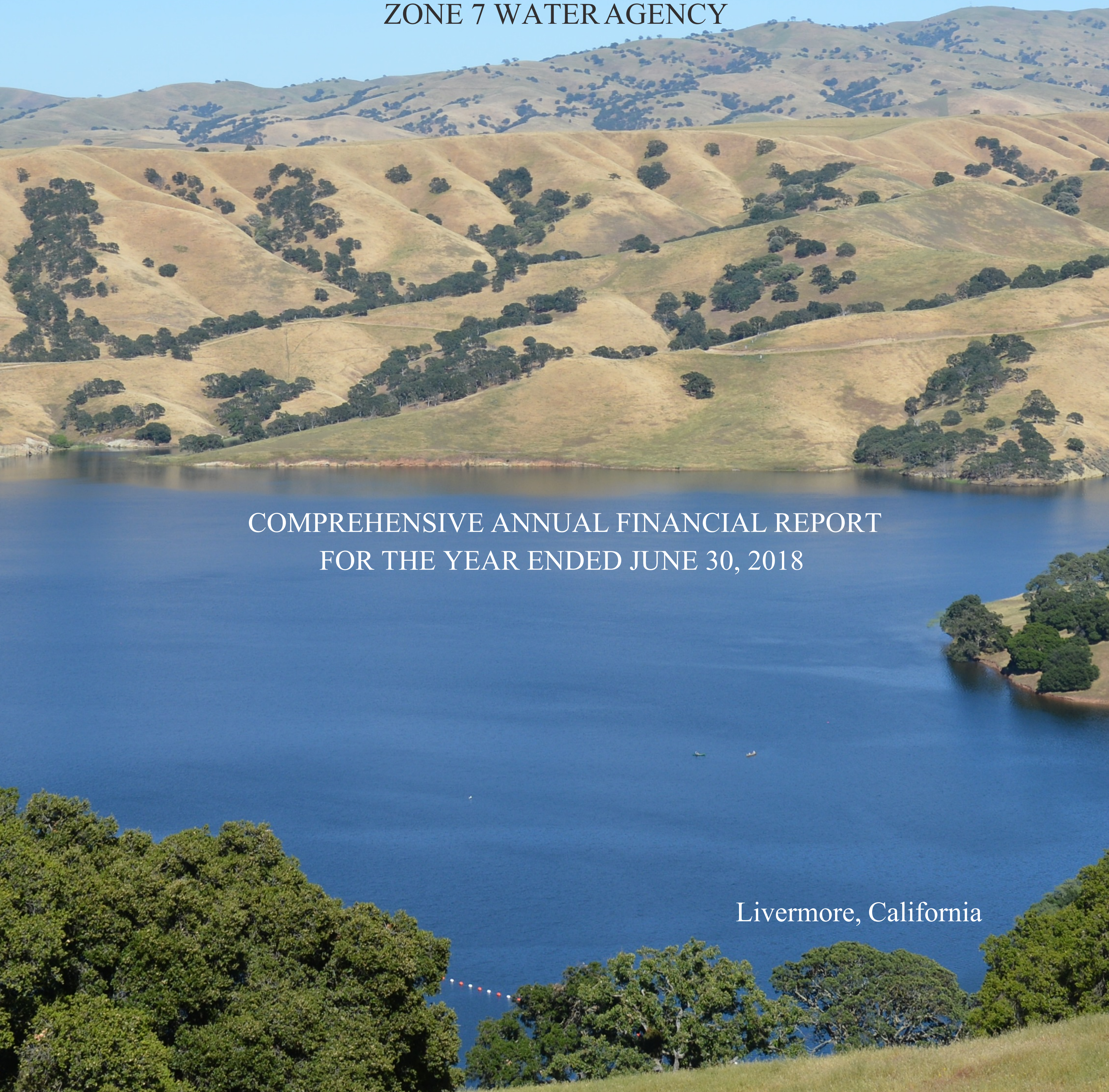
ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

Livermore, California

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

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY THE FINANCE AND MANAGEMENT DEPARTMENT

OSBORN K. SOLITEI, TREASURER/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, 2018**

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
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December 4, 2018

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, 2018.

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, has issued an unmodified ("clean") opinion on the Agency financial statements for the year ended June 30, 2018. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2018, 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 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. The Agency was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independent elected board to provide local control of integrated water resources. The Agency's Administrative Office is 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 over 250,000 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 into the Valley from the State Water Project ("SWP"), operated by the Department of Water Resources ("DWR") of the State of California. The State issued bonds to finance the SWP. The Agency is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

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

History and Services

Since long before the Agency was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper. Although the Tri-Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought 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 and various residential developments are now located.

The Agency was established in 1957 by local voters demanding local control over local water-resource planning, flood protection and financing. The Agency has taken the Tri-Valley a long way to resolving many of its most pressing water-supply, water-quality and flood-protection problems. The locally-elected, seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water-resource management, incorporating recreational and environmental benefits where feasible. Many issues have persisted over the decades, and their implications on local land use, local control and local financing continue to surface. Indeed, challenges continue as the agency works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development being approved by Tri-Valley cities and/or the County at no cost or harm to existing residents.

The Agency has long been known for its proactive groundwater basin stewardship. Continuing in that tradition, on December 21, 2016, the Agency Board of Directors adopted a resolution officially accepting the role of Groundwater Sustainability Agency ("GSA") for the Livermore Valley Groundwater Basin under the Sustainable Groundwater Management Act ("SGMA"). The Agency was one of several agencies recognized in the legislation as being a trusted groundwater basin manager and identified as the exclusive local agency eligible to perform the GSA role within its service area.

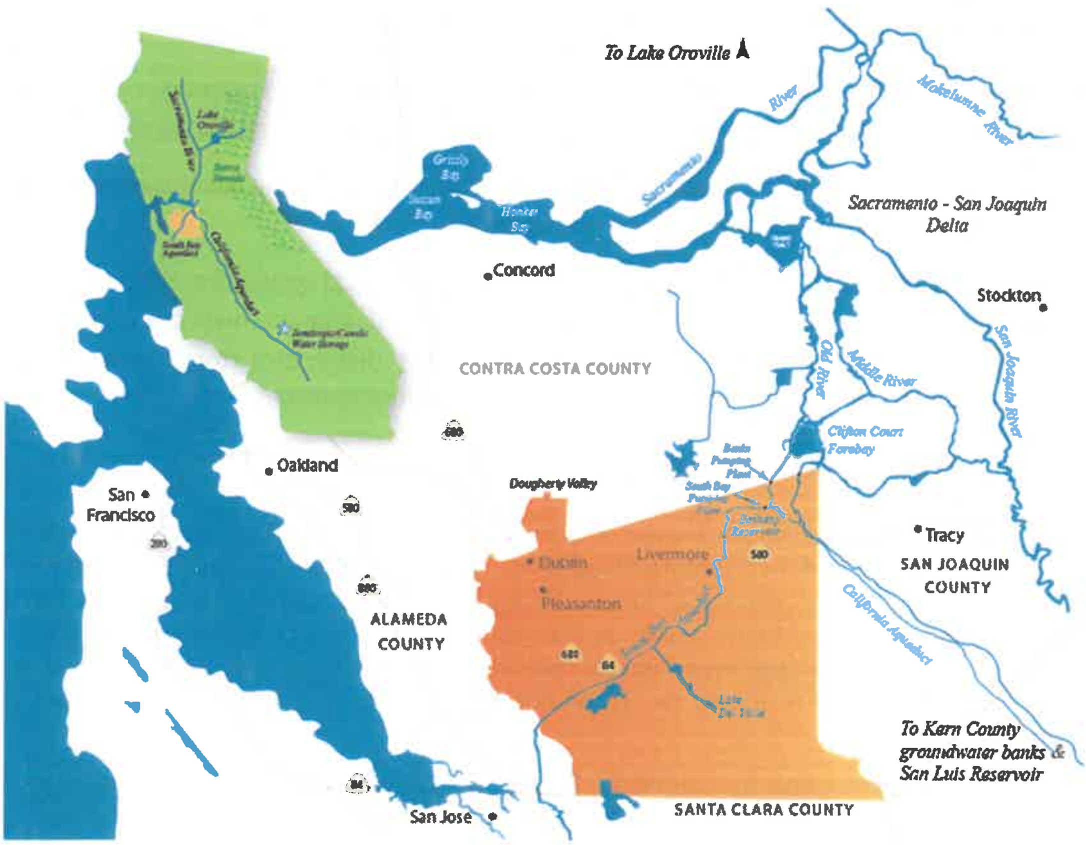
Through coordination with other local agencies in the region and neighboring groundwater basins, the Agency was able to notify the State that it will continue sustainable groundwater management for the entire portion of the Livermore Valley groundwater basin that is within the Agency's service area as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

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

The Agency's Service Area

The Agency supplies treated drinking water to retailers serving approximately 250,000 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 a map of the Agency's service area (shown in orange):



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

The Agency's Administrative Office is located in the City of Livermore, in Alameda County which is part of the Tri-Valley area of Dublin-Livermore-Pleasanton. The Tri-Valley is located 39 miles east of San Francisco, California and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively (where major employers include both vineyards and high-tech firms.) With a combined population now over 250,000 residents, the Tri-Valley area is proving to be one of the fastest growing areas in the Bay Area.

Most of the Agency's service area lies within the County of Alameda which possesses a large and diverse economic base, consisting of research and high technology, professional services, agriculture, finance, retail trade, medical and health services, government services and many others. The 2017-18 local roll included assessments of 508,000 properties within Alameda County. The assessed value of these properties totaled $280.2 billion, a $17.5 billion increase from the previous year. The net local roll, after all legal exemptions have been applied, totals $269.3 billion. For FY 2017-18, the Alameda County Assessor's office reported a 6.7% increase above the previous year assessment roll. The primary reason for the 6.7% increase in this year's assessed value growth is attributed to the recovery in real estate market values. 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. These properties are not limited to the mandatory 2% maximum increase on Proposition 13 base year assessments.

Other factors leading to this year's assessment growth included the mandatory inflation index of 1.02% being applied to all property's assessed values that were not affected by assessment declines in prior years. This inflation index added $4.9 billion. Reassessments due to sales/transfers of real estate added $10 billion, new construction activity added $1.7 billion, while business personal property assessments increased by $28 million. A copy of the 2017-18 annual report is available at the Alameda County Assessor Office website: https://www.acgov.org/assessor/documents/2017-2018_Annual_Report.pdf.

The Tri-Valley has fully recovered from the general market crisis of FY 2008-09 with a consistent increase in the number of new home permits requested and anticipate a continued but mild growth rate throughout the FY 2018-19 and FY 2019-20 budget years. Drought conditions abated in 2016, but even with the increased rainfall through 2017, continued conservation practices (the new normal) impacted overall water use and Agency water sales.

All cities within the Agency service area continue to grow, with the cities of San Ramon and Livermore serving the largest overall populations. The cities of Dublin and Pleasanton have grown the most in the Tri-Valley over the period from 2017 to 2018 (4.6% and 3.2% respectively). In FY 2017-18, Dublin tied for fifth as the largest percentage change in population in California cities. Livermore and San Ramon had smaller increases (1.1% and 1.6% respectively).[1]

The unemployment rate for all of Alameda County also vastly improved. In June 2018, the unemployment rate was reported at 3.3% versus 4.9% in 2017.[2]

[1] State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, updated in June 2018.

[2] Unemployment State rates: https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Labor-Force-and-Unemployment-Rate-for-California-S/8z4h-2ak6

Long-Term Financial Planning/Strategic Planning

Credit Rating: The Standard & Poor's Global Ratings assigned its 'AA+' and stable outlook long-term rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds. Fitch Ratings has assigned an 'AA' and a stable outlook rating to the same 2018 water revenue bonds. In announcing the credit rating, S&P cited the Agency's very strong cash position, stable financial metrics and extremely strong credit quality of the Agency's municipal customers.

Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A: With its AA+ from Standard & Poor's and AA from Fitch credit ratings, the Agency sold all of its $64.0 million Livermore Valley Water Financing Authority water revenue bonds in March 2018. These bonds were 2018 Series A and will generate $71.4 million of proceeds with a true interest rate of 3.54%. $57 million of the bond proceeds will be used for ozone projects at the Del Valle and Patterson Pass water treatment plants and $14.1 million for refunding of the Cawelo Water District capital payment for a net present value savings of approximately $1.88 million. The Agency was paying an average interest rate of 4.5% on the Cawelo Water District capital payment. The rate on the refunding portion is now 2.9%, saving the Agency over $0.2 million per year.

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 2017-18 were $47.3 million.

- In October 19, 2016, the Board approved changing the water rate structure to include recovering 35% of revenue requirements through a fixed charge and 65% 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 Acre Feet in 2017 which sunset on December 31, 2017. The Agency recovered $14.2 million and $15.7 million for CY 2017 and CY 2018, respectively. The fixed charge to retailers and the adopted volume-based rates are as follows:

Volume-based Rate	CY 2017	CY 2018
Rate per CCF	$ 1.98	$ 2.04
Temporary Surcharge per CCF	0.57	-
Total per CCF	$ 2.55	$ 2.04

- On October 17, 2018, the Board approved a four (4) year, 6.7% annual treated water rate schedule for Calendar Years ("CY") 2019, 2020, 2021 and 2022. The Board also approved gradually increasing fixed charge revenue recovery from the current 35% to 45% by CY 2022. The Board will revisit the rate schedule for CY 2021 and 2022, through a public process, with any changed rates adopted by November 2020.

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.

Asset Management Plan: The Agency updated its Asset Management Plan ("AMP") in 2017. The purpose of the AMP is to proactively plan for, fund, and implement the renewal and rehabilitation of existing water system infrastructure so that the Agency can continue to provide high-quality, reliable water deliveries to retailers and customers in the Livermore-Amador Valley. The AMP is typically updated every five years and looks at a forty-year planning horizon. The AMP was incorporated into the Agency's Ten-Year Water System Capital Improvement Plan, which was adopted by the Board in October 2017.

Capital Improvement Plan: 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 plans to transition to a ten-year CIP for the Flood Protection System in 2019. The CIP is updated about every other year.

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

The current Fiscal Year 2018-19 Ten-Year CIP covers the Water System over the ten-year period starting in FY 2018-19 and ending in FY 2027-28, and was adopted in October 2017. The Agency will begin reviewing and updating its CIP in 2019. In 2019, along with the Water System CIP update, the Flood Protection System CIP will cover the ten-year period starting in FY 2019-20 and ending in FY 2028-29. The Flood Protection CIP is being prepared after key supporting documents are completed and flood operations have stabilized after the major flood damages from early 2017.

The Agency has undertaken many planning efforts including the Asset Management Program Update, Stream Management Master Plan, Well Master Plan, and the 2015 Urban Water Management Plan and the 2016 Water Supply Evaluation Update. Collectively, these studies have identified:

- The types of renewal/replacement and system-wide improvement projects needed to maintain a reliable and efficient water system;

- Current and projected demands on our water system and Agency's facilities needed to meet such demands;
- Operational improvements and additional studies that will minimize near-term risks of water supply shortages and maximize long-term flexibility; and
- Integrated resource management projects for the Agency's flood protection facilities.

These master plans provide a roadmap for the scope and scheduling of projects in the CIP.

Water System CIP Overview: A primary function of the CIP is to provide the Agency's Executive Staff and Board with a clear and orderly process for planning and budgeting for capital needs and for making informed decisions with regard to project priorities and scheduling.

Various capital projects and programs are needed to ensure a reliable and high quality water supply in accordance with the mission, goals and policy objectives established by the Board. These projects anticipate the need to renew, replace and improve existing infrastructure to maintain system reliability (paid from Fund 120, Renewal/Replacement and System-Wide Improvements) and to construct new facilities needed to accommodate future growth (paid from Fund 130, Expansion).

Flood Protection CIP Overview: The Agency plans and designs flood protection and stormwater drainage facilities that enhance management and control of stormwater runoff and drainage in the Livermore-Amador Valley, while optimizing water resources by integrating water supply, water quality, flood protection and environmental stewardship.

The Agency conducts capital improvement activities that protect life and property from damage caused by stormwater runoff and drainage generated during large rainfall events.

The Agency's capital improvements include renewal/replacement and repair of existing facilities to maintain the integrity of the existing flood protection system, system-wide improvements that integrate local stormwater channels into one regional water resource management system, and develop capital projects to accommodate new impervious surface areas caused by new development.

Significant Accomplishments

Water Supply, Reliability and Quality

Sustainable Groundwater Management: The Sustainable Groundwater Management Act ("SGMA" or "Sigma") is historic legislation which requires local agencies to adopt groundwater management plans, and monitor and manage groundwater resources in a sustainable way. In 2014, the State of California's Sustainable Groundwater Management Act recognized the Agency's sustainable groundwater management program by naming the Agency the exclusive Agency to continue this role in its service area. At the end of 2016, the Agency officially accepted the new role and filed an Alternative Sustainable Groundwater Management Plan. Early in 2017, the Agency's Board of Directors adopted a Sustainable Groundwater Management Ordinance to clarify the Agency's responsibilities related to groundwater management for the Livermore-Amador Valley groundwater basin as well as a small portion that lies within Contra Costa County.

Water quality: All water supplied during 2017 met the regulatory standards set by the state and federal governments and, in almost all cases, the quality was significantly better than minimum standards. To ensure continued high-quality, safe drinking water, the Agency took significant steps towards construction of ozone projects at both the Del Valle and Patterson Pass water treatment plants. The Agency also added new analytical capabilities for metal analysis, replaced one older system, and completed a study to evaluate and improve water corrosiveness to insure optimal compliance with the lead and copper rules.

Several multi-year Capital projects Initiated: In April 2018, construction began on the Del Valle Water Treatment Plant Ozone Project and the $49 million project is scheduled for completion in the spring of 2020. The project includes the modification of existing facilities and construction of new facilities including an ozone generation building, contactor structure, existing filters modifications, chemical feed facilities, Power and Water Resource Pooling Authority ("PWRPA") electrical facilities and a plant utility water pump station. This project will improve water quality, enhance the water treatment process, and increase production reliability.

Construction is set to begin on the Patterson Pass Water Treatment Plant upgrades and ozone project in Spring 2019 with completion in early 2022. The $95 million project will include the modification of existing facilities and construction of new facilities including an ozone generation building, contactor structures, filters, chemical storage and feed facilities, a 5 million gallon ("MG") treated water storage tank and a pump station. The completion of this project will improve treated water quality, replace existing facilities reaching the end of useful life, increase plant capacity to 24 MG a day, and increase treated water storage capacity.

Flood Protection/Stream Management Master Plan

Local Hazard Mitigation Plan: The Agency completed the Local Hazard Mitigation Plan ("LHMP") in 2017. The Federal Disaster Mitigation Act of 2000 requires cities, counties, and special districts to have a LHMP to minimize damage and quicken recovery from disasters such as earthquakes and floods, and to be eligible for federal hazard mitigation funds. The update included a public survey to get public input on the highest priority issues and areas of greatest concern and a review of impacts from natural and manmade disasters to see where infrastructure and services can be strengthened or improved to reduce potential effects and thereby reduce costs after disasters.

Flood Protection work: Repairs to creek banks, debris removal, vegetation management and facility inspections were part of an extensive effort during the summer months to prepare for the 2018-19 rainy season. After the severe damage caused by the 2017-18 storms, Agency staff worked to ensure the flood-control channels were in good working condition to convey stormwater.

Stream Management Master Plan Update: The Agency made substantial progress updating the Stream Management Master Plan ("SMMP"). The update addresses the challenges of balancing flood protection with water supply, water quality, habitat and environment, and recreation objectives for the Livermore-Amador Valley. The update includes new modeling to help identify priority regional flood protection projects to reduce risk for flood-prone areas in the short term while still implementing key ideas of the original SMMP. The SMMP is a multi-benefit program developed to fulfill the Agency's stream management goals and objectives. The plan provides opportunities for other local and regional agencies and stakeholders to identify compatible General and/ or Master Plan features of their respective groups to be considered in future SMMP projects.

Long-Term Supply Reliability

To enhance water storage flexibility and improve long-term water supply reliability for the Livermore-Amador Valley, the Agency continues to evaluate other alternative supply and storage options, including the following potential projects:

California WaterFix: The California WaterFix, which will modernize the 50-year-old State Water Project delivery system, would provide water supply reliability, water quality improvement, and help protect the Tri-Valley's largest source of supply from disruptions due to failure of Delta levees. The project includes two 30-mile long tunnels linking new water diversion facilities upstream of the Delta on the Sacramento River to existing pump facilities in the south Delta.

The Agency remains a leader in advancing California WaterFix, which is key to providing clean, reliable water at a reasonable cost to our service area while protecting the Delta ecosystem. In September 2017, the Board of Directors adopted a resolution to support the California WaterFix and authorized staff to contribute up to $250,000 to planning costs beginning on January 1, 2018. In May 2018, the Agency joined the Delta Conveyance Design and Construction Authority ("DCDCA") with the Agency Director serving on the DCDCA Board. In July 2018, the Agency joined the California WaterFix Delta Conveyance Finance Authority ("DCFA") with the Agency's General Manager serving as a DCFA Director. Staff also serves on the Board of the State Water Contractors, advocating for the responsible management of the existing and future State Water Project infrastructure.

Reservoir Expansion Studies: The Agency is participating in Contra Costa Water District's ("CCWD") planning process for the Los Vaqueros Reservoir Expansion Project, which includes increased storage, and new and modified diversion and conveyance structures. This project could provide additional storage and operational flexibility to the Agency's water system. In September 2016, the Board approved participation in the Los Vaqueros Reservoir Expansion Project Planning as a 'Local Agency Partner' with a $100,000 cash contribution towards preparation of required environmental documents. In July 2017, CCWD and the US Bureau of Reclamation completed the Draft Supplement to the Final EIS/EIR. In July 2018, the project was found eligible to receive up to $459 million in Proposition 1 state funding based on its potential public benefits. In 2019, the project will enter the next phase; the Agency will be making a recommendation to the Board in early 2019 regarding continued participation.

Sites Reservoir: Sites Reservoir is a proposed off-stream reservoir located 75 miles northwest of Sacramento and was identified as a possible new water source for the Agency. In December 2016, the Board authorized participation in the Phase 1 Reservoir Project Agreement for the Sites Reservoir Project, based on a request for 20,000 Acre-Feet of Sites Reservoir yield, with a total not-to-exceed cost of $850,000. Recognizing the project's potential public benefits, the California Water Commission determined that Sites Reservoir is eligible for up to $816 million of state funding from Proposition 1 in July 2018. Phase 1 of the Project is scheduled for completion in March 2019, and the Phase 2 Reservoir Project Agreement has been developed to establish the terms of continued participation in planning activities through the end of 2019. The Agency will be making a recommendation to the Board in early 2019 regarding continued participation in the project.

Potable Reuse: Potable reuse is one of the water supply options being considered by the Agency, with wastewater potentially derived from the City of Livermore and/or Dublin-San Ramon Services District. The Joint Tri-Valley Potable Reuse Feasibility Study was initiated in October 2016 and completed in May 2018. The study was a partnership among the Agency and the Agency Retailers. Its primary goals was to evaluate the feasibility of potable reuse for the Livermore Valley; to identify the most promising options based on technical, financial, and regulatory considerations; and, assuming that potable reuse is found to be feasible, to recommend next steps for the agencies. Ultimately, the decision to pursue potable reuse will depend on agreements reached among the Agency, the wastewater providers (City of Livermore and Dublin-San Ramon Services District), and the rest of the Agency Retailers (California Water Service Company and the City of Pleasanton). If a project is pursued, it could conceivably be constructed within eight to ten years.

Outreach & Education

Transparency Certificate of Excellence: In August 2017, the Agency was awarded a District Transparency Certificate of Excellence by the Special District Leadership Foundation in recognition of the Agency's efforts to promote transparency and good governance. Since 2015, the Agency has been 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. Recordings are viewable at: http://tri-valleytv.org/streaming/Zone7/Z7-10-17-18.html

The Agency celebrated its 60th Anniversary: To commemorate our 60th anniversary, while also promoting water awareness, the Agency created an 18-month calendar. The Agency, in partnership with local water retailers, invited 4th-grade students within our service area to share their artistic talents by creating a poster that illustrates the importance of water conservation, flood protection, and watershed management. Winners of the poster contest are featured in the calendar.

Schools Program: The Agency's popular Valley-wide water education program continued in 2017, reaching nearly 14,000 students from kindergarten to twelfth grade. The Agency's Schools Program is a unique and highly-effective outreach and education program that has been offered for the past 17 years. The program provides Tri-Valley teachers with a wide variety of free classroom programs to make learning about water fun while still meeting curriculum standards. The Agency also participated in the Alameda County Science & Engineering Fair, several individual school science fairs, STEM events, career fairs, and other relevant high school and elementary school events.

Public Survey Results: The Agency conducted a survey in early 2017 with the survey results showing that voters are generally familiar with the Agency and the services it offers. The results also showed that residents strongly approve of the Agency's water distribution services, that 85% of residents are satisfied with the reliability of their water supplies, and that the majority of voters are satisfied with the quality and taste of their drinking water.

Financial Policies

Financial Management Framework: The financial management framework adopted by the Agency on November 16, 2011, assures that the Agency 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 the Agency'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. All relevant financial policies are available on the Agency's website at http://www.zone7water.com/publications-reports/financial-information. Here is a summary of some of the policies:

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 No. 16-166). The 2016 revisions help to further strengthen the Agency's financial position.

The policy covers reserves for: Water Enterprise Fund Operating Reserves, Emergency Reserves, 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.

Investment Policy: The Investment Policy was adopted by the Board in May 2018 (Resolution No. 18-42). The Agency's Investment Policy is in compliance with the California Government Code, Section 53600 et seq. The investment of idle funds is delegated by Agency's Board to the Assistant General Manager – Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety of principal, liquidity, return on investment or yield and diversity. The Investment Policy applies to the Agency's pooled investment fund which encompasses all monies under the direct oversight of the Agency Treasurer.

Debt Policy: The Debt policy was adopted by the Board in June 2017 (Resolution No. 17-52). The Debt Policy provides the guidelines under which specific projects outlined in the biennial planning process and documented in the Capital Improvement Plan may be best financed. Debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency recognizes that changes in the capital markets and other unforeseen circumstances may require action deviating from this Debt Management Policy. In cases requiring any exception to this policy, approval from the Board will be required. The Debt Management Policy is not applicable to intra-agency borrowing.

Budget Controls: The Agency 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.

Internal Control: The Agency management is responsible for establishing and maintaining adequate internal controls to assure the Agency operations are effective and efficient, that applicable laws and regulations are followed, and financial reports are reliable. Existing internal controls are monitored and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use; and (2) the Agency's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management. We believe that the Agency's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Other Information

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Agency's financial statements. The importance of such verification has been recognized by the federal and state governments, and the general public. The Agency contracted with the accounting firm of Maze & Associates for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Awards

- **Distinguished Budget Presentation Award**: The Agency received the Government Finance Officers Association "Distinguished Budget Presentation Award" for the FY 2016-18 Budget Book. Additionally, the Agency received the "Excellence Award in Operating Budget" from the California Society of Municipal Finance Officers for its FY 2016-18 Budget Book.

- **Certificate of Achievement for Excellence in Financial Reporting**: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the Agency for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,

Valerie Pryor

General Manager

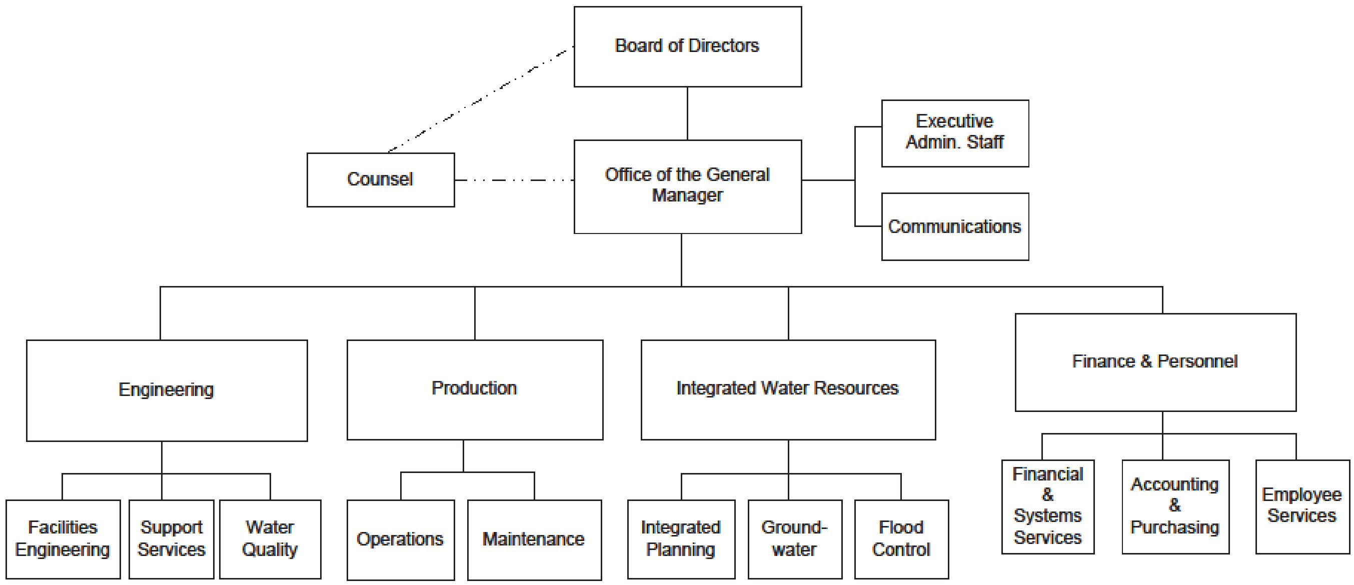
Osborn Solitei

Treasurer/Assistant General Manager, Finance

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

Functional Organizational Chart

FY 18/19



LIST OF ELECTED OFFICIALS AND AGENCY MANAGEMENT

Angela Ramirez Holmes, *President*
Board Member since 2012 -- Term Expires June 30, 2020

Sands Figuers, *Vice President*
Board Member 1988-2000; again since 2008 -- Term Expires June 30, 2020

Dennis Gambs
Board Member since 2018—Term Expires June 30, 2022

Sarah Palmer
Board Member since 2006 -- Term Expires June 30, 2022

Richard (Dick) Quigley
Board Member since 2004 -- Term Expires June 30, 2020

Olivia Sanwong
Board Member since 2018—Term Expires June 30, 2022

William (Bill) Stevens
Board Member since 1998 -- Term Expires June 30, 2022

Executive Management Team

Valerie Pryor, *General Manager*

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

Alameda County Flood Control and Water Conservation District, Zone 7

2018 Comprehensive Annual Financial Report
Project Team

Audit/Financial Statement Coordinator

Osborn Solitei,
Treasurer/Assistant General Manager, Finance

Teri Yasuda
Acting Accounting Manager

Mike Wallace
Staff Analyst

JaVia Green
Staff Analyst

Special Assistance - Departments

General Manager's Office &
Human Resources Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Flood Control

& Water Conservation District - Zone 7

Water Agency, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Executive Director/CEO

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), California, as of and for the year ended June 30, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and major funds of the Agency as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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Report on Summarized Comparative Information

We have previously audited the Agency's June 30, 2017 financial statements, and we expressed an unmodified audit opinions on those audited financial statements in our report dated December 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Notes 6C and Note 8 to the financial statements.

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 and other required supplementary information as listed in the Table of Contents 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, Supplemental Information and Statistical Section, listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary 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 Supplementary 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 4, 2018 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.

Maze + Associates

Pleasant Hill, California
December 4, 2018

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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, 2018 and 2017. 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 2018 to 2017 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 $24.5 million or 5.6 percent from $440.6 million to $465.1 million mainly due to increased revenue from water sales, connection fees and property taxes and also due to the effect of the implementation of GASB Statement No. 75 and recognizing the Agency's Other Postemployment Benefits Other than Pension (OPEB) liability in the amount of $0.3 million as of June 30, 2018. As a result of GASB Statement No. 75, implementation, the beginning net positions of Governmental Activities, Water Enterprise Operations, Water Enterprise Capital Expansion were restated and increased by $0.2 million, $1.9 million and $0.05 million respectively. See Note 6C

- Total revenues increased by $10.1 million or 8.3 percent from $122 million to $132.1 million mainly due to increased revenue from water sales as a result of improved water demands, water rate restructure to include a fixed charge equal to 35 percent of revenue requirement and 65 percent as volume-based rates, and a temporary conservation surcharge of $0.57 per 100 Cubic Feet (CCF) which sunset on December 31, 2017. Property tax and connection and development fees also increase offset by a decrease in charges for services.

- Total expenses increased by $20.9 million or 23.5 percent from $88.8 million to $109.7 million mainly due to an increase of $8.7 million in Flood Protection activities as a result of the 2017 winter storm. The Water Enterprise expenses also increased by $14.6 mainly due to the Agency's prepayment of its obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006, and the increases were offset by a slight decrease in the State Water Project pass-through expenses.

- Capital assets increased by $3.9 million or 1.7 percent from $226.7 million to $230.6 million due to Del Valle Water Treatment Plant ozone project.

- In October 2017, the Board approved the temporary surcharge of $0.57 per CCF sunset on December 31, 2017.

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 the Flood Protection Fund and Flood Protection Development Impact Fee Fund. The business-type (proprietary) activities include the Water Enterprise System.

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

Fund financial statements

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

Governmental funds

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

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

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

Proprietary funds

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

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

Notes to the basic financial statements

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

Other information

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

Government-wide Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Agency's financial condition and 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, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current assets	$ 83,452,429	$ 80,709,495	$ 250,280,954	$ 155,503,933	$ 333,733,383	$ 236,213,428
Capital assets	32,247,481	31,990,546	198,348,996	194,732,197	230,596,477	226,722,743
TOTAL ASSETS	115,699,910	112,700,041	448,629,950	350,236,130	564,329,860	462,936,171
Deferred Outflows of Resources						
Pension related	840,712	812,725	7,506,814	9,274,131	8,347,526	10,086,856
OPEB related	419,471	-	3,745,510	-	4,164,981	-
Total Deferred Outflows of Resources	1,260,183	812,725	11,252,324	9,274,131	12,512,507	10,086,856
Liabilities:						
Current liabilities	2,339,527	662,001	8,273,007	3,715,573	10,612,534	4,377,574
Long-term liabilities	2,030,181	2,053,641	89,961,166	23,882,201	91,991,347	25,935,842
TOTAL LIABILITIES	4,369,708	2,715,642	98,234,173	27,597,774	102,603,881	30,313,416
Deferred Inflows of Resources						
Pension related	728,151	172,949	6,501,747	1,973,550	7,229,898	2,146,499
OPEB related	191,885	-	1,713,365	-	1,905,250	-
Total Deferred Inflows of Resources	920,036	172,949	8,215,112	1,973,550	9,135,148	2,146,499
Net Position:						
Net Investment in capital assets	32,247,481	31,990,546	198,348,996	194,732,197	230,596,477	226,722,743
Restricted	62,760,525	58,149,272	107,414,628	97,494,721	170,175,153	155,643,993
Unrestricted	16,662,343	20,484,357	47,669,365	37,712,019	64,331,708	58,196,376
TOTAL NET POSITION	$ 111,670,349	$ 110,624,175	$ 353,432,989	$ 329,938,937	$ 465,103,338	$ 440,563,112

As the above table indicates, the total assets increased by $101.4 million or 21.9 percent from $462.9 million to $564.3 million during the fiscal year ended June 30, 2018. The increase is mainly due to 2018 Water Revenue Bonds in the principal amount of $64.0 million, net original issue premium of $7.5 million of which $57 million was deposited to acquisition fund for the 2018 Water Project (Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone project). The assets also increased due to revenue from water sales, connection and development fee and 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, 2018, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $465.1 million compared to $440.6 million at June 30, 2017.

The largest portion of the Agency's net position, $230.6 million or 50 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and OPEB accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2018 and 2017 were $8.3 million and $10.1 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2018 were $4.2 million.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2018 and 2017 were $7.2 million and $2.1 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2018 were $1.9 million.

For Fiscal year ended June 30, 2018, total liabilities reflects an increase of $72.3 million from $30.3 million to $102.6 million mainly due to the Agency issuance of the Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A for $64.0 million principal amount and $7.5 million net original issue premium. Proceeds of the issuance are used for the cost of the 2018 Water Project which includes $57 million for Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone projects and the capital payments for Cawelo Water District debt service with respect to 2006 Certificates, which are currently outstanding in the principal amount of $15.3 million. Accounts payable and accrued expenses also increased by $5.2 million. The increase is offset by $5.6 million decrease in net pension liability.

The total net position increased by $24.5 million or 5.6 percent from $440.6 million to $465.1 million mainly due to mainly due to increased revenue from water sales as a result of improved water demands and the Agency restructuring of the water rates to include a fixed charge component. Property tax and connection and development fee also increase offset by a decrease in charges for services.

Statement of Net Position
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current assets	$ 80,709,495	$ 77,352,331	$ 155,503,933	$ 130,624,594	$ 236,213,428	$ 207,976,925
Capital assets	31,990,546	30,334,638	194,732,197	188,968,433	226,722,743	219,303,071
TOTAL ASSETS	112,700,041	107,686,969	350,236,130	319,593,027	462,936,171	427,279,996
Deferred Outflows of Resources						
Pension related	812,725	1,158,722	9,274,131	10,091,004	10,086,856	11,249,726
Liabilities:						
Current liabilities	662,001	626,967	3,715,573	3,935,175	4,377,574	4,562,142
Long-term liabilities	2,053,641	2,570,042	23,882,201	22,852,530	25,935,842	25,422,572
TOTAL LIABILITIES	2,715,642	3,197,009	27,597,774	26,787,705	30,313,416	29,984,714
Deferred Inflows of Resources						
Pension related	172,949	121,551	1,973,550	1,058,555	2,146,499	1,180,106
Net Position:						
Net Investment in capital assets	31,990,546	30,334,638	194,732,197	188,968,433	226,722,743	219,303,071
Restricted	58,149,272	56,059,067	97,494,721	82,151,910	155,643,993	138,210,977
Unrestricted	20,484,357	19,133,427	37,712,019	30,717,427	58,196,376	49,850,854
TOTAL NET POSITION	$ 110,624,175	$ 105,527,132	$ 329,938,937	$ 301,837,770	$ 440,563,112	$ 407,364,902

As the above table indicates, the total assets increased by $35.6 million from $427.3 million to $462.9 million during the fiscal year ended June 30, 2017. The increase is mainly due to increased revenue from water sales and 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, 2017, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $440.6 million compared to $407.4 million at June 30, 2016.

The largest portion of the Agency's net position, $226.7 million or 51 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 increased by $1.7 million or 5.5 percent and the investment in capital assets for business-type activities increased by $5.8 million or 3.1 percent mainly due to the acquisition of the North Canyons Administration Office Building.

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 outflows of resources due to GASB Statement No. 68 at June 30, 2017 and 2016 were $10.1 million and $11.2 million, respectively.

Deferred inflows of resources is the result of GASB Statement No. 68 and is the deferred difference between expected and actual investment returns in the ACERA pension fund which will be amortized as a component of pension expense over time. The deferred inflows of resources for June 30, 2017 and 2016 were $2.1 million and $1.2 million, respectively.

For Fiscal year ended June 30, 2017, total liabilities reflects an increase of $0.3 million from $30.0 million to $30.3 million mainly due to a $0.5 million increase the net pension liability.

The total net position increased by $33.2 million or 8.1 percent from $407.4 million to $440.6 million mainly due to increased revenues from water sales as a result of improved water demands and the Agency restructuring of the water rates to include a fixed charge component and offset by a slight decrease in water connection fees and development impact fee revenues.

Statement of Activities and Changes in Net Position

For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Charges for services	$ 4,566,846	$ 3,554,796	$ 107,233,560	$ 98,547,121	$ 111,800,406	$ 102,101,917
Grants and other contributions	182,315	181,418	7,235,940	10,179,114	7,418,255	10,360,532
Capital grants and contributions	1,230,924	-	-	-	1,230,924	-
General revenues:						
Property taxes	8,518,064	7,895,448	-	-	8,518,064	7,895,448
Investment earnings and others	1,017,069	661,132	2,077,952	989,916	3,095,021	1,651,048
Total revenues	15,515,218	12,292,794	116,547,452	109,716,151	132,062,670	122,008,945
Expenses:						
Flood Protection Operations	12,859,064	5,341,751	-	-	12,859,064	5,341,751
Flood Protection Development Impact Fee	542,139	1,841,555	-	-	542,139	1,841,555
Flood Protection Grants	1,230,924	-	-	-	1,230,924	-
State Water Project	-	-	19,794,128	20,985,604	19,794,128	20,985,604
Water Enterprise	-	-	75,273,928	60,641,826	75,273,928	60,641,826
Total expenses	14,632,127	7,183,306	95,068,056	81,627,430	109,700,183	88,810,736
Change in net position before transfers	883,091	5,109,488	21,479,396	28,088,721	22,362,487	33,198,209
Transfers	(12,444)	(12,445)	12,444	12,445	-	-
Change in net position	870,647	5,097,043	21,491,840	28,101,166	22,362,487	33,198,209
Net position at beginning of year, as restated in Note 6C	110,799,702	105,527,132	331,941,149	301,837,771	442,740,851	407,364,903
Net position at end of year	$ 111,670,349	$ 110,624,175	$ 353,432,989	$ 329,938,937	$ 465,103,338	$ 440,563,112

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 $24.5 million from the prior year. The table above indicates the Agency total revenues increased by $10.1 million or 8.3 percent to $132.1 million from $122 million in the prior year. The increase is mainly due to increased revenue from water sales by $4.9 million as a result of improved water demands, water rate restructure to include a fixed charge equal to 35 percent of revenue requirement and 65 percent as volume-based rates, and a temporary conservation surcharge of $0.57 per 100 Cubic Feet (CCF) which ended on December 31, 2017. Property tax increased by $2.9 million, connection and development fee increased by $2.3 million mainly due to increased development and construction activities offset by a decrease in other miscellaneous revenues.

Total expenses increased by $20.9 million or 23.5 percent from $88.8 million to $109.7 million mainly due to an increase of $8.7 million in flood protection activities as a result of the 2017 winter storm; the Water Enterprise expenses also increased by $14.6 mainly due to the Agency's prepayment of its obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006, and the increases were offset by a slight decrease in the State Water Project payments to the State Department of Water Resources (DWR).

Statement of Activities and Changes in Net Position

For the Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Charges for services	$ 3,554,796	$ 7,432,934	$ 98,547,121	$ 87,940,258	$ 102,101,917	$ 95,373,192
Grants and other contributions	181,418	71,562	10,179,114	15,285,044	10,360,532	15,356,606
Capital grants and contributions	13,263	40,202	-	-	13,263	40,202
General revenues:						
Property taxes	7,895,448	7,329,117	-	-	7,895,448	7,329,117
Investment earnings and others	647,869	488,127	989,916	569,917	1,637,785	1,058,044
Total revenues	12,292,794	15,361,942	109,716,151	103,795,219	122,008,945	119,157,161
Expenses:						
Flood Protection Operations	5,341,751	5,328,998	-	-	5,341,751	5,328,998
Flood Protection Development Impact Fee	1,841,555	794,922	-	-	1,841,555	794,922
State Water Project	-	-	20,985,604	20,621,344	20,985,604	20,621,344
Water Enterprise	-	-	60,641,826	81,257,514	60,641,826	81,257,514
Total expenses	7,183,306	6,123,920	81,627,430	101,878,858	88,810,736	108,002,778
Change in net position before transfers	5,109,488	9,238,022	28,088,721	1,916,361	33,198,209	11,154,383
Transfers	(12,445)	(13,333)	12,445	13,333	-	-
Change in net position	5,097,043	9,224,689	28,101,166	1,929,694	33,198,209	11,154,383
Net position at beginning of year	105,527,132	96,302,443	301,837,771	299,908,077	407,364,903	396,210,520
Net position at end of year	$ 110,624,175	$ 105,527,132	$ 329,938,937	$ 301,837,771	$ 440,563,112	$ 407,364,903

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 $33.2 million from the prior year. The table above indicates the Agency total revenues increased by $2.9 million or 2.4 percent to $122 million from $119.1 million in the prior year. The increase is mainly due to increased revenues from water sales and property tax offset by a decrease in revenue from intergovernmental revenue, water connection fee and development impact fees.

Although the Statewide drought continued through the first part of 2016, Northern California largely recovered its surface water supplies by the year's end. By April 2016, water supply conditions had vastly improved, leading Governor Jerry Brown to reassess conservation mandates. Given the Agency's supply and storage conditions at that time, there was no need to continue mandatory conservation within the service area. In June 2016, the Board lifted the local drought emergency and set a voluntary 10 percent conservation target to support ongoing statewide water conservation efforts. Despite the improved conditions, staff continued working with the water retailers to promote wise use of water throughout 2016. The improved water supply conditions, changes in the water rate structure, and lifting of the local drought emergency have significantly improved the Agency's water sales revenue.

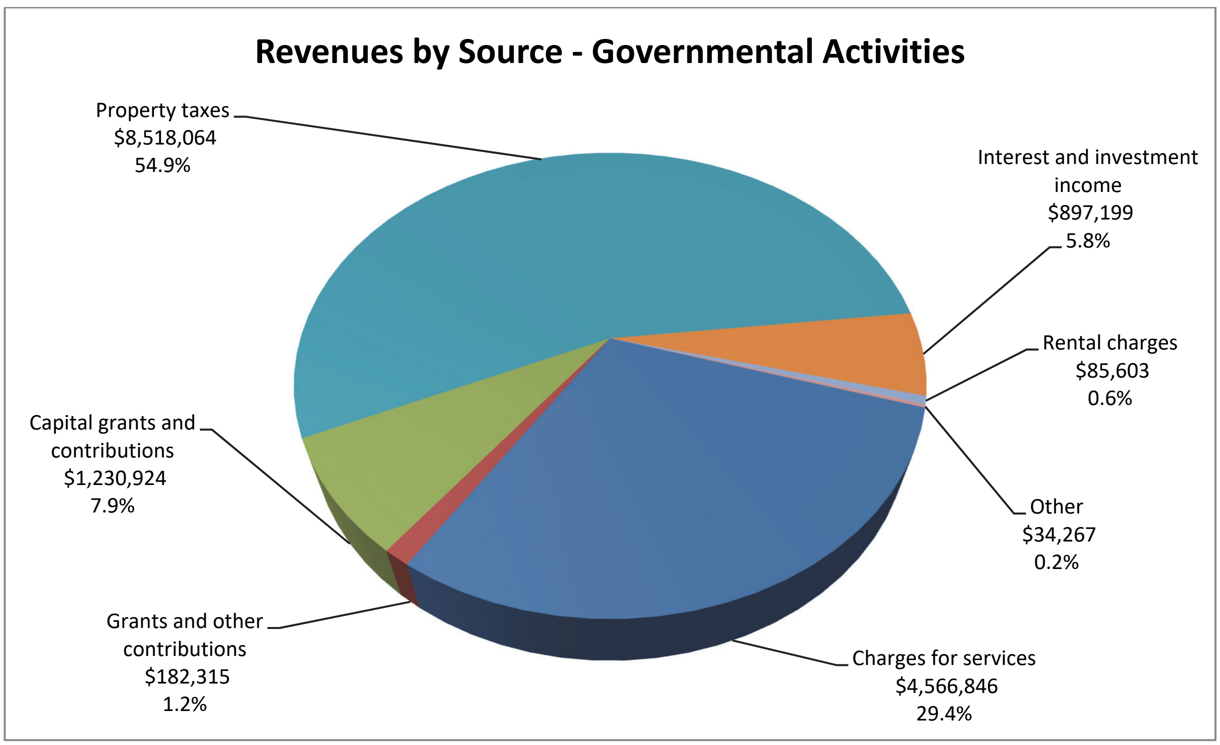
Governmental activities

The net position for the Agency's governmental activities increased by $0.9 million from $110.8 million to $111.7 million during the current year, mainly due to an increase in property taxes and charges for services as a result of increased development and construction activities. As a result of the implementation of GASB Statement No. 75 (OPEB), $0.2 million of the beginning net position was restated at June 30, 2018. Total revenues were $15.5 million while total expenses, including transfers amounted to $14.6 million.

Revenues: Significant changes in revenue are as follows:

Total revenues increased $3.2 million from the prior year or 26.2 percent.

- Charges for services increased by $1.0 million or 28.5 percent mainly due to industrial and commercial developments in the Livermore service area.
- Capital grants and contributions increased by $1.2 million. In FY 2017-18, the Agency received a total of $1.2 million in grants from: Environmental Protection Agency (EPA) $0.2 million; the Natural Resources Conservation Grant (NRCS), $0.8 million and California Governor's Office of Emergency Services (Cal-OES) $0.2 million. The federal grants are for damages caused by January 2017 storms.
- Property taxes increased $0.6 million, or 7.9 percent because of slightly higher total assessed value.



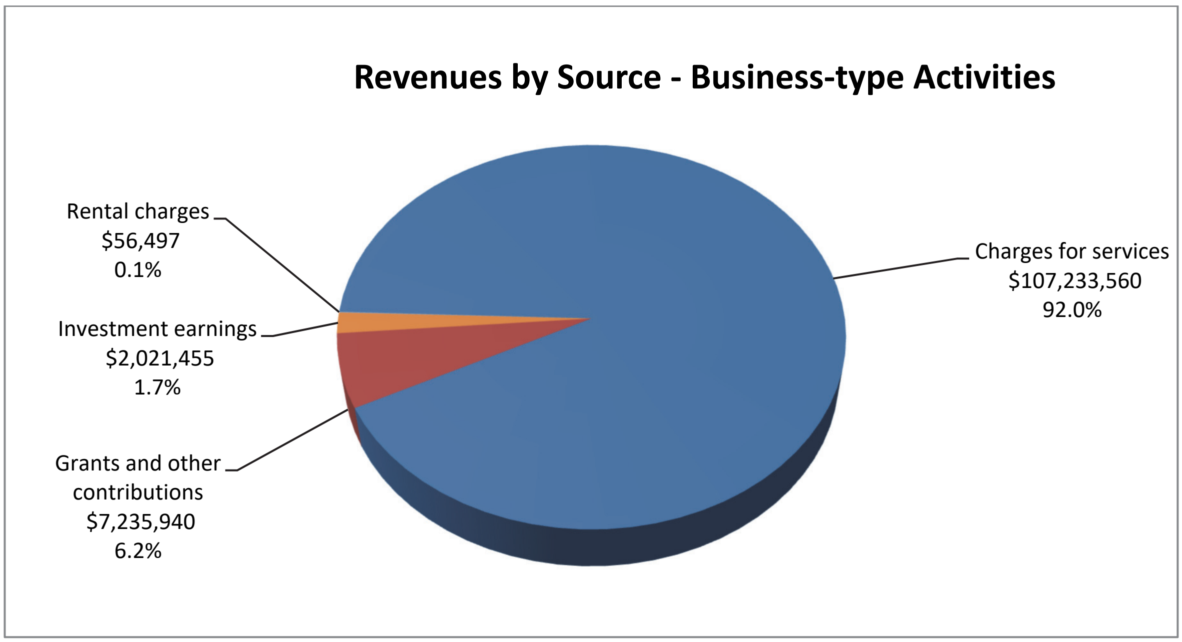
Expenses: Total expenses increased by $7.4 million or 103.7 percent in the governmental activities mainly due to Flood Control maintenance work and flood Emergency repair program. On March 15, 2017, the Board declared a local flood emergency and several flood control channels were repaired including:

- $5.5 million for the Foothill Property emergency repair project and seven (7) other high priority projects
- $3.5 million for 26 repair project coordination and cost share with the U.S. Army Corp of Engineers (USACE)
- $1.2 million of federal grants to repair damages caused by the January 2017 winter storms.

Business-type activities

The net position for the Agency's business-type activities increased by $21.5 million from $331.9 million to $353.4 million during the current year. The increase in net position is also attributed to the $2.0 million restatement of the beginning net position as a result of the implementation of GASB Statement No. 75 (OPEB) at June 30, 2018.Operating revenues increased by $5.8 million from $80.0 million to $85.8 million. This increase in mainly due to a combination of several factors:

- Water sales increased by $4.9 million as a result of improved water demands, water rate restructure to include a fixed charge equal to 35 percent of revenue requirement and 65 percent as volume-based rates, a temporary conservation surcharge of $0.57 per 100 Cubic Feet (CCF) which sunset on December 31, 2017
- Water connection fee revenue increased by $2.3 million from connection fee revenues of 1,301 connections for FY 2017-18 as a result of increased construction and development activities in the service area and 3.6 percent increase in the connection fee rate for calendar year 2018.
- Total revenues as of June 2018 were $116.5 million and total expenses (including transfers) were $95.1 million.



Expenses: Significant changes in expenses are as follows:

Total expenses increased of $12.5 million over the prior year or 15.3 percent is mainly attributed to the following:

- $13.4 million of the Agency's prepayment of its obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006.
- A $1.2 million decrease in pass-through expense incurred by The State of California Department of Water Resources. On May 24, 2018, DWR informed the Agency that for the past three years DWR under billed Zone 7's share of the Transportation Minimum OMP&R Component charges related to our Table A transfers in California Aqueduct Reaches down to Kern County and will true-up (or collect) these charges in Calendar Year 2019.

Governmental funds

The Agency's governmental funds consist of three funds; Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Funds. As of June 30, 2018, the Agency's governmental funds reported combined ending fund balance of $81.1 million.

- **Flood Protection Operations Fund** – This fund provides for general administration, and the maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays for renewal/replacement and improvement projects for the existing flood protection system. As of June 30, 2018, its fund balance was $18.3 million a decrease of $3.6 million from prior fiscal year. The decrease was mainly due to a $3.5 million increase in Flood Control maintenance and Flood Control emergency repairs as a result of the 2017 winter storms. The $18.3 million fund balance is committed as follows; $8.9 million for capital projects, $5.7 million for operating contingency and $3.7 million of encumbrances.

- **Flood Protection Development Impact Fee Fund** – The purpose of this fund is to ensure that the Agency is able to meet future needs for expansion-related flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects. As of June 30, 2018, its restricted fund balance was $62.8 million, an increase of $4.6 million from prior fiscal year. The increase in fund balance was mainly due to less expense incurred during the year than revenue received. Staff continues to work on an amendment to the Stream Management Master Plan (SMMP) for Board adoption. FY 2017-18 capital projects (i.e. Chain of Lakes Management Area) related to the SMMP are likely to be deferred until the SMMP amendment is adopted.

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, 2018 was $23.5 million, an increase of $7.1 million from the prior fiscal year.

  Operating revenue decreased by $0.7 million due to a decrease in the Dougherty Valley Surcharge Assessment. Intergovernmental revenue increased slightly by $0.2 million and the property tax override levy increased by $2.9 million from last fiscal year. Operating expenses decreased by $1.2 million or 5.7 percent due to a pass-through from DWR for fixed charges associated with the State Water Project. On May 24, 2018, DWR informed the Agency that for the past three years DWR under billed Zone 7's share of the Transportation Minimum OMP&R Component charges related to our Table A transfers in California Aqueduct Reaches down to Kern County and will true-up (or collect) these charges in Calendar Year 2019.

- **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, 2018 was $238.8 million, an increase of $12.1 million from prior fiscal year. Operating revenues increased by $4.3 million, increased revenue from water sales as a result of improved water demands, water rate restructure to include a fixed charge equal to 35 percent of revenue requirement and 65 percent as volume-based rates, and a temporary conservation surcharge of $0.57 per 100 Cubic Feet (CCF) which sunset on December 31, 2017.

Intergovernmental revenue decreased by $3.1 million primarily due to a one-time $2.8 million state reimbursement grant for drought emergency projects that was received in the prior fiscal year. Operating expenses increased slightly by $0.1 million from the prior fiscal year. The increase is due to increased contractual services by $0.6 million and water storage costs by $1.0 million, offset by a decrease in salaries and benefits of $2.6 million and equipment and building rents of $0.6 million.

- **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, 2018, the net position for the fund was $83.9 million, an increase of $2.8 million from prior fiscal year.

  Operating revenues were $2.3 million more than the prior fiscal year. The increase is mainly due to a $2.3 million or 7.0 percent increase in connection fee revenues from 1,301 connections for FY 2017-18 as a result of increased construction and development activities in the service area and a 3.6 percent increase in the connection fee rate for calendar year 2018. Operating expenses were $13.6 million or 61.1 percent more than prior fiscal year primarily due to the Agency's $15.3 million prepayment of its obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006 and also the Agency paid $0.7 million of all outstanding fixed capital payment associated with the Semitropic Water Banking and Exchange Program agreement with Semitropic Water Storage District. Non-operating revenues (expenses) increased by $0.2 million from prior year mainly due to increase in investment income.

Governmental Funds Budgetary highlights

A comparative budgetary statement for the Agency's governmental fund (Special Revenue Fund) for the year ended June 30, 2018:

	Final Budgeted Amounts	Actual Amounts Budgetary Basis	Budget Variance June 30, 2018	Budget Variance June 30, 2017
REVEUNUES:				
Property taxes	$ 8,075,563	$ 8,518,064	$ 442,501	$ 169,709
Intergovernmental revenues	64,700	182,315	117,615	72,626
Charges for services	47,650	66,036	18,386	(12,955)
Interest income and rentals	141,157	334,981	193,824	226,262
Others	35,000	29,506	(5,494)	(97,647)
Total Revenue	$ 8,364,070	$ 9,130,902	$ 766,832	$ 357,995
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	2,154,199	2,032,021	122,178	245,038
Services and supplies	15,515,369	10,632,282	4,883,087	2,852,354
Capital outlay:				
Equipment and capital structures	4,670,521	-	4,670,521	447,924
Total Expenditures	$ 22,340,089	$ 12,664,303	$ 9,675,786	$ 3,545,316
EXCESS REVENUES OVER EXPENDITURES	(13,976,019)	(3,533,401)	10,442,618	3,903,311
Other Financing Sources (Uses)				
Transfers (out) (Note 3)	(13,333)	(12,444)	(889)	(888)
NET CHANGE IN FUND BALANCE	$ (13,989,352)	(3,545,845)	$ 10,443,507	$ 3,904,199
Fund balance, beginning of year		21,898,222		
FUND BALANCE, END OF YEAR		$ 18,352,377		

The Agency's actual special revenue fund revenues are over the budget by $0.8 million due to slightly higher assessed property values and an increase in interest earnings and rentals.

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by $9.7 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Stream Management Master Plan (SMMP) and five-year Capital Improvement Program are being developed.

Capital assets

As of June 30, 2018, the agency's investment in capital assets totaled $230.6 million (net of accumulated depreciation) which is an increase of $3.9 million from the capital assets balance of $226.7 million at June 30, 2017. The increase in capital assets was primarily due to construction in progress for the Patterson Pass Water Treatment Plant (PPWTP) upgrade project and the Ozone project at both the Del Valle Water Treatment Plant (DVWTP) and PPWTP.

There were many capital project activities in FY 2017-18. They include the DVWTP and PPWTP ozone project, PPWTP upgrade project, Busch Valley Well No. 1 project, flood control slope repairs, Arroyo Mocho Medieros and Arroyo Mocho Granada/Murrieta Project. Additional information on the Agency's capital assets is provided in Note 4 of the financial statements.

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

Capital Assets
Business-type Activities
For the Years Ended June 30, 2018, 2017 and 2016
(In millions of dollars)

			2018 vs. 2017			2017 vs. 2016	
	2018	2017	$ Change	% Change	2016	$ Change	% Change
Easements	$ 1.4	$ 1.4	$ -	0%	$ 1.4	$ -	0%
Land	9.6	9.6	-	0%	8.2	1.4	17%
Treatment Plants	117.2	115.7	1.5	1%	114.2	1.5	1%
Construction in Progress	12.0	4.7	7.3	155%	2.6	2.1	81%
Office Building	7.1	7.1	-	0%	1.3	5.8	446%
Pipelines	53.9	53.9	-	0%	53.9	-	0%
Reserviors	1.9	1.9	-	0%	1.9	-	0%
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%
Wellfields	31.2	30.7	0.5	2%	30.3	0.4	1%
Supervisory Control and Data Acquisition Project	9.7	9.7	-	0%	9.7	-	0%
Others	5.7	5.5	0.2	4%	5.1	0.4	8%
Subtotal	286.4	276.9	9.5	3%	265.3	11.6	4%
Less Accumulated depreciation/amortization	88.0	82.1	5.9	7%	76.2	5.9	8%
Capital assets, net	$ 198.4	$ 194.8	$ 3.6	2%	$ 189.1	$ 5.7	3%

Capital Assets
Governmental Activities
For the Years Ended June 30, 2018, 2017 and 2016
(In millions of dollars)

			2018 vs. 2017			2017 vs. 2016	
	2018	2017	$ Change	% Change	2016	$ Change	% Change
Land	$ 20.3	$ 20.3	$ -	0%	$ 20.0	$ 0.3	2%
Flood Control Channels	12.4	12.4	-	0%	12.4	-	0%
Construction in Progress	0.9	0.4	0.5	125%	0.3	0.1	33%
Office Building	1.5	1.5	-	0%	-	1.5	0%
Others	1.0	1.0	-	0%	1.0	-	0%
Subtotal	36.1	35.6	0.5	1%	33.7	1.9	6%
Less Accumulated depreciation/amortization	3.9	3.6	0.3	8%	3.4	0.2	6%
Capital assets, net	$ 32.2	$ 32.0	$ 0.2	1%	$ 30.3	$ 1.7	6%

Debt Administration and Bond Rating

As of June 30, 2018, the Agency had $64.0 million in outstanding debt. The Agency also paid $15.3 million of its outstanding principal in connection with the Cawelo Water District Certificates of Participation, Series 2006 for the Groundwater Banking Program. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the State incurred debt for capital projects to maintain, improve or expand the State Water Project infrastructure. The Agency, under the terms of its contract with the State, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

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

Bond Ratings:

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

	Ratings	
Type of Bond	**S & P**	**Fitch**
LVWFA Water Revenue Bonds, 2018 Series A	AA+/Stable	AA/Stable

On March 19, 2018, S&P Global Ratings assigned its 'AA+' long-term rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds, issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7. The outlook is stable. According to S&P, *"the stable outlook reflects our view of the agency's adequate water supply, strong financial position in terms of all-in coverage and liquidity, and restructured rate schedule and implemented drought surcharge schedule, which we believe will allow it to recover costs and stabilize revenues in the event of future drought conditions. The outlook also reflects our assessment that the strongest three retail customer's water fund credit quality will remain consistent with current projections".*

On March 21, 2018, Fitch Ratings has assigned a 'AA' rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7 bonds. The outlook is stable. According to Fitch Rating; *"The 'AA' rating reflects the Agency's strong but variable financial performance and low direct debt burden, balanced against high fixed cost burden and significant connection fee revenue variability".*

Additional information on the Agency's long-term debt is provided in Note 5 of the financial statements.

Economic factors and next year's budget and rates

- The Board of Directors adopted the Agency's two-year budget on June 20, 2018. The two-year budget provides funding for the Agency's operating, capital and debt service payments for the fiscal years ending June 30, 2019 and 2020.
- Alameda County's average unemployment rates markedly improved, registering 4.0 percent as of June 2017 versus the 4.9 percent for California and 4.4 percent for all of the United States.
- 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.
- On October 19, 2017, the Board approved a four (4) year treated water rates schedule for Calendar Years (CY) 2019, 2020, 2021 and 2022. The board also approved gradually increasing fixed charge revenue recovery from the current 35% to 45% by CY 2022. The Board will revisit the rate schedule for CY 2021 and 2022, through a public process, with any changed rates adopted by November 2020. The table below shows the rate schedule through CY 2022:

Calendar Year	CY 2019	CY 2020	CY 2021	CY 2022
Volume-based Rate per CCF	$ 2.01	$ 2.10	$ 2.06	$ 2.15
Fixed Charge Recovery	37.5%	40.0%	42.5%	45.0%
Total Fixed Charges	$ 15,849,610	$ 19,363,098	$ 25,716,705	$ 28,713,641

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total 2018	Total 2017
ASSETS				
Current assets				
Pooled Cash in County Treasury (Note 2)	$76,442,643	$119,742,833	$196,185,476	$223,432,318
Cash and Investments - Agency Treasury (Note 2)	5,132,618	60,050,810	65,183,428	2,660,235
Restricted cash (Note 2)	1,040,201	57,166,321	58,206,522	
Accounts receivable, net	836,967	12,293,912	13,130,879	9,132,375
Prepaid expenses		1,027,078	1,027,078	988,500
Total current assets	83,452,429	250,280,954	333,733,383	236,213,428
Noncurrent assets				
Capital assets (Note 4):				
Rights of way, water entitlements, easements and construction in progress	21,254,892	59,600,375	80,855,267	73,003,368
Depreciable, net	10,992,589	138,748,621	149,741,210	153,719,375
Total noncurrent assets	32,247,481	198,348,996	230,596,477	226,722,743
Total assets	115,699,910	448,629,950	564,329,860	462,936,171
DEFERRED OUTFLOW OF RESOURCES				
Pension related (Note 7)	840,712	7,506,814	8,347,526	10,086,856
OPEB related (Note 8)	419,471	3,745,510	4,164,981	
Total deferred outflow of resources	1,260,183	11,252,324	12,512,507	10,086,856
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	1,307,542	7,162,626	8,470,168	3,234,504
Deposits payable	1,031,985	381,271	1,413,256	342,940
Compensated absences (Note 1K)		729,110	729,110	800,130
Total current liabilities	2,339,527	8,273,007	10,612,534	4,377,574
Noncurrent liabilities				
Compensated absences (Note 1K)		456,699	456,699	447,774
Bonds payable (Note 5)		71,376,744	71,376,744	
Net pension liability (Note 7)	2,000,083	17,858,971	19,859,054	25,488,068
Net OPEB liability (Note 8)	30,098	268,752	298,850	
Total noncurrent liabilities	2,030,181	89,961,166	91,991,347	25,935,842
Total liabilities	4,369,708	98,234,173	102,603,881	30,313,416
DEFERRED INFLOW OF RESOURCES				
Pension related (Note7)	728,151	6,501,747	7,229,898	2,146,499
OPEB related (Note 8)	191,885	1,713,365	1,905,250	
Total deferred inflow of resources	920,036	8,215,112	9,135,148	2,146,499
NET POSITION (Note 6)				
Net investment in capital assets	32,247,481	198,348,996	230,596,477	226,722,743
Restricted for				
Capital Projects and Water Expansion	62,760,525	107,414,628	170,175,153	155,643,993
Unrestricted	16,662,343	47,669,365	64,331,708	58,196,376
Total net position	$111,670,349	$353,432,989	$465,103,338	$440,563,112

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Flood Protection Operations	$12,859,064	$66,036	$182,315		$248,351
Flood Protection Development Impact Fee	542,139	4,500,810			4,500,810
Flood Protection Grants	1,230,924			$1,230,924	1,230,924
Total governmental activities	14,632,127	4,566,846	182,315	1,230,924	5,980,085
Business-type activities:					
State Water Project	19,794,128	22,927,398	3,740,725		26,668,123
Water Enterprise	75,273,928	84,306,162	3,495,215		87,801,377
Total business-type activities	95,068,056	107,233,560	7,235,940		114,469,500
Total	$109,700,183	$111,800,406	$7,418,255	$1,230,924	$120,449,585

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, as restated in Note 6C

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 2018	2017
($12,610,713)		($12,610,713)	($5,169,836)
3,958,671		3,958,671	1,722,744
(8,652,042)		(8,652,042)	(3,447,092)
	$6,873,995	6,873,995	3,321,995
	12,527,449	12,527,449	23,776,810
	19,401,444	19,401,444	27,098,805
(8,652,042)	19,401,444	10,749,402	23,651,713
7,851,995		7,851,995	7,290,201
372,633		372,633	361,388
293,436		293,436	243,859
897,199	2,021,455	2,918,654	1,434,072
85,603	56,497	142,100	203,713
34,267		34,267	13,263
9,535,133	2,077,952	11,613,085	9,546,496
(12,444)	12,444		
870,647	21,491,840	22,362,487	33,198,209
110,799,702	331,941,149	442,740,851	407,364,903
$111,670,349	$353,432,989	$465,103,338	$440,563,112

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2018	Totals 2017
ASSETS					
Current assets					
Cash in County treasury (Note 2)	$18,854,484	$57,588,159		$76,442,643	$79,828,699
Cash in Agency treasury (Note 2)	439,339	4,693,279		5,132,618	90,503
Restricted cash (Note 2)	1,040,201			1,040,201	
Accounts receivable, net	11,208	632,753	$193,006	836,967	790,293
Due from other funds	189,750			189,750	
Total assets	$20,534,982	$62,914,191	$193,006	$83,642,179	$80,709,495
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	$1,150,620	$153,666	$3,256	$1,307,542	$662,001
Deposits payable	1,031,985			1,031,985	
Due to other funds			189,750	189,750	
Total liabilities	2,182,605	153,666	193,006	2,529,277	662,001
FUND BALANCES (Note 6)					
Restricted		62,760,525		62,760,525	58,149,272
Committed:					
Flood Protection Capital Projects	8,939,715			8,939,715	11,484,627
Flood Protection Operating Contingency	5,668,779			5,668,779	7,035,225
Flood Protection Encumbrances	3,743,883			3,743,883	3,378,370
Total fund balances	18,352,377	62,760,525		81,112,902	80,047,494
Total liabilities and fund balances	$20,534,982	$62,914,191	$193,006	$83,642,179	$80,709,495

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, 2018

	2018
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$81,112,902
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:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	32,247,481
LONG TERM LIABILITIES	
Net pension liability and related deferred inflows and outflows of resources	(1,887,522)
Net OPEB liability and related deferred inflows and outflows of resources	197,488
NET POSITION OF GOVERNMENTAL ACTIVITIES	$111,670,349

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2018	Totals 2017
REVENUES					
Property taxes	$8,518,064			$8,518,064	$7,895,448
Intergovernmental revenues	182,315		$1,230,924	1,413,239	181,418
Charges for services	66,036	$4,500,810		4,566,846	3,554,796
Interest and rentals	334,981	647,821		982,802	647,869
Other revenues	29,506	4,761		34,267	13,263
Total revenues	9,130,902	5,153,392	1,230,924	15,515,218	12,292,794
EXPENDITURES					
Current:					
Salaries and employee benefits transferred from district-wide	2,032,021	253,998	6,900	2,292,919	1,961,724
Services and supplies	10,632,282	288,141	94,274	11,014,697	4,187,243
Capital outlay:					
Equipment and capital infrastructure			1,129,750	1,129,750	2,809,252
	12,664,303	542,139	1,230,924	14,437,366	8,958,219
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,533,401)	4,611,253		1,077,852	3,334,575
OTHER FINANCING SOURCES (USES)					
Transfers (out) (Note 3)	(12,444)			(12,444)	(12,445)
NET CHANGE IN FUND BALANCES	(3,545,845)	4,611,253		1,065,408	3,322,130
FUND BALANCES, BEGINNING OF YEAR	21,898,222	58,149,272		80,047,494	76,725,364
FUND BALANCES, END OF YEAR	$18,352,377	$62,760,525		$81,112,902	$80,047,494

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, 2018

	2018
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 theStatement of Activities, which is prepared on the full accrual basis.	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$1,065,408
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	551,385
Depreciation expense is deducted from the fund balance	(294,450)
ACCRUAL OF NONCURRENT ITEMS	
Net pension liability and related deferred inflows and outflows of resources	(473,658)
Net OPEB liability and related deferred inflows and outflows of resources	21,962
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$870,647

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Property taxes	$8,109,834	$8,075,563	$8,518,064	$442,501
Intergovernmental revenue	64,700	64,700	182,315	117,615
Charges for services	47,650	47,650	66,036	18,386
Interest and rentals	124,572	141,157	334,981	193,824
Other revenue	35,000	35,000	29,506	(5,494)
TOTAL REVENUES	8,381,756	8,364,070	9,130,902	766,832
EXPENDITURES				
Current:				
Flood protection:				
Salaries and benefits	2,154,199	2,154,199	2,032,021	122,178
Services and supplies	4,219,146	15,515,369	10,632,282	4,883,087
Capital outlay:				
Equipment and capital structure	4,934,721	4,670,521		4,670,521
TOTAL EXPENDITURES	11,308,066	22,340,089	12,664,303	9,675,786
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,926,310)	(13,976,019)	(3,533,401)	10,442,618
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3)	(13,333)	(13,333)	(12,444)	(889)
NET CHANGE IN FUND BALANCE	($2,939,643)	($13,989,352)	(3,545,845)	$10,443,507
Fund balance, beginning of year			21,898,222	
Fund balance, end of year			$18,352,377	

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2018	Totals 2017
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	$19,190,768	$36,884,507	$56,097,323	$7,570,235	$119,742,833	$143,603,619
Cash in Agency treasury (Note 2)	3,341,183	19,055,354	37,654,273		60,050,810	2,569,732
Restricted cash and investments (Note 2)		57,166,321			57,166,321	
Receivables, net		7,058,721	5,235,191		12,293,912	8,342,082
Prepaid deposits	937,078	90,000			1,027,078	988,500
Total current assets	23,469,029	120,254,903	98,986,787	7,570,235	250,280,954	155,503,933
Noncurrent assets:						
Capital assets (Note 4):						
Right of ways, water entitlements and construction in progress		59,600,375			59,600,375	52,299,861
Improvements, net of depreciation		138,748,621			138,748,621	142,432,336
Total noncurrent assets		198,348,996			198,348,996	194,732,197
Total assets	23,469,029	318,603,899	98,986,787	7,570,235	448,629,950	350,236,130
DEFERRED OUTFLOW OF RESOURCES						
Pension related (Note 7)		7,275,893	230,921		7,506,814	9,274,131
OPEB related (Note 8)		3,630,292	115,218		3,745,510	
Total deferred outflow of resources		10,906,185	346,139		11,252,324	9,274,131
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	580	6,708,204	453,842		7,162,626	2,572,503
Deposits				381,271	381,271	342,940
Compensated absences (Note 1K)		729,110			729,110	800,130
Total current liabilities	580	7,437,314	453,842	381,271	8,273,007	3,715,573
Noncurrent liabilities:						
Compensated absences (Note 1K)		456,699			456,699	447,774
Bonds payable (Note 5)		57,254,183	14,122,561		71,376,744	
Net pension liability (Note 7)		17,309,603	549,368		17,858,971	23,434,427
Net OPEB liability (Note 8)		260,485	8,267		268,752	
Total noncurrent liabilities		75,280,970	14,680,196		89,961,166	23,882,201
Total liabilities	580	82,718,284	15,134,038	381,271	98,234,173	27,597,774
DEFERRED INFLOW OF RESOURCES						
Pension related (Note 7)		6,301,744	200,003		6,501,747	1,973,550
OPEB related (Note 8)		1,660,659	52,706		1,713,365	
Total deferred inflow of resources		7,962,403	252,709		8,215,112	1,973,550
NET POSITION (Note 6)						
Net Investment in capital assets		198,348,996			198,348,996	194,732,197
Restricted for						
Capital Projects and Water Expansion	23,468,449		83,946,179		107,414,628	97,494,721
Unrestricted		40,480,401		7,188,964	47,669,365	37,712,019
Total net position	$23,468,449	$238,829,397	$83,946,179	$7,188,964	$353,432,989	$329,938,937

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2018	Totals 2017
OPERATING REVENUES						
Water sales		$47,860,145			$47,860,145	$42,975,960
Connection and development fees			$35,434,462		35,434,462	33,128,280
Charges for services		609,191			609,191	1,201,296
Other revenues	$1,541,757	112,315	290,049		1,944,121	2,716,835
Total operating revenues	1,541,757	48,581,651	35,724,511		85,847,919	80,022,371
OPERATING EXPENSES						
Salaries, wages and benefits		16,727,334	639,322		17,366,656	19,942,576
Contractual services		2,689,593	297,610		2,987,203	2,423,857
Technical supplies		147,995			147,995	120,612
Chemical purchases		1,940,215			1,940,215	1,767,573
Water purchases	19,794,128	3,428,176	18,277,142		41,499,446	43,073,934
Water storage		1,710,448	16,103,822		17,814,270	2,068,664
Utilities		1,667,239	380		1,667,619	1,414,039
Maintenance and repairs		1,405,705			1,405,705	1,093,932
Equipment and building rents		53,130			53,130	953,053
Other services and supplies		1,719,178	581,431		2,300,609	2,103,060
Risk management		584,330			584,330	575,423
Depreciation (Note 4)		6,381,380			6,381,380	6,090,707
Total operating expenses	19,794,128	38,454,723	35,899,707		94,148,558	81,627,430
Operating income (loss)	(18,252,371)	10,126,928	(175,196)		(8,300,639)	(1,605,059)
NONOPERATING REVENUES and (EXPENSES)						
Property taxes	21,385,641				21,385,641	18,524,750
Intergovernmental revenue	3,740,725	352,618	3,142,597		7,235,940	10,179,114
Interest income and rental fees	230,797	777,450	986,151	$83,554	2,077,952	989,916
Interest expense for debt service		(757,119)	(162,379)		(919,498)	
Total nonoperating revenues (expenses)	25,357,163	372,949	3,966,369	83,554	29,780,035	29,693,780
Income (loss) before transfers	7,104,792	10,499,877	3,791,173	83,554	21,479,396	28,088,721
Transfers in (Note 3)		1,610,523	570,191		2,180,714	4,205,068
Transfers (out) (Note 3)			(1,598,079)	(570,191)	(2,168,270)	(4,192,623)
Change in net position	7,104,792	12,110,400	2,763,285	(486,637)	21,491,840	28,101,166
Net position, beginning of year (as restated in Note 6C)	16,363,657	226,718,997	81,182,894	7,675,601	331,941,149	301,837,771
Net position, end of year	$23,468,449	$238,829,397	$83,946,179	$7,188,964	$353,432,989	$329,938,937

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Total 2018	Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$1,503,179	$48,412,526	$290,049	$38,331	$50,244,085	$51,863,131
Connection and development fees			31,651,757		31,651,757	36,353,259
Payments to employees		(15,929,240)	(639,322)		(16,568,562)	(17,179,384)
Payments to suppliers	(19,793,548)	(11,092,276)	(34,825,887)		(65,711,711)	(55,825,617)
Net cash provided (used) by operating activities	(18,290,369)	21,391,010	(3,523,403)	38,331	(384,431)	15,211,389
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in		1,610,523	570,191		2,180,714	4,205,068
Transfers (out)			(1,598,079)	(570,191)	(2,168,270)	(4,192,623)
Property tax	21,385,641				21,385,641	18,524,750
Intergovernmental	3,740,725	352,618	3,142,597		7,235,940	10,179,114
Cash flows from noncapital financing activities	25,126,366	1,963,141	2,114,709	(570,191)	28,634,025	28,716,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of property, plant, and equipment		(9,998,179)			(9,998,179)	(11,854,471)
Proceeds from the issuance of long term debt		51,830,000	12,180,000		64,010,000	
Premiums from the issuance of long term debt		5,516,698	1,990,134		7,506,832	
Premiums payments on long term debt		(92,515)	(47,573)		(140,088)	
Interest paid		(757,119)	(162,379)		(919,498)	
Cash flows from (used for) capital and related financing activities		46,498,885	13,960,182		60,459,067	(11,854,471)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received on investments	230,797	777,450	986,151	83,554	2,077,952	989,916
Cash flows from investing activities	230,797	777,450	986,151	83,554	2,077,952	989,916
Net increase (decrease) in cash and cash equivalents	7,066,794	70,630,486	13,537,639	(448,306)	90,786,613	33,063,143
Cash and cash equivalent at beginning of period	15,465,157	42,475,696	80,213,957	8,018,541	146,173,351	113,110,208
Cash and cash equivalent at end of period	$22,531,951	$113,106,182	$93,751,596	$7,570,235	$236,959,964	$146,173,351
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	($18,252,371)	$10,126,928	($175,196)		($8,300,639)	($1,605,059)
Adjustments to reconcile operating income (loss) to cash flows						
Depreciation		6,381,380			6,381,380	6,090,707
Changes in assets and liabilities						
Receivables		(169,125)	(3,782,705)		(3,951,830)	4,462,373
Prepaids	(38,578)				(38,578)	3,721,431
Accounts payable and accrued expenses	580	4,253,733	335,810		4,590,123	(231,470)
Compensated absences		(62,095)			(62,095)	(21,279)
Deposits				$38,331	38,331	10,215
Net pension liability, deferred inflows and deferred outflows		618,955	101,103		720,058	2,784,471
Net OPEB, deferred inflows and deferred outflows		241,234	(2,415)		238,819	
Net cash provided (used) by operating activities	($18,290,369)	$21,391,010	($3,523,403)	$38,331	($384,431)	$15,211,389

See accompanying notes to financial statements

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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.

Joint Powers Authority (JPA)

The Livermore Valley Water Financing Authority (the "Authority") was formed on November 1, 2017 to assist in the financing of public capital improvements. The Authority is a joint exercise agency organized under the laws of the State of California and was composed of the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency") and the California Statewide Communities Development Authority ("CSCDA"). The Agency Board of Directors serves as the governing board of the Authority. The Authority transactions are reported in Water Enterprise Operations and Water Enterprise Capital Expansion funds. Related debt is included in the long-term obligations of the Agency on the business-type activities column of the statement of net position.

B. *Basis of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 non-major governmental funds:

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

- The *Natural Resources Conservation (NRCS) Grant – Federal Fund* is used to account for revenue and expenses resulting from the Emergency Watershed Protection grant.

- The *Cal-OES Grant – Federal* passed through grant to the California Governor's Office of Emergency Services (Cal-OES) is used to account for revenues and expenditures for damages caused by January 2017 storms.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Agency reports the following 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Cash and Cash Equivalents

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

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10 - 40 years
Sludge drying ponds	40 years
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 Development Impact Fee Fund. Encumbrances at June 30, 2018 are as follows:

Fund	Encumbrance
Flood Protection Operations Major Fund	$3,743,883

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, 2018, the balance of compensated absences is:

Beginning Balance	$1,247,904
Additions	$640,233
Payments	(702,328)
Ending Balance	$1,185,809
Current Portion	$729,110
Non-current Portion	$456,699

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Long-Term Debt and Related Costs

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflows of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

O. 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, 2018.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), establishes new accounting and financial reporting requirements for governments whose employees are provided with 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. See Note 8.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, improves 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.

GASB Statement No. 85, *Omnibus 2017* (GASB Statement No. 85), addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 is effective for the Agency's fiscal year ending June 30, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. New GASB Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB Statement No. 83), addresses accounting and financial reporting for certain asserts retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB Statement No. 83 is effective for the Agency's fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for the Agency's fiscal year ending June 30, 2020.

GASB Statement No. 86, *Certain Debt Extinguishment Issues (*GASB Statement No. 86), improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement requires additional disclosure for all in-substance defeasance transactions. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statement No. 86 is effective for the Agency's fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for the Agency's fiscal year ending June 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB Statement No. 88), to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 is effective for reporting periods beginning after June 15, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 is effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 89), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 is effective for reporting periods beginning after December 15, 2018.

Q. Reclassification

For the year ended June 30, 2018, certain classification has been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform for the fiscal year 2018 presentation.

NOTE 2 – CASH AND INVESTMENTS

A. Policies

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS

B. Classification

The Agency's cash and investments consist of the flowing at June 30:

	June 30, 2018	June 30, 2017
Pooled Cash and Investment in County Treasury	$196,185,476	$223,432,318
Cash and investments - Agency Treasury	65,183,428	2,660,235
Restricted cash and investments	58,206,522	
Total Cash and Investments	$319,575,426	$226,092,553
Cash and Investment in Government Funds	$82,615,462	$79,919,202
Cash and Investments in Proprietary Funds	236,959,964	146,173,351
Total Cash and Investments	$319,575,426	$226,092,553

C. Investments Authorized by California Government Code and the Agency's Investment Policy

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.

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

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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	270 Days	A	20%	(A)
California Local Agency Investment Fund	Upon Demand	N/A	(A)	(B)
U.S. Treasury Obligations	5 Years	N/A	(A)	(A)
U.S. Agency Securities	5 Years	N/A	(A)	(A)
Municipal Bonds and Notes	5 Years	N/A	40%	(A)
Bankers' Acceptances	180 Days	A1, P1	40%	25%
Commercial Paper	270 Days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 Years	A, A2	30%	5%
Certificates of Time Deposit	5 Years	A, A2	30%	5%
Medium Term Corporate Notes	5 Years	A3, A-	30%	5%
Money Market Mutual Funds	Upon Demand	N/A	20%	(A)
California Asset Management Program	Upon Demand	N/A	10%	(A)

(A) No Board established limit.
(B) LAIF limit is $65,000,000.

D. 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, 2018, approximately 62.7 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Investment Type	12 Months or less	13 to 24 Months	Total
Pooled Cash and Investments in County Treasury			
Cash in County Pool			$196,185,476
Cash and Investments - Agency Treasury			
U.S. Agency Securities	$32,548,300		32,548,300
U.S. Treasury Notes	1,997,514		1,997,514
U.S. Agency Bonds	1,003,018		1,003,018
Commercial Paper	14,984,959		14,984,959
Corporate Bonds	8,498,094	$3,066,106	11,564,200
Money Market Fund	69,887		69,887
Total	59,101,772	3,066,106	62,167,878
Cash in bank			3,015,550
Total Cash and Investments - Agency Treasury			65,183,428
Restricted Cash and Investments			
U.S. Agency Securities	4,997,150		4,997,150
U.S. Treasury Notes	35,806,350		35,806,350
Commercial Paper	9,943,800		9,943,800
Money Market Fund	6,419,021		6,419,021
	57,166,321		57,166,321
Cash in bank - Money Market			1,040,201
Total Restricted Cash and Investments			58,206,522
Total Cash and Investments			$319,575,426

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2018 for each investment type as provided by Moody's Investor Service:

Investment Type	Aaa	Aa2	Aa3	A1	A2	P-1	Total
Pooled Cash and Investments in County Treasury							
Not rated:							
Cash in County Pool							$196,185,476
Cash and Investments - Agency Treasury							
U.S. Agency Securities						$32,548,300	32,548,300
U.S. Treasury Notes						1,997,514	1,997,514
U.S. Agency Bond	$1,003,018						1,003,018
Commercial Paper						14,984,959	14,984,959
Corporate Bonds	1,000,390	$2,511,393	$969,891	5,470,510	$1,612,016		11,564,200
Money Market Fund	69,887						69,887
Not rated:							
Cash in bank							3,015,550
Total Cash and Investments - Agency Treasury	2,073,295	2,511,393	969,891	5,470,510	1,612,016	49,530,773	65,183,428
Restricted Cash and Investments							
U.S. Treasury Notes	17,948,390						17,948,390
Not rated:							
U.S. Agency Securities							4,997,150
U.S. Treasury Notes							17,857,960
Commercial Paper							9,943,800
Money Market Fund							6,419,021
Cash in bank - Money Market							1,040,201
Total Restricted Cash and Investments	17,948,390						58,206,522
Total Cash and Investments							$319,575,426

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).

F. Concentration of Credit Risk

Included in table E above is a significant investment in the securities of issuers other than U.S. Treasury securities, mutual funds and external investment pools in any organization that represents in excess of 5% of the Agency's total investments. This includes investment in U.S. Agency Securities with Federal Home Loan Bank in the amount of $37,542,445.

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2018 Alameda County Comprehensive Annual Financial Report.

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. 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, 2018, the Agency had $196,185,476 of cash and investments pooled with the Alameda County Treasurer that is exempt from the fair value hierarchy. The fair value of the pooled investment fund is provided by the Alameda County Treasurer and is valued using quoted prices for identical instruments in markets that are not active. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Agency as of June 30, 2018:

	Level 1	Level 2	Total
Cash and Investments - Agency Treasury			
Investments by Fair Value Level:			
U.S. Agency Securities		$32,548,300	$32,548,300
U.S. Treasury Notes		1,997,514	1,997,514
U.S. Agency Bond		1,003,018	1,003,018
Commercial Paper		14,984,959	14,984,959
Corporate Bonds		11,564,200	11,564,200
Investments Measured at Amortized Cost:			
Money Market Fund			69,887
Total Cash and Investments - Agency Treasury		62,097,991	62,167,878
Restricted Cash and Investments			
Investments by Fair Value Level:			
U.S. Agency Securities		4,997,150	4,997,150
U.S. Treasury Notes	$35,806,350		35,806,350
Commercial Paper		9,943,800	9,943,800
Investments Measured at Amortized Cost:			
Money Market Fund			6,419,021
Total Restricted Cash and Investments	35,806,350	14,940,950	57,166,321
Total Investments			$119,334,199

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

NOTE 3 – INTERFUND TRANSFERS

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
Governmental Fund			
Flood Protection Operations Funds	Water Enterprise Operations Funds	$12,444	**(A)**
Enterprise Funds:			
Water Enterprise Capital Expansion Fund	Water Enterprise Operations Fund	1,598,079	**(B)**
Water Supply and Reliability	Water Enterprise Capital Expansion Fund	570,191	**(C)**
		$2,180,714	

(A) Transfer to fund vehicle replacement.
(B) Transfer of completed construction projects.
(C) Transfer to fund Site Reservoir Project, CA Water Fix Construction Authority Stand-Up Costs, and Lake Del Valle Storage Expansion Study.

NOTE 4 – CAPITAL ASSETS

A. Summary

The following is a summary of capital assets as of June 30, 2018:

Governmental Activities	Balance at June 30, 2017	Additions	Balance at June 30, 2018
Capital assets not being depreciated:			
Rights of way	$20,330,340		$20,330,340
Construction in progress	373,167	$551,385	924,552
Total capital assets not being depreciated	20,703,507	551,385	21,254,892
Capital assets being depreciated:			
Flood control channels	12,393,619		12,393,619
Other infrastructure	1,048,885		1,048,885
Office building	1,459,756		1,459,756
Total capital assets being depreciated	14,902,260		14,902,260
Less accumulated depreciation for:			
Flood control channels	3,537,028	231,734	3,768,762
Other infrastructure	72,111	26,222	98,333
Office building	6,082	36,494	42,576
Total accumulated depreciation	3,615,221	294,450	3,909,671
Net capital assets being depreciated	11,287,039	(294,450)	10,992,589
Governmental activity capital assets, net	$31,990,546	$256,935	$32,247,481

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Capital assets not being depreciated:				
Rights of way	$9,553,081			$9,553,081
Water entitlements	36,655,364			36,655,364
Easements	1,350,090			1,350,090
Construction in progress	4,741,326	$7,300,514		12,041,840
Total capital assets not being depreciated	52,299,861	7,300,514		59,600,375
Capital assets being depreciated:				
Equipment	3,933,344	755,361	$529,267	4,159,438
Treatment plants	115,745,097	1,427,349		117,172,446
Office building	7,103,276			7,103,276
Reservoir	1,934,197			1,934,197
Pipelines	53,929,751			53,929,751
Wellfields	30,687,384	514,955		31,202,339
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	224,574,148	2,697,665	529,267	226,742,546
Less accumulated depreciation for:				
Equipment	3,011,613	377,619	529,267	2,859,965
Treatment plants	47,060,923	3,243,431		50,304,354
Office building	967,492	177,582		1,145,074
Reservoir	1,151,061	48,355		1,199,416
Pipelines	16,458,395	1,241,533		17,699,928
Wellfields	7,247,135	769,216		8,016,351
Supervisory Control and Data Acquisition project	6,065,414	485,233		6,550,647
Other infrastructure	179,779	38,411		218,190
Total accumulated depreciation	82,141,812	6,381,380	529,267	87,993,925
Net capital assets being depreciated	142,432,336	(3,683,715)		138,748,621
Business-Type activity capital assets, net	$194,732,197	$3,616,799		$198,348,996

B. *Construction in Progress*

Construction in Progress at June 30, 2018 comprises the following projects:

Governmental Activities:

Projects	
Arroyo Mocho Medieros	$845,196
Arroyo Mocho Granada/Murrieta	79,356
Total	$924,552

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities:

Projects	
Busch Valley Well #1	$1,820,077
Arroyo Mocho/Lake H Diversion	402,484
DVWTP Ozonation	6,461,911
Patterson Pass Water Treatment Plant Ozonation	1,124,480
Patterson Pass Water Treatment Plant Upgrades	2,193,299
DVWTP Aqua Ammonia Facility	10,846
DVWTP Polymer Mixing System Replacement	3,520
COL 1 Facilities Stabilization	25,223
Total	$12,041,840

C. Depreciation Allocation

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

Governmental Activities:	
Flood Protection	$294,450
Total depreciation governmental activities	$294,450
Business-Type Activities:	
Water Enterprise Operations	$6,381,380
Total depreciation business-type activities	$6,381,380

NOTE 5 – LONG TERM DEBT

The Agency's long-term debt is summarized below:

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Amount due within one year	Amount more than one year
2018 Water Revenue Bonds, '3% - 5%, due 7/1/2048	$64,010,000		$64,010,000		$64,010,000		$64,010,000
Plus: Unamortized Bond Premium	$7,506,832		7,506,832	$140,088	7,366,744		7,366,744
Total long-term debt			$71,516,832	$140,088	$71,376,744		$71,376,744

A. 2018 Water Revenue Bonds

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

B. Debt Service Requirements

At June 30, 2018, the debt service payments to maturity, including interest payments, were as follows:

For The Year Ending June 30	Principal	Interest	Total
2019		$2,124,444	$2,124,444
2020	$1,305,000	2,908,913	4,213,913
2021	1,370,000	2,842,038	4,212,038
2022	1,445,000	2,771,663	4,216,663
2023	1,520,000	2,697,538	4,217,538
2024-2028	8,855,000	12,235,563	21,090,563
2029-2033	11,410,000	9,716,838	21,126,838
2034-2038	10,910,000	6,913,656	17,823,656
2039-2043	10,760,000	4,867,500	15,627,500
Thereafter	16,435,000	2,315,250	18,750,250
Total payments due	$64,010,000	$49,393,403	$113,403,403
Unamortized premium	7,366,744		
	$71,376,744		

NOTE 6 – NET POSITION AND FUND BALANCES

A. 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.

B. 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.

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

C. Net Position Restatement

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the Agency to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities, Water Enterprise Operations Enterprise Fund and Water Enterprise Capital Expansion Enterprise Fund were restated and increased by $175,527, $1,950,382, and $51,830, respectively. Business-type activities beginning net position was restated and increased by $2,002,212. See Note 8.

NOTE 7 – 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, 2017. 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.

NOTE 7 – RETIREMENT PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	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 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years, regardless of age		Age 52 with 5 years of service or age 70 regardless of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	4% - 100%	2% - 100%	4% - 100%
Required employee contribution rates	7.36-15.42%	5.03-10.92%	8.10%
Required employer contribution rates	27.98%	27.26%	26.16%

Contributions –The pension plan under the 1937 Act has no legal contractual maximum contribution rates. The employers and members contribute to ACERA based on rates recommended by an Independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits, and are between 5.03 and 15.42 percent of their annual covered salary effective September 2017. Member contributions are refundable upon termination from the retirement system.

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

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

In 2006 the Board of Retirement approved the allocation of SRBR funds to Postemployment Medical Benefits and Other Pension Benefits. These two programs provide the supplemental benefits described above. For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were $1,833,785.

NOTE 7 – RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2018, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$19,859,054

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, 2017, 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, 2016 rolled forward to December 31, 2017 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 payroll	Net Pension Liability as a percentage of its covered payroll
2016	1.18%	$24,951,866	$12,840,271	194.33%
2017	1.46%	25,488,068	12,351,170	206.36%
2018	1.26%	19,859,054	11,997,579	165.53%

NOTE 7 – RETIREMENT PLAN (Continued)

For the year ended June 30, 2018, the Agency recognized pension expense of $1,193,715. At June 30, 2018, 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	$2,128,546	
Differences between expected and actual experience	42,127	$1,195,009
Changes of assumptions	6,041,962	530,418
Change in proportion and differences between employer contributions and proportionate share of contributions	134,891	1,490,229
Net difference between projected and actual earnings on pension plan investments		4,014,242
Total	$8,347,526	$7,229,898

The $2,128,546 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30	Annual Amortization
2019	$864,266
2020	314,497
2021	(1,198,239)
2022	(1,165,363)
2023	173,921

NOTE 7 – RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation Rate	3.25%
Payroll Growth	3.25%
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	7.60% (2)
Mortality	RP-2000 Combined Healthy Mortality Table

(1) Vary by service, including inflation

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

Discount Rate – The discount rate used to measure the total pension liability was 7.25% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2017.

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:

NOTE 7 – RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	22.40%	5.75%
Domestic Small Cap Equity	5.60%	6.37%
Developed International Equity	19.50%	6.89%
Emerging Markets Equity	6.50%	9.54%
U.S. Core Fixed Income	11.25%	1.03%
High Yield Bonds	1.50%	3.99%
International Bonds	2.25%	0.19%
TIPS	2.00%	0.98%
Real Estate	8.00%	4.47%
Commodities	3.00%	3.78%
Hedge Funds	9.00%	4.30%
Private Equity	9.00%	7.60%
Total	100.00%	

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

1% Decrease	6.25%
Net Pension Liability	$31,096,222
Current Discount Rate	7.25%
Net Pension Liability	$19,859,054
1% Increase	8.25%
Net Pension Liability	$10,730,313

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

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

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

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2018:

Membership Eligibility	*Service Retirees:* Retired with at least 10 years of services (including deferred vested members who terminate employment and receive a retirement benefit from ACERA). *Disabled Retirees:* A minimum of 10 years of service required for non-duty disability. There is no minimum service requirement for duty disability.
Benefit Eligibility	1 Monthly Medical Allowance *Service Retirees:* For retirees, a Maximum Monthly Medical Allowance of $540.44 per month is provided, effective January 1, 2017 and through December 31, 2017. For the period January 1, 2018 through December 31, 2018, the maximum allowance will remain at the 2017 levels for retirees who are not purchasing individual insurance through the Medicare exchange. For those purchasing individual insurance through the Medicare exchange, the Monthly Medical Allowance will be $414.00 per month for 2017 and will remain at the 2017 levels for 2018. These Allowances are subject to the following subsidy schedule: **Completed Years of Service** — **Percentage Subsidized** 10-14 — 50% 15-19 — 75% 20+ — 100% *Disabled Retirees:* Non-duty retirees receive the same Monthly Medical Allowance as services retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those services retirees with 20 or more years of service.
	2 Medical Benefit Reimbursement Plan: The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must - Have at least 10 years of ACERA service, - Be eligible for Monthly Medical Allowance, - Provide proof of enrollment in Medical Part B
	3 Dental and Vision Plans: The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premiums will be $46.80 in 2017 and $47.91 in 2018. The eligibility for these premiums is as follows: *Service Retirees:* Retired with at least 10 years of service. *Disabled Retirees:* For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no
Deferred Benefit	Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.
Death Benefit	Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

For the year ended June 30, 2018, the Agency's contributions to the Plan were $3,770,293.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018

Active employees	89
Inactive employees or beneficiaries currently receiving benefit payments	Not available
Inactive employees entitled to but not yet receiving benefit payments	Not available
Total	89

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Agency's net OPEB liability was measured as of December 31, 2017 and the net OPEB liability was determined by an actuarial valuation dated December 31, 2016 that was rolled forward using standard update procedures to determine the Agency's net OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth	3.50%
Investment Rate of Return	7.25%
Mortality Rate	RP-2014 Healthy Annuitant Mortality Table
Healthcare Trend Rates	Non-Medicare medical plan - Graded from 7.00% to ultimate 4.50% over 10 years
	Medicare medical plan - Graded from 7.00% to ultimate 4.50% over 10 years
	Dental/Vision and Medicare Part B - 4.50%

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

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

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (6.25%)	Discount Rate (7.25%)	Discount Rate +1% (8.25%)
$1,731,087	$298,850	($892,436)

Total OPEB Liability/(Asset)		
1% Decrease (6.00% - 3.50%)	Healthcare Cost Trend Rates (7.00% - 4.50%)	1% Increase (8.00% - 5.50%)
($1,029,790)	$298,850	$1,934,203

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

For the year ended June 30, 2018, the Agency recognized OPEB expense of $1,004,965. At June 30, 2018, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$3,619,612	
Differences between actual and expected experience		$200,007
Net Difference Between Projected and Actual Investment Earnings on OPEB plan Investments		1,601,286
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		103,957
Changes of assumptions	545,369	
Total	$4,164,981	$1,905,250

$3,619,612 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

Year Ended June 30	Annual Amortization
2019	($357,820)
2020	(357,820)
2021	(357,820)
2022	(357,822)
2023	42,501
Thereafter	28,900

NOTE 9 – 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	800,000,000	50,000
Crime	15,000,000	2,500
Pollution	10,000,000	250,000

NOTE 10 – 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 2018 and 2017, the costs under the contract were $21.4 million and $19.3 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 2018 and 2017, the costs under Amendment No. 24 were $19.4 million and $20.2 million, respectively with a remaining obligation of $205.4 million as of June 30, 2018 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 2018 and 2017, the costs under the agreement were $90,000 each year.

NOTE 10 – 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 year 2017, the costs under the agreement were $1.3 million and in fiscal year 2018, the costs under the agreement were $1.9 million and pursuant to an assignment agreement with Cawelo Water District the Agency paid $15.4 million of all outstanding principal amount of the 2006 fixed capital payment.

Semitropic Water Storage District: In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal year 2017, the Agency's share of the operating, maintenance and capital costs and certain fees under the agreement were $0.8 million and in fiscal year 2018, were $1.9 million. Included in the $1.9 million, the Agency paid $0.7 million of all outstanding fixed capital payment associated with this agreement.

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2018

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

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Plan's proportion of the Net Pension Liability (Asset)	1.26%	1.46%	1.18%	1.60%
Plan's proportion share of the Net Pension Liability (Asset)	$19,859,054	$25,488,068	$24,951,866	$22,241,545
Plan's Covered Payroll	12,229,930	12,536,863	13,014,942	12,318,588
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	162.38%	203.30%	191.72%	180.55%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	1.26%	1.46%	1.18%	1.60%
Plan's Proportionate Share of Aggregate Employer Contributions	3,619,612	3,770,297	3,808,259	3,415,865

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

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

SCHEDULE OF CONTRIBUTIONS

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$4,272,678	$4,616,119	$4,568,731	$4,324,438
Contributions in relation to the actuarially determined contributions	(4,272,678)	(4,616,119)	(4,568,731)	(4,324,438)
Contribution deficiency (excess)	$0	$0	$0	$0
Covered payroll	$11,997,578	$12,351,170	$12,840,271	$12,505,557
Contributions as a percentage of covered payroll	35.61%	37.37%	35.58%	34.58%
Notes to Schedule				
Valuation date:	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014

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	3.00%
Salary increases	(2)
Investment rate of return	7.60% (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 four years are shown.

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

COST-SHARING EMPLOYER DEFINED OPEB PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

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

SCHEDULE OF CONTRIBUTIONS

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

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Cost-Sharing Multiple-Employer Defined OPEB Plan

Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Measurement Date	**December 31, 2017**
Plan's proportion of the Net OPEB Liability	1.43%
Plan's proportion share of the Net OPEB Liability	$298,850
Plan's Covered Payroll	$12,229,930
Plan's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	2.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	1.43%
Plan's Proportionate Share of Aggregate Employer Contributions	3,619,612

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan
Last 10 Years*
Schedule of Contributions

	June 30, 2018
Actuarially determined contribution	N/A
Contributions in relation to the actuarially determined contribution	N/A
Contribution deficiency (excess)	N/A
Covered-employee payroll	$14,231,048
Contributions as a percentage of covered-employee payroll	N/A

* Fiscal year 2018 was the first year of implementation and therefore, only one year is shown.

	Actuarial Assumptions
Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth	3.50%
Investment Rate of Return	7.25%
Mortality Rate	RP-2014 Healthy Annuitant Mortality Table
Healthcare Trend Rates	Non-Medicare medical plan -
	Graded from 7.00% to ultimate 4.50% over 10 years
	Medicare medical plan -
	Graded from 7.00% to ultimate 4.50% over 10 years
	Dental/Vision and Medicare Part B - 4.50%

SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NONMAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Environmental Protection Agency (EPA) Grant - Federal	Natural Resources Conservation (NRCS) Grant - Federal	Cal-OES Grant - Federal	Totals 2018	Totals 2017
ASSETS					
Current assets					
Accounts receivable, net	$3,256		$189,750	$193,006	
Total assets	$3,256		$189,750	$193,006	
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	$3,256			$3,256	
Due to other funds			$189,750	189,750	
Total liabilities	3,256		189,750	193,006	
FUND BALANCES					
Unrestricted					
Total fund balances					
Total liabilities and fund balances	$3,256		$189,750	$193,006	

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NONMAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Environmental Protection Agency (EPA) Grant - Federal	Natural Resources Conservation (NRCS) Grant - Federal	Cal-OES Grant - Federal	Total Nonmajor Governmental Funds	
				2018	2017
REVENUES					
Intergovernmental revenues	$282,174	$759,000	$189,750	$1,230,924	
Total revenues	282,174	759,000	189,750	1,230,924	
EXPENDITURES					
Current:					
Salaries and employee benefits transferred from district-wide	6,900			6,900	
Services and supplies	25,274	69,000		94,274	
Capital outlay:					
Equipment and capital infrastructure	250,000	690,000	189,750	1,129,750	
	282,174	759,000	189,750	1,230,924	
NET CHANGE IN FUND BALANCES					
FUND BALANCES, BEGINNING OF YEAR					
FUND BALANCES, END OF YEAR					

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NON-MAJOR WATER ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Water Facilities	Water Supply and Reliability	Totals 2018	Totals 2017
ASSETS				
Current assets:				
Cash in County treasury	$3,880,669	$3,689,566	$7,570,235	$8,018,541
Total current assets	3,880,669	3,689,566	7,570,235	8,018,541
Total assets	3,880,669	3,689,566	7,570,235	8,018,541
LIABILITIES				
Current liabilities:				
Deposits	381,271		381,271	342,940
Total current liabilities	381,271		381,271	342,940
Total liabilities	381,271		381,271	342,940
NET POSITION				
Unrestricted	3,499,398	3,689,566	7,188,964	7,675,601
Total net position	3,499,398	3,689,566	7,188,964	7,675,601
Total liabilities and net position	$3,880,669	$3,689,566	$7,570,235	$8,018,541

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Water Facilities	Water Supply and Reliability	Totals 2018	Totals 2017
OPERATING REVENUES				
Other revenues				$42,121
Operating income				42,121
NONOPERATING REVENUES				
Interest income and rental fees	$41,008	$42,546	$83,554	54,430
Income (loss) before transfers	41,008	42,546	83,554	96,551
Transfers (out)		(570,191)	(570,191)	(615,253)
Change in net position	41,008	(527,645)	(486,637)	(518,702)
Net position, beginning of year	3,458,390	4,217,211	7,675,601	8,194,303
Net position, end of year	$3,499,398	$3,689,566	$7,188,964	$7,675,601

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, 2018
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017

	Water Facilities	Water Supply and Reliability	Total 2018	Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$38,331		$38,331	$52,336
Net cash provided (used) by operating activities	38,331		38,331	52,336
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (out)		($570,191)	(570,191)	(615,253)
Cash flows from noncapital financing activities		(570,191)	(570,191)	(615,253)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	41,008	42,546	83,554	54,430
Cash flows from investing activities	41,008	42,546	83,554	54,430
Net increase (decrease) in cash and cash equivalents	79,339	(527,645)	(448,306)	(508,487)
Cash and investments at beginning of period	3,801,330	4,217,211	8,018,541	8,527,028
Cash and investments at end of period	$3,880,669	$3,689,566	$7,570,235	$8,018,541
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)				$42,121
Adjustments to reconcile operating income (loss) to cash flows				
Changes in assets and liabilities				
Deposits	38,331		38,331	10,215
Net cash provided (used) by operating activities	$38,331		$38,331	$52,336

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 (Agency), as of and for the year ended June 30, 2018, and have issued our report thereon dated December 4, 2018. 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.

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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 that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated December 4, 2018 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 4, 2018

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.

<u>Contents</u>

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									
	2009	**2010**	**2011**	**2012**	**2013 (a)**	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental activities										
Net investment in capital assets	$14,860,651	$14,661,865	$14,479,216	$14,301,567	$16,232,189	$30,403,950	$30,385,318	$30,334,638	$31,990,546	$32,247,481
Restricted	32,794,924	57,518,054	58,914,899	36,696,155	60,596,601	41,506,430	49,177,969	56,059,067	58,149,272	62,760,525
Unrestricted	21,506,376	477,102	3,928,002	23,559,397	4,406,909	15,260,267	16,739,156	19,133,427	20,484,357	16,662,343
Total governmental activities net position	$69,161,951	$72,657,021	$77,322,117	$23,559,397	$81,235,699	$87,170,647	$96,302,443	$105,527,132	$110,624,175	$111,670,349
Business-type activities										
Net investment in capital assets	$208,712,439	$214,245,244	$208,841,658	$205,651,283	$202,295,691	$211,603,471	$212,562,797	$188,968,433	$194,732,197	$198,348,996
Restricted	44,608,852	43,769,762	40,041,672	37,928,558	65,125,317	42,196,142	50,917,217	82,151,910	97,494,721	107,414,628
Unrestricted	41,038,344	39,299,226	39,394,747	41,291,980	40,127,373	57,821,385	36,428,063	30,717,428	37,712,019	47,669,365
Total business-type activities net position	$294,359,635	$297,314,232	$288,278,077	$284,871,821	$307,548,381	$311,620,998	$299,908,077	$301,837,771	$329,938,937	$353,432,989
Primary government										
Net investment in capital assets	$223,573,090	$228,907,109	$223,320,874	$219,952,850	$218,527,880	$242,007,421	$242,948,115	$219,303,071	$226,722,743	$230,596,477
Restricted	77,403,776	101,287,816	98,956,571	74,624,713	125,721,918	83,702,572	100,095,186	138,210,977	155,643,993	170,175,153
Unrestricted	62,544,720	39,776,328	43,322,749	64,851,377	44,534,282	73,081,652	53,167,219	49,850,855	58,196,376	64,331,708
Total primary governmental activities net position	$363,521,586	$369,971,253	$365,600,194	$359,428,940	$388,784,080	$398,791,645	$396,210,520	$407,364,903	$440,563,112	$465,103,338

(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)

	2009	2010	2011	2012	2013 (a)	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Flood Protection Operations	$3,561,070	$3,547,907	$4,063,566	$8,499,485	$3,947,332	$1,488,735	$4,705,166	$5,328,998	$5,341,751	$12,859,064
Flood Protection Drainage DIF	4,576,721	561,339	615,758	5,903,778	705,688	4,029,268	499,169	794,922	1,841,555	542,139
Flood Protection Grants										1,230,924
Total governmental activities expenses	8,137,791	4,109,246	4,679,324	14,403,263	4,653,020	5,518,003	5,204,335	6,123,920	7,183,306	14,632,127
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	20,985,604	19,794,128
Water Enterprise Funds	51,004,895	49,257,457	50,869,431	51,267,019	54,868,275	57,386,822	59,122,995	81,257,514	60,641,826	75,273,928
Total business-type activities	59,020,839	58,044,561	61,539,925	65,125,299	68,870,655	71,068,713	75,482,401	101,878,858	81,627,430	95,068,056
Total primary government expenses	$67,158,630	$62,153,807	$66,219,249	$79,528,562	$73,523,675	$76,586,716	$80,686,736	$108,002,778	$88,810,736	$109,700,183
Program Revenues										
Governmental activities										
Charges for Services	$34,156	$11,078	$12,771	$40,851	$35,661	$57,142	$450,658	$7,432,934	$3,554,796	$4,566,846
Operating grants and contributions	64,915	54,264	53,229	61,249	61,578	64,318	112,334	71,562	181,418	182,315
Other program revenues	10,493,106	1,191,832	3,187,574	5,505,787	5,095,420	4,953,372	8,032,445	40,202	13,263	1,230,924
Total governmental activities program revenues	10,592,177	1,257,174	3,253,574	5,607,887	5,192,659	5,074,832	8,595,437	7,544,698	3,749,477	5,980,085
Business-type activities										
Charges for Services:										
State Water Project	8,480,378	9,686,655	12,206,165	15,489,732	11,942,972	12,269,322	13,708,844	19,419,226	20,795,420	22,927,398
Water Enterprise Funds	30,059,518	30,857,470	31,855,389	35,528,292	38,200,851	58,073,146	56,318,578	68,521,032	77,751,701	84,306,162
Operating grants and contributions	80,073	808,207	444,139	106,194	68,416	4,347,897	5,012,899	15,285,044	10,179,114	7,235,940
Capital grants and contributions	12,322,711	20,787,373	11,810,379	13,700,090	30,824,513					-
Total business-type activities program revenues	50,942,680	62,139,705	56,316,072	64,824,308	81,036,752	74,690,365	75,040,321	103,225,302	108,726,235	114,469,500
Total primary government program revenues	$61,534,857	$63,396,879	$59,569,646	$70,432,195	$86,229,411	$79,765,197	$83,635,758	$110,770,000	$112,475,712	$120,449,585
Net (Expense)/Revenue										
Governmental activities	$2,454,386	($2,852,072)	($1,425,750)	($8,795,376)	$539,639	($443,171)	$3,391,102	$1,420,778	($3,433,829)	($8,652,042)
Business-type activities	(8,078,159)	4,095,144	(5,223,853)	(300,991)	12,166,097	3,621,652	(442,080)	1,346,444	27,098,805	19,401,444
Total primary government net revenues	($5,623,773)	$1,243,072	($6,649,603)	($9,096,367)	$12,705,736	$3,178,481	$2,949,022	$2,767,222	$23,664,976	$10,749,402
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property	$6,129,952	$5,918,281	$5,745,003	$5,773,050	$5,959,083	$6,201,653	$6,759,202	$7,329,117	$7,895,448	$8,518,064
Investment earnings and rental charges	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490	465,771	647,869	982,802
Transfers	(1,319)					(13,334)	(13,333)	(13,333)	(12,445)	(12,444)
Other								22,356		34,267
Total governmental activities	7,480,987	6,347,142	6,090,846	6,030,378	6,138,941	6,378,119	7,006,359	7,803,911	8,530,872	9,522,689
Business-type activities										
Investment earnings	2,862,182	682,341	704,257	610,133	331,588	390,865	314,297	496,700	915,090	2,021,455
Rental charges	31,000	31,000	31,000	31,000	31,000	46,796	50,815	73,217	74,826	56,497
Transfers	1,319					13,334	13,333	13,333	12,445	12,444
Total business-type activities	2,894,501	713,341	735,257	641,133	362,588	450,995	378,445	583,250	1,002,361	2,090,396
Total primary government	$10,375,488	$7,060,483	$6,826,103	$6,671,511	$6,501,529	$6,829,114	$7,384,804	$8,387,161	$9,533,233	$11,613,085
Change in Net Position										
Governmental activities	9,935,373	3,495,070	4,665,096	(2,764,998)	6,678,580	5,934,948	10,397,461	9,224,689	5,097,043	870,647
Business-type activities	(5,183,658)	4,808,485	(4,488,596)	340,142	12,528,685	4,072,647	(63,635)	1,929,694	28,101,166	21,491,840
Total primary government	$4,751,715	$8,303,555	$176,500	($2,424,856)	$19,207,265	$10,007,595	$10,333,826	$11,154,383	$33,198,209	$22,362,487

(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)

		-----------------Unreserved---------------					
Fiscal Year	**Reserved**	**Capital project**	**Specific projects and**	**Unassigned**	**Restricted**	**Committed**	**Total**
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
2017					58,149,272	21,898,222	80,047,494
2018					62,760,525	18,352,377	81,112,902

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

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)

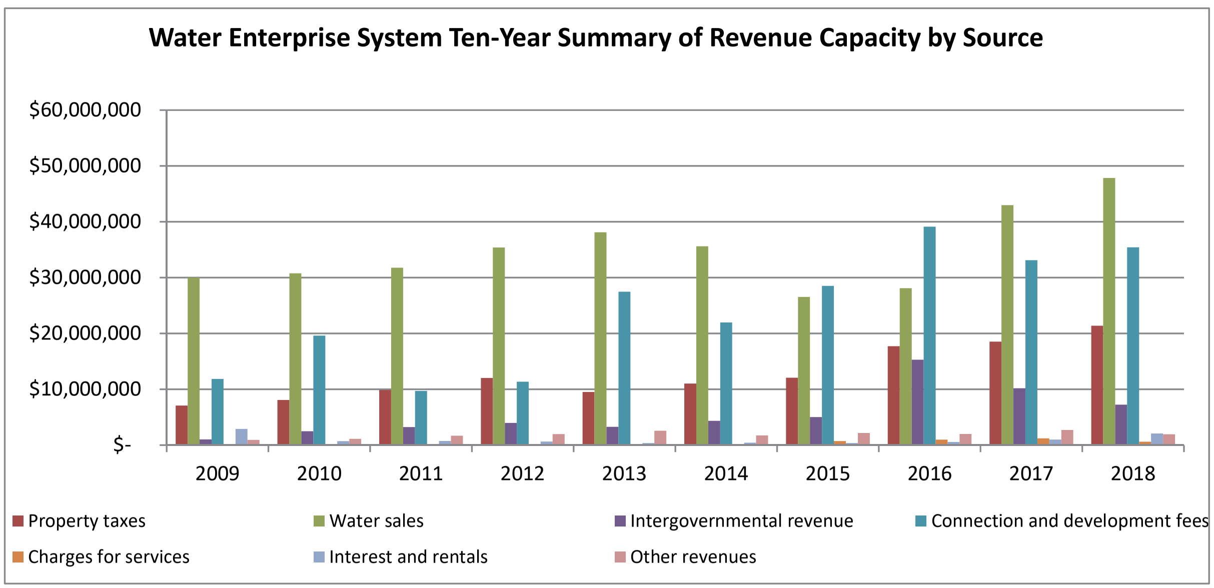
	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Revenues										
Property taxes	$6,129,952	$5,918,281	$5,745,003	$5,773,050	$5,959,083	$6,201,653	$6,759,202	$7,329,117	$7,895,448	$8,518,064
Intergovernmental revenues	64,915	54,264	53,229	61,249	61,578	64,318	144,691	71,562	181,418	1,413,239
Charges for services	10,423,524	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033	7,432,934	3,554,796	4,566,846
Interest and rentals	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490	465,771	647,869	982,802
Other revenues	103,738	23,928	21,626	41,461	13,520	187,136	713	62,558	13,263	34,267
Total revenues	18,074,483	7,604,316	9,344,420	11,638,265	11,331,600	11,466,285	15,615,129	15,361,942	12,292,794	15,515,218
Expenditures										
Salaries and employee benefits transferred from district-wide	1,857,126	1,703,900	1,937,436	2,243,556	2,631,352	2,535,779	2,252,655	2,455,453	1,961,724	2,292,919
Services and supplies	2,194,896	2,206,560	2,559,113	6,851,120	3,498,544	2,650,121	2,821,192	3,354,938	4,187,243	11,014,697
Equipment and capital structure	3,921,997		126	5,130,850	451,740	14,503,864	107,500		2,809,252	1,129,750
Other				88	2,006					
Total Expenditures	7,974,019	3,910,460	4,496,675	14,225,614	6,583,642	19,689,764	5,181,347	5,810,391	8,958,219	14,437,366
Excess of revenues over/(under) expenditures	10,100,464	3,693,856	4,847,745	(2,587,349)	4,747,958	(8,223,479)	10,433,782	9,551,551	3,334,575	1,077,852
Other Financing Sources (Uses)										
Transfers in	(1,319)									
Transfers out						(13,334)	(13,333)	(13,333)	(12,445)	(12,444)
Total other financing sources (uses)	(1,319)					(13,334)	(13,333)	(13,333)	(12,445)	(12,444)
Net change in fund balances	$10,099,145	$3,693,856	$4,847,745	($2,587,349)	$4,747,958	($8,236,813)	$10,420,449	$9,538,218	$3,322,130	$1,065,408

Source: Zone 7 Finance Department, Governmental Income Statement

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

Water Enterprise System

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	$ 7,077,008	$ 8,085,099	$ 9,860,412	$ 12,017,106	$ 9,517,243	$ 11,016,532	$ 12,060,478	$ 17,716,841	$ 18,524,750	$ 21,385,641
Water sales	30,013,013	30,777,082	31,785,517	35,398,908	38,130,264	35,616,588	26,552,568	28,110,974	42,975,960	47,860,145
Intergovernmental revenue	1,023,004	2,479,844	3,223,559	3,972,942	3,263,820	4,347,890	5,012,899	15,285,044	10,179,114	7,235,940
Connection and development fees	11,852,496	19,601,871	9,697,595	11,345,942	27,483,527	21,973,245	28,521,399	39,135,444	33,128,280	35,434,462
Charges for services	46,505	80,388	69,872	129,384	70,587	2,938	720,670	976,853	1,201,296	609,191
Interest and rentals	2,893,182	713,341	735,257	641,133	362,588	437,661	365,112	569,917	989,916	2,077,952
Other revenues	930,654	1,115,421	1,679,117	1,960,026	2,571,311	1,733,172	2,172,307	2,000,146	2,716,835	1,944,121
Total Revenues	**$ 53,835,862**	**$ 62,853,046**	**$ 57,051,329**	**$ 65,465,441**	**$ 81,399,340**	**$ 75,128,026**	**$ 75,405,433**	**$ 103,795,219**	**$ 109,716,151**	**$ 116,547,452**

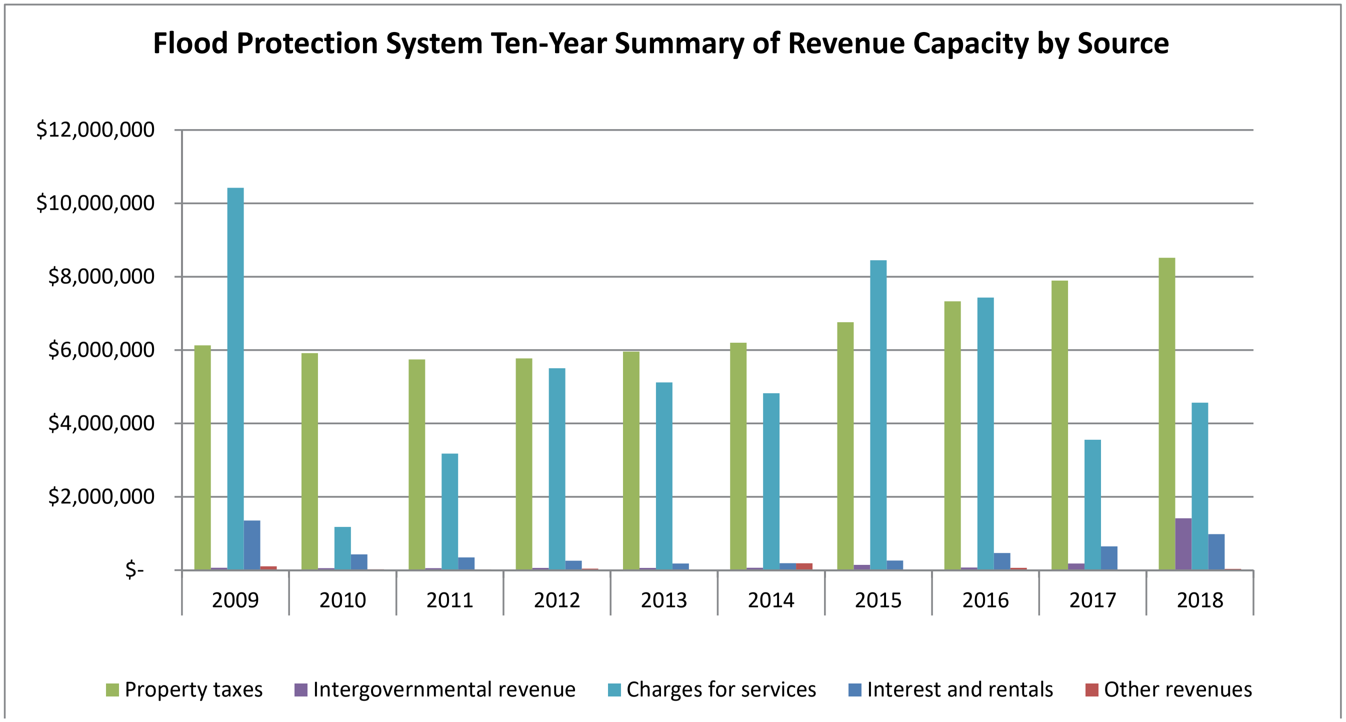


Source: Finance

Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30
(Table 6)

Flood Protection System

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property taxes	$ 6,129,952	$ 5,918,281	$ 5,745,003	$ 5,773,050	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117	$ 7,895,448	$ 8,518,064
Intergovernmental revenue	64,915	54,264	53,229	61,249	61,578	64,318	144,691	71,562	181,418	1,413,239
Charges for services	10,423,524	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033	7,432,934	3,554,796	4,566,846
Interest and rentals	1,352,354	428,861	345,843	257,328	179,858	189,800	260,490	465,771	647,869	982,802
Other revenues	103,738	23,928	21,626	41,461	13,520	187,136	713	62,558	13,263	34,267
Total Revenues	**$ 18,074,483**	**$ 7,604,316**	**$ 9,344,420**	**$ 11,638,265**	**$ 11,331,600**	**$ 11,466,285**	**$ 15,615,129**	**$ 15,361,942**	**$ 12,292,794**	**$ 15,515,218**



Source: Finance

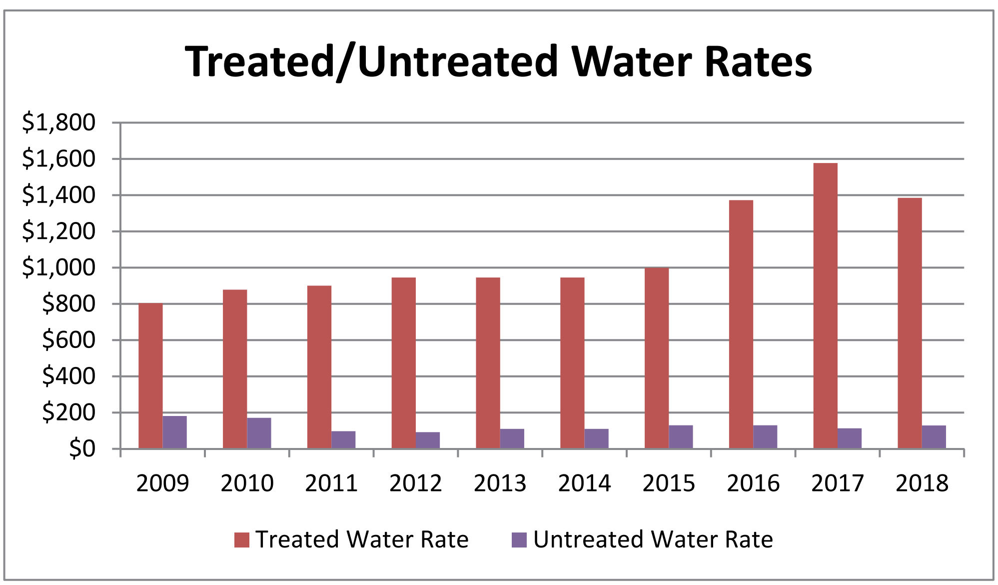
Zone 7 Water Agency
Treated/Untreated Water Rates
Ten-Year History
(In Acre Feet)
(Table 7)

	Treated Water Rate		Untreated Water Rate	
Calendar Year	**Rate/AF**	**% Change Year over Year**	**Rate/AF**	**% Change Year over Year**
2009	$804	16.7%	$181	46.0%
2010	$878	9.2%	$171	-5.5%
2011	$900	2.5%	$97	-43.3%
2012	$945	5.0%	$92	-5.2%
2013	$945	0.0%	$110	19.6%
2014	$945	0.0%	$110	0.0%
2015	$999	5.7%	$130	18.2%
2016	$1,372	37.3%	$130	0.0%
2017	$1,577	14.9%	$113	-13.1%
2018	$1,385	-12.2%	$129	14.2%

2016 Rate includes temporary surcharge of $248/AF

2017 Rate includes $1,111/AF for Variable and $466/AF for Fixed.

2018 Rate includes $888/AF for Variable and $497/AF for Fixed.

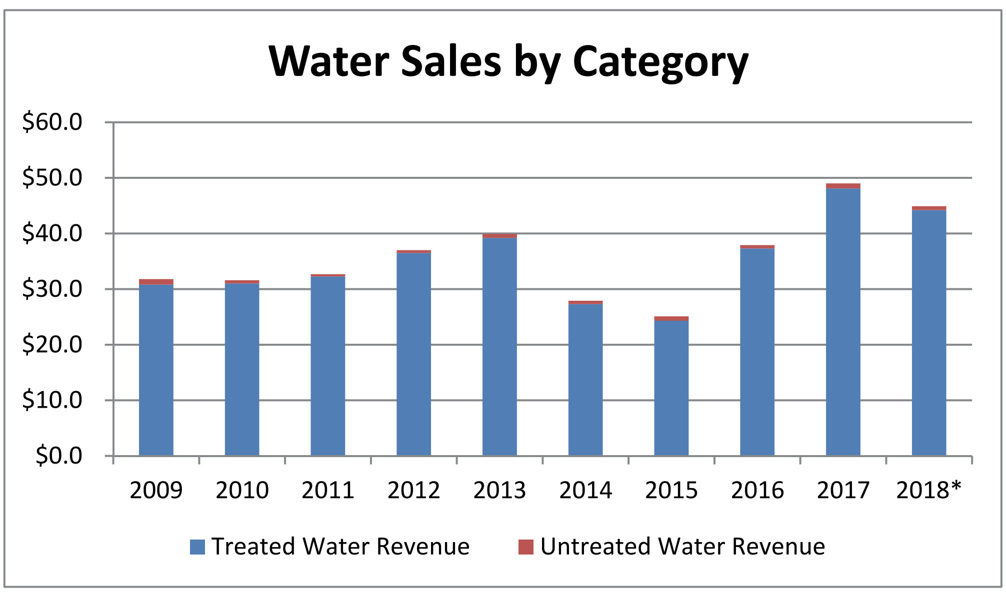


Source: Finance

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
2009	$30.8	$1.0	$31.8
2010	$31.0	$0.6	$31.6
2011	$32.3	$0.4	$32.7
2012	$36.5	$0.5	$37.0
2013	$39.2	$0.7	$39.9
2014	$27.3	$0.6	$27.9
2015	$24.3	$0.8	$25.1
2016	$37.3	$0.6	$37.9
2017	$48.1	$0.9	$49.0
2018*	$44.2	$0.7	$44.9

* 2018 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)

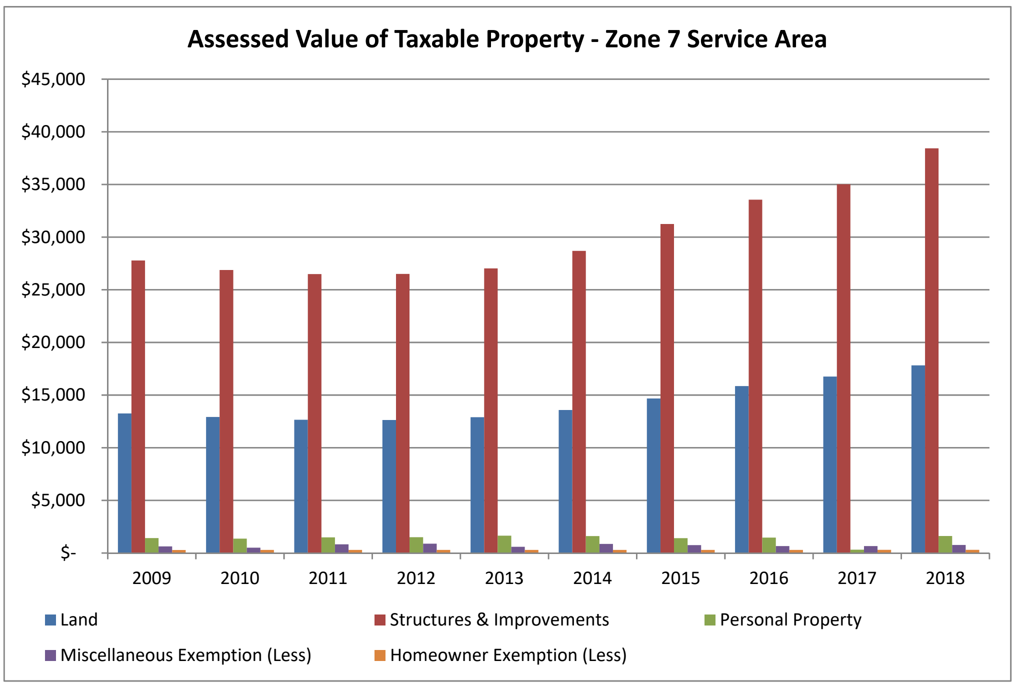
2017				2008			
Customer	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**	**Customer**	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**
Dublin San Ramon Services District	9,309	1	30.2%	City of Pleasanton	15,905	1	36.8%
City of Pleasanton	9,147	2	29.6%	Dublin San Ramon Services District	10,757	2	24.9%
California Water	6,204	3	20.1%	California Water	9,174	3	21.2%
City of Livermore	5,325	4	17.2%	City of Livermore	7,147	4	16.5%
All other treated water customers[1]	905	5	2.9%	All other treated water customers[2]	270	5	0.6%
Total Annual Consumption (AF)	30,890		100%	Total Annual Consumption (AF)	43,253		100%

Source: Finance

[1] Other treated customers in 2017 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Value of Taxable Property										
Land	$ 13,263	$ 12,927	$ 12,660	$ 12,635	$ 12,905	$ 13,587	$ 14,680	$ 15,861	$ 16,766	$ 17,825
Structures & Improvements	27,777	26,874	26,492	26,507	27,029	28,695	31,246	33,555	35,024	38,434
Personal Property	1,424	1,372	1,491	1,508	1,652	1,611	1,419	1,473	326	1,625
Miscellaneous Exemption (Less)	637	512	831	891	599	867	755	661	664	769
Subtotal	41,827	40,661	39,812	39,759	40,987	43,026	46,590	50,228	51,452	57,115
Homeowner Exemption (Less)	295	298	297	298	297	299	300	303	304	306
Net Total	$ 41,532	$ 40,363	$ 39,515	$ 39,461	$ 40,690	$ 42,727	$ 46,290	$ 49,925	$ 51,148	$ 56,809



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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	0.0616%	0.0674%	0.0635%	0.0627%	0.0607%	0.0596%	0.0497%	0.0404%	0.0886%	0.0803%
Community College	0.0183%	0.0195%	0.0211%	0.0214%	0.0219%	0.0214%	0.0217%	0.0198%	0.0246%	0.0445%
Bay Area Rapid Transit	0.0090%	0.0057%	0.0031%	0.0041%	0.0043%	0.0075%	0.0045%	0.0026%	0.0080%	0.0084%
Zone 7 Flood Control	0.0169%	0.0203%	0.0250%	0.0307%	0.0228%	0.0257%	0.0250%	0.0343%	0.0333%	0.0359%
Total Direct and Overlapping Rate	**1.1058%**	**1.1129%**	**1.1127%**	**1.1189%**	**1.1097%**	**1.1142%**	**1.1009%**	**1.0971%**	**1.1545%**	**1.1691%**

Source: Alameda County Treasurer and Tax Collector

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

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Delinquent Tax Collections
		Amount	Percentage of Levy	
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%
2017	26,420,199	26,420,199	100%	0%
2018	28,225,563	28,225,563	100%	0%

Source: Finance

Zone 7 Water Agency

Principal Property Tax Payers

Current year and Ten Years Ago

(Fiscal Year)

(Table 13)

2018 [1]				2008 [2]			
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Agency Assessed Value**	**Taxpayer**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Agency Assessed Value**
Kaiser Foundation Health Plan	313,884,552	1	0.55%	Kaiser Foundation Health Plan	$ 265,992,642	1	0.67%
Stoneridge Properties	261,570,348	2	0.46%	Stoneridge Properties	219,070,716	2	0.55%
Stoneridge Creek Pleasanton CCRC LLC	240,116,421	3	0.42%	Pleasanton Property LLC	201,251,500	3	0.51%
Livermore Premium Outlets LLC	207,825,126	4	0.37%	NNN Britannia Business Ctr	190,484,955	4	0.48%
Essex Pleasanton Owner LP	197,900,093	5	0.35%	6200 Stoneridge Mall Road Inv	183,940,817	5	0.46%
6200 Stoneridge Mall Road Investors LLC	196,575,000	6	0.35%	Safeway Inc.	150,758,981	6	0.38%
Avalon Dublin Station II LP	168,843,187	7	0.30%	Applera Corporation	137,405,229	7	0.35%
Stoneridge Residential LLC	159,823,987	8	0.28%	Stoneridge Residential LLC	135,237,000	8	0.34%
Tishman Speyer Archstone Smith Hacienda L	158,076,992	9	0.28%	Shops at Waterford LLC	125,653,003	9	0.32%
CP IV Vintage LLC	155,560,970	10	0.27%	C-T Stoneridge LLC	118,181,116	10	0.30%
	$ 2,060,176,676		3.63%		$ 1,727,975,959		4.36%

Source:

[1] County of Alameda 2017-18 FY Top 10 Taxpayers by Primary Tax Code Area (secured)

[2] FY 2016-17 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

(Table 14)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 [1]
60,000,000	60,000,000	30,500,000	30,500,000	30,500,000	-	-	-	-	64,010,000

Source: Finance

On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority issued the 2018 Water Revenue Bonds in the amount of $64,010,000

Zone 7 Water Agency

Legal Debt Margin Information

Last Ten Fiscal Years

(millions)

(Table 15)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	$ 2,077	$ 2,018	$ 1,976	$ 1,973	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840
Total Net Debt Applicable to Limit	60	60	30.5	30.5	30.5	-	-	-	-	-
Legal Debt Margin	$ 2,017	$ 1,958	$ 1,945	$ 1,943	$ 2,004	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840
Total net debt applied to the limit as a percentage of the debt limit	3%	3%	2%	2%	1%	0%	0%	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 (2009-2018)

(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 Alameda County ($ billions) [3]	Per Capita Personal Income Alameda County [3]	Unemployment Rate Alameda County [4]	Consumer Price Index Alameda County (% change in CPI)[5]
2009	272,000	216,000	1,503,827	70.2	52,399	11.1	0.8
2010	272,000	220,000	1,513,228	72.4	53,047	11.3	1.3
2011	272,000	224,000	1,526,226	78.2	55,295	10.8	2.7
2012	272,000	229,000	1,539,145	84.5	57,739	9.5	2.7
2013	272,000	233,000	1,563,495	87.4	57,473	7.4	2.2
2014	272,000	239,000	1,583,979	92.4	58,364	5.8	2.7
2015	272,000	245,000	1,611,318	101.4	64,466	5.2	3.2
2016	272,000	247,000	1,629,738	106.5	65,045	4.7	3.1
2017	272,000	255,023	1,646,405	114.5	69,350	4.0	3.0
2018	272,000	261,621*	1,660,202*	121.6*	70,487*	3.1	4.3

Source:

[1] Population of Service Area include cities of; Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 0.336% of City of San Ramon) . CA Department of Finance, Demographic Research Unit (E-1, 1/1/2017-18 City Population Ranking) Demographics/Estimates.

[2] CA Department of Finance, Demographic Research Unit (E-1, 1/1/2017-18 City Population Ranking), figures are rounded to nearest five hundred.

[3] CA Department of Transportation County-level Economic Forecast, 2010-17 History and 2018-50 Forecast.

[4] Local Area Unemployment reported by US Department of Labor Bureau of Labor Statistics, 2018, Oakland-Fremont-Hayward (reflected as of August).

[5] Consumer Price Index provided by US Department of Labor Bureau of Labor Statistics, 2018, San Francsco-Oakland-Hayward (reflected as of August).

* 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, 2017 [1]	Rank	Percentage of Total County Employment [2]	Number of Employees June 30, 2008 [1]	Rank	Percentage of Total County Employment [2]
Kaiser Permanente Medical Group [3]	Health Care	33,700	1	4.19%		20+	_ %
Safeway Inc., [3]	Supermarkets & Other Grocery	10,184	2	1.27%		20+	_
County of Alameda	Local Government	9,268	3	1.15%	9,044	3	1.27%
John Muir Health [3]	Health Care	6,570	4	0.82%	_	20+	_
Tesla [3]	Electric Vehicle Manufacturer	6,000	5	0.75%	_	20+	_
Chevron Corporation [3]	Energy	5,445	6	0.68%	_	20+	_
Wells Fargo Bank [3]	Financial Services	5,264	7	0.65%	_	20+	_
PG&E Corporation [3]	Energy	5,210	8	0.65%	_	20+	_
Alta Bates Summit Medical Center [3]	Health Care	4,561	9	0.57%	_	20+	_
Lam Research Corporation [3]	Manufacturing	4,000	10	0.50%	_	20+	_
Total Alameda County top 10 Employees		90,202		11.22%	9,044		1.27%

Source: Alameda County FY 2016-17 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 803,800 for 2017 and 714,500 for 2008 (Source: Employment Development Department)

[3] Information from SFBT research as of July 7, 2017. Information as of June 30, 2017 is not available, except for County of Alameda employer.

[4] Information from County of Alameda's database as of June 30, 2017.

Zone 7 Water Agency

Full-time Equivalent District Employees by Function/Program Budget

Last Ten Fiscal Years

(Table 18)

Division/Function	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Office of the General Manager	13.75	13	10	14	7	7	8	9	10	9
Integrated Planning					7.5	7.5	8.5	9.5	10.5	6.5
Finance:										
Finance and Accounting	12	11	10	11	9	9	10	10	10	10
Employee Services	6	6	6	6	7	7	7	4	3	3
Engineering:										
Facilities Engineering	16	16	16	15	13	14	12	13	12	10
Groundwater	7	9	9	8	7	7	8.5	7.5	7.5	7.5
Water Quality	7	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Flood Protection	3	7	7	6	5	5	6	7	7	8
Operations	29	25	24	24	24	24	24	27	27	28
Maintenance	19	18	19	19	19	19	20	20	20	19
Total FTE	112.75	112.5	108.5	110.5	106	107	111.5	114.5	114.5	108.5

Source: Finance

Zone 7 Water Agency
Operating Indicators
Fiscal Years 2009-2018
(Table 19)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water Enterprise System										
Total Groundwater pumped (AF)[1]	10,084	8,919	6,264	12,105	9,555	8,782	2,565	2,002	2,300	3,000
Total Artificial Stream Recharge (AF)	3,984	6,773	4,555	8,778	7,887	3,826	3,766	8,910	8,300	7,000 [2]
New water connections	539	544	412	489	1,187	928	1,196	1,600	1,338	1,301
Total drilling permits issued	100	130	140	149	159	176	171	133	155	165
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	30	34	30	36	36	30	31	34	24	32
Flood Protection development reviews	47	27	31	15	18	13	13	15	20	15

Source: Flood Protection, Groundwater and Operations

[1] Calculated on a Water Year basis (October 1 - September 30)
[2] Total Artificial Stream Recharge calculations are completed at calendar year end, therefore 2018 figure is an estimate.

Zone 7 Water Agency
Operating Information
Capital Asset Statistics
Fiscal Years 2009-2018
(Table 20)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of pipeline	41	41	41	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	2	2
Number of wells operated	7	9	9	9	9	10	10	10	10	10
Total Groundwater storage (AF)[1,2]	228,000	231,000	235,000	227,000	220,000	209,000	213,000	226,000	248,000	247,000
Total Groundwater operational storage-water year (AF)[2]	100,000	103,000	107,000	99,000	92,000	81,000	85,000	98,000	120,000	119,000

Source: Groundwater and Operations

[1] 2018 Total and Operational Groundwater Storage are estimates based on mid-September water levels. Actual values get calculated at end of each year.
[2] Calculated on a Water Year basis (October 1 - September 30).

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