA COUNTY FLOOD CONTROL AND  
 WATER CONSERVATION DISTRICT - ZONE 7  
 PROPERTY, PLANT AND EQUIPMENT - DEPRECIATION EXPENSE  
 GOVERNMENTAL FUND TYPE - GENERAL FUND  
 JUNE 30, 2008

	<u>Year Acquired</u>	<u>Cost</u>	<u>Useful Life</u>	<u>Prior Depreciation</u>	<u>Depreciation Current Year</u>
Rights of Way	Various	\$ 4,930,534	-	\$ -	\$ -
Flood Control Channels					
27.5 Miles SDA 7-1	Various	9,719,820	100 Yrs.	1,078,590	97,193
10.4 Miles Non-SDA 7-1	Various	<u>3,853,150</u>	100 Yrs.	<u>1,364,227</u>	<u>38,537</u>
Subtotal Flood Control Channels		<u>13,572,970</u>		<u>2,442,817</u>	<u>135,730</u>
Totals		<u>\$18,503,504</u>		<u>\$2,442,817</u>	<u>\$135,730</u>