



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

Livermore, California

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

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY THE FINANCE AND MANAGEMENT DEPARTMENT

OSBORN K. SOLITEL, ASSISTANT GENERAL MANAGER – FINANCE

PRINTED ON RECYCLED PAPER

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT- ZONE 7 WATER AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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

December 6, 2016

To the Board of Directors:

The Comprehensive Annual Financial Report for the Zone 7 Water Agency

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Agency), for the fiscal year ended June 30, 2016.

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

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

Maze & Associates, a firm of licensed certified public accountants, have issued an unmodified (“clean”) opinion on the Agency financial statements for the year ended June 30, 2016. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2016, are free of material misstatement. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement and be read in conjunction with the MD &A.

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

Agency Profile

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Chapter 55 of the California Water Code Appendix) was passed by the State Legislature in 1949. Zone 7 was established by a vote of the residents of the

Livermore-Amador Valley area in 1957, with its own independently-elected board to provide local control of integrated water resources. The Agency's Administrative Office is located in the City of Livermore in Alameda County. Livermore was founded in 1869 and is one of California's oldest wine regions. The Agency currently serves a population of approximately 240,000 people and it is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control and groundwater management throughout eastern Alameda County.

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

The Agency imports water to the Valley from the State Water Project (SWP), operated by the Department of Water Resources ("DWR") of the State of California. The State issued bonds to finance the SWP. Zone 7 is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

The Agency's four retail water customers are: the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District (DSRSD) and California Water Service Company - Livermore District.

These retailers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton, and through special agreement with Dublin-San Ramon Services District, the Dougherty Valley portion of San Ramon.

History and Services

Since long before the Zone 7 Water Agency was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper. Although the Tri-Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought in that period had local farmers, vintners and residents alike worried about their livelihoods, according to reports published in 1948. There was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park is now located.

The Agency was established in 1957 by local voters demanding local control over local water-resource planning, flood protection and financing. Zone 7 has taken the Tri-Valley a long way to resolving many of its most pressing water-supply, water-quality and flood-protection problems. The locally-elected, seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water-resource management, incorporating recreational and environmental benefits where feasible. Many issues have persisted over the decades, and their implications on local land use, local control and local financing continue to surface. Indeed, challenges continue as the agency works to improve water reliability and quality, along with flood protection, in the most economical and

Lake Oroville Reservoir



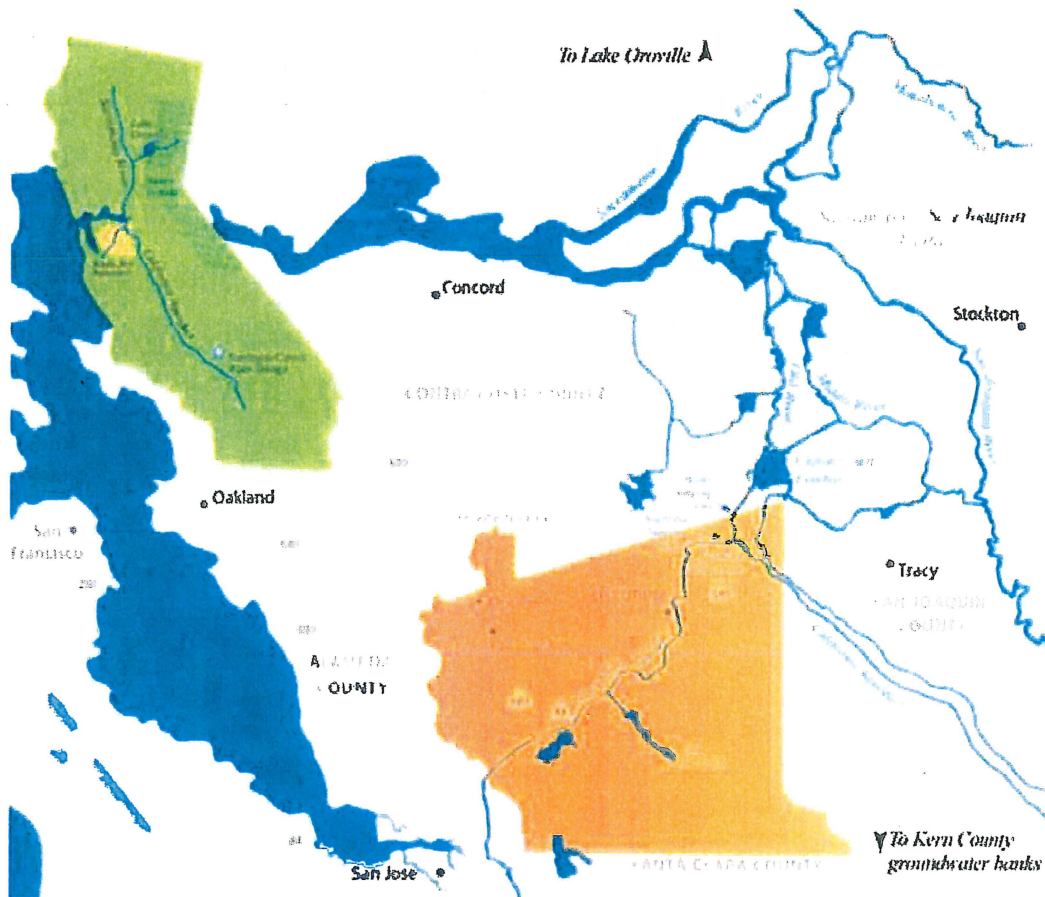
environmentally sound ways possible, and to accommodate new development being approved by Tri-Valley cities at no cost or harm to existing residents.

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

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

Zone 7's Service Area

The Agency supplies treated drinking water to retailers serving approximately 240,000 people and businesses in Pleasanton, Livermore, Dublin, and through special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. The Agency also supplies untreated irrigation water to local vineyards, farms and golf courses, and provides both flood protection and groundwater management to all of eastern Alameda County. Below is an overview of Zone 7's service area;



Mission

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

Vision

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

Values

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

Economic Condition and Fiscal Outlook

Despite receiving only 20 percent of its State Water Project contract amount for calendar year 2015, Zone 7 was able to again meet its demands and end the year with only a modest reduction in overall storage, thanks to prudent management of supplies and to the community's strong conservation efforts. Coordinated water conservation outreach with retailers serving Tri-Valley communities helped the Valley reduce 2015 treated water use by about 40 percent from 2013 levels, far exceeding the state requirements. The community had already been well ahead of the curve on conservation in 2014 and, in 2015 when mandatory state conservation went into effect, upped the ante and continued to be among the state's biggest water savers.

By April 2016, water supply conditions had vastly improved, leading Governor Jerry Brown to reassess the declared conservation mandates and issue Executive Order B-37-216 giving local suppliers the authority to set local conservation targets. For Calendar Year 2016, Zone 7 received a 60% allocation from the State Water Project. While mandatory cutbacks were lifted, the financial impacts of the drought still persist as a result of permanent changes in customer behavior.

The Agency's service area has experienced modest recovery from the overall market crisis of FY 2008-09. The Alameda County Assessor's office reported a 7.08 percent increase above FY 2014-15's assessment roll for FY 2015-16. The net local roll, after all legal exemptions have been applied, totals \$235.8 billion. The primary reason for this year's assessed value growth is attributed to the recovery in real estate market values, and is the largest percentage increase within the past eight years. Properties that were afforded reduced assessments in prior years due to market value declines continue to receive increases in their assessed values due to rising market values. FY 2015-16 local assessment roll is 18.5 percent higher than FY 2008-09 local assessment roll of \$207.2 billion¹. The unemployment rate reported through June 2016 for all of Alameda County is currently at 4.7 percent versus 5.7 percent for all of California².

All cities within the Agency service area continue to grow, with the cities of Livermore and San Ramon supporting the largest overall populations. Zone 7 provides potable water through special agreement with the Dublin San Ramon Services District, to the Dougherty Valley area in San Ramon. The cities of Dublin and Livermore have grown the most over the period from 2015 to 2016, at the rate of 2.4 percent and 2.0 percent respectively while the city of Pleasanton has grown 1.6 percent. The population growth in Alameda County (1.1 percent) has outpaced the overall state growth of 0.9 percent over the same time period³.

In 2015-16, the service area continued to experience improvement in the number of new home and commercial permits being issued, such as the Jordan, Schafer, Heritage, Wallis, Dublin Ranch developments in Dublin, Gale Ranch development in Dougherty Valley, Commons at Gateway, Civic Gateway and Township Square Apartments in Pleasanton and Taylor and KB Homes in Livermore.

Other economic issues facing the Agency include the fiscal impacts of per capita water demands decreasing while fixed costs remain high, declining reliability of the State Water Project resulting in higher imported water purchase costs from other sources combined with the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

¹ County of Alameda County Assessor's Office FY 2015-16

² US Department of Labor, Bureau of Labor Statistics, 2016

³ California Department of Finance, Demographic Research Unit, 2015/16 City Populations, E-1

Long-Term Financial Planning/Strategic Planning

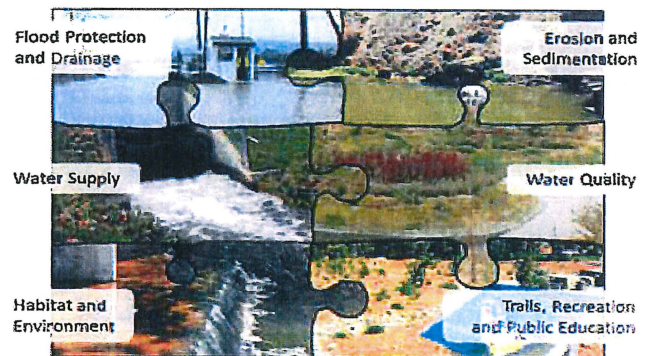
Water Rates

The Agency's largest revenue source is the sale of water, acting as a wholesaler for four water supply retailers in Livermore, Pleasanton, Dublin and by a special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. Treated water sales for FY 2015-16 were \$27.5 million.

- For calendar year 2015, the Board adopted a 3 percent increase in the wholesale treated water rate, relative to calendar year 2014.
- For calendar year 2016, the Board adopted a 13 percent increase plus a Temporary Conservation surcharge of \$0.57 per hundred cubic feet in the wholesale treated water rate. The Board also approved the elimination of a four-tiered variable rate structure and approved a uniform or one-tiered volume-based rate structure for treated water.

Strategic Planning

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



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

Capital Improvement Program

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

For the purpose of the CIP, capital outlay is distinguished from capital projects. Capital outlay includes only those projects or equipment purchases between \$5,000 and \$50,000 and having more than one year of useful life (see Note 1F). Capital outlay is funded through the operating budget.

Busch Valley Well



The FY 2015-16 ten-year CIP for the Water System includes a total of 94 capital projects with an estimated cost of over \$546 million. The FY 2015-16 five-year CIP for the Flood Protection System includes a total of 27 capital projects with an estimated cost of over \$56.3 million. The next update is expected in FY 2017-18.

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

Significant Accomplishments

Water Supply, Reliability and Quality

Continued wise management of limited supplies: In 2015, Zone 7 was able to meet all its retailers' demands even without state-mandated conservation, but urged the community to conserve at the state-required levels due to the continuing drought. And the community responded; coordinated water conservation outreach with retailers helped residents and businesses reduce water use by roughly 40% relative to 2013 levels, far exceeding state requirements. Thanks largely to its out-of-valley banked drought supplies, Zone 7 met demands and ended the year with an increase in local groundwater storage and enough imported surface water to carry over approximately 13,400 acre-feet into 2016.



Agreements to bolster future reliability: Zone 7, and an expanding number of Bay Area partners broadened efforts to develop solutions aimed at improving regional water supply reliability. Zone 7's Board approved an agreement involving dry-year water purchases from the Yuba County Water Agency; and another with Contra Costa Water District that (subject to state approval) provides for an exchange of up to 2,500 acre-feet of water on a one-year trial basis to boost reliability of Zone 7's supply during summer, when demands peak. On June 15, 2016, the Board adopted Resolution #16-143 authorizing the General Manager to submit a "Proposal to Participate" form to the Sites Reservoir Joint Powers Authority with a desired level of participation of 10,000 acre feet. On July 20, 2016 Resolution #16-151 was adopted by the Board increasing the Agency's desired level of participation in Sites Reservoir from 10,000 acre-feet to 20,000 acre-feet, with an estimated at \$1,200,000 for Phase one.

Urban Water Management Plan (UWMP) preparation: In light of lessons from the drought and other factors, and to provide background for Zone 7's 2015 UWMP, which the state requires every five years, Zone 7 launched an update to Zone 7's Water Supply Evaluation (WSE update) which was completed in early 2016. The WSE provides background for developing the state-required UWMP. In addition to the

California WaterFix, preliminary results of the evaluation confirmed that expanded use of recycled water (advanced treatment/potable reuse) and desalination might both be options to reliably provide adequate water supply in the future. The UWMP is a planning, water management, and communication tool that formally assesses the reliability of Zone 7's water resources over a 20-year period. It is also required to maintain eligibility for grant funding and drought assistance from the state. The 2015 UWMP was adopted by the Zone 7 Board on March 16, 2016 by Resolution #16-122.

Capital projects: Zone 7 completed several significant projects with water supply and-or water quality benefits, including 1) a valve to help blend groundwater from a high-producing well with higher-quality groundwater sources, 2) connecting a future new well site to Zone 7's transmission system, and 3) completing the second phase of the Superpulsator Rehabilitation Project at the Del Valle Water Treatment Plant. The Agency also started several multi-year projects: Arroyo Mocho Floodplain and Riparian Forest Restoration Project at Medeiros Pkwy, PPWTP New Filters Project, PPWTP New Clearwell Project and DVWTP Ozonation Project. Looking to the future, approximately every other year, Zone 7's board adopts a Capital Improvement Program laying out plans for key investments in water quality and reliability projects over the next decade for the water enterprise and five years of projects to improve regional flood protection.

Delta sustainability: The Agency continued to actively support the extensive scientific, environmental and public review process for California WaterFix and California EcoRestore (formerly the Bay Delta Conservation Plan), aimed at fixing the Delta's broken water conveyance infrastructure and restoring its ecosystem.



Nutrient Management Plan: The Agency completed work on a blueprint for managing nutrient loading to the Livermore-Amador Valley Groundwater Basin to achieve another aspect of sustainable groundwater quality. The plan was adopted by the Board in 2015 and approved by the

San Francisco Bay Regional Water Quality Control Board in early 2016.

Sustainable Groundwater Management: As another part of its long-standing, proactive groundwater basin stewardship and the Agency culminated many years of collaboration with Alameda County on the county's new Water Wells Ordinance, and associated adoption of an administrative MOU.

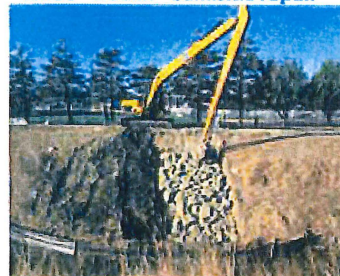
Partnership for Safe Water Recognition: Both the Del Valle and Patterson Pass surface water treatment plants maintained their Partnership for Safe Water status for the 2015 reporting period. The Partnership is a program developed by the American Water Works Association (AWWA), the U.S. Environmental

Protection Agency, and associated Partner organizations.

Flood Protection/Stream Management Master Plan

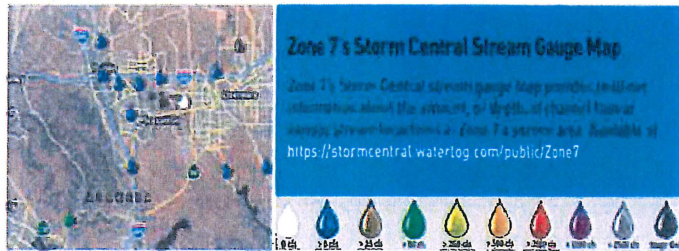
El Niño preparation: Extensive work was done throughout the 2015 summer to prepare the Agency's regional flood-protection system – including repairing creek banks, removing debris, managing vegetation, and conducting inspections to ensure the flood-control channels were in good working condition prior to the start of the wet season for which an El Niño weather pattern was predicted. Extensive public outreach included a well-attended flood-preparedness open house at Zone 7's office with information on what residents and businesses can do to prepare for a potentially wet winter.

Line J - Dublin - bankside repair



Flood Protection work: Completed four emergency bank repairs totaling 215 linear feet, 21 soil-bioengineering brush walls, 1,030 linear feet of access roadway, 32 outfall structure rehabilitations, 1,850 linear feet of concrete lining repairs and 100 feet of access ramp repair. Total construction cost was \$985,000. In addition, staff managed various maintenance activities such as vegetation management, down tree removal, hydro-seeding, fence and gate repairs, and debris and trash removal, totaling an additional \$500,000.

Storm Central website: Zone 7 upgraded and added stream gauges and conducted public outreach to inform residents on how to use the new Storm Central website to obtain real-time stream-flow information. The data also will help Zone 7 track flows in the flood-control channels and respond accordingly.



Stream Management Master Plan Update (SMMP): Zone 7 continued to plan and implement key aspects of the SMMP and to work on system-wide hydraulic and hydrology models that identify potential problem areas. In addition, an effort is ongoing to update the SMMP projects to better reflect challenges identified by the modeling efforts.

Sediment study: In addition to completing regular maintenance activities of its flood control facilities to ensure they remain in good working order, Zone 7 continued work on sediment studies that will help the Agency develop a more cost-effective maintenance plan to reduce flooding risks from sediment buildup in some streams and to better understand erosion, sedimentation and habitat relationships within the watershed.

Multi- Benefit Projects/Environmental/Community Partnerships

Stanley Reach - new roughened channel



Upper Altamont Creek Planting Project: Zone 7 collaborated with the U.S. Natural Resources Conservation Service and the Alameda County Resource Conservation District on a workday in which 40 volunteers helped plant vegetation along Altamont Creek in Livermore's Springtown area. Among other things, the project helped to improve Zone 7's ability to protect stream banks while enhancing native vegetation and improving in-stream water quality.

Living Arroyos Program: The Living Arroyos partnership with the City of Livermore and Livermore Area Recreation and Park District continued to grow. Volunteers and Living Arroyos staff harvested and planted over 500 willow stakes and performed other maintenance activities along the Arroyo Mocho at the Stanley Reach Project. The efforts included; watering the newly planted riparian trees during the summer, applying mulch to over 1,000 oak seedlings, nearly one mile of non-native invasive weed removal in the fall, and several stream clean ups following high flow events in the winter.

Creek cleanups: Zone 7 collaborated extensively with other agencies to help keep local creeks clean both by teaming up on debris removal and by helping to promote while also serving as a site captain during community creek cleanups.

Financial Accountability & Cost Efficiency

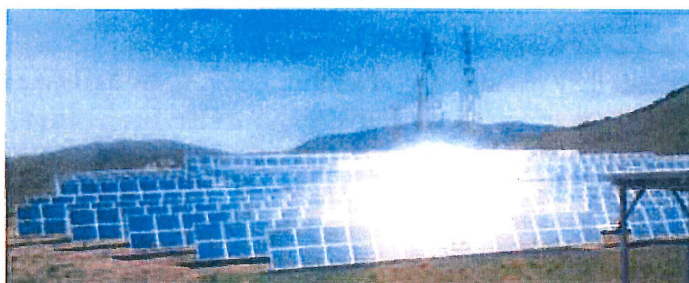
Comprehensive Annual Financial Report (CAFR): For the first time in the agency's history, staff created a CAFR for the year ending June 30, 2015.

Water rates: Zone 7 conducted a three-year cost of service study and adopted a three-year treated water rate increase to help the Agency recover from deep financial losses from the drought and better ensure it has adequate revenues in the future to continue its mission. Rather than take a piecemeal approach, setting basic wholesale rates over a three-year horizon provides greater predictability/stability for Zone and its customers, improves the ability of Zone 7 to plan for and finance deferred and badly needed equipment replacements, infrastructure maintenance and capital projects, and streamlines the rate-setting process for improved efficiency.

Video recording of board meetings: In late 2015, the Board of Directors approved a one-year trial for video recording/televising monthly board meetings on Community television and posting archived video links to the Agency's website. Videotaping and subsequent replay on TV30 began in 2016.

Energy efficiency: In continued moves to help save money and protect the environment, Zone 7 further increased its alternative power and renewable energy use portfolio by completing a Power and Water Resources Pooling Authority (PWRPA) project at the Mocho Groundwater Demineralization Plant and at Mocho Wells #3 and #4.

Solar Panels at Del Valle Plant



Financial Policies

Financial Management Framework

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

Financial Reserves

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of an Interim Reserve policy on April 17, 2013. On September 28, 2016, the Board adopted a Final Reserve Policy (Resolution #16-166). The 2016 revisions will help to strengthen the Agency's financial position.

The policy covers reserves for: Water Enterprise Fund Operating, Emergency Rate Stabilization and Drought Contingency Reserves, Flood Protection Operating and Capital Project Reserves, Water Renewal, Replacement & System-wide Improvements Capital Reserves, and Water Expansion Capital Reserves.

Budget Controls

The Agency maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the annually appropriated budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Program. The legal level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories, the operating budget (consisting of total operations and operating projects) and the capital budget (consisting of capital project expenditures).

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

Awards

The Agency has received the following awards:

- For the third consecutive year, the Agency received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the FY 2015-16 budget. Additionally, Zone 7 received the "Excellence Award in Operating Budget" for the second time from the California Society of Municipal Finance Officers (CSMFO) for its FY 2015-16 Budget Book.
- The California Local Agency Formation Commission (CALAFCo) presented an award to Zone 7 and its partners (Livermore, Pleasanton, Dublin, San Ramon and San Ramon Services District) for developing the Tri-Valley Intergovernmental Reciprocal Services Master Agreement as an example of working together and furthering good government efforts.
- The Agency received the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of Zone 7's efforts to promote transparency and good governance.

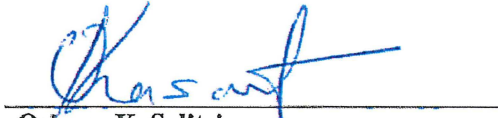
Acknowledgements

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

Respectfully submitted,



G.F. Duerig
General Manager

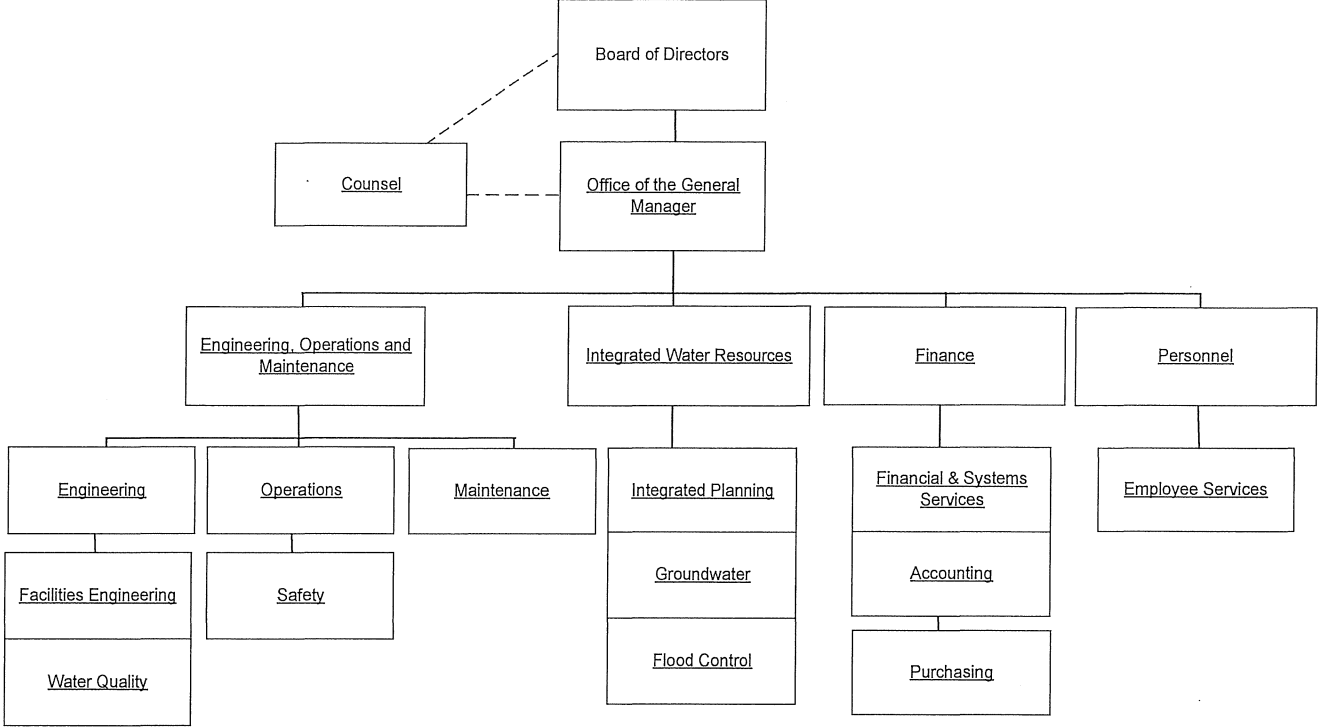


Osborn K. Solitei
Assistant General Manager, Finance

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

Functional Organizational Chart

FY 15/16



LIST OF ELECTED OFFICIALS AND AGENCY MANAGEMENT



Dick Quigley, *President*

Board Member since 2004 -- Term Expires June 30, 2020



John Greci, *Vice President*

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



Angela Ramirez Holmes

Board Member since 2012 -- Term Expires June 30, 2020



Jim McGrail

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



Sandy Figuers

Board Member since 2008 -- Term Expires June 30, 2020



Bill Stevens

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



Sarah Palmer

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

AGENCY MANAGEMENT

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Osborn K. Solitei, Assistant General Manager, Finance

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2016 Comprehensive Annual Financial Report

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Analyst

Special Assistance - Departments

General Manager's Office &
Human Resources Department

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities and major funds of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (Agency) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and major funds of the Agency as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2016 as discussed in Note 2 to the financial statements:

Statement No. 72 – Fair Value Measurement and Application

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Summarized Comparative Information

We have previously audited the Agency's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2015. In our opinion, the summarized comparative information as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze + Associates

Pleasant Hill, California
December 6, 2016

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**Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency
Management’s Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (Unaudited)**

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

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (“Agency”) MD&A presents management’s analysis of the Agency’s financial condition and activities for the year ended June 30, 2016 and 2015. The MD&A is intended to serve as an introduction to the Agency’s basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section. A narrative overview and comparative analysis of fiscal year 2016 to 2015 information is presented in this report. Readers are encouraged to consider the information presented here as complementary to the information contained in the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

The information in this MD&A is presented in the following order:

- Financial Highlights
- Overview of Financial Statements
- Capital Assets
- Debt Administration
- Request for Information

Financial Highlights

- The Agency’s net position increased by \$11.2 million or 2.8 percent from \$396.2 million to \$407.4 million mainly due to increased revenue from connection and developer fees on new development.
- Total revenues increased by \$28.1 million or 30.9 percent from \$91 million to \$119.1 million mainly due to increase revenues from property tax, water connection fee as a result of increased construction activities in the service area. The water sales also generated around \$3.9 million due to rate increases of 13 percent and a temporary surcharge of \$0.57 per 100 Cubic feet (CCF) or \$248 per AF for calendar year 2016, the increase was offset by the reduction in demand for water in response to mandated cutbacks.
- Operating expenses increased by \$27.3 million or 33.9 percent from \$80.7 million to \$108 million mainly due to increases in State Water Project costs, and water enterprise operations, retirement of the Altamont Water Treatment Plant asset, and increased Flood Protection activities due to a stormy season.
- Capital assets decreased by \$23.6 million or 9.7 percent from \$242.9 million to \$219.3 million due to the retirement of the Altamont Water Treatment Plant asset.
- The Agency implemented a 3 percent water rate increase for calendar year 2015 in the wholesale treated water rate, relative to calendar year 2014.
- In October 2015, the Board adopted a 13 percent water rate increase plus a Temporary Conservation surcharge of \$0.57 per CCF or \$248 per AF in the wholesale treated water rate for Calendar 2016. The Board also approved the elimination of a four-tiered variable rate structure and approved a uniform or one-tier volume-based rate structure for treated water.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Overview of Financial Statements

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

Agency-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

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

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Proprietary funds

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

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

Notes to the basic financial statements

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

Other information

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

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Government-wide Financial Analysis

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

Statement of Net Position June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$77,352,331	\$67,436,221	\$130,624,594	\$103,463,809	\$207,976,925	\$170,900,030
Capital assets	30,334,638	30,385,318	188,968,433	212,562,797	219,303,071	242,948,115
TOTAL ASSETS	107,686,969	97,821,539	319,593,027	316,026,606	427,279,996	413,848,145
Deferred Outflow of Resources						
Pension related	1,158,722	988,972	10,091,004	9,102,575	11,249,726	10,091,547
Liabilities:						
Current liabilities	626,967	249,075	3,935,175	4,059,034	4,562,142	4,308,109
Long-term liabilities	2,570,042	2,179,671	22,852,530	20,431,988	25,422,572	22,611,659
TOTAL LIABILITIES	3,197,009	2,428,746	26,787,705	24,491,022	29,984,714	26,919,768
Deferred Inflow of Resources						
Pension related	121,551	79,322	1,058,555	730,082	1,180,106	809,404
Net Position:						
Net Investment in capital assets	30,334,638	30,385,318	188,968,433	212,562,797	219,303,071	242,948,115
Restricted	56,059,067	49,177,969	82,151,910	50,917,217	138,210,977	100,095,186
Unrestricted	19,133,427	16,739,156	30,717,427	36,428,063	49,850,854	53,167,219
TOTAL NET POSITION	\$105,527,132	\$96,302,443	\$301,837,770	\$299,908,077	\$407,364,902	\$396,210,520

As the above table indicates, the total assets increased by \$13.4 million from \$413.8 million to \$427.3 million during the fiscal year ended June 30, 2016. The increase is mainly due to increase revenue from water connection and development impact fees, property tax growth caused by increased construction activities in the service area. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2016, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$407.4 million compared to \$396.2 million at June 30, 2015.

The largest portion of the Agency's net position, \$219.3 million or 54 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

For governmental activities, net investment in capital assets decreased slightly by \$0.05 million or 0.2 percent and the investment in capital assets for business-type activities decreased \$23.6 million or 11.1 percent mainly due to the retirement of the Altamont Water Treatment Plant asset.

Deferred outflows of resources is the amount of the effect of the GASB Statement No. 68 that defers Alameda County Employees' Retirement Association ("ACERA") pension contributions after the measurement date until

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

the next fiscal year as a subsequent offset to the net pension liability. The deferred outflows of resources due to GASB Statement No. 68 at June 30, 2016 and 2015 were \$11.2 million and 10.1 million, respectively.

Deferred inflows of resources is the result of GASB Statement No. 68 and is deferred difference between expected and actual investment returns in ACERA pension fund which will be amortized as a component of pension expense over time. The deferred inflows of resources for June 30, 2016 and 2015 were \$1.2 million and \$0.8 million, respectively.

For Fiscal year ended June 30, 2016, total liabilities reflects an increase of \$3.1 million from \$26.9 million to \$30.0 million mainly due to a \$2.7 million increase the net pension liability.

The total net position increased by \$11.2 million or 2.8 percent from \$396.2 million to \$407.4 million mainly due to increased revenues from connection fees and development impact fee as a result of new development and offset by decreased revenues in water sales due to reduction in demand for water in response to mandated cutbacks.

Statement of Net Position June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$67,436,221	\$57,054,555	\$103,463,809	\$106,475,587	\$170,900,030	\$163,530,142
Capital assets	30,385,318	30,403,950	212,562,797	211,603,471	242,948,115	242,007,421
TOTAL ASSETS	97,821,539	87,458,505	316,026,606	318,079,058	413,848,145	405,537,563
Deferred Outflow of Resources						
Pension related	988,972	-	9,102,575	-	10,091,547	-
Liabilities:						
Current liabilities	249,075	287,858	4,059,034	5,929,099	4,308,109	6,216,957
Long-term liabilities	2,179,671	-	20,431,988	528,961	22,611,659	528,961
TOTAL LIABILITIES	2,428,746	287,858	24,491,022	6,458,060	26,919,768	6,745,918
Deferred Inflow of Resources						
Pension related	79,322	-	730,082	-	809,404	-
Net Position:						
Net Investment in capital assets	30,385,318	30,403,950	212,562,797	211,603,471	242,948,115	242,007,421
Restricted	49,177,969	41,506,430	50,917,217	42,196,142	100,095,186	83,702,572
Unrestricted	16,739,156	15,260,267	36,428,063	57,821,385	53,167,219	73,081,652
TOTAL NET POSITION	\$96,302,443	\$87,170,647	\$299,908,077	\$311,620,998	\$396,210,520	\$398,791,645

As the above table indicates, the total assets increased by \$8.3 million from \$405.5 million to \$413.8 million during the fiscal year ended June 30, 2015. The increase is mainly due to increased revenues for water connection and development impact fee revenue. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2015, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$396.2 million compared to \$398.8 million at June 30, 2014.

The largest portion of the Agency's net position, \$242.9 million or 61 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

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

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

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

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

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

Statement of Activities and Changes in Net Position For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services	\$ 7,432,934	\$ 8,482,390	\$ 87,940,258	\$ 70,027,422	\$ 95,373,192	\$ 78,509,812
Grants and other contributions	71,562	112,334	15,285,044	5,012,899	15,356,606	5,125,233
Capital grants and contributions	40,202	713	-	-	40,202	713
General revenues:						
Property taxes	7,329,117	6,759,202	-	-	7,329,117	6,759,202
Investment earnings and others	488,127	260,490	569,917	365,112	1,058,044	625,602
Total revenues	15,361,942	15,615,129	103,795,219	75,405,433	119,157,161	91,020,562
Expenses:						
Flood Protection Operations	5,328,998	4,705,166	-	-	5,328,998	4,705,166
Flood Protection Drainage Development Impact Fee	794,922	499,169	-	-	794,922	499,169
State Water Project	-	-	20,621,344	16,359,406	20,621,344	16,359,406
Water Enterprise	-	-	81,257,514	59,122,995	81,257,514	59,122,995
Total expenses	6,123,920	5,204,335	101,878,858	75,482,401	108,002,778	80,686,736
Change in net position before transfers	9,238,022	10,410,794	1,916,361	(76,968)	11,154,383	10,333,826
Transfers	(13,333)	(13,333)	13,333	13,333	-	-
Change in net position	9,224,689	10,397,461	1,929,694	(63,635)	11,154,383	10,333,826
Net position at beginning of year	96,302,443	85,904,982	299,908,077	299,971,712	396,210,520	385,876,694
Net position at end of year	\$ 105,527,132	\$ 96,302,443	\$ 301,837,771	\$ 299,908,077	\$ 407,364,903	\$ 396,210,520

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased \$11.1 million from the prior year. The table above indicates the Agency total revenues increased by \$28.1 million or 30.9 percent to \$119.1 million from \$91 million in the prior year. The increase is mainly due to increased revenues from property tax and water connection fee.

On April 1, 2015, Governor Brown issued an Executive Order which was still in effect as of April 2016, requiring 25% water conservation measures statewide for residential use relative to 2013 use. Calendar year 2016 began with conservation levels hovering around 44%. The Governor reassesses the current State conservation mandate and issue Executive Order B-37-16 directing water suppliers to locally assess and set their water conservation targets. These cutbacks had a significant impact on the Agency's water sales revenue.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Statement of Activities and Changes in Net Position

For the Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Charges for services	\$ 8,482,390	\$ 4,823,378	\$ 70,027,422	\$ 70,342,468	\$ 78,509,812	\$ 75,165,846
Grants and other contributions	112,334	64,318	5,012,899	4,347,897	5,125,233	4,412,215
Capital grants and contributions	713	28,560	-	-	713	28,560
General revenues:						
Property taxes	6,759,202	6,201,653	-	-	6,759,202	6,201,653
Investment earnings and others	260,490	348,376	365,112	437,661	625,602	786,037
Total revenues	<u>15,615,129</u>	<u>11,466,285</u>	<u>75,405,433</u>	<u>75,128,026</u>	<u>91,020,562</u>	<u>86,594,311</u>
Expenses:						
Flood Protection Operations	4,705,166	1,488,735	-	-	4,705,166	1,488,735
Flood Protection Drainage Development Impact Fee	499,169	4,029,268	-	-	499,169	4,029,268
State Water Project	-	-	16,359,406	13,681,891	16,359,406	13,681,891
Water Enterprise	-	-	59,122,995	57,386,822	59,122,995	57,386,822
Total expenses	<u>5,204,335</u>	<u>5,518,003</u>	<u>75,482,401</u>	<u>71,068,713</u>	<u>80,686,736</u>	<u>76,586,716</u>
Change in net position before transfers	10,410,794	5,948,282	(76,968)	4,059,313	10,333,826	10,007,595
Transfers	(13,333)	(13,334)	13,333	13,334	-	-
Change in net position	10,397,461	5,934,948	(63,635)	4,072,647	10,333,826	10,007,595
Net position, beginning of year as adjusted	85,904,982	81,235,699	299,971,712	307,548,351	385,876,694	388,784,050
Net position, end of year	<u>\$ 96,302,443</u>	<u>\$ 87,170,647</u>	<u>\$ 299,908,077</u>	<u>\$ 311,620,998</u>	<u>\$ 396,210,520</u>	<u>\$ 398,791,645</u>

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position decreased by \$2.6 million from the prior year. The table above indicates the Agency total revenues increased by \$4.4 million or 5.1 percent to \$91 million from \$86.6 in the prior year. The increase is mainly due water connection fees, development impact fees and property tax growth offset by the reduction in demand for water in response to severe drought conditions.

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

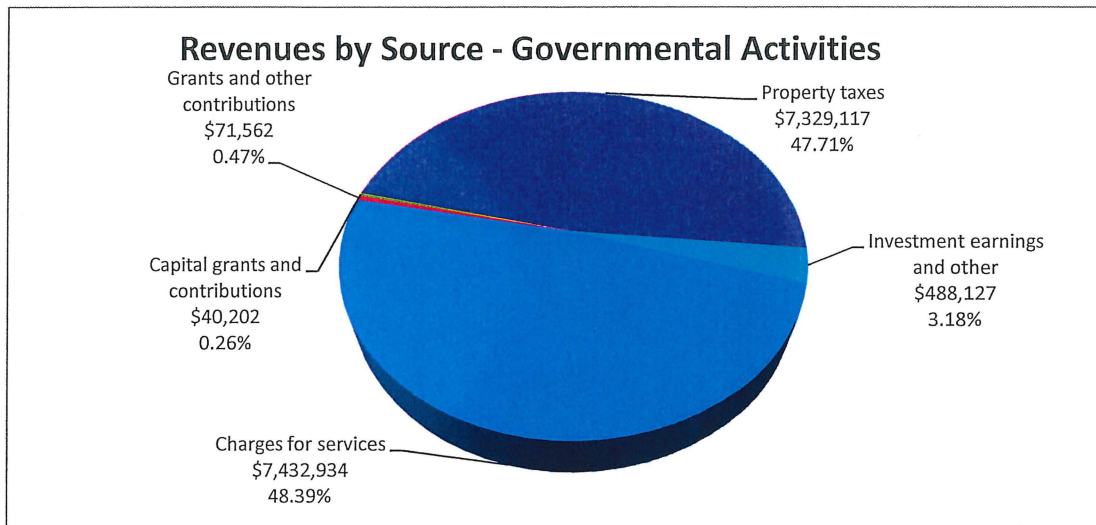
Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Governmental activities

The net position for the Agency's governmental activities increased by \$9.2 million from \$96.3 million to \$105.5 million during the current year, mainly due to increase in development impact fee revenue and property taxes and slightly offset by the recognition of the net pension liability pursuant to GASB Statement No. 68 at June 30, 2016. Total revenues were \$15.4 million while total expenses, including transfers amounted to \$6.1 million.

Revenues: Significant changes in revenue are as follows:

Total revenues decreased \$0.3 million from the prior year or 1.6 percent, mainly due to \$1.0 million decrease in charges for services offset by \$0.6 million increase in property taxes as a result of higher total assessed value.



Expenses: Significant changes in expenses are as follows:

Total expenses increased \$0.9 million from the prior year or 17.7 percent.

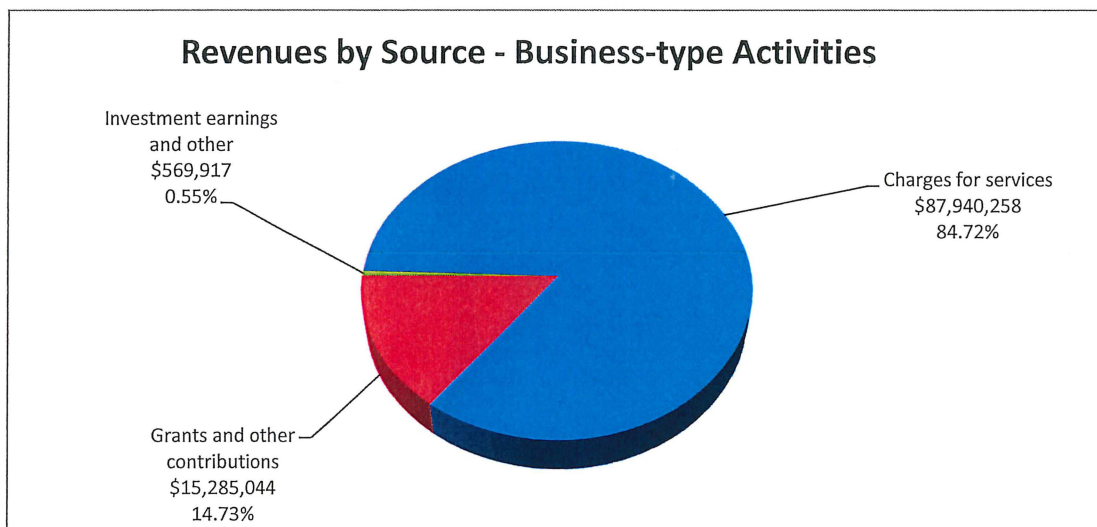
- Flood Protection fund increased by \$0.6 million due to a number of bank slide repairs, channel maintenance projects and numerous preparation measures in preparation for a stormy El Nino season.
- Flood Protection Drainage and Development Impact fund increased \$0.3 million due to the Stream Management Master Plan (SMMP) update planning efforts.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Business-type activities

The net position for the Agency's business-type activities increased by \$1.9 million from \$299.9 million to \$301.8 million during the current year. Operating revenues increased by \$12.2 million from \$58.0 million to \$70.2 million. This increase is due to a combination of several factors.

- Water connection fee revenue increase by \$10.6 million due to development activities in the service area; Jordan, Schafer, Heritage, Wallis, Dublin Ranch developments in Dublin, Gale Ranch development in Dougherty Valley, Commons at Gateway, Civic Gateway and Township Square Apartments in Pleasanton and Taylor and KB Homes in Livermore.
- There was a reduction of water demand of 41 percent because of conservation efforts and mandated cutbacks due to the severe drought, which was partially offset by rate increases in calendar year 2016 of 13% and a temporary conservation surcharge of \$0.57 per CCF or \$248 per AF which generated around \$3.9 million in revenue.
- Intergovernmental revenue increased by \$10.3 million from \$5.0 million to \$15.3 million from the prior year mainly due to increased State Department of Water Resources refunds for the SBA Improvement and Enlargement Project and credits for Permanent Table A transfers.
- Total revenues as of June 30, 2016 were \$103.8 million and total expenses (including transfers) were \$101.9 million.



Expenses: Significant changes in expenses are as follows:

Total expenses increased \$26.4 million over the prior year or 35 percent.

- State water project costs increased \$4.3 million or 26.1 percent because of higher expenses incurred by the State of California ("State").
- Water enterprise expenses increase by \$22.1 million of 37.4 percent mainly due to retirement of the Altamont Water Treatment Plant capital asset for \$17.2 million.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Governmental funds

The Agency's governmental funds consist of two funds; Flood Protection Operations and Flood Protection Drainage and Development Impact Fee. As of June 30, 2016, the Agency's governmental funds reported combined ending fund balance of \$76.7 million of which \$56.0 million are restricted and \$20.7 million are committed.

The \$76.7 million ending fund balance is an increase of \$9.5 million during the current year. Development impact fee revenue is from the new development, including: Commons at Gateway, Ponderosa and DeNova Homes in Pleasanton, and KB Homes in Livermore and an increase of \$0.6 million in property tax due to slight increase in assessed property valuations in the service area. Compared to last fiscal year, the expenditures increased slightly to \$5.8 million from \$5.2 million mainly due to increased Flood Protection activities caused by a stormy season.

Proprietary funds

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

- **State Water Facilities Fund** – This fund finances the "fixed cost" payment to the State Department of Water Resources ("DWR") to import water to the Agency. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt. Net position of the State Water Facilities Fund as of June 30, 2016 was \$12.9 million, an increase of \$4.9 million from the prior fiscal year.

Intergovernmental revenue increased by \$4.3 million due to DWR refunds. Property tax increased \$5.7 million as a result of the property tax override levy. Operating expenses increased by \$4.3 million or 26.1 percent due to a pass-through from DWR for fixed charges associated with the State Water Project, increased to cover DWR cash flow shortages.

- **Water Enterprise Operations** is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss in the fund is intended to be entirely or predominately self-supported from user charges. The purpose of Water Enterprise Operations is to ensure that the current water treatment and delivery systems are maintained effectively and that capital replacement and improvement needs are funded. This also pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system.

Net position of the Water Enterprise Operations Fund as of June 30, 2016 was \$211.5 million, a decrease of \$29.6 million from prior fiscal year. The decrease is mainly from the retirement of \$17.2 million for the Altamont Water Treatment Plant capital asset, operating expenses increased by \$3.1 million or 7.8 percent mainly from salaries and benefits by \$2.0 million and contractual services by \$1.3 million. Operating revenues increased by \$1.6 million or 5.7% mainly due to higher water sales revenue as a result of Board approved water rate increases.

- **Water Expansion** – The purpose of this fund is to ensure that the Agency is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity). As of June 30, 2016, the net position for the fund was \$69.2 million, an increase of \$26.6 million from prior fiscal year.

Operating revenues were \$10.6 million more than the prior fiscal year. This increase is primarily due to an increase in connection fee revenue by \$10.6 million or 37.2 percent due to increased development activities in the services area. Intergovernmental revenue increased by \$6.1 million due to DWR refunds. Operating expenses were \$1.8 million more than prior fiscal year mainly due to an increase in the debt service payment for the South Bay Aqueduct Improvement and Enlargement project.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Governmental Funds Budgetary highlights

A comparative budgetary statement for the Agency's governmental fund (Special Revenue Fund) follows:

	Final Budgeted	Actual	Budget Variance	
	Amounts	Amounts	June 30, 2016	June 30, 2015
Resources (inflows):				
Taxes	\$6,472,129	\$7,329,117	\$856,988	\$451,471
Intergovernmental revenues	64,700	71,562	6,862	47,634
Charges for services	47,650	23,603	(24,047)	437,658
Interest and rentals	90,505	221,438	130,933	36,009
Other	35,000	40,202	5,202	(34,287)
Amounts available for appropriation	<u>\$6,709,984</u>	<u>\$7,685,922</u>	<u>\$975,938</u>	<u>\$938,485</u>
Charges to appropriations (outflows):				
Flood Protection:				
Salaries and employee benefits transferred from District-wide	\$2,241,030	\$2,069,322	\$171,708	\$60,607
Services and supplies	6,843,744	2,946,147	3,897,597	6,865,535
Capital outlay:				
Equipment and capital structures	4,191,785	0	4,191,785	2,671,241
Total changes to appropriations	<u>\$13,276,559</u>	<u>\$5,015,469</u>	<u>\$8,261,090</u>	<u>\$9,597,383</u>
Excess of resources over charges to appropriations	(\$6,566,575)	\$2,670,454	\$9,237,029	\$10,535,868
Other Financing Sources		(13,333)	13,333	13,333
Net change in fund balance	(\$6,566,575)	\$2,657,120	\$9,223,695	\$10,522,535
Fund balance beginning		\$18,009,177		
Fund balance ending		\$20,666,297		

The Agency's actual special revenue fund revenues are over the budget by \$1 million or 14.5 percent due to higher assessed value.

Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the final budget by \$8.3 million. The variance is primarily due the re-prioritization and deferrals of capital projects while the Stream Management Master Plan and five-year Capital Improvement Program is being developed.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Capital assets

As of June 30, 2016, the agency's investment in capital assets totaled \$219.3 million (net of accumulated depreciation) which is a decrease of \$23.6 million from the capital assets balance of \$242.9 million at June 30, 2015. The decrease in capital assets was primarily due to the retirement of \$17.2 million for the Altamont Water Treatment Plant capital asset.

There were many capital project activities in FY 2015-16. They include the Del Valle Water Treatment Plant (DVWTP) Filter Valves Replacement and the Stoneridge Cross Valley Isolation Valve Projects, flood control slope repairs and planning for major projects such as the Paterson Pass Water Treatment Plant (PPWTP) New Media Filters and Clearwell and the Ozone at PPWTP. Additional information on the Agency's capital assets is provided in Note 4 of the financial statements.

	2016		2015		2016 vs. 2015		2014		2015 vs. 2014	
	\$		\$		\$ Change	% Change	\$		\$ Change	% Change
Easements	\$ 1.4	\$ 1.4	\$ -	0%	\$ -	0%	\$ 1.4	\$ -	0%	0%
Land	8.2	8.2	0.0	0%	0.0	0%	8.2	-	0%	0%
Treatment Plants	114.2	109.9	4.3	4%	4.3	4%	107.1	2.8	3%	3%
Construction in Progress	2.6	24.7	(22.1)	-89%	(22.1)	-89%	27.1	(2.3)	-9%	-9%
Pipelines	53.9	54.1	(0.1)	0%	(0.1)	0%	52.7	1.4	3%	3%
Reservoirs	1.9	1.9	0.0	0%	0.0	0%	1.9	-	0%	0%
Water Entitlements	36.7	36.7	-	0%	-	0%	36.7	-	0%	0%
Wellfields	30.3	30.3	(0.0)	0%	(0.0)	0%	26.4	3.9	15%	15%
Supervisory Control and Data Acquisition project	9.7	9.7	0.0	0%	0.0	0%	9.7	-	0%	0%
Other	6.3	6.3	0.0	0%	0.0	0%	5.2	1.1	21%	21%
Subtotal	265.1	283.1	(18.0)	-6%	(18.0)	-6%	276.3	6.8	2%	2%
Less Accumulated depreciation/amortization	76.2	70.6	5.6	8%	5.6	8%	64.7	5.9	9%	9%
Capital assets, net	\$ 189.0	\$ 212.6	\$ (23.6)	-11.1%	\$ (23.6)	-11.1%	\$ 211.6	\$ 1.0	0.5%	0.5%

	2016		2015		2016 vs. 2015		2014		2015 vs. 2014	
	\$		\$		\$ Change	% Change	\$		\$ Change	% Change
Easements	\$ -	\$ -	\$ -	0%	\$ -	0%	\$ -	\$ -	0%	0%
Land	20.0	20.0	-	0%	-	0%	20.0	0.0	0%	0%
Treatment Plants	-	-	-	0%	-	0%	-	-	0%	0%
Flood Control Channels	12.4	12.4	-	0%	-	0%	9.9	2.5	25%	25%
Construction in Progress	0.3	0.0	0.2	431%	0.2	431%	3.4	(3.3)	-99%	-99%
Pipelines	-	-	-	0%	-	0%	-	-	0%	0%
Reservoirs	-	-	-	0%	-	0%	-	-	0%	0%
Water Entitlements	-	-	-	0%	-	0%	-	-	0%	0%
Wellfields	-	-	-	0%	-	0%	-	-	0%	0%
Supervisory Control and Data Acquisition project	-	-	-	0%	-	0%	-	-	0%	0%
Other	1.0	1.0	-	0%	-	0%	-	1.0	0%	0%
Subtotal	33.7	33.5	0.2	1%	0.2	1%	33.3	0.2	1%	1%
Less Accumulated depreciation/amortization	3.4	3.1	0.3	8%	0.3	8%	2.9	0.2	7%	7%
Capital assets, net	\$ 30.3	\$ 30.4	\$ (0.1)	0%	\$ (0.1)	0%	\$ 30.4	\$ (0.0)	0%	0%

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

Debt Administration

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

Currently, the Agency does not maintain any outstanding debt obligations. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the debt service obligation for Cawelo Water District for the Groundwater Banking Program which is in the Capital Improvement Program (CIP). Similarly, the state incurs debt for capital projects to maintain, improve or expand the State Water Project infrastructure. The Agency, under the terms of its contract with the State, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

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

Economic factors and next year's budget and rates

- The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20 percent by the end of 2020, and calls for agricultural water suppliers to prepare and adopt water management plans. Failure to meet this goal currently results in an agency not being eligible for state grants. Water conservation and other recycling efforts are nearing the level of "demand hardening" or maximum potential as all new construction and landscaping is utilizing improved ecological designs, and older systems have been updated. Water demands continue to decrease while fixed costs remain high.
- Despite receiving only 20 percent of its State Water Project contract amount in 2015, the Agency met its demands and ended the year with only a modest reduction in overall storage, thanks to prudent management of supplies and to the community's strong conservation efforts. Coordinated water conservation outreach with retailers serving Tri-Valley communities helped the Valley reduce treated water use by about 35 percent from 2013 levels, far exceeding state requirements. The community had already been well ahead of the curve on conservation in 2014 and, in 2015 when state conservation law went into effect, upped the ante and continued to be among the state's biggest water savers. Though not mandated, Tri-Valley agriculture (primarily vineyards) also pitched in, reducing use of untreated water by 8.7 percent between 2013 and 2015. By April 2016, water supply conditions had vastly improved, leading Governor Jerry Brown to reassess the declared state current state conservation mandates and issue Executive Order B-37-216 giving local suppliers the authority to set local conservation targets. While mandatory cutbacks have been lifted, the financial impacts of the drought still persist as a result of permanent changes in customer behavior.
- In FY2015-16, the service area continued to experience improvement in the number of new home and commercial permits being pulled, such as the Jordan, Schafer, Heritage, Wallis, Dublin Ranch developments in Dublin, Gale Ranch development in Dougherty Valley, Commons at Gateway, Civic Gateway and Township Square Apartments in Pleasanton and Taylor and KB Homes in Livermore.
- Alameda County's average unemployment rates markedly improved, registering 4.7 percent as of June 2016 versus the 5.7 percent for California.
- Other economic issues facing the Agency include the fiscal impacts of per capita water demands decreasing while fixed costs remain high, declining reliability of the State Water Project resulting in higher imported water purchase costs from other sources combined with the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

Management's Discussion and Analysis for the Years Ended June 30, 2016 and 2015 (continued)

- October 19, 2016, the Board approved changing the rate structure to include recovering 35 percent of revenue requirements through a fixed charge and 65 percent as volume-based rates. The Board also approved the continuation of the temporary conservation surcharge of \$0.57 per 100 Cubic Feet (CCF) or \$248 per AF in 2017 which will sunset on December 31, 2017. The Agency will recover \$14.2 million and \$15.7 million for CY 2017 and CY 2018, respectively as fixed charge to retailers and the adopted volume-based rates are as follows:

<u>Volume-based Rate</u>	<u>CY 2017</u>	<u>CY 2018</u>
Rate per CCF	\$ 1.98	\$ 2.04
Temporary Surcharge per CCF	0.57	-
Total per CCF	<u>\$ 2.55</u>	<u>\$ 2.04</u>

The above factors were considered in preparing the Agency's FY 2016-17 Budget and the water rates for calendar years 2017 and 2018.

Requests for Information

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

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 STATEMENT OF NET POSITION

JUNE 30, 2016

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total	
			2016	2015
ASSETS				
Current assets				
Pooled Cash in County Treasury (Note 2)	\$75,970,975	\$113,110,208	\$189,081,183	\$155,662,862
Accounts receivable, net	1,381,356	12,804,455	14,185,811	15,147,168
Prepaid expenses		4,709,931	4,709,931	90,000
Total current assets	<u>77,352,331</u>	<u>130,624,594</u>	<u>207,976,925</u>	<u>170,900,030</u>
Noncurrent assets				
Capital assets (Note 4):				
Rights of way, water entitlements, easements and construction in progress	20,243,317	48,792,289	69,035,606	90,966,156
Depreciable, net	10,091,321	140,176,144	150,267,465	151,981,959
Total noncurrent assets	<u>30,334,638</u>	<u>188,968,433</u>	<u>219,303,071</u>	<u>242,948,115</u>
Total assets	<u>107,686,969</u>	<u>319,593,027</u>	<u>427,279,996</u>	<u>413,848,145</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension related (Note 6)	<u>1,158,723</u>	<u>10,091,004</u>	<u>11,249,727</u>	<u>10,091,547</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	626,967	2,803,973	3,430,940	3,125,505
Deposits-water facilities		332,725	332,725	328,839
Unearned revenue				16,000
Compensated absences (Note 1J)		798,477	798,477	837,765
Total current liabilities	<u>626,967</u>	<u>3,935,175</u>	<u>4,562,142</u>	<u>4,308,109</u>
Noncurrent liabilities				
Compensated absences (Note 1J)		470,706	470,706	370,114
Net pension liability (Note 6)	<u>2,570,042</u>	<u>22,381,824</u>	<u>24,951,866</u>	<u>22,241,545</u>
Total noncurrent liabilities	<u>2,570,042</u>	<u>22,852,530</u>	<u>25,422,572</u>	<u>22,611,659</u>
Total liabilities	<u>3,197,009</u>	<u>26,787,705</u>	<u>29,984,714</u>	<u>26,919,768</u>
DEFERRED INFLOW OF RESOURCES				
Pension related (Note 6)	<u>121,551</u>	<u>1,058,555</u>	<u>1,180,106</u>	<u>809,404</u>
NET POSITION (Note 5)				
Net investment in capital assets	30,334,638	188,968,433	219,303,071	242,948,115
Restricted for				
Capital Projects and Water Expansion	56,059,067	82,151,910	138,210,977	100,095,186
Unrestricted	<u>19,133,427</u>	<u>30,717,428</u>	<u>49,850,855</u>	<u>53,167,219</u>
Total net position	<u>\$105,527,132</u>	<u>\$301,837,771</u>	<u>\$407,364,903</u>	<u>\$396,210,520</u>

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Flood Protection Operations	\$5,328,998	\$23,603	\$71,562	\$40,202	\$135,367
Flood Protection Drainage Development Impact Fee	794,922	7,409,331			7,409,331
Total governmental activities	6,123,920	7,432,934	71,562	40,202	7,544,698
Business-type activities:					
State Water Project	20,621,344	19,419,226	6,057,685		25,476,911
Water Enterprise	81,257,514	68,521,032	9,227,359		77,748,391
Total business-type activities	101,878,858	87,940,258	15,285,044		103,225,302
Total	\$108,002,778	\$95,373,192	\$15,356,606	\$40,202	\$110,770,000
General revenues:					
Property taxes:					
Secured					
Unsecured					
Supplemental					
Investment earnings					
Rental charges					
Other					
Total general revenues					
Transfers, net					
Change in net position					
Net position-beginning of year					
Net position-end of year					

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total	
		2016	2015
(\$5,193,631)		(\$5,193,631)	(\$4,141,461)
6,614,409		6,614,409	7,532,563
1,420,778		1,420,778	3,391,102
	\$4,855,567	4,855,567	(853,327)
	(3,509,123)	(3,509,123)	411,247
	1,346,444	1,346,444	(442,080)
1,420,778	1,346,444	2,767,222	2,949,022
6,772,787		6,772,787	6,215,285
364,167		364,167	358,225
192,163		192,163	185,692
342,127	496,700	838,827	508,415
123,644	73,217	196,861	117,187
22,356		22,356	
7,817,244	569,917	8,387,161	7,384,804
(13,333)	13,333		
9,224,689	1,929,694	11,154,383	10,333,826
96,302,443	299,908,077	396,210,520	385,876,694
<u>\$105,527,132</u>	<u>\$301,837,771</u>	<u>\$407,364,903</u>	<u>\$396,210,520</u>

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2016

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	Flood Protection Operations	Flood Protection and Drainage Development Impact Fee	Totals	
			2016	2015
ASSETS				
Current assets				
Cash in County treasury (Note 2)	\$21,185,074	\$54,785,901	\$75,970,975	\$62,940,463
Accounts receivable, net	2,327	1,379,029	1,381,356	4,495,758
Total assets	<u>\$21,187,401</u>	<u>\$56,164,930</u>	<u>\$77,352,331</u>	<u>\$67,436,221</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$521,104	\$105,863	\$626,967	\$249,075
Total liabilities	<u>521,104</u>	<u>105,863</u>	<u>626,967</u>	<u>249,075</u>
FUND BALANCES (Note 5)				
Restricted		56,059,067	56,059,067	49,177,969
Committed:				
Flood Protection Capital Projects	15,683,435		15,683,435	13,150,974
Flood Protection Operating Contingency	4,333,049		4,333,049	4,542,387
Flood Protection Encumbrances	649,813		649,813	315,816
Total fund balances	<u>20,666,297</u>	<u>56,059,067</u>	<u>76,725,364</u>	<u>67,187,146</u>
Total liabilities and fund balances	<u>\$21,187,401</u>	<u>\$56,164,930</u>	<u>\$77,352,331</u>	<u>\$67,436,221</u>

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 RECONCILIATION OF
 GOVERNMENTAL FUNDS - FUND BALANCE
 WITH THE GOVERNMENTAL ACTIVITIES
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	2016
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$76,725,364
<p>Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds above because of the following:</p>	
<p>CAPITAL ASSETS</p>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	30,334,638
<p>LONG TERM LIABILITIES</p>	
Net pension liability and related deferred inflows and outflows of resources	(1,532,870)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$105,527,132

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	Flood Protection	Flood Protection and Drainage Development	Totals	
	Operations	Impact Fee	2016	2015
REVENUES				
Property taxes	\$7,329,117		\$7,329,117	\$6,759,202
Intergovernmental revenues	71,562		71,562	144,691
Charges for services	23,603	\$7,409,331	7,432,934	8,450,033
Interest and rentals	221,438	244,333	465,771	260,490
Other revenues	40,202	22,356	62,558	713
Total revenues	7,685,922	7,676,020	15,361,942	15,615,129
EXPENDITURES				
Current:				
Flood protection:				
Salaries and employee benefits transferred from district-wide	2,069,322	386,131	2,455,453	2,252,655
Services and supplies	2,946,147	408,791	3,354,938	2,821,192
Capital outlay:				
Equipment and capital infrastructure				107,500
	5,015,469	794,922	5,810,391	5,181,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,670,453	6,881,098	9,551,551	10,433,782
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3)	(13,333)		(13,333)	(13,333)
NET CHANGE IN FUND BALANCES	2,657,120	6,881,098	9,538,218	10,420,449
FUND BALANCES, BEGINNING OF YEAR	18,009,177	49,177,969	67,187,146	56,766,697
FUND BALANCES, END OF YEAR	\$20,666,297	\$56,059,067	\$76,725,364	\$67,187,146

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 RECONCILIATION OF THE
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 WITH THE
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	2016
<p>The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.</p>	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$9,538,218
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
CAPITAL ASSETS TRANSACTIONS	
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>	
The capital outlay expenditures are therefore added back to fund balance	207,276
Depreciation expense is deducted from the fund balance	(257,956)
ACCRUAL OF NON-CURRENT ITEMS	
Net pension liability and related deferred inflows and outflows of resources	(262,849)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$9,224,689

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 FLOOD PROTECTION OPERATIONS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$6,472,129	\$6,472,129	\$7,329,117	\$856,988
Intergovernmental revenue	64,700	64,700	71,562	6,862
Charges for services	47,650	47,650	23,603	(24,047)
Interest and rentals	90,505	90,505	221,438	130,933
Other revenue	35,000	35,000	40,202	5,202
TOTAL REVENUES	<u>6,709,984</u>	<u>6,709,984</u>	<u>7,685,922</u>	<u>975,938</u>
EXPENDITURES				
Current:				
Flood protection:				
Salaries and benefits	2,241,030	2,241,030	2,069,322	171,708
Services and supplies	6,843,744	6,843,744	2,946,147	3,897,597
Capital outlay:				
Equipment and capital structure	4,191,785	4,191,785		4,191,785
TOTAL EXPENDITURES	<u>13,276,559</u>	<u>13,276,559</u>	<u>5,015,469</u>	<u>8,261,090</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(6,566,575)</u>	<u>(6,566,575)</u>	<u>2,670,453</u>	<u>9,237,028</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3)			(13,333)	13,333
NET CHANGE IN FUND BALANCE	<u>(\$6,566,575)</u>	<u>(\$6,566,575)</u>	2,657,120	<u>\$9,223,695</u>
Fund balance, beginning of year			<u>18,009,177</u>	
Fund balance, end of year			<u>\$20,666,297</u>	

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	State	Water Enterprise	Water Enterprise	Non-Major	Totals	
	Water Facilities	Operations	Capital Expansion	Enterprise Funds	2016	2015
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	\$11,292,897	\$31,485,844	\$61,804,439	\$8,527,028	\$113,110,208	\$92,722,399
Receivables, net		8,126,990	4,677,465		12,804,455	10,651,410
Prepaid deposits	1,643,626	91,800	2,974,505		4,709,931	90,000
Total current assets	12,936,523	39,704,634	69,456,409	8,527,028	130,624,594	103,463,809
Noncurrent assets:						
Capital assets (Note 4), right of ways, water entitlements and construction in progress		48,792,289			48,792,289	70,930,115
Improvements, net of depreciation		140,176,144			140,176,144	141,632,682
Total noncurrent assets		188,968,433			188,968,433	212,562,797
Total assets	12,936,523	228,673,067	69,456,409	8,527,028	319,593,027	316,026,606
DEFERRED OUTFLOW OF RESOURCES						
Pension related (Note 6)		9,916,794	174,210		10,091,004	9,102,575
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses		2,793,412	10,561		2,803,973	2,876,430
Deposits				332,725	332,725	328,839
Unearned Revenue						16,000
Compensated absences (Note 1J)		798,477			798,477	837,765
Total current liabilities		3,591,889	10,561	332,725	3,935,175	4,059,034
Noncurrent liabilities:						
Compensated absences (Note 1J)		470,706			470,706	370,114
Net pension liability (Note 6)		21,995,428	386,396		22,381,824	20,061,874
Total noncurrent liabilities		22,466,134	386,396		22,852,530	20,431,988
Total liabilities		26,058,023	396,957	332,725	26,787,705	24,491,022
DEFERRED INFLOW OF RESOURCES						
Pension related (Note 6)		1,040,280	18,275		1,058,555	730,082
NET POSITION (Note 5)						
Net Investment in capital assets		188,968,433			188,968,433	212,562,797
Restricted for						
Capital Projects and Water Expansion	12,936,523		69,215,387		82,151,910	50,917,217
Unrestricted		22,523,125		8,194,303	30,717,428	36,428,063
Total net position	12,936,523	211,491,558	69,215,387	8,194,303	301,837,771	299,908,077
Total liabilities, deferred inflows and net position	\$12,936,523	\$238,589,861	\$69,630,619	\$8,527,028	\$329,684,031	\$324,399,099

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals	
					2016	2015
OPERATING REVENUES						
Water sales		\$28,110,974			\$28,110,974	\$26,552,568
Connection and development fees			\$39,135,444		39,135,444	28,521,399
Charges for services		976,853			976,853	720,670
Other revenues	\$1,702,385	244,124	1,199	\$52,438	2,000,146	2,172,307
Total operating revenues	1,702,385	29,331,951	39,136,643	52,438	70,223,417	57,966,944
OPERATING EXPENSES						
Salaries, wages and benefits		18,664,284	305,627		18,969,911	16,980,052
Contractual services		4,996,891	488,708		5,485,599	3,658,497
Technical supplies		117,754			117,754	103,651
Chemical purchases		1,861,443			1,861,443	2,025,912
Water purchases	20,621,344	2,338,160	18,936,786		41,896,290	36,596,411
Water storage		2,646,752	1,342,964		3,989,716	4,043,018
Utilities		1,376,681	5		1,376,686	1,779,476
Maintenance and repairs		1,366,627			1,366,627	1,454,090
Equipment and building rents		775,483	446,012		1,221,495	1,121,585
Other services and supplies		1,622,678	317,958		1,940,636	1,406,629
Risk management		435,213			435,213	429,534
Depreciation (Note 4)		5,947,283			5,947,283	5,883,546
Total operating expenses	20,621,344	42,149,249	21,838,060		84,608,653	75,482,401
Operating income (loss)	(18,918,959)	(12,817,298)	17,298,583	52,438	(14,385,236)	(17,515,457)
NONOPERATING REVENUES and (EXPENSES)						
Retirement of capital assets			(17,270,205)		(17,270,205)	
Property taxes	17,716,841				17,716,841	12,060,478
Intergovernmental revenue	6,057,685	198,545	9,028,814		15,285,044	5,012,899
Interest income and rental fees	55,340	244,281	229,858	40,438	569,917	365,112
Total nonoperating revenues (expenses)	23,829,866	442,826	(8,011,533)	40,438	16,301,597	17,438,489
Income (loss) before transfers	4,910,907	(12,374,472)	9,287,050	92,876	1,916,361	(76,968)
Transfers in (Note 3)		16,483	17,273,355		17,289,838	24,311,245
Transfers (out) (Note 3)		(17,273,355)	(3,150)		(17,276,505)	(24,297,912)
Change in net position	4,910,907	(29,631,344)	26,557,255	92,876	1,929,694	(63,635)
Net position, beginning of year	8,025,616	241,122,902	42,658,132	8,101,427	299,908,077	299,971,712
Net position, end of year	\$12,936,523	\$211,491,558	\$69,215,387	\$8,194,303	\$301,837,771	\$299,908,077

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Total	
					2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$58,759	\$25,445,737	(\$2,973,306)	\$56,324	\$22,587,514	\$34,249,700
Connection and development fees			40,866,813		40,866,813	23,778,948
Payments to employees		(16,940,178)	(308,435)		(17,248,613)	(16,965,668)
Payments to suppliers	(20,795,251)	(17,217,314)	(21,767,351)		(59,779,916)	(54,607,325)
Net cash provided (used) by operating activities	(20,736,492)	(8,711,755)	15,817,721	56,324	(29,448,247)	(13,544,345)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in		16,483	17,273,355		17,289,838	24,311,245
Transfers (out)		(17,273,355)	(3,150)		(17,276,505)	(24,297,912)
Property tax	17,716,841				17,716,841	12,060,478
Intergovernmental	6,057,685	198,545	9,028,814		15,285,044	446,592
Cash flows from noncapital financing activities	23,774,526	(17,058,327)	26,299,019		33,015,218	12,520,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Loss on disposal of capital asset			(17,270,205)			
Purchase of property, plant, and equipment		17,647,081			17,647,081	(6,842,872)
Cash flows from (used for) capital and related financing activities		17,647,081	(17,270,205)		17,647,081	(6,842,872)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received on investments	55,340	244,281	229,858	40,438	569,917	365,112
Cash flows from investing activities	55,340	244,281	229,858	40,438	569,917	365,112
Net increase (decrease) in cash and cash equivalents	3,093,374	(7,878,720)	25,076,393	96,762	21,783,969	(7,501,702)
Pooled cash in County treasury at beginning of period	8,199,523	39,364,564	36,728,046	8,430,266	92,722,399	100,224,101
Pooled cash in County treasury at end of period	\$11,292,897	\$31,485,844	\$61,804,439	\$8,527,028	\$113,110,208	\$92,722,399
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	(\$18,918,959)	(\$12,817,298)	\$17,298,583	\$52,438	(\$14,385,236)	(\$12,949,150)
Adjustments to reconcile operating income (loss) to cash flows						
Depreciation		5,947,283			5,947,283	5,883,546
Changes in assets and liabilities						
Receivables		(3,884,414)	1,731,369		(2,153,045)	(4,489,924)
Prepays	(1,643,626)	(1,800)	(2,974,505)		(4,619,931)	
Accounts payable and accrued expenses	(173,907)	336,368	(234,918)		(72,457)	(2,005,322)
Unearned revenue		(16,000)			(16,000)	16,000
Compensated absences		61,304			61,304	(24,911)
Deposits				3,886	3,886	(14,679)
Net pension liability, deferred inflows and deferred outflows		1,662,802	(2,808)		1,659,994	40,095
Net cash provided (used) by operating activities	(20,736,492)	(8,711,755)	15,817,721	56,324	(29,448,247)	(13,544,345)
Non cash transactions						
Capital asset retirements			(17,270,205)		(17,270,205)	

See accompanying notes to financial statements

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**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (Agency) is a public corporation, organized and existing under the constitution and laws of the State of California. The Agency provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area. The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reported purposes.

B. Basis of Presentation

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major governmental funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The Agency may also select other funds it believes should be presented as major funds.

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

- The *Flood Protection Operations Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Agency that are not accounted for through other funds.
- The *Flood Protection Drainage Development Impact Fee Fund* is used for the acquisition, construction, engineering and improvement of the flood protection and /or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof.

The Agency reports the following major proprietary funds:

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

The Agency reports the following non-major proprietary funds:

- The *Water Facilities Fund* is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.
- The *Water Supply and Reliability Fund* is used for future water, water storage and Delta-related projects.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

D. Cash and Cash Equivalents

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

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

F. Receivables

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than \$250,000 for infrastructure, buildings, building improvements, land improvements and software. The Agency capitalizes equipment and land with a useful life greater than one year and an original cost greater than \$5,000. These assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10 - 40 years
Sludge drying ponds	40 years
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	50 years
Rights of way	Indefinite
Water entitlement	Indefinite

H. Budgets and Budgetary Accounting

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

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

I. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Drainage Development Impact Fee Fund. Encumbrances at year end are reported as reservation of fund balances since they do not constitute expenditures or liabilities.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property Taxes

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

K. Compensated Absences

The Agency's policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The Agency will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the Agency, as these benefits do not vest with the employee. Therefore, sick leave is recorded as an expenditure in the period that the benefit is taken. As of June 30, 2016, the balance of compensated absences is \$1,269,183.

L. Use of Estimates

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

M. Deferred Outflows/Inflows of Resources

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

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

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – Fair Value Measurement and Application. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB Statement No. 73), establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, as well as for the assets accumulated for the purposes of providing those pensions. GASB Statement No. 73 amends certain provisions of GASB Statement No. 67, Financial Reporting for Pension Plans and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. GASB Statement No. 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB Statement No. 68. This statement did not have a significant impact to the Agency's financial statements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB Statement No. 76), clarifies the hierarchy of generally accepted accounting principles (GAAP), and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. This statement did not have a significant impact to the Agency's financial statements.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants, addresses accounting and financial reporting for certain external investment pools and pool participants. The statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It also establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. This statement did not have a significant impact to the Agency's financial statements.

O. New GASB Pronouncements

In June 2015, GASB issued Statement No. 74, ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*** (GASB Statement No. 74), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB Statement No. 74 is effective for the Agency's fiscal year ending June 30, 2017.

**ALAMEDA COUNTY FLOOD CONTROL AND
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which establishes new accounting and financial reporting requirements for OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the Agency's fiscal year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB Statement No. 77), which requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB Statement No. 77 is effective for the Agency's fiscal year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. GASB Statement No. 78 is effective for the Agency's fiscal year ending June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB Statement No. 80 is effective for the Agency's fiscal year ending June 30, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the Agency's fiscal year ending June 30, 2018.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 is effective for the Agency’s fiscal year ending June 30, 2017.

P. Reclassification

For the year ended June 30, 2016, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal 2016 presentation.

NOTE 2 - CASH AND INVESTMENTS

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

Summary of the cash and investments is as follows:

	2016	2015
Pooled Cash and Investment in County Treasury	\$189,081,183	\$155,662,862
Cash and Investments in Governmental Funds	\$75,970,975	\$62,940,463
Cash and Investments in Proprietary Funds	113,110,208	92,722,399
Total	\$189,081,183	\$155,662,862

Investment in the Alameda County Treasurer’s Investment Pool

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

**ALAMEDA COUNTY FLOOD CONTROL AND
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Guidelines

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

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

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

Interest Rate Risk

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

As of June 30, 2016, approximately 57.3 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

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

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
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FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2016 Alameda County Comprehensive Annual Financial Report.

Fair Value Hierarchy

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

As of June 30, 2016 the Agency had \$189,081,183 of cash and investments pooled with the Alameda County Treasurer that is classified in Level 2 of the fair value hierarchy. The fair value of the pooled investment fund is provided by the Alameda County Treasurer and is valued using quoted prices for identical instruments in markets that are not active. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

NOTE 3 – INTERFUND TRANSFERS

Transfers during the fiscal year ended June 30, 2016, comprised of the following:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
Governmental Fund		
Flood Protection Operations	Water Enterprise Operations Funds	\$13,333 (A)
Enterprise Funds:		
Water Enterprise Operations Funds	Water Enterprise Capital Expansion	17,273,355 (B)
Water Enterprise Capital Expansion	Water Enterprise Operations Funds	<u>3,150 (B)</u>
		<u><u>\$17,289,838</u></u>

(A) Transfer to fund vehicle replacement.

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
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NOTE 4 – CAPITAL ASSETS

A. Summary

The following is a summary of capital assets as of June 30, 2016:

<i>Governmental Activities</i>	Balance at June 30, 2015	Additions	Balance at June 30, 2016
Capital assets not being depreciated:			
Rights of way	\$19,987,928		\$19,987,928
Construction in progress	48,113	\$207,276	255,389
Total capital assets not being depreciated	20,036,041	207,276	20,243,317
Capital assets being depreciated:			
Flood control channels	12,393,619		12,393,619
Other infrastructure	1,048,885		1,048,885
Total capital assets being depreciated	13,442,504		13,442,504
Less accumulated depreciation for:			
Flood control channels	3,073,560	231,734	3,305,294
Other infrastructure	19,667	26,222	45,889
Total accumulated depreciation	3,093,227	257,956	3,351,183
Net capital assets being depreciated	10,349,277	(257,956)	10,091,321
Governmental activity capital assets, net	<u>\$30,385,318</u>	<u>(\$50,680)</u>	<u>\$30,334,638</u>

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 – CAPITAL ASSETS (Continued)

<i>Business-Type Activities</i>	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:					
Rights of way	\$8,177,133			\$6,300	\$8,183,433
Water entitlements	36,655,364				36,655,364
Easements	1,350,090				1,350,090
Construction in progress	24,747,528	\$2,064,141	\$18,755,999	(5,452,267)	2,603,403
Total capital assets not being depreciated	70,930,115	2,064,141	18,755,999	(5,445,967)	48,792,290
Capital assets being depreciated:					
Equipment	3,517,484	345,611	342,832		3,520,263
Treatment plants	109,879,047		685,188	4,959,670	114,153,529
Office building	1,264,251				1,264,251
Reservoir	1,934,197				1,934,197
Pipelines	54,059,099		615,645	486,297	53,929,751
Wellfields	30,309,325				30,309,325
Supervisory Control and Data Acquisition project	9,704,664				9,704,664
Other infrastructure	1,536,435				1,536,435
Total capital assets being depreciated	212,204,502	345,611	1,643,665	5,445,967	216,352,415
Less accumulated depreciation for:					
Equipment	3,015,441	205,108	342,831		2,877,718
Treatment plants	40,706,029	3,150,449			43,856,478
Office building	879,950	31,606			911,556
Reservoir	1,054,351	48,355			1,102,706
Pipelines	13,986,475	1,230,388			15,216,863
Wellfields	5,731,669	757,733			6,489,402
Supervisory Control and Data Acquisition project	5,094,948	485,233			5,580,181
Other infrastructure	102,957	38,411			141,368
Total accumulated depreciation	70,571,820	5,947,283	342,831		76,176,272
Net capital assets being depreciated	141,632,682	(5,601,672)	1,300,834	5,445,967	140,176,143
Business-Type activity capital assets, net	\$212,562,797	(\$3,537,531)	\$20,056,833		\$188,968,433

The major asset retirements at June 30, 2016 comprised of the following projects:

Altamont Water Treatment Plant Site Acquisitions	\$15,527,815
Altamont Water Treatment Plant	1,334,628
Alltamont Pipeline - County Reach	592,392

**ALAMEDA COUNTY FLOOD CONTROL AND
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 – CAPITAL ASSETS (Continued)

B. Construction in Progress

Construction in Progress at June 30, 2016 comprises the following projects:

Governmental Activities

Projects	
Arroyo Mocho Floodplain/Riparian Forest	\$206,400
Arroyo Mocho-Stanley Reach	48,989
Total	\$255,389

Business-Type Activities

Projects	
Busch Valley Well #1	\$1,820,077
Arroyo Mocho/Lake H Diversion	395,808
DVWTP Ozonation	68,045
Hopyard 6 Well NaOCI Tank R/R	52,486
Stoneridge Well NaOCI Tank R/R	50,493
DVWTP 4.5 MG Clearwell Interior Recoating	49,689
Patterson Pass Water Treatment Plant New Media Filters	48,278
DVWTP 3MG Clearwell Rehab/Roof Replace	35,051
Patterson Pass Water Treatment Plant New Clearwell	28,245
DVWTP Filter Valves Replacement	25,553
Patterson Pass Water Treatment Plant	18,831
DVWTP Aqua Ammonia Facility	10,847
Total	\$2,603,403

C. Depreciation Allocation

Capital depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Flood Protection	\$257,956
Total depreciation governmental activities	\$257,956

Business-Type Activities:

Water Enterprise Operations	\$5,947,283
Total depreciation business-type activities	\$5,947,283

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 – NET POSITION AND FUND BALANCES

Net Position

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

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

Restricted describes the portion of Net Position, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted describes the portion of Net Position which is not restricted to use.

Fund Balance

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

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

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

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

**ALAMEDA COUNTY FLOOD CONTROL AND
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NOTE 6 – RETIREMENT PLAN

A. Alameda County Employees' Retirement Association Pension Plan

Plan Descriptions – Substantially all Agency permanent employees are required to participate in the Alameda County Employees' Retirement Association (ACERA), a cost-sharing multiple employer public defined benefit retirement plan (Plan). The latest available actuarial and financial information for the Plan is for the year ended December 31, 2015. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Alameda County Employees' Retirement Association, 475 14th Street #1000, Oakland, California 94612.

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

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Tier I	Tier 2	Tier 4
Hire date	Prior to July 1, 1983	July 1, 1983 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.6% at 62	2.43% at 65	2.5% at 67
Benefit vesting schedule	Age 50 with years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years, regardless of age		Age 52 with 5 years of service or age 70 regardless of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	4% - 100%	2% - 100%	4% - 100%
Required employee contribution rates	7.34-15.4%	5.01-10.8%	8.09%
Required employer contribution rates	26.54%	25.84%	24.49%

Contributions – The Plan requires employees to pay a portion of the basic retirement benefit and a portion of future COL costs. However, the Agency has paid the majority of the employees' basic contributions in accordance with the Memorandum of Understanding (MOU). Employees must pay the COL portion of the employee rate. For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were \$4,324,439.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2016, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

Miscellaneous	<u>Proportionate Share of Net Pension Liability</u> \$24,951,866
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**ALAMEDA COUNTY FLOOD CONTROL AND
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NOTE 6 – RETIREMENT PLAN (Continued)

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan is as follows:

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered- employee payroll	Net Pension Liability as a percentage of its covered- employee payroll
2014	1.60%	\$16,330,816	\$11,415,851	143.05%
2015	1.60%	22,241,545	12,318,588	180.55%
2016	1.18%	24,951,866	12,840,271	194.33%

For the year ended June 30, 2016, the Agency recognized pension expense of \$1,896,242. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,761,031	
Differences between expected and actual experience		\$1,180,106
Changes of assumptions	3,981,801	
Change in proportion and differences between employer contributions and proportionate share of contributions	267,022	
Net difference between projected and actual earnings on pension plan investments	5,239,873	
Total	<u>\$11,249,727</u>	<u>\$1,180,106</u>

The \$1,761,031 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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NOTE 6 – RETIREMENT PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$2,543,811	\$301,886
2018	2,543,811	301,886
2019	2,543,811	301,886
2020	1,861,191	228,341
2021	(3,926)	46,109

Actuarial Assumptions – The total pension liabilities in the December 31, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2014
Measurement Date	December 31, 2015
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation Rate	3.50%
Payroll Growth	3.75%
Projected Salary Increase	4.60% - 7.20% (1)
Cost of Living Adjustments	Tier 1: 3.00% Tiers 2 and 4: 2.00%
Investment Rate of Return	7.80% (2)
Mortality	RP-2000 Combined Healthy Mortality Table

(1) Vary by service, including inflation

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

Discount Rate – The discount rate used to measure the total pension liability was 7.60% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2015.

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NOTE 6 – RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined in 2014 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	25.60%	5.91%
Domestic Small Cap Equity	6.40%	6.47%
Developed International Equity	20.25%	6.88%
Emerging Markets Equity	6.75%	8.24%
U.S. Core Fixed Income	11.25%	0.73%
High Yield Bonds	1.50%	2.67%
International Bonds	2.25%	0.42%
Real Estate	6.00%	4.95%
Commodities	2.00%	4.25%
Absolute Return (Hedge Fund)	7.50%	3.17%
Real Return	3.00%	0.70%
Private Equity	7.50%	11.94%
Total	100%	

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

1% Decrease	6.60%
Net Pension Liability	\$36,452,944
Current Discount Rate	7.60%
Net Pension Liability	\$24,951,866
1% Increase	8.60%
Net Pension Liability	\$15,435,764

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NOTE 7 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

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

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

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

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

NOTE 8 - INSURANCE

The Agency is self-insured for claims under the County of Alameda self-insurance/excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties.

Type of Coverage	Coverage Limit	Self-Insured/Deductible
General Liability, including Auto Liability	\$25,000,000	\$1,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	600,000,000	50,000
Crime	15,000,000	2,500
Pollution	10,000,000	250,000

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - COMMITMENT AND CONTINGENT LIABILITIES

A. Litigation

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

B. Water Supply Commitments

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

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

California Department of Water Resources: The Agency has a cost-sharing water supply contract with the Department of Water Resources (DWR) which provides for the annual allocation of 80,619 acre feet (AF) of water through 2035. DWR as project manager and administrator, developed, constructed, operates and maintains the State Water Project (SWP) to provide water to the Agency and the other water wholesalers. The Agency costs under the contract consists of a variable operating cost component and a semi-fixed capital cost component, including debt service on bonds issued by DWR to construct the project and it determines the cost annually. In fiscal years 2016 and 2015, the costs under the contract were \$17.2 million and \$17.6 million, respectively.

Effective November 7th, 2003, Amendment No. 24 to the Water Supply Contract between the DWR and the Agency was executed to set forth their agreement regarding the Agency's responsibility for the repayment of costs for the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, was \$314.7 million. In fiscal years 2016 and 2015, the costs under Amendment No. 24 were \$19.9 million and \$18.5 million, respectively with a remaining obligation of \$235.1 million as of June 30, 2016 to be paid by 2035.

Byron-Bethany Irrigation District: The Agency has a water supply agreement through December 31, 2030 with the District which provides for the annual delivery of water supplies from 2,000 acre-feet up to a maximum of 5,000 AF when BBID has surplus supplies available. The Agency is required to pay a flat rate cost per AF set forth in the agreement for water delivered, but has an annual take-or-pay minimum of \$90,000 regardless of whether water is delivered. In fiscal years 2016 and 2015, the costs under the agreement were \$90,000 each year.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9 - COMMITMENT AND CONTINGENT LIABILITIES (Continued)

Groundwater Banking and Exchange Program (The "Program"): In June, 2006, the Agency entered into a Water Banking and Exchange Program Agreement whereby Cawelo stores up to 120,000 AF of water deposited by the Agency in facilities Cawelo developed, constructed, owns and operates. The Agency may request the return of up to 10,000 AF of stored water per year. In addition, the Agreement provides for an exchange of water acquired under the Agency's DWR agreement and Cawelo's own contract providing DWR water rights. The Program contemplated by this Agreement will provide additional groundwater storage for the Agency resulting in better use of its SWP supplies and will provide improved reliability of supplies and overall higher groundwater levels for Cawelo, by transferring to Cawelo, for Cawelo's sole use, up to one half of Agency's delivered water. In exchange for these water rights, the Agency reimburses Cawelo certain operating and maintenance costs, pays certain fees which vary based on water stored, returned or exchanged, and makes fixed capital payments. In fiscal years 2016 and 2015, the costs under the agreement were \$2.3 million and \$2.2 million, respectively.

Semitropic Water Storage District: In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal years 2016 and 2015, the Agency's share of operating, maintenance and capital costs and certain fees under the agreement were \$1.7 million and \$1.8 million, respectively.

C. Operating Lease

On June 4, 2003, the Agency executed a lease-buy-option agreement with a developer to build a new administrative-engineering building in Livermore, California. The agreement calls for a 15 year operating lease, with annual rents to start at \$986,831 increasing to \$1,302,133 in year 15, with a purchase option of \$12,153,000. Occupancy started February 19, 2005. For the fiscal year ended June 30, 2016, the Agency paid \$1,260,018. A schedule of future rents is as follows:

For the Year Ending
June 30

2017	\$1,237,241
2018	1,262,026
2019	1,287,173
2020	<u>759,577</u>
Totals	<u><u>\$4,546,017</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

SCHEDULE OF CONTRIBUTIONS

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

	Miscellaneous	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Plan's proportion of the Net Pension Liability (Asset)	1.2%	1.6%
Plan's proportion share of the Net Pension Liability (Asset)	\$24,951,866	\$22,241,545
Plan's Covered Employee Payroll	12,840,271	12,318,588
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	194.33%	180.55%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	1.2%	1.6%
Plan's Proportionate Share of Aggregate Employer Contributions	3,808,259	3,415,865

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous	
	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$4,568,731	\$4,324,438
Contributions in relation to the actuarially determined contributions	(4,568,731)	(4,324,438)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$12,840,271	\$12,505,557
Contributions as a percentage of covered-employee payroll	35.58%	34.58%

Notes to Schedule

Valuation date:	December 31, 2014	December 31, 2013
-----------------	-------------------	-------------------

Methods and assumptions used to determine contribution rates:

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

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

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

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

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

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SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 NON-MAJOR WATER ENTERPRISE FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	Water Facilities	Water Supply and Reliability	Totals	
			2016	2015
ASSETS				
Current assets:				
Cash in County treasury	\$3,724,669	\$4,802,359	\$8,527,028	\$8,430,266
Total current assets	3,724,669	4,802,359	8,527,028	8,430,266
Total assets	3,724,669	4,802,359	8,527,028	8,430,266
LIABILITIES				
Current liabilities:				
Deposits	332,725		332,725	328,839
Total current liabilities	332,725		332,725	328,839
Total liabilities	332,725		332,725	328,839
NET POSITION				
Unrestricted	3,391,944	4,802,359	8,194,303	8,101,427
Total net position	3,391,944	4,802,359	8,194,303	8,101,427
Total liabilities and net position	\$3,724,669	\$4,802,359	\$8,527,028	\$8,430,266

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 NON-MAJOR WATER ENTERPRISE FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	Water Facilities	Water Supply and Reliability	Totals	
			2016	2015
OPERATING REVENUES				
Other revenues	\$52,438		\$52,438	\$41,675
Operating income	52,438		52,438	41,675
NONOPERATING REVENUES				
Interest income and rental fees	17,603	\$22,835	40,438	27,366
Change in net position	70,041	22,835	92,876	69,041
Net position, beginning of year	3,321,903	4,779,524	8,101,427	8,032,386
Net position, end of year	<u>\$3,391,944</u>	<u>\$4,802,359</u>	<u>\$8,194,303</u>	<u>\$8,101,427</u>

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7 WATER AGENCY
 NON-MAJOR WATER ENTERPRISE FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015

	Water Facilities	Water Supply and Reliability	Total	
			2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$56,324		\$56,324	\$26,996
Net cash provided (used) by operating activities	56,324		56,324	26,996
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	17,603	\$22,835	40,438	27,366
Cash flows from investing activities	17,603	22,835	40,438	27,366
Net increase (decrease) in cash and cash equivalents	73,927	22,835	96,762	54,362
Cash and investments at beginning of period	3,650,742	4,779,524	8,430,266	8,375,904
Cash and investments at end of period	\$3,724,669	\$4,802,359	\$8,527,028	\$8,430,266
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$52,438		\$52,438	\$41,675
Adjustments to reconcile operating income (loss) to cash flows				
Changes in assets and liabilities				
Deposits	3,886		3,886	(14,679)
Net cash provided (used) by operating activities	\$56,324		\$56,324	\$26,996

OTHER INDEPENDENT AUDITOR'S REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency, as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated December 6, 2016. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated December 6, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
December 6, 2016

STATISTICAL SECTION

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Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(Table 1)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$16,060,687	\$15,924,957	\$14,860,651	\$14,661,865	\$14,479,216	\$14,301,567	\$16,232,189	\$30,403,950	\$30,385,318	\$30,334,638
Restricted	29,324,790	32,362,298	32,794,924	57,518,054	58,914,899	36,696,155	60,596,601	41,506,430	49,177,969	56,059,067
Unrestricted	14,738,814	17,109,262	21,506,376	477,102	3,928,002	23,559,397	4,406,909	15,260,267	16,739,156	19,133,427
Total governmental activities net position	\$60,124,291	\$65,396,517	\$69,161,951	\$72,657,021	\$77,322,117	\$74,557,119	\$81,235,699	\$87,170,647	\$96,302,443	\$105,527,132
Business-type activities										
Net investment in capital assets	\$145,699,484	\$167,732,246	\$208,712,439	\$214,245,244	\$208,841,658	\$205,651,283	\$202,295,691	\$211,603,471	\$212,562,797	\$188,968,433
Restricted	100,549,356	92,106,375	44,608,852	43,769,762	40,041,672	37,928,558	65,125,317	42,196,142	50,917,217	82,151,910
Unrestricted	26,165,844	36,005,753	41,038,344	39,299,226	39,394,747	41,291,980	40,127,373	57,821,385	36,428,063	30,717,428
Total business-type activities net position	\$272,414,684	\$295,844,374	\$294,359,635	\$297,314,232	\$288,278,077	\$284,871,821	\$307,548,381	\$311,620,998	\$299,908,077	\$301,837,771
Primary government										
Net investment in capital assets	\$161,760,171	\$183,657,203	\$223,573,090	\$228,907,109	\$223,320,874	\$219,952,850	\$218,527,880	\$242,007,421	\$242,948,115	\$219,303,071
Restricted	129,874,146	124,468,673	77,403,776	101,287,816	98,956,571	74,624,713	125,721,918	83,702,572	100,095,186	138,210,977
Unrestricted	40,904,658	53,115,015	62,544,720	39,776,328	43,322,749	64,851,377	44,534,282	73,081,652	53,167,219	49,850,855
Total primary governmental activities net position	\$332,538,975	\$361,240,891	\$363,521,586	\$369,971,253	\$365,600,194	\$359,428,940	\$388,784,080	\$398,791,645	\$396,210,520	\$407,364,903

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

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

	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015	2016
Expenses										
Governmental activities										
Flood Protection Operations	\$4,554,442	\$4,036,466	\$3,561,070	\$3,547,907	\$4,063,566	\$8,499,485	\$3,947,332	\$1,488,735	\$4,705,166	\$5,328,998
Flood Protection Drainage DIF	9,246,157	7,491,450	4,576,721	561,339	615,758	5,903,778	705,688	4,029,268	499,169	794,922
Total governmental activities expenses	13,800,599	11,527,916	8,137,791	4,109,246	4,679,324	14,403,263	4,653,020	5,518,003	5,204,335	6,123,920
Business-type activities										
State Water Project			8,015,944	8,787,104	10,670,494	13,858,280	14,002,380	13,681,891	16,359,406	20,621,344
Water Enterprise Funds	40,327,973	38,369,422	51,004,895	49,257,457	50,869,431	51,267,019	54,868,275	57,386,822	59,122,995	81,257,514
Total business-type activities	40,327,973	38,369,422	59,020,839	58,044,561	61,539,925	65,125,299	68,870,655	71,068,713	75,482,401	101,878,858
Total primary government expenses	\$54,128,572	\$49,897,338	\$67,158,630	\$62,153,807	\$66,219,249	\$79,528,562	\$73,523,675	\$76,586,716	\$80,686,736	\$108,002,778
Program Revenues										
Governmental activities										
Charges for Services	\$42,203	\$35,466	\$34,156	\$11,078	\$12,771	\$40,851	\$35,661	\$57,142	\$450,658	\$7,432,934
Operating grants and contributions	603,680	231,034	64,915	54,264	53,229	61,249	61,578	64,318	112,334	71,562
Other program revenues	405,355	465,947	10,493,106	1,191,832	3,187,574	5,505,787	5,095,420	4,953,372	8,032,445	40,202
Total governmental activities program revenues	1,051,238	732,447	10,592,177	1,257,174	3,253,574	5,607,887	5,192,659	5,074,832	8,595,437	7,544,698
Business-type activities										
Charges for Services:										
State Water Project	10,237,492	11,911,136	8,480,378	9,686,655	12,206,165	15,489,732	11,942,972	12,269,322	13,708,844	19,419,226
Water Enterprise Funds	28,424,690	29,972,803	30,059,518	30,857,470	31,855,389	35,528,292	38,200,851	58,073,146	56,318,578	68,521,032
Operating grants and contributions	310,920	109,599	80,073	808,207	444,139	106,194	68,416	4,347,897	5,012,899	15,285,044
Capital grants and contributions	9,249,348	5,196,887	12,322,711	20,787,373	11,810,379	13,700,090	30,824,513			
Total business-type activities program revenues	48,222,450	47,190,425	50,942,680	62,139,705	56,316,072	64,824,308	81,036,752	74,690,365	75,040,321	103,225,302
Total primary government program revenues	\$49,273,688	\$47,922,872	\$61,534,857	\$63,396,879	\$59,569,646	\$70,432,195	\$86,229,411	\$79,765,197	\$83,635,758	\$110,770,000
Net (Expense)/Revenue										
Governmental activities										
	(\$12,749,361)	(\$10,795,469)	\$2,454,386	(\$2,852,072)	(\$1,425,750)	(\$8,795,376)	\$539,639	(\$443,171)	\$3,391,102	\$1,420,778
Business-type activities										
	7,894,477	8,821,003	(8,078,159)	4,095,144	(5,223,853)	(300,991)	12,166,097	3,621,652	(442,080)	1,346,444
Total primary government net revenues	(\$4,854,884)	(\$1,974,466)	(\$5,623,773)	\$1,243,072	(\$6,649,603)	(\$9,096,367)	\$12,705,736	\$3,178,481	\$2,949,022	\$2,767,222
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property	\$10,237,492	\$11,911,136	\$6,129,952	\$5,918,281	\$5,745,003	\$5,773,050	\$5,959,083	\$6,201,653	\$6,759,202	\$7,329,117
Investment earnings and rental charges	2,018,824	2,161,502	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490	465,771
Transfers	1,860,400	1,995,057	(1,319)					(13,334)	(13,333)	(13,333)
Other										22,356
Total governmental activities	14,116,716	16,067,695	7,480,987	6,347,142	6,090,846	6,030,378	6,138,941	6,378,119	7,006,359	7,803,911
Business-type activities										
Investment earnings	5,979,424	6,023,904	2,862,182	682,341	704,257	610,133	331,588	390,865	314,297	496,700
Rental charges	31,000	31,000	31,000	31,000	31,000	31,000	31,000	46,796	50,815	73,217
Transfers			1,319					13,334	13,333	13,333
Total business-type activities	6,010,424	6,054,904	2,894,501	713,341	735,257	641,133	362,588	450,995	378,445	583,250
Total primary government	\$20,127,140	\$22,122,599	\$10,375,488	\$7,060,483	\$6,826,103	\$6,671,511	\$6,501,529	\$6,829,114	\$7,384,804	\$8,387,161
Change in Net Position										
Governmental activities										
	1,367,355	5,272,226	9,935,373	3,495,070	4,665,096	(2,764,998)	6,678,580	5,934,948	10,397,461	9,224,689
Business-type activities										
	13,904,901	14,875,907	(5,183,658)	4,808,485	(4,488,596)	340,142	12,528,685	4,072,647	(63,635)	1,929,694
Total primary government	\$15,272,256	\$20,148,133	\$4,751,715	\$8,303,555	\$176,500	(\$2,424,856)	\$19,207,265	\$10,007,595	\$10,333,826	\$11,154,383

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

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

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>			<u>Restricted</u>	<u>Committed</u>	<u>Total</u>
		<u>Capital project</u>	<u>Specific projects and programs</u>	<u>Unassigned</u>			
2007		\$29,324,790	\$8,783,429	\$5,955,385			\$44,063,604
2008		32,362,298	10,868,214	6,241,048			49,471,560
2009		32,794,924	20,185,762	1,320,614			54,301,300
2010	\$179,791	33,505,378	23,832,885	477,102			57,995,156
2011					\$26,027,983	\$36,814,918	62,842,901
2012					36,696,155	23,559,397	60,255,552
2013					40,648,531	24,354,979	65,003,510
2014					41,506,430	15,260,267	56,766,697
2015					49,177,969	18,009,177	67,187,146
2016					56,059,067	20,666,297	76,725,364

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

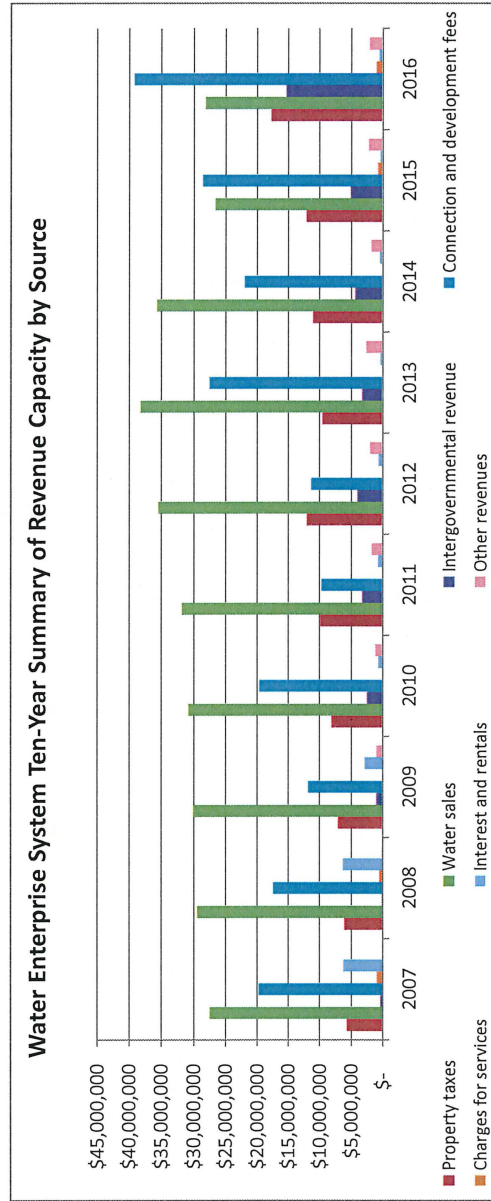
ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Table 4)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$10,237,492	\$11,911,136	\$6,129,952	\$5,918,281	\$5,745,003	\$5,773,050	\$5,959,083	\$6,201,653	\$6,759,202	\$7,329,117
Intergovernmental revenues	603,680	231,034	64,915	54,264	53,229	61,249	61,578	64,318	144,691	71,562
Charges for services	429,803	499,630	10,423,524	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033	7,432,934
Interest and rentals	2,018,824	2,161,502	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490	465,771
Other revenues	17,755	1,783	103,738	23,928	21,626	41,461	13,520	187,136	713	62,558
Total revenues	13,307,554	14,805,085	18,074,483	7,604,316	9,344,420	11,638,265	11,331,600	11,466,285	15,615,129	15,361,942
Expenditures										
Salaries and employee benefits										
transferred from district-wide	1,896,753	2,048,297	1,857,126	1,703,900	1,937,436	2,243,556	2,631,352	2,535,779	2,252,655	2,455,453
Services and supplies	11,768,111	9,343,889	2,194,896	2,206,560	2,559,113	6,851,120	3,498,544	2,650,121	2,821,192	3,354,938
Equipment and capital structure	135,735		3,921,997		126	5,130,850	451,740	14,503,864	107,500	
Other						88	2,006			
Total Expenditures	13,800,599	11,392,186	7,974,019	3,910,460	4,496,675	14,225,614	6,583,642	19,689,764	5,181,347	5,810,391
Excess of revenues over/(under) expenditures	(493,045)	3,412,899	10,100,464	3,693,856	4,847,745	(2,587,349)	4,747,958	(8,223,479)	10,433,782	9,551,551
Other Financing Sources (Uses)										
Transfers in			(1,319)							
Transfers out	1,860,400	1,995,057						(13,334)	(13,333)	(13,333)
Total other financing sources (uses)	1,860,400	1,995,057	(1,319)					(13,334)	(13,333)	(13,333)
Net change in fund balances	\$1,367,355	\$5,407,956	\$10,099,145	\$3,693,856	\$4,847,745	(\$2,587,349)	\$4,747,958	(\$8,236,813)	\$10,420,449	\$9,538,218

Source: Zone 7 Finance Department, Governmental Income Statement

Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30
(Table 5)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$ 5,706,166	\$ 6,065,570	\$ 7,077,008	\$ 8,085,099	\$ 9,860,412	\$ 12,017,106	\$ 9,517,243	\$ 11,016,532	\$ 12,060,478	\$ 17,716,841
Water sales	27,465,738	29,416,874	30,013,013	30,777,082	31,785,517	35,398,908	38,130,264	35,616,588	26,552,568	28,110,974
Intergovernmental revenue	356,930	155,339	1,023,004	2,479,844	3,223,559	3,972,942	3,263,820	4,347,890	5,012,899	15,285,044
Connection and development fees	19,782,554	17,433,022	11,852,496	19,601,871	9,697,595	11,345,942	27,483,527	21,973,245	28,521,399	39,135,444
Charges for services	924,253	520,463	46,505	80,388	69,872	129,384	70,587	2,938	720,670	976,853
Interest and rentals	6,272,757	6,396,019	2,893,182	713,341	735,257	641,133	362,588	437,661	365,112	569,917
Other revenues	126,585	174,631	930,654	1,115,421	1,679,117	1,960,026	2,571,311	1,733,172	2,172,307	2,000,146
Total Revenues	\$ 60,634,983	\$ 60,161,918	\$ 53,835,862	\$ 62,853,046	\$ 57,051,329	\$ 65,465,441	\$ 81,399,340	\$ 75,128,026	\$ 75,405,433	\$ 103,795,219



Source: Finance

Zone 7 Water Agency
Revenue Capacity

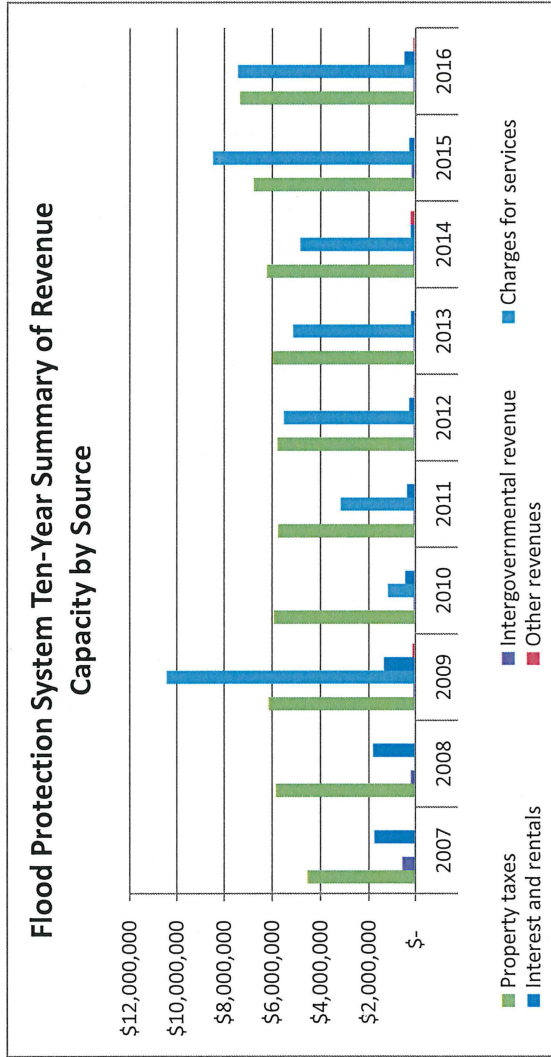
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30
(Table 6)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property taxes	\$ 4,531,326	\$ 5,845,566	\$ 6,129,952	\$ 5,918,281	\$ 5,745,003	\$ 5,773,050	\$ 5,959,083	\$ 6,201,653	\$ 6,759,202	\$ 7,329,117
Intergovernmental revenue	557,670	185,294	64,915	54,264	53,229	61,249	61,578	64,318	144,691	71,562
Charges for services	42,203	35,466	10,423,524	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033	7,432,934
Interest and rentals	1,756,491	1,820,387	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490	465,771
Other revenues	17,755	1,783	103,738	23,928	21,626	41,461	13,520	187,136	713	62,558
Total Revenues	\$ 6,905,445	\$ 7,888,496	\$ 18,074,483	\$ 7,604,316	\$ 9,344,420	\$ 11,638,265	\$ 11,331,600	\$ 11,466,285	\$ 15,615,129	\$ 15,361,942

Flood Protection System

Property taxes
Intergovernmental revenue
Charges for services
Interest and rentals
Other revenues

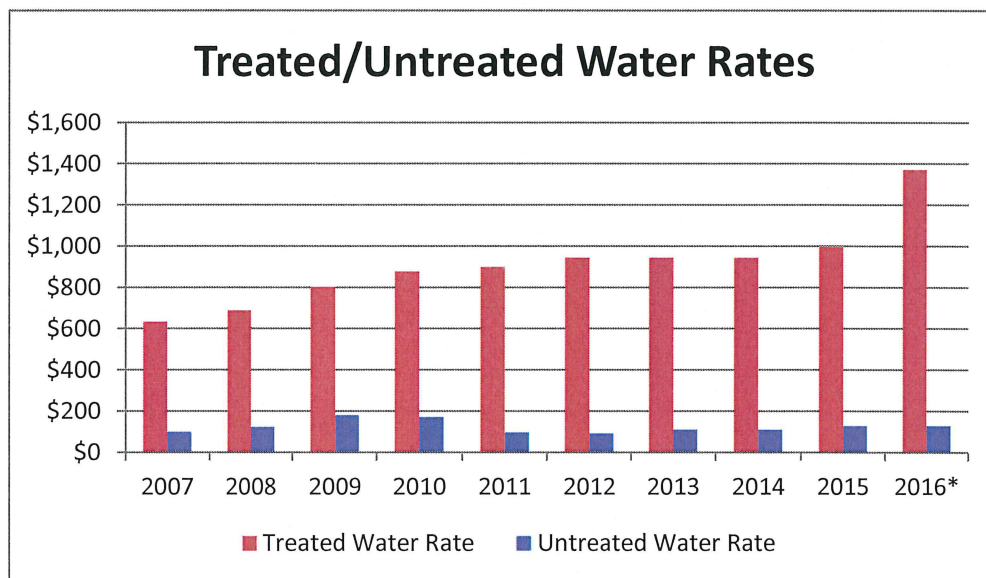
Total Revenues



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

Calendar Year	Treated Water Rate		Untreated Water Rate	
	Rate/AF	% Change Year over Year	Rate/AF	% Change Year over Year
2007	\$635	7.5%	\$100	7.5%
2008	\$689	8.4%	\$124	24.0%
2009	\$804	16.2%	\$181	45.9%
2010	\$878	9.3%	\$171	-5.4%
2011	\$900	2.5%	\$97	-43.5%
2012	\$945	5.0%	\$92	-4.8%
2013	\$945	0.0%	\$110	20.0%
2014	\$945	2.7%	\$110	0.0%
2015	\$999	3.0%	\$130	17.7%
2016*	\$1,372	37.3%	\$130	0.0%

* Includes temporary surcharge of \$248/AF

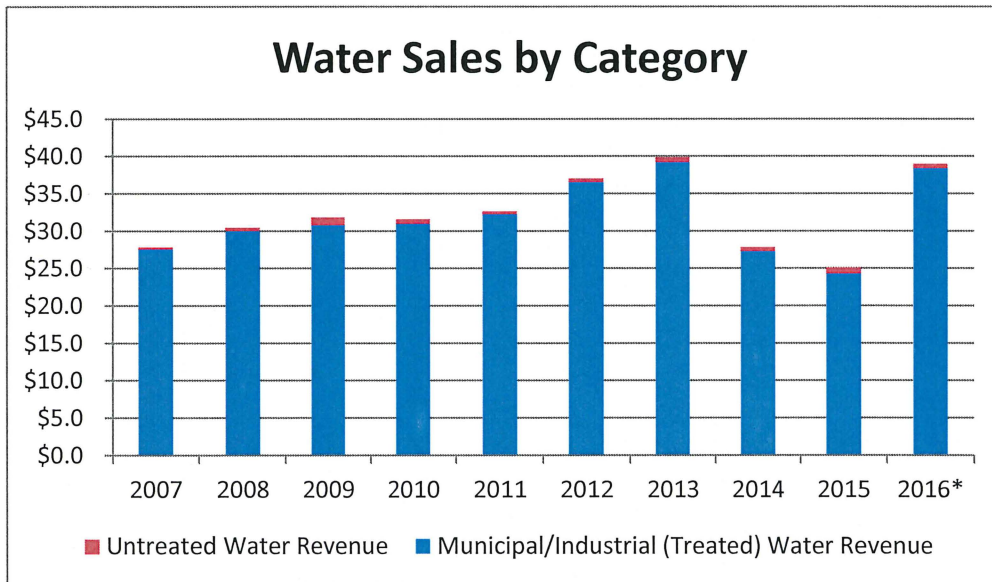


Source: Finance

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

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2007	\$27.6	\$0.3	\$27.9
2008	\$30.0	\$0.5	\$30.5
2009	\$30.8	\$1.0	\$31.9
2010	\$31.0	\$0.6	\$31.6
2011	\$32.3	\$0.4	\$32.6
2012	\$36.5	\$0.5	\$37.0
2013	\$39.2	\$0.7	\$39.9
2014	\$27.3	\$0.6	\$27.8
2015	\$24.3	\$0.8	\$25.1
2016*	\$38.4	\$0.6	\$39.0

* 2016 Revenue figures are forecasted in order to calculate a full calendar year.



Source: Finance

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

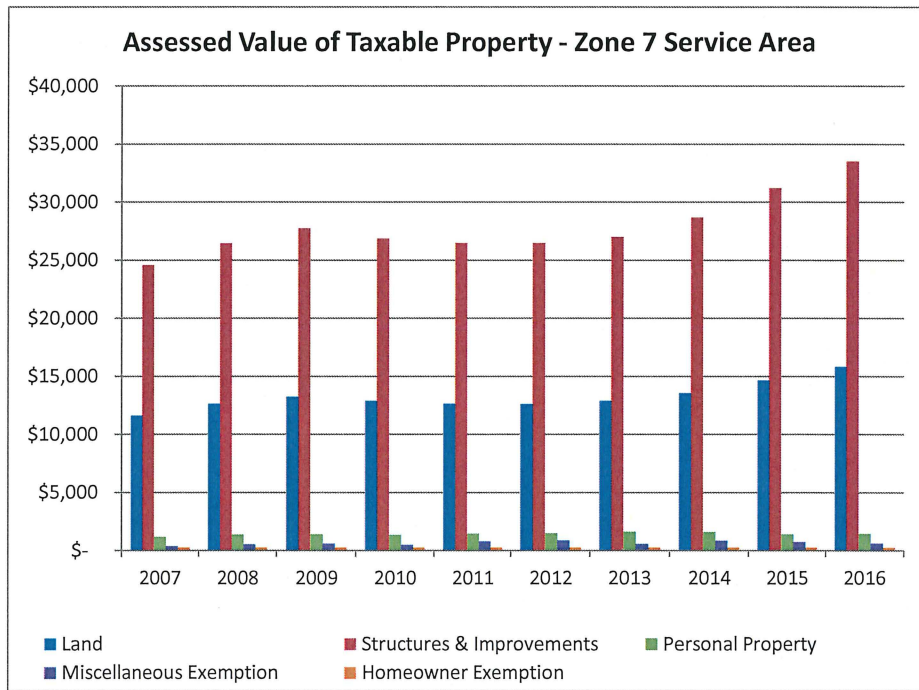
	2015			2006			
Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption	Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption
City of Pleasanton	7,729	1	31%	City of Pleasanton	15,658	1	37%
Dublin San Ramon Services District	7,466	2	30%	Dublin San Ramon Services District	10,448	2	25%
City of Livermore	4,556	3	19%	California Water	8,826	3	21%
California Water	4,545	4	19%	City of Livermore	7,213	4	17%
All other treated water customers ¹	270	5	1%	All other treated water customers ¹	269	5	1%
Total Annual Consumption (AF)	24,567		100%	Total Annual Consumption (AF)	42,415		100%

Source: Finance - Water Rate Study October 2016

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value of Taxable										
Land	\$ 11,645	\$ 12,677	\$ 13,263	\$ 12,927	\$ 12,660	\$ 12,635	\$ 12,905	\$ 13,587	\$ 14,680	\$ 15,861
Structures & Improvements	24,603	26,484	27,777	26,874	26,492	26,507	27,029	28,695	31,246	33,555
Personal Property	1,196	1,388	1,424	1,372	1,491	1,508	1,652	1,611	1,419	1,473
Miscellaneous Exemption	393	580	637	512	831	891	599	867	755	661
Subtotal	37,051	39,968	41,827	40,662	39,811	39,760	40,988	43,026	46,591	50,228
Homeowner Exemption	289	292	295	298	297	298	297	299	300	303
Net Total	\$ 36,762	\$ 39,675	\$ 41,532	\$ 40,363	\$ 39,514	\$ 39,462	\$ 40,690	\$ 42,727	\$ 46,291	\$ 49,925



Source: Alameda County Assessors Office

Zone 7 Water Agency

Property Tax Rates (1)

Direct and Overlapping Governments

(Rates per \$1,000 of Assessed value)

Last Ten Fiscal Years

(Table 11)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Direct Rates:										
City of Livermore Direct Rates	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Overlapping Rates (2):										
School District	0.0692%	0.0626%	0.0616%	0.0674%	0.0635%	0.0627%	0.0607%	0.0596%	0.0497%	0.0404%
Community College	0.0159%	0.0164%	0.0183%	0.0195%	0.0211%	0.0214%	0.0219%	0.0214%	0.0217%	0.0198%
Bay Area Rapid Transit	0.0050%	0.0076%	0.0090%	0.0057%	0.0031%	0.0041%	0.0043%	0.0075%	0.0045%	0.0026%
Zone 7 Flood Control	0.0151%	0.0150%	0.0169%	0.0203%	0.0250%	0.0307%	0.0228%	0.0257%	0.0250%	0.0343%
Total Direct and Overlapping Rate	1.1052%	1.1016%	1.1058%	1.1129%	1.1127%	1.1189%	1.1097%	1.1142%	1.1009%	1.0971%

Direct Rates:

City of Livermore Direct Rates

Overlapping Rates (2):

School District

Community College

Bay Area Rapid Transit

Zone 7 Flood Control

Total Direct and Overlapping Rate

Source: Alameda County Treasurer and Tax Collector

Note:

(1) The above data represents a single tax area within the Agency's jurisdiction and is presented herein to show readers general trends of property tax rates.

(2) Overlapping rates are those local and county governments that apply to property owners within the City of Livermore. Not all overlapping rates apply to all property owners. For an overlapping rate to apply, the property has to be located within that district's geographic boundary.

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

Fiscal Year Ended June 30,	Collected within the Fiscal Year of Levy			Delinquent Tax Collections
	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	
2007	10,237,492	10,237,492	100%	0%
2008	11,911,136	11,911,136	100%	0%
2009	13,206,960	13,206,960	100%	0%
2010	14,003,380	14,003,380	100%	0%
2011	15,605,415	15,605,415	100%	0%
2012	17,790,156	17,790,156	100%	0%
2013	15,476,326	15,476,326	100%	0%
2014	17,218,185	17,218,185	100%	0%
2015	18,819,680	18,819,680	100%	0%
2016	25,045,958	25,045,958	100%	0%

Source: Finance

Zone 7 Water Agency
Principal Property Tax Payers
Current year and Ten Years Ago
(Fiscal Year)

(Table 13)

Taxpayer	2016 ¹			2006 ²			
	Taxable Assessed Value	Rank	Percentage of Total Agency Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Agency Assessed Value
Kaiser Foundation Health Plan	\$ 372,400,427	1	0.75%	Kaiser Foundation Health Plan	\$ 217,696,656	1	0.66%
Stoneridge Properties	251,603,253	2	0.50%	Peoplesoft Properties Inc	211,158,106	2	0.64%
Livermore Premium Outlets LLC	199,243,320	3	0.40%	Stoneridge Properties	208,253,549	3	0.63%
Stoneridge Creek Pleasanton CCRC LLC	192,673,565	4	0.39%	6200 Stoneridge Mall Rd Inv	170,886,534	4	0.51%
Avalon Dublin Station II LP	171,200,560	5	0.34%	Safeway, Inc	137,929,508	5	0.42%
TRT NOIIP Dublin LP	158,226,698	6	0.32%	Pleasant Property LLC	136,825,333	6	0.41%
Stoneridge Residential LLC	153,376,131	7	0.31%	Applera Corporation	127,812,476	7	0.38%
Tishman Speyer Archstone Smith Hacienda LLC	151,900,471	8	0.30%	Shops at Waterford LLC	120,381,158	8	0.36%
SFI Pleasanton LLC	146,293,994	9	0.29%	Toll California II Limited Partnership	117,145,829	9	0.35%
6200 Stoneridge Mall Road Investors LLC	145,700,000	10	0.29%	Bit Holdings Fifty Six Inc	116,782,555	10	0.35%
	\$ 1,942,618,419		3.89%		\$ 1,564,871,704		4.71%

Sources:

¹ County of Alameda FY 2016-17 Top 10 Taxpayers by Primary Tax Code Area (secured)

² FY 2015-16 City of Livermore, City of Pleasanton, and City of Dublin's Comprehensive Annual Financial Reports

Zone 7 Water Agency
Water Enterprise Outstanding Debt by Type
Years 2007 -2035
(Table 14)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
-	60,000,000	60,000,000	60,000,000	30,500,000	30,500,000	30,500,000	-	-	-

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

Source: Finance - Installment Sale Agreement dated 01/15/08

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 1,838	\$ 1,984	\$ 2,077	\$ 2,018	\$ 1,976	\$ 1,973	\$ 2,035	\$ 2,136	\$ 2,315	\$ 2,496
Total Net Debt Applicable to Limit	-	60	60	60	30.5	30.5	30.5	-	-	-
Legal Debt Margin	\$ -	\$ 1,924	\$ 2,017	\$ 1,958	\$ 1,945	\$ 1,943	\$ 2,004	\$ 2,136	\$ 2,315	\$ 2,496
Total net debt applocated to the limit as a percentage of the debt limit	0%	3%	3%	3%	2%	2%	1%	0%	0%	0%

Source: Alameda County Assessors Office and Agency Finance

Zone 7 Water Agency
 Demographic and Economic Statistics
 For Alameda County and the Zone 7 Service Area
 Ten Fiscal Years (2007-2016)
 (Table 16)

Fiscal Year	Zone 7 Service Area (Acres)	Population Served within Zone 7's Service Area ¹	Total Population Alameda County ²	Total Personal Income		Unemployment Rate Alameda County ⁴	Consumer Price Index Alameda County (% change in CPI) ⁵
				Alameda County (\$ billions) ³	Per Capita Personal Income Alameda County ³		
2007	272,000	204,000	1,476,401	71.90	56,753	4.8	3.4
2008	272,000	211,000	1,491,781	73.50	55,832	6.1	3.0
2009	272,000	216,000	1,503,827	70.20	52,399	11.1	0.8
2010	272,000	220,000	1,513,228	72.40	53,047	11.3	1.3
2011	272,000	224,000	1,526,226	78.20	55,295	10.8	2.7
2012	272,000	229,000	1,539,145	84.50	57,739	9.5	2.7
2013	272,000	233,000	1,563,495	87.40	57,473	7.4	2.2
2014	272,000	239,000	1,583,979	92.40	58,364	5.8	2.7
2015	272,000	245,000	1,604,315*	98.8*	60,871*	5.2	3.2
2016	272,000	247,000	1,623,850*	105.2*	62,069*	4.7	3.1

Sources:

¹ CA Department of Finance, Finance Unit Population 2016. Service Area include cities of; Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated by multiplying the city of San Ramon x 0.336%).

² CA Department of Finance, Demographic Research Unit (E-1, 2016 City Population Ranking), figures are rounded to nearest five hundred.

³ CA Department of Transportation County-level Economic Forecast 2015-40, and the Alameda County FY 2014-15 Comprehensive Annual Financial Report.

⁴ Local Area Unemployment (Unemployment rates reflected as of June, each respective year), reported by US Department of Labor Bureau of Labor Statistics .

⁵ Consumer Price Index provided by US Department of Labor Bureau of Labor Statistics.

* Figures are forecasted estimates.

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

Company/Organization	Business Type	Number of Employees January 1, 2015 ¹	Rank	Percentage of Total County Employment ²	Number of Employees January 1, 2006 ¹	Rank	Percentage of Total County Employment ²
University of California Berkeley (including Berkeley National Labs) ³	Education	23,962	1	3.07%	12,970	1	1.86%
Kaiser Permanente Medical Group ³	Health Care	18,450	2	2.36%	5,450	6	0.78%
State of California ³	State Government	8,930	3	1.14%	-	20+	-
County of Alameda ⁴	Local Government	8,868	4	1.14%	9,740	2	1.39%
Chevron Corporation ³	Energy	6,361	5	0.81%	-	20+	-
Safeway Inc., ³	Supermarkets & Other Grocery	6,270	6	0.80%	3,550	10	0.51%
United States Postal Service ³	Mailing and Shipping	5,948	7	0.76%	6,500	5	0.93%
John Muir Health ³	Health Care	5,857	8	0.75%	-	20+	-
Wells Fargo Bank ³	Financial Services	5,400	9	0.69%	-	20+	-
City of Oakland ³	Local Government	5,055	10	0.65%	4,290	10	0.61%
Total Alameda County top 10 Employees		95,101		12.17%	42,540		6.08%

Source: Alameda County FY 2014-15 Comprehensive Annual Financial Report

¹ The number of employees, except for County of Alameda and City of Oakland include Alameda County and Contra Costa County employees

Total employment within County of Alameda is unavailable.

² Percentage calculated based on Alameda County's Employment of 780,500 for 2015 and 698,600 for 2006 (Source: Employment Development Department)

³ Information from InfoGroup USA as of January 1, 2015. Information as of June 30, 2015 is not available, except for County of Alameda employer.

⁴ Information from County of Alameda's database as of June 30, 2015

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

Division/Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Office of the General Manager	12.3	13.3	13.75	13	10	14	7	7	8	9
Integrated Planning							7.5	7.5	8.5	9.5
Finance:										
Finance and Accounting	15	14	12	11	10	11	9	9	10	10
Employee Services	4	4	6	6	6	6	7	7	7	4
Engineering:										
Facilities Engineering	19.3	19.5	16	16	16	15	13	14	12	13
Groundwater Protection	6	6	7	9	9	8	7	7	8.5	7.5
Water Quality	7	7	7	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Flood Control	8.2	8	3	7	7	6	5	5	6	7
Operations	29	29	29	25	24	24	24	24	24	27
Maintenance	10	10	19	18	19	19	19	19	20	20
Total FTE	110.8	110.8	112.75	112.5	108.5	110.5	106	107	111.5	114.5

Source: Finance

Zone 7 Water Agency
Operating Indicators
Fiscal Years 2007-2016
(Table 19)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Enterprise System										
Total Groundwater pumped (AF) ¹	4,791	6,855	10,084	8,919	6,264	12,105	9,555	8,753	2,565	1,935
Total Artificial Stream Recharge (AF) ¹	4,811	2,229	3,984	6,773	4,555	8,778	7,887	3,832	4,648	7,100 ²
New water connections	1,245	797	539	544	412	489	1,187	928	1,196	1,600
Total drilling permits issued	229	182	100	130	140	149	159	176	168	177
Flood Protection System										
Flood Protection area managed (miles)	425	425	425	425	425	425	425	425	425	425
Flood Protection channels (miles)	37	37	37	37	37	37	37	37	37	37
Flood Protection encroachment permits issued	26	20	30	34	30	36	36	30	31	34
Flood Protection development reviews	57	76	47	27	31	15	18	13	13	15

Source: Zone 7 Groundwater Management Plan

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

² Total Artificial Stream Recharge calculations are completed at calendar year end, therefore 2016 figure is an estimate.

Zone 7 Water Agency
 Operating Information
 Capital Asset Statistics
 Fiscal Years 2007-2016
 (Table 20)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of treatment plants	2	2	3	3	3	3	3	3	3	3
Miles of pipeline	35	35	41	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	2	2
Number of wells operated	7	7	7	9	9	9	9	10	10	10
Total Groundwater storage (AF) ^{1,2}	229,000	229,000	226,000	229,000	234,000	225,000	220,000	208,000	212,000	224,000
Total Groundwater operational storage-water year (AF) ²	101,000	101,000	98,000	101,000	106,000	97,000	92,000	80,000	84,000	96,000

Source: Zone 7 Groundwater Management Plan

¹Total Groundwater Storage estimated as of November 2016

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

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