

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT - ZONE 7
BASIC FINANCIAL STATEMENTS
And
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

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, 2009.

FINANCIAL HIGHLIGHTS

1. Zone 7's net assets increased by \$4,751,715 or 1.32%. Governmental activities \$9,935,373, and Business-Type activities \$(5,183,658).
2. Water Sales Revenues within the Proprietary Funds increased \$596,139, 2.03%.
3. Total Zone 7 Expenses increased \$17,233,250, 34.63% overall.
4. Rights of Way and related Flood Control Infrastructure Improvements totalling \$3,921,997 was purchased through the Flood Protection Fund. A Patterson Pass Water Treatment Plant UF Modification for \$729,166 and a Chain of Lakes I South Road and Ramps for \$487,550 were capitalized from the Proprietary Funds.
5. Construction in Progress at year-end include the Altamont Water Treatment Plant Site Acquisition and Pipeline Projects @ 48.3 million, the Wellhead Demineralization Project @ 32.2 million, the Chain of Lakes Wells 1 & 2 and Facilities and Improvements Projects @ 12.2 million and the El Charro Pipeline 1 Project @ 2.3 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 (General) and Flood Protection 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 State Water Project, 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 was the fiduciary for certain amounts held on behalf of developers, property owners, and others. The Zone's fiduciary activities were reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in the past. A new Ordinance combined these assets with the former SDA Operations Fund to form the new Governmental Fund-Flood Protection and Storm Water Drainage Development Impact Fee Fund (Flood Protection) as of May, 2009.

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, 2009 and 2008

	<u>Governmental-Wide Activities</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current and Other Assets	\$162,988,407	\$194,034,470
Capital Assets	<u>223,397,899</u>	<u>183,325,679</u>
Total Assets	<u>386,386,306</u>	<u>377,360,149</u>
Current Liabilities	21,711,227	14,985,252
Noncurrent Liabilities	<u>1,153,493</u>	<u>1,134,006</u>
Total Liabilities	<u>22,864,720</u>	<u>16,119,258</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	223,573,090	183,657,203
Unrestricted-Designated	133,725,188	162,647,965
Unrestricted-Undesignated	<u>6,223,308</u>	<u>14,935,723</u>
Total Net Assets	<u>\$363,521,586</u>	<u>\$361,240,891</u>

Statement of Activities and Changes in Net Assets
Through the Year Ended June 30, 2009 and 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues		
Charges for Services	\$ 40,483,042	\$ 29,972,803
Grants and Other Contributions	144,988	340,633
Other Program Revenues	20,906,827	23,675,006
General Revenues		
Property Taxes	6,129,952	5,845,566
Investment Earnings and Other	<u>4,081,764</u>	<u>10,075,733</u>
Total Revenues	<u>71,746,573</u>	<u>69,909,741</u>
Expenses		
General Government	3,397,298	3,900,736
Flood Protection	3,989,212	-
Special Drainage Area Operations	587,509	1,673,214
State Water Project	8,015,944	5,818,236
Cost of Water Sales	29,947,702	27,847,084
Facility Use Fees-Capital Improvement Projects	7,366,067	3,989,242
Water Connection Fees-Capital Expansion Projects	<u>13,691,126</u>	<u>6,533,096</u>
Total Expenses	<u>66,994,858</u>	<u>49,761,608</u>
Increase (Decrease) in Net Assets	<u>\$ 4,751,715</u>	<u>\$ 20,148,133</u>

Governmental Funds Budgetary Highlights

In prior years the State Water Project Fund was reported as a Governmental Fund and was included as such in the financial statements. As of July 1, 2008, Zone 7 has determined the State Water Project Fund to be a Proprietary (Enterprise) Fund and is included in the financial statements as such for the year ended June 30, 2009. A comparative budgetary statement for the Zone's general governmental funds (General Fund) follows. The comparative numbers at June 30, 2008 have been reformatted to conform with the moving of State Water Project Fund from Governmental to Proprietary as of July 1, 2008.

	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)	
			June 30, 2009	June 30, 2008
Resources (inflows):				
Taxes	\$ 6,029,000	\$ 6,129,952	\$ 100,952	\$ 100,189
Intergovernmental	58,650	64,915	6,265	130,762
Charges for Services	35,000	34,156	(844)	(3,534)
Interest and Rentals	704,660	459,342	(245,318)	200,267
Other	10,000	78,179	68,179	(8,217)
Amounts available for Appropriations	<u>6,837,310</u>	<u>6,766,544</u>	<u>(70,766)</u>	<u>419,467</u>
Charges to appropriations (outflows):				
Salaries and Benefits	1,234,285	1,473,821	(239,536)	(355,747)
Services and Supplies	20,841,976	1,923,477	18,918,499	13,133,133
Equipment and Cap. Struc.	443,933	-	443,933	362,679
Total Charges to Appropriations	<u>22,520,194</u>	<u>3,397,298</u>	<u>19,122,896</u>	<u>13,140,065</u>
Excess of Resources Over Charges to Appropriations	(15,682,884)	3,369,246	19,052,130	13,559,532
Fund Balance Allocations	<u>15,682,884</u>	<u>-</u>	<u>(15,682,884)</u>	<u>(10,662,232)</u>
Excess of Resources Over Charges to Appropriations	\$ <u>-</u>	\$ <u>3,369,246</u>	\$ <u>3,369,246</u>	\$ <u>2,897,300</u>

A detailed Budgetary Comparison Statement of the General Fund for the year ended June 30, 2009 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 purchasing Flood Control Land and Infrastructure, capitalizing the UF Modification at the Patterson Pass Water Treatment Plant and the Construction in Progress mentioned above in the Financial Highlights. Detailed Construction in Progress Job descriptions as of June 30, 2009 can be found on Page 19, and complete Depreciation Schedules for the year ended June 30, 2009 can be found on pages 26-27.

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT - ZONE 7
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
I Management's Discussion and Analysis	a-d
II Independent Auditors' Report	1-2
III Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities and Changes in Net Assets	4
Fund Financial Statements:	
Governmental Fund Financial Statements	
Combined Balance Sheet	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	6
Budgetary Comparison Statement	7
Proprietary Fund Financial Statements	
Combined Statement of Net Assets	8
Combined Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	11
Statement of Changes in Fiduciary Net Assets	12
Notes to Basic Financial Statements	13-25
IV Supplementary Information	
Property, Plant and Equipment - Depreciation Expense Proprietary Fund Type - Enterprise Fund	26
Property, Plant and Equipment - Depreciation Expense Governmental Fund Type - General Fund	27

*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, 2009, 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, 2009, 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.

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

Low Accountancy
David M. Low, CPA

November 23, 2009

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

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash in County Treasury	\$ 58,333,266	\$ 96,231,393	\$154,564,659
Accounts Receivable, Net	37,751	8,295,997	8,333,748
Prepaid Expenses	-	90,000	90,000
Total Current Assets	<u>58,371,017</u>	<u>104,617,390</u>	<u>162,988,407</u>
Noncurrent Assets			
Capital Assets			
Rights of Way, Water Entitlements and Construction in Progress	6,870,550	133,059,758	139,930,308
Improvements and Equipment, Net of Depreciation	7,990,101	75,477,490	83,467,591
Total Noncurrent Assets	<u>14,860,651</u>	<u>208,537,248</u>	<u>223,397,899</u>
Total Assets	<u>73,231,668</u>	<u>313,154,638</u>	<u>386,386,306</u>
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	4,069,717	8,666,192	12,735,909
Deposits-Water Facilities Trust	-	415,845	415,845
Deferred Revenues	-	8,559,473	8,559,473
Total Current Liabilities	<u>4,069,717</u>	<u>17,641,510</u>	<u>21,711,227</u>
Noncurrent Liabilities			
Compensated Absences Payable	-	1,153,493	1,153,493
Total Liabilities	<u>4,069,717</u>	<u>18,795,003</u>	<u>22,864,720</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	14,860,651	208,712,439	223,573,090
Unrestricted-Designated for Capital Projects	32,794,924	44,608,852	77,403,776
Specific Projects and Programs Undesignated	20,185,762	36,135,650	56,321,412
Total Net Assets	<u>\$ 69,161,951</u>	<u>\$294,359,635</u>	<u>\$363,521,586</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, 2009

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
Primary Government:						
Governmental Activities						
General Government	\$ 3,397,298	\$ 64,915	\$ 78,179	\$ (3,220,048)	\$ -	\$ (3,220,048)
Flood Protection	3,989,212	-	14,725	5,638,442	-	5,638,442
Special Drainage Area Operations	587,509	-	10,834	199,764	-	199,764
Total Governmental Activities	<u>7,974,019</u>	<u>64,915</u>	<u>103,738</u>	<u>2,618,158</u>	<u>-</u>	<u>2,618,158</u>
Business-Type Activities						
State Water Project	8,015,944	51,200	8,480,378	-	515,634	515,634
Water Sales	29,947,702	6,373	75,856	-	187,333	187,333
Facility Use Fees-Capital Improvement	7,366,067	16,875	742,073	-	(6,605,591)	(6,605,591)
Water Connection Fees-Capital Expansion	13,691,126	5,625	11,504,782	-	(2,175,535)	(2,175,535)
Total Business-Type Activities	<u>59,020,839</u>	<u>80,073</u>	<u>20,803,089</u>	<u>-</u>	<u>(8,078,159)</u>	<u>(8,078,159)</u>
Total Primary Government	<u>\$ 66,994,858</u>	<u>\$ 144,988</u>	<u>\$ 20,906,827</u>	<u>2,618,158</u>	<u>(8,078,159)</u>	<u>(5,460,001)</u>
General Revenues:						
Property Taxes				\$ 5,645,690	\$ -	\$ 5,645,690
Secured				381,026	-	381,026
Unsecured				103,236	-	103,236
Supplemental				1,326,975	2,862,182	4,189,157
Investment Earnings				25,379	31,000	56,379
Rental Charges				(1,319)	1,319	-
Transfers				(163,772)	-	(163,772)
General Expenditures: Depreciation				7,317,215	2,894,501	10,211,716
Total General Revenues, Expenditures and Transfers				<u>9,935,373</u>	<u>(5,183,658)</u>	<u>4,751,715</u>
Change in Net Assets				<u>65,396,517</u>	<u>295,844,374</u>	<u>361,240,891</u>
Net Assets-Beginning of Year				<u>(5,269,405)</u>	<u>5,269,405</u>	<u>-</u>
Fund Reclassifications				<u>(900,534)</u>	<u>(1,570,486)</u>	<u>(2,471,020)</u>
Prior Period Adjustments				<u>\$ 69,161,951</u>	<u>\$ 294,359,635</u>	<u>\$ 363,521,586</u>
Net Assets-End of Year						

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, 2009

	General	Flood Protection	SDA Operations	Totals June 30, 2009	Totals June 30, 2008
<u>ASSETS</u>					
Current Assets					
Cash in County Treasury	\$21,216,229	\$37,117,037	\$ -	\$58,333,266	\$53,585,412
Accounts Receivable, Net	<u>1,716</u>	<u>36,035</u>	<u>-</u>	<u>37,751</u>	<u>35,926</u>
Total Assets	<u>\$21,217,945</u>	<u>\$37,153,072</u>	<u>\$ -</u>	<u>\$58,371,017</u>	<u>\$53,621,338</u>
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable and Accrued Expenses	\$ 137,027	\$ 3,932,690	\$ -	\$ 4,069,717	\$ 9,419,183
Total Liabilities	<u>137,027</u>	<u>3,932,690</u>	<u>-</u>	<u>4,069,717</u>	<u>9,419,183</u>
<u>FUND BALANCE</u>					
Unreserved - Designated for Capital Projects	-	32,794,924	-	32,794,924	32,362,298
Specific Projects and Programs	19,760,304	425,458	-	20,185,762	5,598,809
Unreserved - Undesignated	<u>1,320,614</u>	<u>-</u>	<u>-</u>	<u>1,320,614</u>	<u>6,241,048</u>
Total Fund Balance	<u>21,080,918</u>	<u>33,220,382</u>	<u>-</u>	<u>54,301,300</u>	<u>44,202,155</u>
Total Liabilities and Fund Balance	<u>\$21,217,945</u>	<u>\$37,153,072</u>	<u>\$ -</u>	<u>\$58,371,017</u>	<u>\$53,621,338</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			14,860,651	<u>\$69,161,951</u>	<u>\$60,127,112</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, 2009

	General	Flood Protection	SDA Operations	Totals June 30, 2009	Totals June 30, 2008
Revenues:					
Property Taxes	\$ 6,129,952	\$ -	\$ -	\$ 6,129,952	\$ 5,845,566
Intergovernmental Revenues	64,915	-	-	64,915	185,294
Charges for Services	34,156	9,612,929	776,439	10,423,524	1,915,745
Interest and Rentals	459,342	150,250	742,762	1,352,354	2,191,762
Other Revenues	78,179	14,725	10,834	103,738	1,783
Total Revenues	6,766,544	9,777,904	1,530,035	18,074,483	10,140,150
Expenditures:					
Salaries and Employee Benefits					
Transferred from District-Wide	1,473,821	29,790	353,515	1,857,126	2,048,297
Services and Supplies	1,923,477	37,425	233,994	2,194,896	3,525,653
Equipment and Capital Structures	-	3,921,997	-	3,921,997	-
Total Expenditures	3,397,298	3,989,212	587,509	7,974,019	5,573,950
Excess Revenues Over (Under)	3,369,246	5,788,692	942,526	10,100,464	4,566,200
Other Financing Sources (Uses):					
Operating Transfers In (Out)	-	27,431,690	(27,431,690)	-	(256,597)
Fund Balance, Beginning of Year	17,712,991	-	26,489,164	44,202,155	39,892,552
Fund Transfer In (Out)	(1,319)	-	-	(1,319)	-
Fund Balance, End of Year	\$21,080,918	\$33,220,382	\$ -	\$54,301,300	\$44,202,155

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 FUND

YEAR ENDED JUNE 30, 2009

	General Fund			
	Budgeted Amounts		Variance with	
	Original	Final	Actual Amounts Budgetary Basis	Final Budget Positive(Neg.)
Resources (inflows):				
Property Taxes	\$ 6,029,000	\$ 6,029,000	\$ 6,129,952	\$ 100,952
Intergovernmental Revenues	58,650	58,650	64,915	6,265
Charges for Services	35,000	35,000	34,156	(844)
Interest and Rentals	704,660	704,660	459,342	(245,318)
Other Revenues	10,000	10,000	78,179	68,179
Amounts available for appropriations	6,837,310	6,837,310	6,766,544	(70,766)
Charges to appropriations (outflows):				
Salaries and Benefits	1,278,905	1,234,285	1,473,821	(239,536)
Services and Supplies	20,571,036	20,841,976	1,923,477	18,918,499
Equipment and Capital Structures	446,433	443,933	-	443,933
Total charges to appropriations	22,296,374	22,520,194	3,397,298	19,122,896
Excess (Deficiency) of Resources Over Charges to Appropriations	(15,459,064)	(15,682,884)	3,369,246	19,052,130
Fund Balance Allocations	15,459,064	15,682,884	-	(15,682,884)
Excess (Deficiency) of Resources Over Charges to Appropriations	\$ -	\$ -	\$ 3,369,246	\$ 3,369,246

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, 2009

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion	Water Facilities Trust	Water Supply Trust	Totals June 30, 2009	Totals June 30, 2008
ASSETS								
Current Assets								
Cash in County Treasury	\$6,020,148	\$ 19,795,779	\$20,437,559	\$41,881,300	\$3,435,870	\$4,660,737	\$ 96,231,393	\$141,423,262
Accounts Receivable, Net	-	5,519,472	94,710	2,681,815	-	-	8,295,997	7,997,322
Prepaid Deposits	-	90,000	-	-	-	-	<u>90,000</u>	<u>90,000</u>
Total Current Assets	<u>6,020,148</u>	<u>25,405,251</u>	<u>\$20,532,269</u>	<u>\$44,563,115</u>	<u>3,435,870</u>	<u>4,660,737</u>	<u>104,617,390</u>	<u>149,510,584</u>
Noncurrent Assets								
Capital Assets-Rights of Way, Water Entitlements & Construction in Progress	-	133,059,758	-	-	-	-	133,059,758	88,220,693
Improvements, Net of Deprac.	-	75,477,490	-	-	-	-	75,477,490	79,180,029
Total Noncurrent Assets	-	<u>208,537,248</u>	-	-	-	-	<u>208,537,248</u>	<u>167,400,722</u>
Total Assets	<u>\$6,020,148</u>	<u>\$233,942,499</u>	<u>\$20,532,269</u>	<u>\$44,563,115</u>	<u>\$3,435,870</u>	<u>\$4,660,737</u>	<u>\$313,154,638</u>	<u>\$316,911,306</u>
LIABILITIES								
Current Liabilities								
Accounts Payable and Accrued Expenses	\$ -	\$ 1,567,430	\$ 861,021	\$ 6,237,741	\$ -	\$ -	\$ 8,666,192	\$ 5,844,939
Deposits	-	-	-	-	415,845	-	415,845	404,102
Deferred Revenues	-	-	-	8,559,473	-	-	8,559,473	8,414,480
Total Current Liabilities	-	<u>1,567,430</u>	<u>861,021</u>	<u>14,797,214</u>	<u>415,845</u>	-	<u>17,641,510</u>	<u>14,663,521</u>
Noncurrent Liabilities								
Compensated Absences	-	1,153,493	-	-	-	-	1,153,493	1,134,006
Total Liabilities	-	<u>2,720,923</u>	<u>861,021</u>	<u>14,797,214</u>	<u>415,845</u>	-	<u>18,795,003</u>	<u>15,797,527</u>
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	-	208,712,439	-	-	-	-	208,712,439	167,732,246
Unrestricted-Designated for Capital Projects	-	5,313,429	18,085,827	21,209,596	-	-	44,608,852	97,375,780
Designated Projects	6,020,148	12,293,014	1,585,421	8,556,305	3,020,025	4,660,737	36,135,650	27,311,078
Undesignated	-	4,902,694	-	-	-	-	4,902,694	8,694,675
Total Net Assets	<u>6,020,148</u>	<u>231,221,576</u>	<u>19,671,248</u>	<u>29,765,901</u>	<u>3,020,025</u>	<u>4,660,737</u>	<u>294,359,635</u>	<u>301,113,779</u>
Total Liabilities and Net Assets	<u>\$6,020,148</u>	<u>\$233,942,499</u>	<u>\$20,532,269</u>	<u>\$44,563,115</u>	<u>\$3,435,870</u>	<u>\$4,660,737</u>	<u>\$313,154,638</u>	<u>\$316,911,306</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, 2009

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion	Water Facilities Trust	Water Supply Trust	Totals June 30, 2009	Totals June 30, 2008
Revenues:								
Voter Approved Property Taxes	\$7,077,008	\$	\$	\$	\$	\$	\$ 7,077,008	\$ 6,065,570
Water Sales	-	30,013,013	-	-	-	-	30,013,013	29,416,874
Intergovernmental Revenues	51,200	6,373	16,875	5,625	-	-	80,073	155,339
Connection and Development Fees	-	-	709,710	11,142,786	-	-	11,852,496	17,433,022
Charges for Services	-	39,793	1,528	5,184	-	-	46,505	56,299
Other Revenues	1,403,370	40,588	32,363	361,996	35,268	-	1,873,585	1,266,679
Total Revenues	8,531,578	30,099,767	760,476	11,515,591	35,268	-	50,942,680	54,393,783
Expenses:								
Salaries, Wages and Benefits	-	10,738,753	1,570,690	2,003,343	-	-	14,312,786	13,687,975
Contractual Services	-	2,135,797	10,434,302	43,858,852	-	-	56,428,951	25,931,258
Supplies	-	116,193	-	-	-	-	116,193	152,050
Chemical Purchases	-	2,429,324	8,349	8,349	-	-	2,446,022	2,262,815
Water Purchases	8,015,944	5,111,422	-	4,547,545	-	-	17,674,911	13,934,100
Water Storage	-	523,030	-	1,389,870	-	-	1,912,900	1,608,401
Utilities	-	1,564,324	296,812	115,762	-	-	1,976,898	1,344,416
Maintenance and Repairs	-	2,375,760	-	-	-	-	2,375,760	2,451,828
Equipment and Building Repairs	-	82,544	495,800	391,502	-	-	969,846	937,678
Office Expenses	-	1,065,874	127,560	1,826,240	-	-	3,019,674	1,868,032
Risk Management	-	132,352	-	-	-	-	132,352	192,529
Depreciation	-	3,672,329	-	-	-	-	3,672,329	3,752,283
Expenses Capitalized	-	-	(5,567,446)	(40,450,337)	-	-	(46,017,783)	(23,307,823)
Total Expenses	8,015,944	29,947,702	7,366,067	13,691,126	-	-	59,020,839	44,815,542
Net Operating Income (Loss)	515,634	152,065	(6,605,591)	(2,175,535)	35,268	-	(8,078,159)	9,578,241
Other Income (Expenses):								
Interest Income and Rental Fees	235,109	546,155	485,445	1,445,741	77,714	103,018	2,893,182	6,396,019
Operating Transfers In (Out), Net	-	(6,584,138)	6,584,138	-	-	-	-	-
Total Other Income (Expenses)	235,109	(6,037,983)	7,069,583	1,445,741	77,714	103,018	2,893,182	6,396,019
Net Income (Loss)	750,743	(5,885,918)	463,992	(729,794)	112,982	103,018	(5,184,977)	15,974,260
Net Assets, Beginning of Year	5,269,405	192,658,879	24,774,702	70,946,031	2,907,043	4,557,719	301,113,779	276,585,736
Prior Period Adjustments	-	(353,769)	-	(1,216,717)	-	-	(1,570,486)	8,553,783
Net Asset Transfer In (Out)	-	44,802,384	(5,567,446)	(39,233,619)	-	-	1,319	-
Net Assets, End of Year	\$5,020,148	\$231,221,576	\$19,671,248	\$29,765,901	\$3,020,025	\$ 4,660,737	\$294,359,635	\$301,113,779

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, 2009

Increase (Decrease) In Cash and Cash Equivalents:	<u>Total Proprietary Funds</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash Flows From (Used For) Operations:		
Receipts From Customers	\$ 38,142,681	\$ 36,265,987
Connection and Development Fees	12,501,324	17,433,022
Payments To Employees	(14,293,299)	(13,616,024)
Payments To Suppliers	<u>(39,628,221)</u>	<u>(23,004,344)</u>
Net Cash From (Used For) Operations	<u>(3,277,515)</u>	<u>17,078,641</u>
Cash Flows From Noncapital Financing Activities:		
Interest Income and Rental Fees	<u>2,893,182</u>	<u>6,396,019</u>
Net Cash From Noncapital Financing	<u>2,893,182</u>	<u>6,396,019</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of Property, Plant and Equip.	(44,808,855)	(25,291,680)
Net Asset Transfers In	6,585,457	17,863,014
Net Asset Transfers Out	<u>(6,584,138)</u>	<u>(17,863,014)</u>
Net Cash From (Used For) Capital and Related Financing Activities	<u>(44,807,536)</u>	<u>(25,291,680)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(45,191,869)	(1,817,020)
Cash and Cash Equivalents - Beg. Of Year	<u>141,423,262</u>	<u>143,240,282</u>
Cash and Cash Equivalents - End Of Year	<u>\$ 96,231,393</u>	<u>\$141,423,262</u>
Reconciliation of Operating Income (Loss) To Net Cash From (Used For) Operations:		
Operating Income (Loss)	\$ (8,078,159)	\$ (7,513,666)
Adjustments Not Affecting Cash:		
Depreciation	3,672,329	3,752,283
Prior Period Adjustments	(1,570,486)	8,553,783
Changes in Assets and Liabilities:		
Receivables	(298,675)	(66,890)
Accounts payable	2,821,253	2,677,776
Accrued compensation	19,487	71,951
Deposits and Deferred Revenues	<u>156,736</u>	<u>9,603,404</u>
Total Adjustments	<u>4,800,644</u>	<u>24,592,307</u>
Net Cash From (Used For) Operations	<u>\$ (3,277,515)</u>	<u>\$ 17,078,641</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, 2009

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>ASSETS</u>		
Cash in County Treasury	\$ -	\$9,097,452
Investments	-	-
Receivables:		
Accrued interest	-	-
	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$9,097,452</u>
<u>LIABILITIES</u>		
Liabilities:		
Deposits	\$ -	\$9,097,452
Due to other governments	-	-
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>9,097,452</u>
<u>NET ASSETS</u>		
Unrestricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>-</u>	<u>-</u>
Total Liabilities and And Net Assets	<u>\$ -</u>	<u>\$9,097,452</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, 2009

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Additions:		
Developer Contributions	\$ -	\$1,694,985
Interest and revenues	-	<u>371,375</u>
Total Additions	<u>-</u>	<u>2,066,360</u>
Deductions:		
Services and supplies	-	-
Structures and improvements	-	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
Net Increase (Decrease) Before Transfers	-	2,066,360
Transfers to SDA Operations Fund	<u>-</u>	<u>(2,066,360)</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
JUNE 30, 2009 and 2008

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. As of May, 2009, this fund was combined with the SDA Operations fund to form the New Flood Protection Fund in accordance with Ordinance No. 2009-01.

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. For the year ended June 30, 2009, Zone 7 adjusted its Governmental capital assets fund balance \$(4,822,531) and its Proprietary (Enterprise) capital assets fund balance \$(1,570,486) to conform with County Policies.

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 Flood Protection 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, 2009, payroll in Governmental Funds amounted to \$1,857,126.

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.

L. State Water Project Fund Reclassification

The Comparative Numbers at June 30, 2008, have been reformatted to conform with the moving of the State Water Project Fund from Governmental to Proprietary, as of June 30, 2009.

2. Changes in Capital Assets

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Rights-of Way	\$ 256,800	\$ 38,000	\$ -	\$ 294,800
Grading & Paving	378,056	-	378,056	-
Reservoir	1,934,197	-	-	1,934,197
Treatment				
Plants	69,849,328	729,166	479,252	70,099,242
Pipelines	15,686,362	1,442,022	-	17,128,384
Equipment	2,335,203	323,559	-	2,658,762
Office Building	1,264,251	-	-	1,264,251
Wellfields	13,491,003	-	2,158,503	11,332,500
SCADA Project	9,704,664	-	-	9,704,664
Water Entitlements	36,655,364	-	-	36,655,364
Other Infrastructure	-	487,550	-	487,550
Construction				
in progress	<u>51,308,529</u>	<u>67,074,976</u>	<u>22,273,911</u>	<u>96,109,594</u>
	<u>\$202,863,757</u>	<u>\$70,095,273</u>	<u>\$25,289,722</u>	<u>\$247,669,308</u>

A depreciation schedule for the above Enterprise Assets can be found on Page 26.

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Rights of Way	\$ 4,930,534	\$ 1,940,015	\$ -	\$ 6,870,549
Flood Control				
Channels	<u>13,572,970</u>	<u>2,100,897</u>	<u>5,734,508</u>	<u>9,939,359</u>
	<u>\$ 18,503,504</u>	<u>\$ 4,040,912</u>	<u>\$ 5,734,508</u>	<u>\$ 16,809,908</u>

A depreciation schedule for the above Governmental Assets can be found on Page 27.

Construction in Progress is composed of the following:

	Expended as of June 30, 2009		
	<u>Contract</u>	<u>Other</u>	<u>Total</u>
Mocho Grndwtr. Demineralizat.	\$30,959,073	\$ 1,243,649	\$32,202,722
PPWTP-Improvement Project	691,157	141,852	833,009
PPWTP-Sewer Line Project	-	22,500	22,500
Chain of Lakes Wells 1 & 2	10,905,919	1,252,469	12,158,388
El Charro Pipeline 1	2,255,022	67,472	2,322,494
Chain of Lakes Wells 3 & 4	43,831	61,253	105,084
AWTP-Site Acquis/Raw H2O T	13,592,004	1,932,393	15,524,397
UF Plant Ferric Chlor Storage	174,797	67,022	241,819
Altamont WTP	538,626	1,279,230	1,817,856
Altamont Pipeline-Liv Reach	24,646,224	5,312,132	29,958,356
Altamont Pipeline-County Reach	11,844	645,987	657,831
Arroyo Mocho\Lake H Diversion	<u>142,407</u>	<u>122,731</u>	<u>265,138</u>
Totals	<u>\$83,960,904</u>	<u>\$12,148,690</u>	<u>\$96,109,594</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, 2009, Zone 7 paid \$1,056,002. A schedule of future rents is as follows:

Fiscal Year Ending	Lease Obligation
June 30, 2010	\$ 1,076,993
June 30, 2011	1,098,560
June 30, 2012	1,120,585
June 30, 2013	1,143,017
June 30, 2014	1,165,906
Remaining Balance	<u>6,948,165</u>
Total	<u>\$12,553,226</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, 2009, consists of the following:

Cash in County Treasury, net of payables-Fund 21874	\$18,085,827
Cash in County Treasury, net of payables-Fund 21875	<u>21,209,596</u>
Designated for Capital Facilities	
Expansion, Improvements and Replacements	<u>\$ 39,295,423</u>

7. Fund Balance-Unreserved-Designated for Specific Projects and Programs-Governmental Fund Financial Statements and Net Assets-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, 2009, is \$851,469 in governmental funds and \$2,875,389 in proprietary funds. In addition to the above governmental funds, the Board of Directors has designated \$4,200,000 to an Operating/Emergency Reserve Fund and \$15,134,293 to Project Reserves. In addition to the above proprietary funds, the Board of Directors has designated \$7,266,337 to the Reserve for DWR Charges Fund, \$5,000,000 to the Rate Stabilization Fund, \$7,293,014 to the Operating/Emergency Reserve Fund and \$6,020,148 to the State Water Projects Facilities Reserve.

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, 2009, new construction has commenced on 293 parcels, bringing the deferred balance to \$8,559,473.

9. Water Facilities Trust - Reclamation Project - Proprietary Fund Financial Statements

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 replace water lost during the mining process. The funds are included in the Water Facilities Trust, and total \$3,020,025 at June 30, 2009.

10. Water Supply/Reliability Trust Fund - Proprietary Fund Financial Statements

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. With all contractual obligations originally supported by the Trust Fund completed, effective February 21, 2007, the Zone 7 Board of Directors designated the remaining funds left in Trust for water supply, water reliability, water quality and Delta-related projects. At June 30, 2009, the Trust had the following assets and net assets:

Cash in County Treasury @ June 30, 2009	<u>\$ 4,660,737</u>
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Net Assets @ June 30, 2009	<u>\$ 4,660,737</u>
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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, 2009, 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 2008-09 was \$2,385,562 (Tier 1, \$365,812 and Tier 2 \$2,019,750) and the amount contributed for 2007-08 was \$2,381,604. The unfunded liability is not available from the plan administrator.

13. Special Drainage Area Trust Fund combined with the Flood Protection Fund - Governmental Fund Financial Statements

The SDA Trust Fund was accounted for as a special revenue trust fund in order to conform with Resolution 6922. This resolution required 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 provided that 50% of all fees collected subsequent to December 31, 1970 may be reimbursed to developers. As of June 30, 2008, the trust fund had \$9,097,452 set aside for reimbursement to developers. In May, 2009, Ordinance 2009-01 became effective establishing the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Flood Protection Fund) which combined the SDA Trust Fund with the SDA Operations Fund to form the Flood Protection Fund. Upon transfer, \$9,121,688, the 50% balance in the former SDA Trust Fund was recognized as income (charges for current services).

14. Self-Insurance

Zone 7 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 of Counties-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. A Board of Directors consisting of representatives of the member counties governs the Authority. The County utilizes a combination of self insurance, pooled retentions and excess insurance for general liability and workers' compensation programs with self insured retentions per incident of \$1,000,000 for general and auto liability and \$3,000,000 for workers' compensation. The program limits are general and auto liability up to \$35,000,000 and workers' compensation up to statutory limits. The County utilizes a combination of pooled retention and excess insurance for its property coverage with all risk property deductibles of \$50,000, including flood of 2% of total values per unit and earthquake up to \$280,000,000. The County purchases insurance coverage for crime bond/employee dishonesty. The estimated liability for claims and contingencies included in the risk management internal service fund is based on results of actuarial studies and includes amounts for claims incurred but not reported. The estimated liability for claims and contingencies is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. It is the County's practice to obtain full actuarial studies annually for workers' compensation and general liability programs. Annual premiums are charged for insurance and self-insurance costs using a cost allocation method which uses multiple cost pools and allocation bases utilizing both paid claim experience and appropriate measures of loss exposures, such as payroll for employee related costs or square footage occupied for costs associated with property. Annual allocated insurance charges to the District are based on County risk management studies of prior year claims and amounted to \$357,446 (\$132,352 for Risk Management and \$225,094 for Workers' Compensation) for the fiscal year ended June 30, 2009. All unemployment claims are covered by the State EDD and charged to the County on a dollar for dollar reimbursement program.

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, 2009.

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. \$2,872,882 was paid for the fiscal year ended June 30, 2009.

16. Commitments and Contingencies-(concluded)

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. \$1,294,012 was paid for the year ended June 30, 2009.

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, 2009 is \$319,000, and is 95% funded by the Alameda County Supplemental Retirement Benefits Reserves (SRBR) Funds. Also according to the SRBR calculations and Alameda County actuarial valuations, Zone 7's net OPEB asset at June 30, 2009 is \$640,000 while the net OPEB liability is \$1,275,000.

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, 2009

Asset Type	FW Category	Cost	Current Year Depreciation	Accumulated Depreciation	Book Value
Rights of Way	RIGHTS	294,800.00	0.00	0.00	294,800.00
Reservoir	RESERV	1,934,197.36	48,354.96	764,220.96	1,169,976.40
Treatment Plants	PLANTS	70,099,242.20	2,189,378.06	22,981,782.42	47,117,459.78
Pipelines	PIPELINE	17,128,384.14	389,521.08	7,938,847.59	9,189,536.55
Equipment	EQUIP	2,658,762.08	199,880.43	2,097,353.28	561,408.80
Office Building	OFFICE	1,264,250.81	31,606.20	690,313.89	573,936.92
Wellfields	WELLS	11,332,498.64	318,198.12	2,465,835.18	8,866,663.46
Water Entitlements	ENTITLE	36,655,363.73	0.00	0.00	36,655,363.73
SCADA	SCADA	9,704,664.36	485,233.20	2,183,549.40	7,521,114.96
Other Infrastructure	OTHER	487,550.34	10,157.30	10,157.30	477,393.04
Work in Progress	WIP	96,109,594.35	0.00	0.00	96,109,594.35
Total		247,669,308.01	3,672,329.35	39,132,060.02	208,537,247.99

Alameda County Flood Control and Water Conservation District - Zone 7
 Property, Plant, and Equipment - Depreciation Expense
 Governmental Fund Type - General Fund
 June 30, 2009

Asset Type	FW Category	Cost	Current Year Depreciation	Accumulated Depreciation	Book Value
Rights of Way	RIGHTS	6,870,549.54	0.00	0.00	6,870,549.54
Flood Control Channel	CHANNEL	9,939,358.90	163,772.32	1,949,257.60	7,990,101.30
Total		<u>16,809,908.44</u>	<u>163,772.32</u>	<u>1,949,257.60</u>	<u>14,860,650.84</u>