



WATER AGENCY

Delivering Quality, Reliability and Safety

Comprehensive Annual Financial Report

**ALAMEDA COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT:**

Zone 7 Water Agency

**FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED INFORMATION
FOR THE YEAR JUNE 30, 2019)**

Livermore, CA



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

CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Information For The Year Ended June 30, 2019)**

PREPARED BY THE FINANCE AND MANAGEMENT DEPARTMENT

OSBORN K. SOLITEL, TREASURER/ ASSISTANT GENERAL MANAGER – FINANCE

PRINTED ON RECYCLED PAPER

**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020
(With Summarized Information for the Year Ended June 30, 2019)**

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December 8, 2020

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, 2020 (with summarized information for the year ended June 30, 2019).

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.

The Pun Group, LLP, a firm of licensed certified public accountants, has issued an unmodified (“clean”) opinion on the Agency financial statements for the year ended June 30, 2020. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2020, 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 260,000 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.



Aerial view of the South Bay Aqueduct and Dyer Reservoir. Credit: Department of Water Resources

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 in 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 co-benefits of recreation, and environmental protection and enhancements 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 greater Bay Area to explore potential opportunities to pool services/equipment for increased efficiency.

Agency Service Area

The Agency supplies treated drinking water to retailers serving approximately 260,000 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 in eastern Alameda County.



Agency-Wide Strategic Overview

On June 17, 2020, the Board adopted the 2020-2024 Five-Year Strategic plan and a revised Mission and Vision Statement with updated Values & Goals.

Mission

Deliver safe, reliable, efficient, and sustainable water and flood protection services.

Vision

Provide excellent water and flood protection services to enhance the quality of life, economic vitality, and environmental health of the communities we serve.

Values

“Our shared values guide all our actions.”

– Valerie Pryor, General Manager

- Transparency** – We operate in an open and transparent fashion.
- Customer Service** – We are prompt, respectful and courteous in all of our interactions.
- Collaboration** – We embrace collaboration to enhance our services.
- Environmental Sensitivity** – We deliver our services in an environmentally-sensitive manner.
- Fiscal Responsibility** – We operate in a productive, cost effective, and efficient manner.
- Innovation** – We encourage innovation, creativity, and ingenuity.
- Integrity** – We maintain the highest ethical standards and open, honest communications.
- Leadership and Service** – We maintain a diverse team of highly skilled professionals devoted to honest and accountable stewardship of our resources.
- Proactivity** – We proactively address issues and embrace continuous improvement.
- Safety** – We are committed to public and employee safety.

Organization-Wide Goals



GOAL A | Reliable Water Supply and Infrastructure

Provide customers with reliable water supply and infrastructure.



GOAL B | Safe Water

Provide customers with safe water.



GOAL C | Groundwater Management

Manage and protect the groundwater basin as the State designated Groundwater Sustainability Agency.



GOAL D | Effective Flood Protection

Provide an effective system of flood protection.



GOAL E | Effective Operations

Provide the Agency with effective leadership, administration, and governance.



GOAL F | Stakeholder Engagement

Engage our stakeholders to foster understanding of their needs, the Agency, and its functions.



GOAL G | Fiscal Responsibility

Operate the Agency in a fiscally-responsible manner.

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

260,000 residents, the Tri-Valley area is proving to be one of the fastest growing areas in the Bay Area.

DUBLIN, located in the desirable Tri-Valley region, has emerged as an outstanding community for families. Known as the "New American Backyard", Dublin is an attractive destination for businesses and residents alike who want access to transportation (two major freeways and two BART stations), excellent schools, beautiful parks and public facilities, safe neighborhoods, and a wide variety of housing types. Dublin has progressive policies that promote quality growth in office, retail and residential development. Dublin continues to work to expand and enhance the quality of life for all members of our community.

LIVERMORE is a community that reflects an eclectic blend of science, arts, western culture, and award-winning wineries and breweries. The City's renowned reputation in science, technology and innovation is showcased by the Lawrence Livermore and Sandia National Laboratories, and its regional i-GATE Innovation Hub and "Switch" facility. The San Francisco Premium Outlets and the vibrant downtown highlight a wide range of shopping, dining, and entertainment opportunities for Livermore's 89,000 residents and visitors. Livermore's diverse community amenities, business friendly atmosphere, and strong public schools make it the perfect location for entrepreneurs and businesses of all sizes including new arrivals Tesla Motors and the Gillig Bus Company.

PLEASANTON carries a small-town ambiance with a metropolitan edge that contributed to its inclusion as the only Bay Area city on Money Magazine's 2010 list of America's 100 Best Small Cities. This city of 70,000 supports a thriving business community of more than 4,000 companies, from Fortune 500 to home-grown innovation firms. Pleasanton's highly educated population and workforce reflect the community values education and preeminent school system. Downtown Pleasanton is a charming historic destination with a mix of unique shops, services and restaurants. Nearby Stoneridge Shopping Center features more than 165 specialty stores.

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 2019-20 local roll included assessments of 510,511 taxable properties within Alameda County. The assessed value of these properties totaled \$321.5 billion, a \$21.4 billion or a 7.13% increase above the previous year assessment roll. The growing economy and increase in real estate values are responsible for this 7.13% increase. Since 2014, the Assessment Roll has increased by 35% or \$73 billion. Other factors leading to this year's assessment growth included the mandatory inflation index of 2% being applied to all property's assessed values that

were not affected by assessment declines in prior years. This inflation index, roll corrections, base value restorations, and other miscellaneous factors added \$6.5 billion. Reassessments due to sales/transfers of real estate added \$11.3 billion, new construction activity added \$2.5 billion, while business personal property assessments increased by \$1.1 billion. A copy of the 2019-20 annual report is available at the Alameda County Assessor Office website: https://www.acgov.org/assessor/documents/2019-20_Annual_Report.pdf. COVID-19 did not appear to impact the FY 2019-20 assessment roll.

All cities within the Agency service area continue to grow, with the city of Livermore serving the largest overall population. The city of Dublin grew the most in the Tri-Valley over the period from 2019 to 2020 at a rate of 2.5%. Livermore and Pleasanton had smaller increases (0.5% and 0.1% respectively)¹. The service area experienced a decline in the construction of new developments following the March 2020 COVID-19 Shelter in Place orders.

The COVID-19 pandemic has significantly impact on the local economy, particularly on unemployment rates. In October 2020, the unemployment rate was reported at 7.9% versus 2.8% in 2019². These numbers demonstrate the impact of the COVID-19 pandemic on Alameda County residents.

Long-Term Financial Planning / Strategic Planning

Credit Rating: In 2018, the Agency issued \$64,010,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A to finance the construction of an ozone treatment facility at the Del Valle Water Treatment Plant and to refinance bonds associated with the Cawelo Groundwater Banking Program. In July 2020, Fitch conducted a surveillance review and as a result, Fitch Ratings upgraded Zone 7's bond rating from AA to AA+. Fitch Rating is one of the largest American credit rating agencies and is one of three nationally recognized statistical rating organizations designated by the U.S. Securities and Exchange Commission in 1975. Fitch based its rating upgrade on the following factors:

- Strong financial leadership
- Fixed rate component of the water rate structure
- Strong reserves to weather the current economic downturn
- Healthy levels of capital investment to maintain the Agency's infrastructure
- Strong balance of stored groundwater and banked water to deal with SWP and hydrology variability
- Dedication to expanding water supply through investment in water supply and reliability projects

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. In 2018, Zone 7's Board of Directors approved a four-year rate schedule that included a set increase each year from Calendar Year 2019-2022. Under that schedule, the next rate increase of 6.7% was scheduled to go into effect on January 1, 2021. With the disruption to economic activity that the COVID-19 pandemic has caused, Board of Directors adopted a budget that utilized one-time savings and the deferral of some work in order to delay CY 2021 rate increase and keep rates at the same level as the CY 2020 treated water rates, through December 31, 2021. This action was taken to provide relief and stability to the Tri Valley community.

¹State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, released May 2020.

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

Strategic Planning: On June 18, 2020, the Board adopted a 2020-24 Five-Year Strategic Plan. The Strategic Plan was developed through a collaborative process with the Board of Directors, management and staff. The planning consultant interviewed each of the seven Board members regarding their perspectives on the future challenges for the Agency. These interviews were followed by a management workshop. Four workshop sessions with the employees and supervisors mined key strengths, weaknesses, opportunities, and threats facing the agency. The Board discussed the strategic challenges facing Zone 7 Water Agency and refined a vision, mission, and set of goals for the 5-Year Strategic Plan at a Board Retreat in early 2020. Based upon staff input and Board direction, the management team then developed “initiatives” for each of these goals. The Strategic Plan will be funded through the budget process and progress tracked, reevaluating the plan regularly to adjust as conditions warrant.

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 currently in the process of transitioning 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 Del Valle Water Treatment Plant, which has been serving Zone 7 well since it was built in the 1970s, has been upgraded to utilize a powerful disinfectant called ozone. The Ozonation Project, which is part of Zone 7’s Capital Improvement Plan, represents a capital investment of \$49 million, funded by bonds. Construction of the new facility was completed in July 2020. The new treatment system will improve overall water quality for an estimated 40 million gallons per day (mgd) production. 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. Zone 7 is also investing in ozonation at the Patterson Pass Water Treatment Plant; that system is scheduled to go online in 2022.



Significant Accomplishments

Water Supply, Reliability and Quality

Sustainable Groundwater Management: The Sustainable Groundwater Management Act (“SGMA”) 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.

In April 2020, DWR awarded Zone 7 Water a \$500,000 Sustainable Groundwater Management grant to support development of the previously approved Alternative Groundwater Sustainability Plan (GSP). Currently Zone 7 provides groundwater basin oversight services such as data collection, monitoring, modeling and annual reporting. The funding will be used to help develop and implement the next five-year iteration of the plan, enabling the agency to continue sustainability efforts in managing the Livermore Valley Groundwater Basin and provide reliable water to our customers

Water Quality: All water supplied during 2019 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 continued progress toward the completion of the construction of ozone projects at both the Del Valle and Patterson Pass water treatment plants.

THE WONDROUS WORLD OF WATER

2019 ANNUAL CONSUMER CONFIDENCE REPORT

Now available at zone7water.com

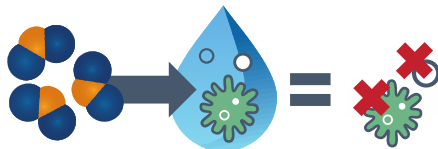
How in the world does ozone treatment work?



Adding an electric spark to Oxygen (O₂) creates supercharged Ozone (O₃) molecules.



Contaminants in water may include bacteria, viruses, and algal byproducts that impact taste and odor.



Ozone is injected into the water as a gas at our new ozonation site in the Del Valle Water Treatment Plant. The Ozone seeks out and destroys contaminants in the water.



Ozonation leaves behind pure, high-quality water, without the byproducts left behind by other disinfectants.

A new brand aligned water quality campaign, “The Wondrous World of Water”, was launched to educate the public about the complex world of water treatment in plain and relatable terms. The annual Water Quality report was completely redesigned, with expanded sections to support outreach efforts with easy to understand infographics and simplified language. The expanded sections featured the planned completion of the Del Valle Water Treatment Plant Ozonation project, highlighting the benefits of ozone to water quality for the region, and a special section on PFAS, a contaminant of emerging concern. The release of the report was supplemented with information on the website and a social media campaign that included infographics and short educational videos to explain key concepts.

Flood Protection: The Agency’s Five-Year Strategic Plan includes an initiative to update the flood protection strategy and in moving this initiative forward. A consultant with expertise in flood protection engineering provided a high-level assessment of the Agency’s flood protection policies and of the overall flood protection system currently in place.

The recommendation of the consultant was to pursue a new flood system management plan, which would incorporate some of the existing plans, but provide a more contemporary approach to the existing Stream

Management Master Plan by focusing on flood protection goals and incorporating climate change into a revised strategy. It would also look for opportunities to engage partner agencies during development and expand engagement with the community in discussions about flood risk and the revised approach.



The following are some of the key accomplishments related to the Flood Protection Program in FY 2019-20:

- Completed repair of 21 embankment damage sites under the U.S. Army Corps of Engineers program.
- Completed repair of 26 embankment damage sites using District's contractor forces.
- Completed design and submitted for permitting Phase 3 Rehabilitation Project which includes 11 embankment damage sites.
- Completed development of a streamlined permitting process with various regulatory agencies for on-going repairs and maintenance activities.
- Initiated development of the use of GIS to improve workflow, data management, and public communications.
- Continued data collection for the sediment study.
- Collaborated with local cities in four creek cleanup events.

Long-Term Water Supply Reliability: Zone 7 will continue investment and participation in the water supply reliability projects as part of its mission to deliver safe, reliable, efficient and sustainable water. The Agency is challenged with defining and pursuing higher levels of water reliability. The droughts of recent years have demonstrated to all utilities that adequate dry year storage supplies are the difference between manageable cutbacks for residents/customers and cutbacks that affect the local landscape and economy. The Agency has opportunities to participate in a variety of potential regional water supply and storage and supply projects including storage in surface reservoirs, possible groundwater opportunities, potable reuse water, brackish desalination, other regional projects, and the Delta Conveyance Project. The Agency's

Board will set this course and staff will pursue the appropriate opportunities. Key activities are anticipated to include:

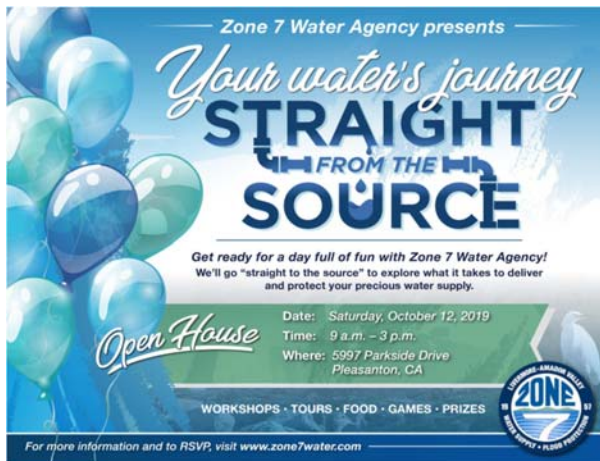
- Continue to pursue these projects as long as they demonstrate progress toward attaining new sustainable water supplies both regionally and locally and are fiscally feasible:
 - Bay Area Regional Desalination Project
 - Delta Conveyance
 - Los Vaqueros Reservoir Expansion
 - Potable Reuse
 - Sites Reservoir
 - Water Transfers
 - Intertie with a neighboring water agency
- Continue to evaluate and pursue water conservation activities to help the Retailers comply with State mandates for long-term water use efficiency standards beginning in 2023



Communications and Outreach: The Agency made significant progress in meeting the goals of the 2015 Strategic Communications Plan and revised the plan as a five-year working draft in alignment with the newly adopted Agency-wide Strategic Plan. The revised plan is a living document that will guide Agency communications and allow for adaptability in a climate where many variables are not constant, including drought and water supply conditions, disaster and emergencies, economic climate and new technology advancements.

Milestones in communications included increased public engagement, strengthened relationships with elected officials, partner agencies and non-profits, proactive messaging on Zone 7 developments and initiatives through the redesigned eNewsletter, the website, and three social media channels new to the Agency; YouTube, Nextdoor and Facebook.

As part of public engagement efforts, Zone 7 also held its first open house, “Your Water’s Journey, Straight from the Source”. An estimated 250 local residents attended the day-long event, with over 90 people of all ages attending the tour of the Mocho Groundwater Demineralization Plant.



Schools' Program: The Zone 7 Schools' Program was on track to beat last year's achievement of reaching 18,000 students in the district. There were 682 classes scheduled to be taught, with an estimated reach of 18,527 students. Unfortunately, the COVID-19 Shelter-in-Place orders prevented the Agency from reaching that achievement. However, despite forced cancellation of the remainder of the scheduled instruction, the program still managed to reach 486 classrooms and over 14,000 students during the 2019-20 school year. As another component of the schools program, the Agency also participated in a host of school sponsored events throughout the year, including various career and STEAM fairs, to raise awareness among future job candidates.

Workforce Development: The Agency took a more proactive role as a Baywork signatory in FY 2019-20. Bayworks's signatories strategically invest resources together to sustain and develop the reliable workforce needed to serve our customers and protect the environment both now and for future generations. As a signatory agency, Zone 7 is better able to expand its reach throughout the Bay Area, particularly among job seekers. The partnership also provides job training opportunities and skills advancement for prospective and existing employees in the workforce and enables the sharing of best practices with other water agencies.



Living Arroyos Program: The Agency continued to partner with the City of Livermore, the City of Pleasanton and the Livermore Area Recreation and Park District to engage the community in participating in watershed stewardship activities. The benefits of this strategic partnership are cost sharing, leveraging unique resources, aligning the community vision of the watershed, avoiding redundancy and achieving long-term management goals.



Living Arroyos Program Volunteer Day

The program's Saturday volunteer workdays allow residents to assist with restoring creek banks with native vegetation while learning about local ecology. The program also employs college students and young professionals as interns, allowing them to learn stream management techniques hands-on to augment their classroom learning.

Accomplishments since the program's inception, include:

- Involvement of 350 community volunteers
- 1,386 volunteer hours comprised of tree planting, grass seeding, weed management, trash collection and mulching activities
- 6,938 trees planted
- 2,396 live plant stakes installed
- 54,437 gallons of weeds removed
- 9,536 gallons of trash removed, with a record amount 4,315 gallons removed last program year

Financial 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 helped to further strengthen the Agency's financial position.

On May 15, 2019 the Board adopted Resolution No. 19-37, approving a revised reserve policy. The new policy eliminated Drought Contingency and Rate Stabilization Reserves and created a Reserve for Economic Uncertainties. The Reserve for Economic Uncertainties is prudent to help maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations. The reserve is targeted at 15% of budgeted volume-based water sales revenue. The revised policy also eliminated the Building Sinking Fund Reserve which was liquidated with the purchase of the North Canyons Building and added the Debt Rate Stabilization Reserves that were established as part of the debt issuance in 2018.

Investment Policy: The Investment Policy was adopted by the Board in April 2020 (Resolution No. 20-47). 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 two-year 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 The Pun Group, LLP 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

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, 2019. 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.

GFOA Distinguished Budget Award: For the fifth time, the Agency was awarded the Government Finance Officers Association's Distinguished Budget Award for its two-year budget (FY 2018-20). The award is the highest form of recognition in governmental budgeting and reflects the Agency's commitment to public transparency and accountability. Documents submitted to the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. In order to receive the budget award, the Agency had to satisfy fourteen nationally recognized criteria.

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, The Pun Group, LLP for their assistance and guidance and the Board for their structural guidance and consistent fiduciary focus.

Respectfully submitted,



Valerie Pryor

General Manager

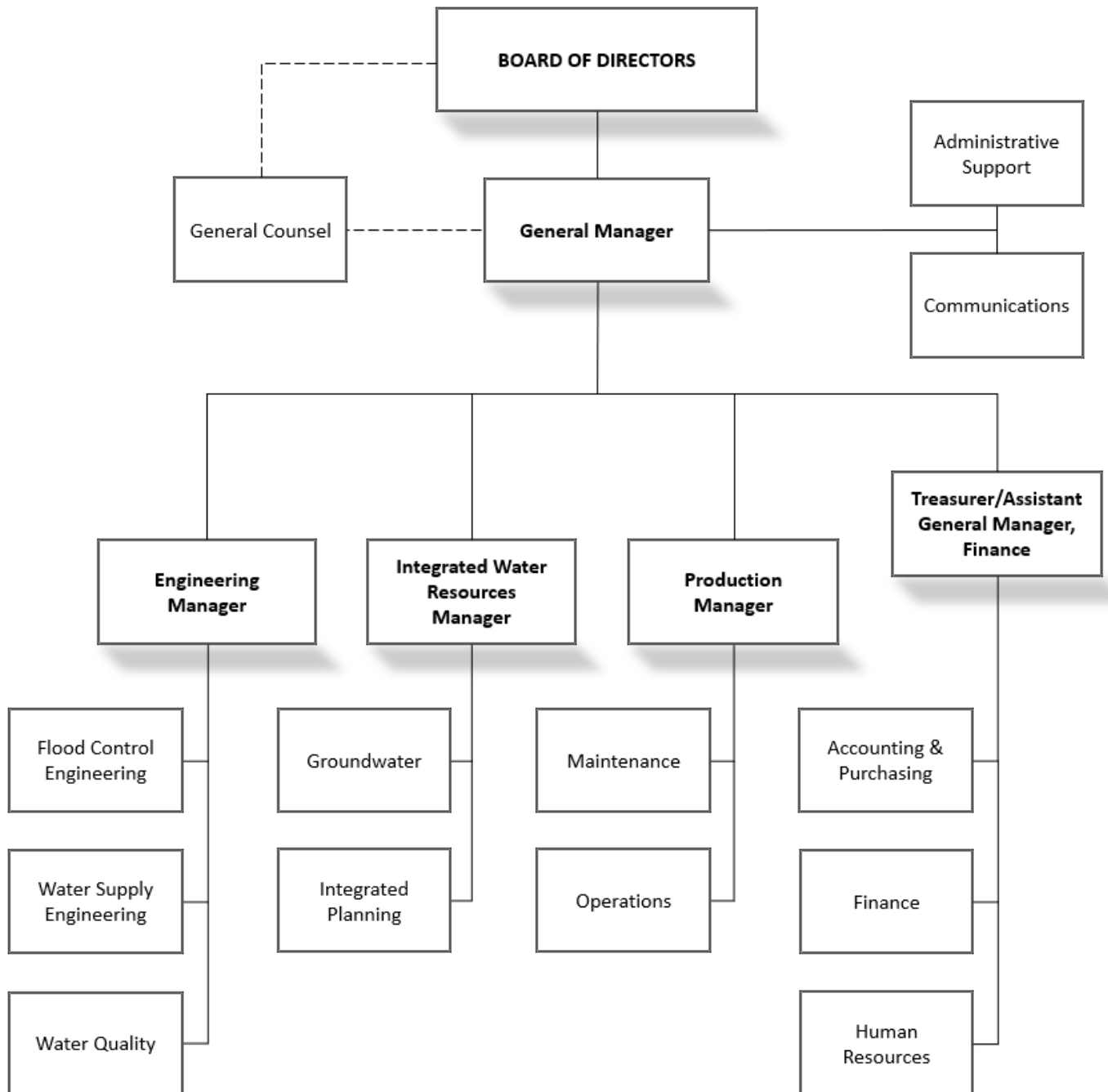


Osborn Solitei

Treasurer/Assistant
General Manager, Finance

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

Functional Organizational Chart
Fiscal Year 2019-2020



LIST OF ELECTED OFFICIALS AND AGENCY MANAGEMENT



Olivia Sanwong, *President*

Board Member since 2018 -- Term Expires June 30, 2022



Angela Ramirez Holmes, *Vice President*

Board Member since 2012 -- Term Expires June 30, 2024



Sands Figuers

Board Member 1988-2000; again since 2008 -- Term Expires June 30, 2024



Dennis Gambs

Board Member since 2018 -- Term Expires June 30, 2022



Laurene Green

Board Member since 2020 -- Term Expires June 30, 2024



Sarah Palmer

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



Michelle Smith McDonald

Board Member appointed in 2019 -- 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**

**2020 Comprehensive Annual Financial Report
Project Team**

Audit/Financial Statement Coordinator

Osborn Solitei,

Treasurer/Assistant General Manager, Finance

Teri Yasuda

Accounting Manager

JaVia Green

Financial Analyst

Mike Wallace

Staff Analyst



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, 2019

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities and each major fund, and aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (the “Agency”), California, as of and for the year ended June 30, 2020, 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.

Auditors’ Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2020, 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.

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.

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2019, from which such summarized information was derived.

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 8, 2020 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.

The PwC Group, LLP

Walnut Creek, California
December 8, 2020

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019. 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 2020 to 2019 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 \$33.6 million or 6.7 percent from \$502.4 million to \$536.0 million mainly due to an increase in total assets of \$31.4 million. The increase was offset by a decrease in long-term debt of \$2.1 million, pension liability of \$7.7 million, OPEB liability of \$1.6 million, current liabilities of \$1.6 million and total revenue of \$3.3 million for the fiscal year ended June 30, 2020.
- Total revenues decreased by \$3.3 million or 2.5 percent from \$133.1 million to \$129.8 million mainly due to decrease in charges for services of \$5.1 million from the previous year as a result of slower construction and development activities in the service area due to COVID-19 and shelter in place orders. The decrease in development activities is offset by an increase in water sales due to increased residential water demand during the shelter in place orders and a one-time \$1.2 million U.S. Army Corp of Engineers (USACE) refund received during the fiscal year.
- Total expenses increased slightly by \$0.4 million or 0.4 percent from \$95.8 to 96.2 million mainly due to increase of \$2.9 million for the State Water Project pass-through payments to California State Department of Water Resources (DWR). The increase was offset by \$1.9 million decrease in Water Enterprise Capital Expansion projects and \$0.8 million in Flood Protection projects during the fiscal year.
- Capital assets increased by \$41.6 million or 16.1 percent from \$258.4 million to \$300.0 million mainly due to construction in progress at the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone and upgrade projects.

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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

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:

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Statement of Net Position
June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	\$ 91,532,349	\$ 87,435,578	\$ 249,823,311	\$ 264,275,707	\$ 341,355,660	\$ 351,711,285
Capital assets	32,993,757	33,164,265	266,963,758	225,236,620	299,957,515	258,400,885
TOTAL ASSETS	124,526,106	120,599,843	516,787,069	489,512,327	641,313,175	610,112,170
Deferred Outflows of Resources						
Pension related	303,995	922,269	3,218,541	8,380,552	3,522,536	9,302,821
OPEB related	22,369	96,193	236,832	874,092	259,201	970,285
Total Deferred Outflows of Resources	326,364	1,018,462	3,455,373	9,254,644	3,781,737	10,273,106
Liabilities:						
Current liabilities	1,872,983	2,960,200	11,557,498	12,078,936	13,430,481	15,039,136
Noncurrent liabilities	1,664,696	2,836,991	85,492,376	95,690,541	87,157,072	98,527,532
TOTAL LIABILITIES	3,537,679	5,797,191	97,049,874	107,769,477	100,587,553	113,566,668
Deferred Inflows of Resources						
Pension related	600,408	369,654	6,356,820	3,359,005	6,957,228	3,728,659
OPEB related	134,210	68,096	1,420,957	618,784	1,555,167	686,880
Total Deferred Inflows of Resources	734,618	437,750	7,777,777	3,977,789	8,512,395	4,415,539
Net Position:						
Net Investment in capital assets	32,993,757	33,164,265	227,930,485	210,675,110	260,924,242	243,839,375
Restricted	69,648,891	66,872,665	131,461,963	127,521,329	201,110,854	194,393,994
Unrestricted	17,937,525	15,346,434	56,022,343	48,823,266	73,959,868	64,169,700
TOTAL NET POSITION	\$ 120,580,173	\$ 115,383,364	\$ 415,414,791	\$ 387,019,705	\$ 535,994,964	\$ 502,403,069

As the above table indicates, the total assets increased by \$31.2 million or 5.1 percent from \$610.1 million to \$641.3 million during the fiscal year ended June 30, 2020. The increase is mainly due to construction in progress at the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2020, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$536 million compared to \$502.4 million at June 30, 2019.

The largest portion of the Agency's net position, \$260.9 million or 49 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 Other Postemployment Benefits Other than Pension (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, 2020 and 2019 were \$3.5 million and \$9.3 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2020 and 2019 were \$0.3 million and \$1.0 million, respectively.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019 were \$6.9 million and \$3.7 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2020 and 2019 were \$1.5 million and \$0.7 million, respectively.

For Fiscal year ended June 30, 2020, total liabilities reflect a decrease of \$13.0 million from \$113.6 million to \$100.6 million mainly due to a \$7.7 million decrease in the net pension liability, \$1.6 million decrease in OPEB liability, \$1.5 million in accounts payable and accrued expenses and a \$2.1 million retirement in bonds payable.

The total net position increased by \$33.6 million or 6.7 percent from \$502.4 million to \$536 million mainly due \$41.6 million increase in capital assets as a result of the construction at the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. The current and other assets decreased by \$10.4 million from the prior year mainly due to a decrease in restricted cash in the Water Enterprise Operations Fund as a result of use of the 2018 Water Revenue Bonds proceeds for construction of Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone.

Statement of Net Position
June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	\$ 87,435,578	\$ 83,452,429	\$ 264,275,707	\$ 250,280,954	\$ 351,711,285	\$ 333,733,383
Capital assets	33,164,265	32,247,481	225,236,620	198,348,996	258,400,885	230,596,477
TOTAL ASSETS	120,599,843	115,699,910	489,512,327	448,629,950	610,112,170	564,329,860
Deferred Outflows of Resources						
Pension related	922,269	840,712	8,380,552	7,506,814	9,302,821	8,347,526
OPEB related	96,193	419,471	874,092	3,745,510	970,285	4,164,981
Total Deferred Outflows of Resources	1,018,462	1,260,183	9,254,644	11,252,324	10,273,106	12,512,507
Liabilities:						
Current liabilities	2,960,200	2,339,527	12,078,936	8,273,007	15,039,136	10,612,534
Long-term liabilities	2,836,991	2,030,181	95,690,541	89,961,166	98,527,532	91,991,347
TOTAL LIABILITIES	5,797,191	4,369,708	107,769,477	98,234,173	113,566,668	102,603,881
Deferred Inflows of Resources						
Pension related	369,654	728,151	3,359,005	6,501,747	3,728,659	7,229,898
OPEB related	68,096	191,885	618,784	1,713,365	686,880	1,905,250
Total Deferred Inflows of Resources	437,750	920,036	3,977,789	8,215,112	4,415,539	9,135,148
Net Position:						
Net Investment in capital assets	33,164,265	32,247,481	210,675,110	198,348,996	243,839,375	230,596,477
Restricted	66,872,665	62,760,525	127,521,329	107,414,628	194,393,994	170,175,153
Unrestricted	15,346,434	16,662,343	48,823,266	47,669,365	64,169,700	64,331,708
TOTAL NET POSITION	\$ 115,383,364	\$ 111,670,349	\$ 387,019,705	\$ 353,432,989	\$ 502,403,069	\$ 465,103,338

As the above table indicates, the total assets increased by \$45.8 million or 8.1 percent from \$564.3 million to \$610.1 million during the fiscal year ended June 30, 2019. The increase is mainly due to construction in progress at the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund. In 2018, the Agency issued 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

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

acquisition fund for the 2018 Water Project (Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone project) and \$14.1 million was used for the capital prepayment of the Agency's obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2019, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$502.4 million compared to \$465.1 million at June 30, 2018.

The largest portion of the Agency's net position, \$243.8 million or 49 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 Other Postemployment Benefits Other than Pension (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, 2019 and 2018 were \$9.3 million and \$8.3 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2019 and 2018 were \$1.0 million and \$4.2 million, respectively.

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, 2019 and 2018 were \$3.7 million and \$7.2 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2019 and 2018 were \$0.7 million and \$1.9 million, respectively.

For Fiscal year ended June 30, 2019, total liabilities reflect an increase of \$11.0 million from \$102.6 million to \$113.6 million mainly due to a \$6.5 million increase in the net pension liability, \$2.0 million increase in OPEB liability, \$3.1 million in accounts payable and accrued expenses. The increases are offset by a \$0.6 million retirement in bonds payable.

The total net position increased by \$37.3 million or 8.0 percent from \$465.1 million to \$502.4 million mainly due \$27.8 million increase in capital assets as a result of the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. The current and other assets increased by \$18 million from the prior year due to increased cash in Water Enterprise Funds as a result of less expenses incurred during the year than revenue earned.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for services	\$ 1,694,933	\$ 3,522,081	\$ 103,347,579	\$ 106,647,694	\$ 105,042,512	\$ 110,169,775
Grants and other contributions	79,929	70,969	6,509,157	6,723,525	6,589,086	6,794,494
Capital grants and contributions	488,451	125,352	26,226	-	514,677	125,352
General revenues:						
Property taxes	9,834,264	9,144,785	-	-	9,834,264	9,144,785
Investment earnings and others	3,325,314	1,664,573	4,468,253	5,187,260	7,793,567	6,851,833
Total revenues	15,422,891	14,527,760	114,351,215	118,558,479	129,774,106	133,086,239
Expenses:						
Flood Protection Operations	9,547,702	10,308,973	-	-	9,547,702	10,308,973
Flood Protection Development Impact Fee	168,503	367,976	-	-	168,503	367,976
Flood Protection Grants	497,987	125,352	-	-	497,987	125,352
State Water Project	-	-	24,333,554	21,420,192	24,333,554	21,420,192
Water Enterprise	-	-	61,634,465	63,564,015	61,634,465	63,564,015
Total expenses	10,214,192	10,802,301	85,968,019	84,984,207	96,182,211	95,786,508
Change in net position before transfers	5,208,699	3,725,459	28,383,196	33,574,272	33,591,895	37,299,731
Transfers, net	(11,890)	(12,444)	11,890	12,444	-	-
Change in net position	5,196,809	3,713,015	28,395,086	33,586,716	33,591,895	37,299,731
Net position at beginning of year	115,383,364	111,670,349	387,019,705	353,432,989	502,403,069	465,103,338
Net position at end of year	\$ 120,580,173	\$ 115,383,364	\$ 415,414,791	\$ 387,019,705	\$ 535,994,964	\$ 502,403,069

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 \$33.6 million from the prior year. The table above indicates the Agency total revenues decreased by \$3.3 million or 2.5 percent to \$129.8 million from \$133.1 million in the prior year. The decrease is mainly due to a decrease in charges for services of \$5.1 million from the previous year as a result of slow construction and development activities in the service area due to COVID-19 and shelter in place orders. Investment earnings also decreased by \$0.5 million due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic. The decrease is offset by a \$0.7 million increase in property tax revenue and \$1.4 million increase in other revenues as a result of a \$1.2 million one-time U.S. Army Corp of Engineers refund received during the fiscal year.

Total expenses increased slightly by \$0.4 million or 0.4 percent from \$95.8 million to \$96.2 million mainly due to increase of \$2.9 million for the State Water Project pass-through payments to California State Department of Water Resources (DWR). The increase was offset by \$1.9 million decrease in Water Enterprise Capital Expansion projects and \$0.8 million in Flood Protection Operations projects during the fiscal year.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Charges for services	\$ 3,522,081	\$ 4,652,449	\$ 106,647,694	\$ 107,290,057	\$ 110,169,775	\$ 111,942,506
Grants and other contributions	70,969	182,315	6,723,525	7,235,940	6,794,494	7,418,255
Capital grants and contributions	125,352	1,230,924	-	-	125,352	1,230,924
General revenues:						
Property taxes	9,144,785	8,518,064	-	-	9,144,785	8,518,064
Investment earnings and others	1,664,573	931,466	5,187,260	2,021,455	6,851,833	2,952,921
Total revenues	14,527,760	15,515,218	118,558,479	116,547,452	133,086,239	132,062,670
Expenses:						
Flood Protection Operations	10,308,973	12,859,064	-	-	10,308,973	12,859,064
Flood Protection Development Impact Fee	367,976	542,139	-	-	367,976	542,139
Flood Protection Grants	125,352	1,230,924	-	-	125,352	1,230,924
State Water Project	-	-	21,420,192	19,794,128	21,420,192	19,794,128
Water Enterprise	-	-	63,564,015	75,273,928	63,564,015	75,273,928
Total expenses	10,802,301	14,632,127	84,984,207	95,068,056	95,786,508	109,700,183
Change in net position before transfers	3,725,459	883,091	33,574,272	21,479,396	37,299,731	22,362,487
Transfers	(12,444)	(12,444)	12,444	12,444	-	-
Change in net position	3,713,015	870,647	33,586,716	21,491,840	37,299,731	22,362,487
Net position at beginning of year	111,670,349	110,799,702	353,432,989	331,941,149	465,103,338	442,740,851
Net position at end of year	\$ 115,383,364	\$ 111,670,349	\$ 387,019,705	\$ 353,432,989	\$ 502,403,069	\$ 465,103,338

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 \$37.3 million from the prior year. The table above indicates the Agency total revenues increased by \$1.0 million or 0.78 percent to \$133.1 million from \$132.1 million in the prior year. The increase is mainly due to increased investment earnings of \$3.8 million from the previous year as a result of favorable economic conditions. The increase is offset by a \$1.8 million decrease in charges for services and \$1.1 million decrease in capital grants and contributions as a result of prior year grants received by the Agency.

Total expenses decreased by \$13.9 million or 12.7 percent from \$109.7 million to \$95.8 million mainly due to \$14.1 million in prior year refund of the Cawelo Water District Certificate of Participation, Series 2006 and a \$2.6 million decrease in flood protection activities. The decrease is offset by an increase in \$1.6 million in the State Water Project pass-through payments to the California State Department of Water Resources (DWR) and \$3.3 million in Water Enterprise Operations.

**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019**

Governmental Activities

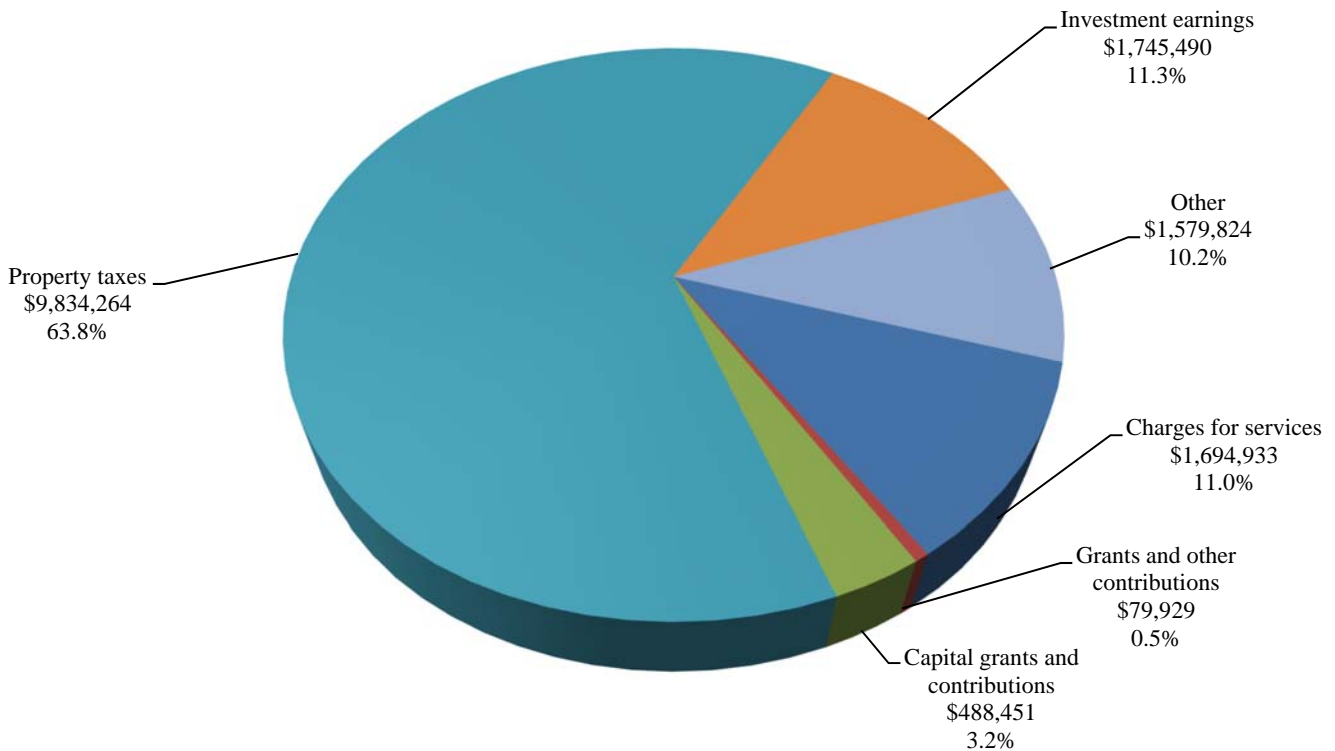
The net position for the Agency’s governmental activities increased by \$5.2 million from \$115.4 million to \$120.6 million. The increase is mainly due to \$1.4 million increase in other revenues from a one-time USACE refund received by the Agency and a slight decrease in flood protection activities. The increase is offset by a \$1.8 million decrease in charges for services due to slow construction and development activities in the service area due to COVID-19 and shelter in place orders. Total revenues were \$15.4 million while total expenses (including transfers) amounted to \$10.2 million.

Revenues: Significant changes in revenue are as follows:

Total revenues increased by \$0.9 million from the prior year or 6.2 percent.

- Charges for services decrease by \$1.8 million or 51.9 percent mainly due to less construction and development activities in the Dublin-Dougherty Valley service area as a result of COVID-19 and shelter in place orders.
- Property tax revenue increased by \$0.7 million or 7.5 percent because of slightly higher total assessed value.
- Capital grants and contributions increased by \$0.4 million mainly due to \$0.1 million of Environmental Protection Agency (EPA) and 0.3 million California Governor’s Office of Emergency Services (Cal-OES) grants received.
- Other revenues increased by \$1.4 million mainly due to a one-time USACE refund received.

Revenues by Source - Governmental Activities



Alameda County Flood Control and Water Conservation District
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Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Expenses: Total expenses decreased by \$0.6 million or 5.4 percent in the governmental activities mainly due to less flood protection maintenance and the flood emergency repair program activities during the fiscal year. The Phase 3 flood emergency repair program of \$3 million was planned for FY 2019-20 but has been delayed due to permitting.

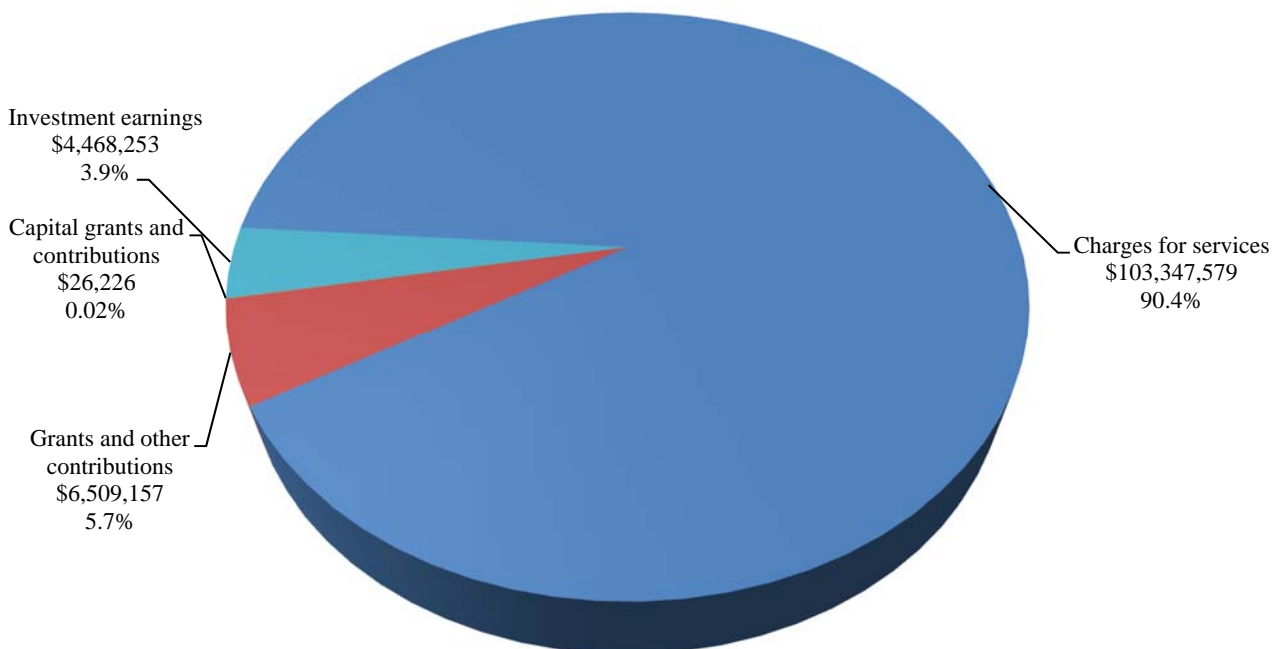
Business-Type Activities

The net position for the Agency's business-type activities increased by \$28.4 million from \$387.0 million to \$415.4 million during the current year. The net position increased from the prior year mainly due to a \$41.7 million increase in capital assets as a result of the construction of the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. Total revenues were \$114.4 million and total expenses (including transfers) were \$86.0 million.

Revenues: Significant changes in revenues are as follows:

- Charges for services: includes water rate revenue and connections fees. Charges for services decreased by a net of \$3.3 million from the prior year. The decrease is mainly due to a \$11.6 million or 34.1 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area due to COVID-19 and shelter in place orders. The decrease is offset by a \$8.3 million increase in water sales due to increased residential water demand during the shelter in place orders.
- Investment earnings: decreased by \$0.7 million or 13.9 percent due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic.
- Grants and other contributions: includes intergovernmental revenue such as DWR refunds and grant proceeds. Grants and other contributions decreased by \$0.2 million or 3.2 percent mainly due to the DWR refunds. DWR refunds and credits vary year to year based on the level of prior year expenditures.

Revenues by Source - Business-Type Activities



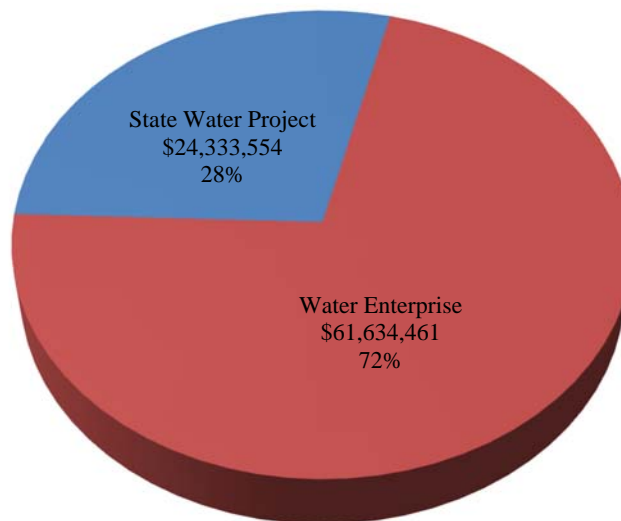
Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Expenses: Significant changes in expenses are as follows:

Total expenses: The total is \$86.0 million which is a \$1.0 million or 1.2 percent increase from the prior year mainly attributed to the following:

- **State Water Project:** Expenses increased by \$2.9 million or 13.6 percent mainly due to State Water Project costs resulting from aging infrastructure and maintenance costs.
- **Water Enterprise:** includes Water Enterprise Operations, Water Enterprise Capital Expansion, and Non-Major Enterprise Funds. Expenses decreased by \$1.9 million or 3.0 percent mainly due to less expenses in the Water Enterprise Capital Expansion fund, water purchases decreased by \$1.2 million because DWR refunded bonds issued for the South Bay Aqueduct Improvement and Enlargement project resulting in a \$1.2 million lower debt service payment.

Expenses by Fund - Business-Type Activities



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, 2020, the Agency’s governmental funds reported combined ending fund balance of \$89.7 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, 2020, its fund balance was \$20.0 million, an increase of \$2.4 million from prior fiscal year. The \$20.0 million fund balance is committed as follows; \$15.0 million for capital projects, \$5.0 million for operating contingency.

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For the Years Ended June 30, 2020 and 2019

- **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, 2020, its restricted fund balance was \$69.6 million, an increase of \$2.7 million from prior fiscal year. The increase in fund balance was mainly due to less expenses incurred during the year than revenue earned. The current Stream Management Master Plan (SMMP, 2006) no longer reflects the current regulatory or financial environment and requires an update. This initiative encompasses that update, but also recognizes that a thorough review of the overall strategy is required. Pursuant to the Agency Strategic Plan Initiative No. 10 – Update the flood protection strategy. Staff are working to develop a new Flood Master Plan.

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, 2020 was \$32.5 million, an increase of \$3.3 million from the prior fiscal year.
- Operating revenue decreased by \$0.2 million due to a decrease in the Dougherty Valley Surcharge Assessment. Intergovernmental revenue decrease by \$0.3 million and the property tax override levy increased slightly by \$0.2 million from the prior fiscal year. Operating expenses increased by \$2.9 million or 13.6 percent due to a pass-through from DWR for fixed charges associated with the State Water Project. On average, State Water Project costs are increasing by 8% annually to address aging infrastructure and increased maintenance costs. In 2019, DWR started recovering 25% of the Oroville Spillway Response and Recovery repair costs that are not reimbursable by FEMA. Zone 7's share is 2% of the \$290M in estimated cost which will be recovered over a period of time.
- **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, 2020 was \$283.7 million, an increase of \$31.0 million from prior fiscal year. Operating revenues increased by \$9.2 million due to an increase in water sales as a result of increased residential water demand during the shelter in place orders and \$1.0 million reimbursement from Dublin San Ramon Services District for the Dougherty Reservoir recoating project.

Investment earnings decreased by \$0.7 million mainly due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic. Operating expenses were \$41.7 which remained relatively unchanged from the prior fiscal year. In operating expenses, salaries, wages and benefits increased by \$3.6 million from the previous year mainly due to a 3% cost of living adjustment (COLA) increase and \$0.6 million increase in water purchases. The increases were offset by a \$2.5 million decrease in contractual services, \$0.4 million in maintenance and repairs, \$0.5 million in water storage and \$0.5 million in chemical purchases.

Alameda County Flood Control and Water Conservation District
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Management's Discussion and Analysis (Unaudited) (Continued)
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- **Water Enterprise Capital 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, 2020, the net position for the fund was \$92.7 million, a decrease of \$5.6 million from prior fiscal year.

Operating revenues were \$12.4 million less than the prior fiscal year. The decrease is mainly due to a \$11.6 million or 34.1 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area caused by shelter in place orders. Operating expenses were \$1.8 million or 9 percent less than prior fiscal year mainly due to a lower water purchases costs because DWR refunded bonds issued for the South Bay Aqueduct Improvement and Enlargement project resulting in lower debt service payments. Non-operating revenues (expenses) decreased by \$0.3 million from prior year mainly due to a decrease in DWR refunds and interest income from investments.

Governmental Funds Budgetary Highlights

A comparative budgetary statement for the Agency's governmental fund (Special Revenue Fund) for the year ended June 30, 2020:

	Final Budgeted Amounts	Actual Amounts Budgetary Basis	Budget Variance	
			June 30, 2020	June 30, 2019
REVENUES:				
Property taxes	\$ 9,283,103	\$ 9,834,264	\$ 551,161	\$ 303,733
Intergovernmental revenues	64,700	79,929	15,229	6,269
Charges for services	123,560	102,719	(20,841)	21,643
Investment earnings	123,071	392,975	269,904	237,968
Others	35,000	1,570,288	1,535,288	132,777
Total Revenue	\$ 9,629,434	\$ 11,980,175	\$ 2,350,741	\$ 702,390
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	1,852,750	2,131,040	(278,290)	(443,293)
Services and supplies	12,712,157	7,416,424	5,295,733	4,546,196
Capital outlay:				
Equipment and capital structures	2,298,399	13,059	2,285,340	1,480,800
Total Expenditures	\$ 16,863,306	\$ 9,560,523	\$ 7,302,783	\$ 5,583,703
EXCESS REVENUES OVER EXPENDITURES	(7,233,872)	2,419,652	9,653,524	6,286,093
Other Financing Sources (Uses)				
Transfers (out) (Note 3)	(14,145)	(11,890)	(2,255)	(1,289)
NET CHANGE IN FUND BALANCE	\$ (7,248,017)	2,407,762	\$ 9,655,779	\$ 6,287,382
Fund balance, beginning of year		17,602,713		
FUND BALANCE, END OF YEAR		\$ 20,010,475		

The Agency's actual special revenue fund revenues are over the budget by \$2.3 million due to higher assessed property values by \$0.5 million and \$1.5 million for other revenues as a result of a \$1.2 million U.S. Army Corp of Engineers (USACE) refund received during the fiscal year.

Alameda County Flood Control and Water Conservation District
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Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by \$7.3 million. The variance is primarily due the re-prioritization and deferral of capital projects while a new Flood Master Plan is being developed and due to Phase 3 flood emergency repair program of \$3 million was planned for FY 2019-20 but has been delayed due to permitting.

Capital Assets

As of June 30, 2020, the agency's investment in capital assets totaled \$260.9 million (net of accumulated depreciation) which is an increase of \$17.1 million from the net investment in capital assets balance of \$243.8 million at June 30, 2019. 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 2019-20. They include the DVWTP and PPWTP ozone project, PPWTP upgrade project, Busch Valley Well No. 1, Arroyo Mocho/ Lake H Diversion, Dougherty Reservoir Interior/ Exterior Recoating & Rehab project, Arroyo Mocho Medieros project and other miscellaneous repair projects. Additional information on the Agency's capital assets is provided in Note 4 of the financial statement.

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, 2020, 2019 and 2018
(In millions of dollars)

	2020	2019	2020 vs. 2019		2018	2019 vs. 2018	
			\$ Change	% Change		\$ Change	% Change
Easements	\$ 1.9	\$ 1.8	\$ 0.1	6%	\$ 1.4	\$ 0	29%
Land	9.6	9.6	-	0%	9.6	-	0%
Treatment Plants	117.2	117.2	-	0%	117.2	-	0%
Construction in Progress	89.3	44.5	44.8	101%	12.0	32.5	271%
Office Building	7.1	7.1	-	0%	7.1	-	0%
Pipelines	53.9	53.9	-	0%	53.9	-	0%
Reservoirs	1.9	1.9	-	0%	1.9	-	0%
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%
Wellfields	31.2	31.2	-	0%	31.2	-	0%
Supervisory Control and Data Acquisition Project	9.7	9.7	-	0%	9.7	-	0%
Others	9.0	5.7	3.3	58%	5.7	-	0%
Subtotal	367.5	319.3	48.2	15%	286.4	32.9	11%
Less Accumulated depreciation/amortization	100.5	94.1	6.4	7%	88.0	6.1	7%
Capital assets, net	\$ 267.0	\$ 225.2	\$ 41.8	19%	\$ 198.4	\$ 26.8	14%

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

Capital Assets
Governmental Activities
For the Years Ended June 30, 2020, 2019 and 2018
(In millions of dollars)

	2020	2019	2020 vs. 2019		2018	2019 vs. 2018	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 21.2	\$ 21.2	\$ -	0%	\$ 20.3	\$ 0.9	4%
Easements	0.1	0.1	-	0%	-	0.1	0%
Flood Control Channels	12.4	12.4	-	0%	12.4	-	0%
Construction in Progress	1.3	1.2	0.1	8%	0.9	0.3	33%
Office Building	1.5	1.5	-	0%	1.5	-	0%
Others	1.0	1.0	-	0%	1.0	-	0%
Subtotal	37.5	37.4	0.1	0%	36.1	1.3	4%
Less Accumulated depreciation/amortization	4.5	4.2	0.3	7%	3.9	0.3	8%
Capital assets, net	<u>\$ 33.0</u>	<u>\$ 33.2</u>	<u>\$ (0.2)</u>	<u>-1%</u>	<u>\$ 32.2</u>	<u>\$ 1.0</u>	<u>3%</u>

Debt Administration and Bond Rating

As of June 30, 2020, the Agency had \$62.7 million in outstanding debt and \$6.0 million of unamortized bond premium. 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:

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

On July 17, 2020, Fitch Rating upgraded 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 to ‘AA+’ from ‘AA’. The Rating outlook is stable. Fitch based its rating upgrade on the following factors: strong financial leadership; fixed rate component of the water rate structure; strong reserves to weather the current economic downturn; healthy levels of capital investment to maintain the Agency’s infrastructure; strong balance of stored groundwater and banked water to deal with SWP and hydrology variability; and dedication to expanding water supply through investment in water supply and reliability projects.

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Zone 7 Water Agency
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

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”*.

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 17, 2020. The two-year budget provides funding for the Agency’s operating, capital and debt service payments for the fiscal years ending June 30, 2021 and 2022. The budget incorporates lessons learned from the combined effects of recent experiences including the historic drought of 2014-2016, flood damages in 2017 and the current significant challenges that face the Agency, especially managing the COVID-19 pandemic and ensuring safety of our employees and reliable delivery of our services.
- Alameda County’s average unemployment rate has increased dramatically because of COVID-19 mitigation efforts and subsequent impacts on business operations. In October 2020, the unemployment rate was reported at 7.9% versus 2.8% in 2019. These numbers demonstrate the widespread impact of the COVID-19 pandemic on the Alameda County.
- In 2018, the Board of Directors approved a four-year rate schedule that included a set increase each year from Calendar Year 2019-2022. Under that schedule, the next rate increase of 6.7% was scheduled to go into effect on January 1, 2021. With the disruption to economic activity that the COVID-19 pandemic has caused, the Board adopted a budget that utilized one-time savings and the deferral of some work in order to delay CY 2021 rate increase and keep rates at the same level as the CY 2020 treated water rates, through December 31, 2021. This action was taken to provide relief and stability to the Tri Valley residents and businesses. The rates for CY 2021 and CY 2022 are shown in the table below:

Calendar Year	CY 2021	CY 2022
Volume-based Rate per CCF	\$ 2.10	\$ 2.06
Fixed Charge Recovery	40.0%	42.5%
Total Fixed Charges	\$ 21,497,919	\$ 25,716,705

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>.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position
June 30, 2020

(With summarized information as of June 30, 2019)

ASSETS	Governmental	Business-Type	Total	
	Activities	Activities	2020	2019
Current assets:				
Pooled cash in County Treasury (Note 2)	\$ 77,386,517	\$ 77,781,960	\$ 155,168,477	\$ 178,119,949
Cash and investments - Agency Treasury (Note 2)	12,634,092	136,663,641	149,297,733	115,895,886
Restricted cash (Note 2)	1,071,352	19,324,089	20,395,441	44,133,441
Accounts receivable, net	440,388	15,130,509	15,570,897	12,731,009
Due from other funds	-	5,452	5,452	-
Prepaid expenses	-	917,660	917,660	831,000
Total current assets	91,532,349	249,823,311	341,355,660	351,711,285
Noncurrent assets:				
Capital assets (Note 4):				
Rights of way, water entitlements, easements and construction in progress	22,578,533	137,362,771	159,941,304	115,056,414
Depreciable, net of accumulated depreciation	10,415,224	129,600,987	140,016,211	143,344,471
Total noncurrent assets	32,993,757	266,963,758	299,957,515	258,400,885
Total assets	124,526,106	516,787,069	641,313,175	610,112,170
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 7)	303,995	3,218,541	3,522,536	9,302,821
OPEB related (Note 8)	22,369	236,832	259,201	970,285
Total deferred outflows of resources	326,364	3,455,373	3,781,737	10,273,106

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position (Continued)
June 30, 2020

(With summarized information as of June 30, 2019)

LIABILITIES	Governmental	Business-Type	Total	
	Activities	Activities	2020	2019
Current liabilities:				
Accounts payable and accrued expenses	835,546	9,206,014	10,041,560	11,573,253
Deposits payable	1,031,985	323,568	1,355,553	1,391,312
Due to other funds	5,452	-	5,452	-
Compensated absences (Note 6)	-	657,916	657,916	769,571
Bonds payable (Note 5)	-	1,370,000	1,370,000	1,305,000
Total current liabilities	1,872,983	11,557,498	13,430,481	15,039,136
Noncurrent liabilities:				
Compensated absences, due in more than one year	-	532,014	532,014	480,298
Bonds payable (Note 5)	-	67,335,423	67,335,423	69,430,844
Net pension liability (Note 7)	1,606,107	17,004,631	18,610,738	26,320,948
Net OPEB liability (Note 8)	58,589	620,308	678,897	2,295,442
Total noncurrent liabilities	1,664,696	85,492,376	87,157,072	98,527,532
Total liabilities	3,537,679	97,049,874	100,587,553	113,566,668
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note 7)	600,408	6,356,820	6,957,228	3,728,659
OPEB related (Note 8)	134,210	1,420,957	1,555,167	686,880
Total deferred inflows of resources	734,618	7,777,777	8,512,395	4,415,539
NET POSITION				
Net investment in capital assets	32,993,757	227,930,485	260,924,242	243,839,375
Restricted for capital projects and water expansion	69,648,891	131,461,963	201,110,854	194,393,994
Unrestricted	17,937,525	56,022,343	73,959,868	64,169,700
Total net position	\$ 120,580,173	\$ 415,414,791	\$ 535,994,964	\$ 502,403,069

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Activities
For the Year Ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Flood protection operations	\$ 9,547,702	\$ 102,719	\$ 79,929	\$ -	\$ 182,648
Flood protection development impact fee	168,503	1,592,214	-	-	1,592,214
Flood protection grants	497,987	-	-	488,451	488,451
Total Governmental Activities	10,214,192	1,694,933	79,929	488,451	2,263,313
Business-Type Activities:					
State water project	24,333,554	23,415,684	3,558,382	-	26,974,066
Water Enterprise	61,634,465	79,931,895	2,950,775	26,226	82,908,896
Total Business-Type Activities	85,968,019	103,347,579	6,509,157	26,226	109,882,962
Total Primary Government	\$ 96,182,211	\$ 105,042,512	\$ 6,589,086	\$ 514,677	\$ 112,146,275

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	Business-Type Activities	Total	
			2020	2019
Governmental Activities:				
Flood protection operations	\$ (9,365,054)	\$ -	\$ (9,365,054)	(10,058,989)
Flood protection development impact fee	1,423,711	-	1,423,711	2,975,090
Flood protection grants	(9,536)	-	(9,536)	-
Total Governmental Activities	(7,950,879)	-	(7,950,879)	(7,083,899)
Business-Type Activities:				
State water project	-	2,640,512	2,640,512	5,257,546
Water Enterprise	-	21,274,431	21,274,431	23,129,466
Total Business-Type Activities	-	23,914,943	23,914,943	28,387,012
Total Primary Government	(7,950,879)	23,914,943	15,964,064	21,303,113
General Revenues:				
Property taxes:				
Secured	9,078,288	-	9,078,288	8,442,351
Unsecured	449,664	-	449,664	401,692
Supplemental	306,312	-	306,312	300,742
Investment earnings	1,745,490	4,468,253	6,213,743	6,672,764
Other	1,579,824	-	1,579,824	179,069
Total General Revenues	13,159,578	4,468,253	17,627,831	15,996,618
Transfers, net	(11,890)	11,890	-	-
Changes in Net Position	5,196,809	28,395,086	33,591,895	37,299,731
Net Position - Beginning of Year	115,383,364	387,019,705	502,403,069	465,103,338
Net Position - End of Year	\$ 120,580,173	\$ 415,414,791	\$ 535,994,964	\$ 502,403,069

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Balance Sheet
Governmental Funds
June 30, 2020

(With summarized information as of June 30, 2019)

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals	
				2020	2019
ASSETS					
Current assets					
Cash in County treasury (Note 2)	\$ 18,173,355	\$ 59,213,162	\$ -	\$ 77,386,517	\$ 76,546,027
Cash in Agency treasury (Note 2)	2,279,719	10,354,373	-	12,634,092	8,802,674
Restricted cash (Note 2)	1,071,352	-	-	1,071,352	1,059,926
Accounts receivable, net	87,991	104,606	247,791	440,388	1,026,951
Due from other funds	234,344	-	-	234,344	1,474
Total assets	\$ 21,846,761	\$ 69,672,141	\$ 247,791	\$ 91,766,693	\$ 87,437,052
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 804,301	\$ 23,250	\$ 7,995	\$ 835,546	\$ 1,888,003
Deposits payable	1,031,985	-	-	1,031,985	1,072,197
Due to other funds	-	-	239,796	239,796	1,474
Total liabilities	1,836,286	23,250	247,791	2,107,327	2,961,674
Fund balances (Note 1N):					
Restricted	-	69,648,891	-	69,648,891	66,872,665
Committed:					
Flood protection capital projects	14,951,157	-	-	14,951,157	15,403,727
Flood protection operating contingency	5,059,318	-	-	5,059,318	2,198,986
Total fund balances	20,010,475	69,648,891	-	89,659,366	84,475,378
Total liabilities and fund balances	\$ 21,846,761	\$ 69,672,141	\$ 247,791	\$ 91,766,693	\$ 87,437,052

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**Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2020**

Total Fund Balances - Total Governmental Funds \$ 89,659,366

Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds

CAPITAL ASSETS

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	\$ 22,578,533	
Depreciable, net	10,415,224	32,993,757

PENSION

Net pension liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	303,995
Net pension liability	(1,606,107)
Pension related deferred inflows of resources	(600,408)

OPEB

Net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

OPEB related deferred outflows of resources	22,369
Net OPEB liability	(58,589)
OPEB related deferred inflows of resources	(134,210)

Net Position of Governmental Activities \$ 120,580,173

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

	Flood	Flood	Total	Totals	
	Protection Operations	Protection Development Impact Fee	Non-Major Governmental Funds	2020	2019
Revenues:					
Property taxes	\$ 9,834,264	\$ -	\$ -	\$ 9,834,264	\$ 9,144,785
Intergovernmental	79,929	-	488,451	568,380	196,321
Charges for services	102,719	1,592,214	-	1,694,933	3,522,081
Investment earnings	392,975	1,352,515	-	1,745,490	1,485,504
Other revenues	1,570,288	-	9,536	1,579,824	179,069
Total revenues	11,980,175	2,944,729	497,987	15,422,891	14,527,760
Expenditures:					
Current:					
Salaries and employee benefits transferred from district-wide	2,131,040	59,911	14,406	2,205,357	2,332,437
Services and supplies	7,416,424	108,592	483,581	8,008,597	8,612,252
Capital outlay:					
Equipment and capital infrastructure	13,059	-	-	13,059	208,151
Total expenditures	9,560,523	168,503	497,987	10,227,013	11,152,840
Revenues over (under) expenditures	2,419,652	2,776,226	-	5,195,878	3,374,920
Other financing (uses):					
Transfers out	(11,890)	-	-	(11,890)	(12,444)
Total other financing (uses)	(11,890)	-	-	(11,890)	(12,444)
Net change in fund balances	2,407,762	2,776,226	-	5,183,988	3,362,476
Fund balances:					
Beginning of year	17,602,713	66,872,665	-	84,475,378	81,112,902
End of year	\$ 20,010,475	\$ 69,648,891	\$ -	\$ 89,659,366	\$ 84,475,378

**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, 2020**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in Fund Balances - Total Governmental Funds	\$ 5,183,988
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Amounts reported for Governmental activities in the Statement of Activities were reported differently because:

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	125,466
Depreciation expense is deducted from the fund balance	(295,974)

ACCRUALS OF PENSIONS AND OPEB

Net pension liability and related deferred inflows and outflows of resources	154,289
Net OPEB liability and related deferred inflows and outflows of resources	29,040

Change in Net Position of Governmental Activities	\$ 5,196,809
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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Flood Protection Operations Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 9,283,103	\$ 9,283,103	\$ 9,834,264	\$ 551,161
Intergovernmental revenue	64,700	64,700	79,929	15,229
Charges for services	123,560	123,560	102,719	(20,841)
Investment earnings	89,854	123,071	392,975	269,904
Other revenue	35,000	35,000	1,570,288	1,535,288
Total Revenues	<u>9,596,217</u>	<u>9,629,434</u>	<u>11,980,175</u>	<u>2,350,741</u>
Expenditures:				
Current:				
Flood protection:				
Salaries and benefits	1,852,750	1,852,750	2,131,040	(278,290)
Services and supplies	9,152,888	12,712,157	7,416,424	5,295,733
Capital outlay:				
Equipment and capital structure	2,888,399	2,298,399	13,059	2,285,340
Total Expenditures	<u>13,894,037</u>	<u>16,863,306</u>	<u>9,560,523</u>	<u>7,302,783</u>
Revenues over (under) expenditures	<u>(4,297,820)</u>	<u>(7,233,872)</u>	<u>2,419,652</u>	<u>9,653,524</u>
Other Financing (Uses):				
Transfers out	(14,145)	(14,145)	(11,890)	2,255
Total Other Financing (Uses)	<u>(14,145)</u>	<u>(14,145)</u>	<u>(11,890)</u>	<u>2,255</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,311,965)</u>	<u>\$ (7,248,017)</u>	<u>2,407,762</u>	<u>\$ 9,655,779</u>
FUND BALANCE:				
Beginning of year			17,602,713	
End of year			<u>\$ 20,010,475</u>	

PROPRIETARY FUND FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position
Proprietary Funds
June 30, 2020

(With summarized information as of June 30, 2019)

	State	Water	Water	Non-Major	Totals	
	Water	Enterprise	Enterprise		Enterprise Funds	2020
	Facilities	Operations	Capital Expansion			
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	\$ 24,516,259	\$ 29,140,956	\$ 17,257,083	\$ 6,867,662	\$ 77,781,960	\$ 101,573,922
Cash in Agency treasury (Note 2)	7,140,273	40,671,954	88,851,414	-	136,663,641	107,093,212
Restricted cash and investments (Note 2)	-	18,507,614	816,475	-	19,324,089	43,073,515
Receivables, net	-	13,051,496	2,079,013	-	15,130,509	11,704,058
Due from other funds	-	5,452	-	-	5,452	-
Prepaid deposits	830,019	87,641	-	-	917,660	831,000
Total current assets	32,486,551	101,465,113	109,003,985	6,867,662	249,823,311	264,275,707
Noncurrent assets:						
Capital assets (Note 4):						
Right of ways, water entitlements and construction in progress	-	137,362,771	-	-	137,362,771	92,590,288
Improvements, net of depreciation	-	129,600,987	-	-	129,600,987	132,646,332
Total noncurrent assets	-	266,963,758	-	-	266,963,758	225,236,620
Total assets	32,486,551	368,428,871	109,003,985	6,867,662	516,787,069	489,512,327
DEFERRED OUTFLOWS OF RESOURCES						
Pension related (Note 7)	-	3,100,183	118,358	-	3,218,541	8,380,552
OPEB related (Note 8)	-	228,123	8,709	-	236,832	874,092
Total deferred outflows of resources	\$ -	\$ 3,328,306	\$ 127,067	\$ -	\$ 3,455,373	\$ 9,254,644

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2020

(With summarized information as of June 30, 2019)

	State	Water	Water	Non-Major	Totals	
	Water	Enterprise	Enterprise		Enterprise Funds	2020
	Facilities	Operations	Capital Expansion			
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,077	\$ 6,840,730	\$ 2,364,207	\$ -	\$ 9,206,014	\$ 9,685,250
Deposits	-	4,453	-	319,115	323,568	319,115
Compensated absences (Note 6)	-	657,916	-	-	657,916	769,571
Bonds payable (Note 5)	-	840,000	530,000	-	1,370,000	1,305,000
Total current liabilities	1,077	8,343,099	2,894,207	319,115	11,557,498	12,078,936
Noncurrent liabilities:						
Compensated absences (Note 6)	-	532,014	-	-	532,014	480,298
Bonds payable (Note 5)	-	54,709,216	12,626,207	-	67,335,423	69,430,844
Net pension liability (Note 7)	-	16,379,310	625,321	-	17,004,631	23,711,524
Net OPEB liability (Note 8)	-	597,497	22,811	-	620,308	2,067,875
Total noncurrent liabilities	-	72,218,037	13,274,339	-	85,492,376	95,690,541
Total liabilities	1,077	80,561,136	16,168,546	319,115	97,049,874	107,769,477
DEFERRED INFLOW OF RESOURCES						
Pension related (Note 7)	-	6,123,057	233,763	-	6,356,820	3,359,005
OPEB related (Note 8)	-	1,368,703	52,254	-	1,420,957	618,784
Total deferred inflows of resources	-	7,491,760	286,017	-	7,777,777	3,977,789
NET POSITION (Note 1M)						
Investment in capital assets	-	227,930,485	-	-	227,930,485	210,675,110
Restricted for:						
Capital projects and water expansion	32,485,474	6,300,000	92,676,489	-	131,461,963	127,521,329
Unrestricted	-	49,473,796	-	6,548,547	56,022,343	48,823,266
Total net position	\$ 32,485,474	\$ 283,704,281	\$ 92,676,489	\$ 6,548,547	\$ 415,414,791	\$ 387,019,705

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020
(With summarized information for the year ended June 30, 2019)

	Major Funds				Totals	
	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	2020	2019
OPERATING REVENUES:						
Water sales	\$ -	\$ 55,777,208	\$ -	\$ -	\$ 55,777,208	\$ 47,440,592
Connection and development fees	-	-	22,461,926	-	22,461,926	34,068,092
Charges for services	-	500,371	-	-	500,371	687,569
Other revenues	1,862,176	1,129,874	62,516	-	3,054,566	3,097,632
Total operating revenues	1,862,176	57,407,453	22,524,442	-	81,794,071	85,293,885
OPERATING EXPENSES:						
Salaries, wages and benefits	-	17,150,392	705,205	-	17,855,597	21,686,217
Contractual services	4,443	4,491,779	-	-	4,496,222	1,928,178
Technical supplies	-	277,074	-	-	277,074	181,601
Chemical purchases	-	2,556,168	-	-	2,556,168	2,085,082
Water purchases	24,329,111	2,750,724	16,644,952	-	43,724,787	42,621,664
Water storage	-	1,282,526	-	-	1,282,526	755,911
Utilities	-	2,521,206	90	-	2,521,296	2,544,052
Maintenance and repairs	-	1,950,838	-	-	1,950,838	1,592,006
Equipment and building rents	-	60,504	-	-	60,504	72,391
Other services and supplies	-	1,461,137	395,324	-	1,856,461	2,114,868
Risk management	-	806,154	-	-	806,154	639,214
Depreciation (Note 4)	-	6,429,526	-	-	6,429,526	6,452,481
Total operating expenses	24,333,554	41,738,028	17,745,571	-	83,817,153	82,673,665
OPERATING INCOME (LOSS)	(22,471,378)	15,669,425	4,778,871	-	(2,023,082)	2,620,220
NONOPERATING INCOME (LOSS):						
Property taxes	21,553,508	-	-	-	21,553,508	21,353,809
Intergovernmental revenue	3,558,382	32,925	2,917,850	-	6,509,157	6,723,525
Investment earnings	600,035	1,707,194	2,020,734	140,290	4,468,253	5,187,260
Interest expense for debt service	-	(1,821,628)	(329,238)	-	(2,150,866)	(2,310,542)
Total Nonoperating Income (Loss)	25,711,925	(81,509)	4,609,346	140,290	30,380,052	30,954,052
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	3,240,547	15,587,916	9,388,217	140,290	28,356,970	33,574,272
TRANSFERS AND CAPITAL CONTRIBUTIONS:						
Capital contributions	-	26,226	-	-	26,226	-
Transfers in (Note 3)	-	15,408,921	358,901	-	15,767,822	6,977,164
Transfers out (Note 3)	-	-	(15,347,031)	(408,901)	(15,755,932)	(6,964,720)
Total Transfers and and Capital Contributions	-	15,435,147	(14,988,130)	(408,901)	38,116	12,444
CHANGES IN NET POSITION	3,240,547	31,023,063	(5,599,913)	(268,611)	28,395,086	33,586,716
NET POSITION:						
Beginning of year	29,244,927	252,681,218	98,276,402	6,817,158	387,019,705	353,432,989
End of year	<u>\$ 32,485,474</u>	<u>\$ 283,704,281</u>	<u>\$ 92,676,489</u>	<u>\$ 6,548,547</u>	<u>\$ 415,414,791</u>	<u>\$ 387,019,705</u>

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 1,862,229	\$ 53,988,273	\$ 53,101
Cash received from connection and development fees	-	-	22,461,926
Cash paid to suppliers for goods and services	(24,418,130)	(19,614,080)	(16,067,423)
Cash paid to employees for services	(4,443)	(15,760,147)	(665,271)
Net Cash Provided (Used) by Operating Activities	(22,560,344)	18,614,046	5,782,333
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	15,408,921	358,901
Transfers (out)	-	(5,452)	(15,347,031)
Property tax	21,553,508	-	-
Intergovernmental	3,558,382	32,925	2,917,850
Net Cash Provided (Used) by Noncapital Financing Activities	25,111,890	15,436,394	(12,070,280)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property, plant, and equipment	-	(48,156,664)	-
Proceeds from contribution	-	26,226	-
Premiums payments on long term debt	-	(800,000)	(505,000)
Interest paid	-	(2,323,337)	(585,575)
Net Cash (Used) by Capital and Related Financing Activities	-	(51,253,775)	(1,090,575)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	600,035	1,707,194	2,020,734
Net Cash Provided by Investing Activities	600,035	1,707,194	2,020,734
Net Increase (Decrease) In Cash and Cash Equivalents	3,151,581	(15,496,141)	(5,357,788)
CASH AND CASH EQUIVALENTS:			
Beginning of year	28,504,951	103,816,665	112,282,760
End of year	<u>\$ 31,656,532</u>	<u>\$ 88,320,524</u>	<u>\$ 106,924,972</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 24,516,259	\$ 29,140,956	\$ 17,257,083
Cash and investments with fiscal agent	7,140,273	40,671,954	88,851,414
Cash and investments, restricted	-	18,507,614	816,475
Total cash and cash equivalents	<u>\$ 31,656,532</u>	<u>\$ 88,320,524</u>	<u>\$ 106,924,972</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (22,471,378)	\$ 15,669,425	\$ 4,778,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		6,429,526	-
Changes in assets and liabilities:			
Receivables	-	(3,417,036)	(9,415)
Prepays	(89,019)	2,359	-
Accounts payable and accrued expenses	-	(1,413,010)	972,943
Compensated absences	-	(59,939)	-
Deposits	53	(2,144)	-
Net pension liability, deferred inflows and deferred outflows	-	1,411,534	41,399
Net OPEB liability, deferred inflows and deferred outflows	-	(6,669)	(1,465)
Net Cash Provided (Used) by Operating Activities	<u>\$ (22,560,344)</u>	<u>\$ 18,614,046</u>	<u>\$ 5,782,333</u>

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

	Non-Major Enterprise Funds	Totals	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ -	\$ 55,903,603	\$ 48,783,976
Cash received from connection and development fees	-	22,461,926	37,233,685
Cash paid to suppliers for goods and services	-	(60,099,633)	(16,513,067)
Cash paid to employees for services	-	(16,429,861)	(51,709,400)
Net Cash Provided (Used) by Operating Activities	-	1,836,035	17,795,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	15,767,822	6,977,164
Transfers (out)	(408,901)	(15,761,384)	(6,964,720)
Property tax	-	21,553,508	21,353,809
Intergovernmental	-	6,509,157	6,723,525
Net Cash Provided (Used) by Noncapital Financing Activities	(408,901)	28,069,103	28,089,778
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property, plant, and equipment	-	(48,156,664)	(33,340,105)
Proceeds from contribution	-	26,226	-
Premiums payments on long term debt	-	(1,305,000)	(640,900)
Interest paid	-	(2,908,912)	(2,310,542)
Net Cash (Used) by Capital and Related Financing Activities	-	(52,344,350)	(36,291,547)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	140,290	4,468,253	5,187,260
Net Cash Provided by Investing Activities	140,290	4,468,253	5,187,260
Net Increase (Decrease) In Cash and Cash Equivalents	(268,611)	(17,970,959)	14,780,685
CASH AND CASH EQUIVALENTS:			
Beginning of year	7,136,273	251,740,649	236,959,964
End of year	<u>\$ 6,867,662</u>	<u>\$ 233,769,690</u>	<u>\$ 251,740,649</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 6,867,662	\$ 77,781,960	\$ 101,573,922
Cash and investments with fiscal agent	-	136,663,641	107,093,212
Cash and investments, restricted	-	19,324,089	43,073,515
Total cash and cash equivalents	<u>\$ 6,867,662</u>	<u>\$ 233,769,690</u>	<u>\$ 251,740,649</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ -	\$ (2,023,082)	\$ 2,620,220
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	6,429,526	6,452,481
Changes in assets and liabilities:			
Receivables	-	(3,426,451)	589,854
Prepays	-	(86,660)	196,078
Accounts payable and accrued expenses	-	(440,067)	2,522,624
Compensated absences	-	(59,939)	64,060
Deposits	-	(2,091)	(62,156)
Net pension liability, deferred inflows and deferred outflows	-	1,452,933	1,836,073
Net OPEB liability, deferred inflows and deferred outflows	-	(8,134)	3,575,960
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 1,836,035</u>	<u>\$ 17,795,194</u>

See accompanying Notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (the “Agency”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Agency’s significant policies:

A. *Financial Reporting Entity*

The 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.

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

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 Accounting and Measurement Focus*

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

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. 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.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

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 ***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.

The ***Department of Water Resources (DWR) Sustainable Groundwater Management Grant***- State Fund is used to account for revenues and expenses resulting from the 2022 Alternative Groundwater Sustainability Plan Grant.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (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.

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. 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.

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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Investment and Fair Value Measurements

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.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

If the fair value of an investment 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.

E. Receivables

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

F. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than \$250,000 for infrastructure, buildings, building improvements, land improvements and software. The Agency capitalizes equipment and land with a useful life greater than one year and an original cost greater than \$5,000. These assets are reported at historical cost or estimated historical cost. 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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

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

G. Budgets and Budgetary Accounting

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

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

H. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund. Encumbrances at June 30, 2020 are as follows:

Fund	Encumbrances
Flood Protection Operations Major Funds	\$ 1,241,383

I. Property Taxes

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

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

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

K. 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 outflow 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.

L. Pension and OPEB

For purposes of measuring the aggregate net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension/OPEB reporting:

Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
Measurement Period	January 1, 2019 to December 31, 2019

Gains and losses related to changes in total pension/OPEB liability and fiduciary net position are recognized in pension/OPEB expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions/OPEB and are to be recognized in future pension/OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, related debt, and deferred inflows of resources.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets as to the 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 – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

N. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the Board of Directors, prior to the end of the reporting period. Board of Directors adoption of a resolution is required to commit resources or to rescind the commitment. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

O. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Agency's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Agency uses the unrestricted resources in the following order: (1) Committed, (2) Assigned, (3) Unassigned, except for instances wherein an ordinance specifies the fund balance.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

P. 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.

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

During the fiscal year ended June 30, 2020, the Agency implemented the following accounting standards:

- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB Statement No. 95), to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of provisions in certain GASB Statements and Implementation Guides which became effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The Agency implemented GASB Statement No. 95 in the fiscal year ending June 30, 2020 and postponed the effective dates of the following GASB Statements:
 - GASB Statement No. 84, *Fiduciary Activities*
 - GASB Statement No. 87, *Leases*
 - GASB Statement No. 90, *Majority Equity Interests*
 - GASB Statement No. 91, *Conduit Debt Obligations*
 - GASB Statement No. 92, *Omnibus 2020*
 - GASB Statement No. 93, *Replacement of Interbank Offered Rates*

R. New GASB Pronouncements

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve 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 originally effective for the Agency's fiscal year ending June 30, 2020.
- In June 2017, GASB issued 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 originally effective for the Agency's fiscal year ending June 30, 2021.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

R. New GASB Pronouncements (Continued)

- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), 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. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement No. 90 originally effective for the Agency’s fiscal year ending June 30, 2020.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 originally effective for the Agency’s fiscal year ending June 30, 2022.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB Statement No. 92), to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. GASB Statement No. 92 originally effective for the Agency’s fiscal year ending June 30, 2021.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB Statement No. 93), to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR) which is expected to cease to exist in its current form at the end of 2021. GASB Statement No. 93 originally effective for the Agency’s fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94) to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). GASB Statement No. 94 is effective for the Agency’s fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 is effective for the Agency’s fiscal year ending June 30, 2023.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

R. New GASB Pronouncements (Continued)

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB Statement No. 97), to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for the Agency’s fiscal year ending June 30, 2022.

S. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation. Such reclassifications had no effect on previously reported net position and changes in net position.

Note 2 – Cash and Investments

The Agency’s cash and investments consist of the following at June 30, 2020:

Pooled Cash and investment in County Treasury	\$ 155,168,477
Cash and investments - Agency Treasury	149,297,733
Restricted cash and investments	20,395,441
Total cash and investments	\$ 324,861,651
Cash and investment in Government Funds	\$ 91,091,961
Cash and investments in Proprietary Funds	233,769,690
Total cash and investments	\$ 324,861,651

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 Oversight 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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

Investments Authorized by California Government Code and the Agency’s Investment Policy (Continued)

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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Portfolio	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	360 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	360 Days	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 \$75,000,000.

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

Disclosure Relating to Interest Rate Risk

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

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

Disclosure Relating to Interest Rate Risk (Continued)

As of June 30, 2020, approximately 41.9 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

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
<i>Pooled Cash and Investments in County Treasury</i>			
Cash in County Pool	\$ -	\$ -	\$ 155,168,477
<i>Cash and Investments - Agency Treasury</i>			
U.S. Agency Securities	90,610,333	-	90,610,333
Commercial Paper	32,969,411	-	32,969,411
Corporate Bonds	13,139,949	4,581,815	17,721,764
Money Markey Fund	5,545,606	-	5,545,606
Total	<u>142,265,299</u>	<u>4,581,815</u>	<u>146,847,114</u>
Cash in bank			<u>2,450,619</u>
<i>Total Cash and Investments - Agency Treasury</i>			<u>149,297,733</u>
<i>Restricted Cash and Investments</i>			
U.S. Agency Securities	5,998,530	-	5,998,530
U.S. Treasury Notes	2,999,460	-	2,999,460
Money Market Fund	10,326,099	-	10,326,099
Total	<u>19,324,089</u>	<u>-</u>	<u>19,324,089</u>
Cash in bank - Money Market			<u>1,071,352</u>
<i>Total Restricted Cash and Investments</i>			<u>20,395,441</u>
Total Cash and Investments			<u><u>\$ 324,861,651</u></u>

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2020 for each investment type as provided by Moody's Investor Service:

Investment Type	Aaa	Aa2	A1	A2	A3	P-1	Total
<i>Pooled Cash and Investments in County Treasury</i>							
Not rated:							
Cash in County Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$155,168,477
<i>Cash and Investments - Agency Treasury</i>							
U.S. Agency Securities	-	-	-	-	-	90,610,333	90,610,333
Commercial Paper	-	-	-	-	-	32,969,411	32,969,411
Corporate Bonds	-	4,392,990	2,872,510	9,243,360	1,212,904	-	17,721,764
Money Market Fund	5,545,606	-	-	-	-	-	5,545,606
Not rated:							
Cash in bank	-	-	-	-	-	-	2,450,619
<i>Total Cash and Investments - Agency Treasury</i>	5,545,606	4,392,990	2,872,510	9,243,360	1,212,904	123,579,744	149,297,733
<i>Restricted Cash and Investments</i>							
U.S. Treasury Notes	2,999,460	-	-	-	-	-	2,999,460
Cash in bank - Money Market	1,071,352	-	-	-	-	-	1,071,352
Not rated:							
U.S. Agency Securities	-	-	-	-	-	-	5,998,530
Money Market Fund	-	-	-	-	-	-	10,326,099
<i>Total Restricted Cash and Investments</i>	4,070,812	-	-	-	-	-	20,395,441
Total Cash and Investments							\$324,861,651

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).

Disclosure Relating to Concentration of Credit Risk

Included in table 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 investments in U.S. Agency Securities with Federal Home Loan Bank in the amount of \$91,610,562.

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 2020 Alameda County Comprehensive Annual Financial Report.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

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, 2020, the Agency had \$155,168,477 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, 2020:

	Level 1	Level 2	Total
<i>Cash and Investments - Agency Treasury</i>			
Investments by Fair Value Level			
U.S. Agency Securities	\$ -	\$ 90,610,333	\$ 90,610,333
Commercial Paper	-	32,969,411	32,969,411
Corporate Bonds	-	17,721,764	17,721,764
Investments Measured at Amortized Cost			
Money Market Fund	-	-	5,545,606
<i>Total Cash and Investments - Agency Treasury</i>	-	141,301,508	146,847,114
<i>Restricted Cash and Investments</i>			
Investments by Fair Value Level			
U.S. Agency Securities	-	5,998,530	5,998,530
U.S. Treasury Notes	2,999,460	-	2,999,460
Investments Measured at Amortized Cost			
Money Market Fund	-	-	10,326,099
<i>Total Restricted Cash and Investments</i>	2,999,460	5,998,530	19,324,089
Total Investments			\$ 166,171,203

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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Interfund Transfers

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
<u>Governmental Fund</u>		
Flood Protection Operations Funds	Water Enterprise Operations Fund	\$ 11,890 (A)
<u>Enterprise Funds:</u>		
Water Enterprise Capital Expansion Fund	Water Enterprise Operations Fund	15,347,031 (B)
Water Supply and Reliability Fund	Water Enterprise Capital Expansion Fund	358,901 (C)
Water Supply and Reliability Fund	Water Enterprise Operations Fund	50,000 (D)
		<u>\$ 15,767,822</u>

(A) Transfer to fund vehicle replacement.

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

(C) Transfer to fund Sites Reservoir Project and Los Vaqueros Reservoir Project.

(D) Transfer to fund Delta Conveyance Finance Authority Administration costs.

Note 4 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2020 is as follows:

<i>Governmental Activities:</i>	Balance July 1, 2019	Additions	Balance June 30, 2020
<i>Capital assets not being depreciated:</i>			
Rights of Way	\$ 21,203,051	\$ -	\$ 21,203,051
Easements	36,960	-	36,960
Construction in progress	1,226,115	112,407	1,338,522
Total capital assets not being depreciated	<u>22,466,126</u>	<u>112,407</u>	<u>22,578,533</u>
<i>Capital assets being depreciated:</i>			
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
Equipment	-	13,059	13,059
Total capital assets being depreciated	<u>14,902,260</u>	<u>13,059</u>	<u>14,915,319</u>
Less accumulated depreciation for:			
Flood control channels	(4,000,496)	(231,734)	(4,232,230)
Other infrastructure	(124,555)	(26,222)	(150,777)
Office Building	(79,070)	(36,494)	(115,564)
Equipment	-	(1,524)	(1,524)
Total accumulated depreciation	<u>(4,204,121)</u>	<u>(295,974)</u>	<u>(4,500,095)</u>
Total capital assets being depreciated, net	<u>10,698,139</u>	<u>(282,915)</u>	<u>10,415,224</u>
Total governmental activities	<u>\$ 33,164,265</u>	<u>\$ (170,508)</u>	<u>\$ 32,993,757</u>

Depreciation expense in the amount of \$295,974 was charged to Flood Protection of the primary government.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Construction in progress at June 30, 2020 comprises the following projects:

Arroyo Mocho Medieros	\$	1,210,082
Arroyo Mocho Granada/Murrieta		81,958
North Canyons Administration Building HVAC Project		46,482
Total	\$	1,338,522

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2020 is as follows:

<i>Business--Type Activities:</i>	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Capital assets not being depreciated:</i>				
Rights of way	\$ 9,553,081	\$ -	\$ -	\$ 9,553,081
Water entitlements	36,655,364	-	-	36,655,364
Easements	1,835,848	26,226	-	1,862,074
Construction in progress	44,545,995	44,746,257	-	89,292,252
Total capital assets not being depreciated	92,590,288	44,772,483	-	137,362,771
<i>Capital assets being depreciated:</i>				
Equipment	4,221,402	765,676	(135,677)	4,851,401
Treatment plants	117,172,449	-	-	117,172,449
Office building	7,103,276	-	-	7,103,276
Reservoir	1,934,197	-	-	1,934,197
Pipelines	53,929,752	-	-	53,929,752
Wellfields	31,202,337	-	-	31,202,337
SCADA project	9,704,664	-	-	9,704,664
Other infrastructure	1,536,435	2,618,505	-	4,154,940
Total capital assets being depreciated	226,804,512	3,384,181	(135,677)	230,053,016
<i>Less accumulated depreciation for:</i>				
Equipment	(2,973,932)	(440,529)	135,677	(3,278,784)
Treatment plants	(53,583,468)	(3,191,813)	-	(56,775,281)
Office buildings	(1,322,656)	(177,582)	-	(1,500,238)
Reservoirs	(1,247,770)	(48,355)	-	(1,296,125)
Pipelines	(18,941,462)	(1,241,533)	-	(20,182,995)
Wellfields	(8,796,410)	(780,058)	-	(9,576,468)
SCADA project	(7,035,882)	(485,233)	-	(7,521,115)
Other infrastructure	(256,600)	(64,423)	-	(321,023)
Total accumulated depreciation	(94,158,180)	(6,429,526)	135,677	(100,452,029)
Total capital assets being depreciated, net	132,646,332	(3,045,345)	-	129,600,987
Total business-type activities	\$ 225,236,620	\$ 41,727,138	\$ -	\$ 266,963,758

Depreciation expense in the amount of \$6,429,526 was charged to Water Enterprise Operations of the primary government.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

Construction in Progress at June 30, 2020 comprises the following projects:

Busch Valley Well #1	\$ 1,820,077
Arroyo Mocho/Lake H Diversion	404,297
DVWTP Ozonation	46,389,955
Patterson Pass Water Treatment Plant Ozonation	17,162,954
Patterson Pass Water Treatment Plant Upgrades	21,032,509
DVWTP Polymer Mixing System Replacement	119,544
Chain of Lakes (COL) Pipeline	178,950
Dougherty Reservoir Interior/Exterior Recoating & Rehab Project	2,000,473
California Water Service Turnout 6 Replacement	8,636
North Canyons Administration Building HVAC Project	174,857
Total	\$ 89,292,252

Note 5 – Long Term Debt

Summary of changes in business-type activities long-term debt is as follows:

	Original Issue Amount	Balance July 1, 2019	Retirements	Balance June 30, 2020	Amount due within one year	Amount more than one year
2018 Water Revenue Bonds	\$ 64,010,000	\$ 64,010,000	\$ 1,305,000	\$ 62,705,000	\$ 1,370,000	\$ 61,335,000
Plus: Unamortized Bond Premium	7,506,832	6,725,844	725,421	6,000,423	-	6,000,423
Total long-term debt		\$ 70,735,844	\$ 2,030,421	\$ 68,705,423	\$ 1,370,000	\$ 67,335,423

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 \$15,290,000 of the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, 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.

The Agency's bond covenants contain events of default that require the net revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. The Agency's bonds also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the bonds, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 5 – Long Term Debt (Continued)

2018 Water Revenue Bonds (Continued)

At June 30, 2020, the debt service payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
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	1,595,000	2,619,663	4,214,663
2025	1,680,000	2,537,788	4,217,788
2026-2030	9,800,000	11,303,438	21,103,438
2031-2035	12,595,000	8,535,388	21,130,388
2036-2040	9,555,000	6,073,181	15,628,181
2041-2045	11,665,000	3,958,525	15,623,525
2046-2050	11,480,000	1,020,825	12,500,825
Total Payments Due	62,705,000	\$ 44,360,046	\$ 107,065,046
Unamortized Premium	6,000,423		
Total	\$ 68,705,423		

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Agency has evaluated the 2018 Water Revenue Bonds issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2020 and 2019.

Note 6 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2020 is as follows:

Beginning Balance	\$ 1,249,869
Additions	572,335
Payments	(632,274)
Ending Balance	\$ 1,189,930
Current portion	\$ 657,916
Non-current Portion	\$ 532,014

Accrued vacation and sick leave are liquidated by the fund that has recorded the liability.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – 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, 2019. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Alameda County Employees’ Retirement Association, 475 14th Street #1000, Oakland, California 94612.

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

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

The Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Tier 1	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
Maximum monthly benefits, as a % of eligible compensation	100%	100%	100%
Required employee contribution rates	7.86% - 16.28%	5.41% - 11.42%	8.80%
Required employer contribution rates	18.61% and 27.92%	18.01% and 27.01%	26.04%

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 5.41 and 16.28 percent of their annual covered salary effective September 2019. 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 Reserve (SRBR) for ACERA.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Alameda County Employees’ Retirement Association Pension Plan

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, 2020, the contributions recognized as part of pension expense for the Plan were \$2,294,121.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2020, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate share of Net Pension Liability</u>
Miscellaneous	\$ 18,610,738

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, 2019, 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, 2018 rolled forward to December 31, 2019 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:

<u>Reporting Date as of June 30</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate share of Net Pension Liability</u>	<u>Covered payroll</u>	<u>Net Pension Liability as a percentage of its covered payroll</u>
2018	1.26%	\$ 19,859,054	\$ 11,997,579	165.53%
2019	1.24%	26,320,948	11,839,254	222.32%
2020	1.11%	18,610,738	12,184,391	152.74%

For the year ended June 30, 2020, the Agency recognized pension expense of \$1,298,644. Changes in the Net Pension Liability are recorded in the fund that recorded the liability. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Contributions made after measurement date	\$ 1,317,549	\$ -
Changes in assumptions	2,035,580	256,846
Difference between actual and expected experience	169,407	323,768
Difference between projected and actual earning on pension plan investments	-	3,905,618
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,470,996
Total	<u>\$ 3,522,536</u>	<u>\$ 6,957,228</u>

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Alameda County Employees’ Retirement Association Pension Plan

The \$1,317,549 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:

Measurement Period Ending June 30,	Deferred Outflows / (Inflows) of Resources
2021	\$ (1,417,923)
2022	(1,384,169)
2023	(187,576)
2024	(1,731,920)
2025	(30,653)
Total	<u>\$ (4,752,241)</u>

Actuarial Assumptions – The total pension liabilities in the December 31, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation Rate	3.00%
Payroll Growth	3.50%
Projected Salary Increase	4.80% - 7.80% (1)
Cost of Living Adjustments	Tier 1: 3.00% ; Tier 2 and 4:2.00%
Investment Rate of Return	7.25% (2)
Mortality	RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables

(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, 2019.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Alameda County Employees’ Retirement Association Pension Plan

The long-term expected rate of return on pension plan investments was determined in 2017 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:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
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:

<u>Plan's Aggregate Net Pension Liability/(Asset)</u>		
<u>Discount Rate</u>	<u>Current Discount</u>	<u>Discount Rate</u>
<u>- 1% (6.25%)</u>	<u>Rate (7.25%)</u>	<u>+ 1% (8.25%)</u>
\$ 29,285,586	\$ 18,610,738	\$ 9,822,532

Note 8 – Postemployment 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 postemployment 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.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Postemployment Benefits Other Than Retirement (Continued)

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

Funding Policy – The postemployment medical, dental and vision benefits are currently provided through the Supplemental Retirees Benefit Reserve (SRBR) as described in the Alameda County Employees’ Retirement Association Pension Plan note. The SRBR is a funded trust that receives fifty percent of the investment earnings that are in excess of the assumed investment rate of return of the ACERA Defined Benefit Pension Plan. The Agency, through the County, does not make postemployment medical benefit payments directly to retirees and does not have the ability to fund these benefits. However, the Agency’s pension contribution to ACERA would be lower if not for the excess interest transfer to the SRBR.

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2020:

Membership Eligibility	<p><i>Service Retirees:</i> Retired with at least 10 years of services (including deferred vested members who terminate employment and receive a retirement benefit from ACERA).</p> <p><i>Disabled Retirees:</i> A minimum of 10 years of service required for non-duty disability. There is no minimum service requirement for duty disability.</p>								
Benefit Eligibility	<p>1 Monthly Medical Allowance</p> <p><i>Service Retirees:</i> For retirees, a Maximum Monthly Medical Allowance of \$558.00 per month is provided, effective January 1, 2019 and through December 31, 2019. For the period January 1, 2020 through December 31, 2020 the maximum allowance is \$578.65 per month. For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was \$427.46 per month for 2019 and is \$443.28 for 2020. These Allowances are subject to the following subsidy schedule:</p> <table style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Completed Years of Service</u></th> <th style="text-align: right;"><u>Percentage Subsidized</u></th> </tr> </thead> <tbody> <tr> <td>10-14</td> <td style="text-align: right;">50%</td> </tr> <tr> <td>15-19</td> <td style="text-align: right;">75%</td> </tr> <tr> <td>20+</td> <td style="text-align: right;">100%</td> </tr> </tbody> </table> <p><i>Disabled Retirees:</i> 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.</p> <p>2 Medical Benefit Reimbursement Plan:</p> <p>The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must</p> <ul style="list-style-type: none"> - Have at least 10 years of ACERA service, - Be eligible for Monthly Medical Allowance, - Provide proof of enrollment in Medical Part B <p>3 Dental and Vision Plans:</p> <p>The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premiums will be \$46.28 in 2020 and \$48.12 in 2021. The eligibility for these premiums is as follows:</p> <p><i>Service Retirees:</i> Retired with at least 10 years of service.</p> <p><i>Disabled Retirees:</i> 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 minimum service requirement. For duty disabled retirees, there is no minimum service requirement.</p>	<u>Completed Years of Service</u>	<u>Percentage Subsidized</u>	10-14	50%	15-19	75%	20+	100%
<u>Completed Years of Service</u>	<u>Percentage Subsidized</u>								
10-14	50%								
15-19	75%								
20+	100%								
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.								

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Postemployment Benefits Other Than Retirement (Continued)

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

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	90
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	Not available
Inactive employees entitled to but not yet receiving benefit payments	Not available
Total	90

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Agency’s net OPEB liability was measured as of December 31, 2019 and the net OPEB liability was determined by an actuarial valuation dated December 31, 2018 that was rolled forward using standard update procedures to determine the Agency’s net OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Salary increases	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 7.0% to ultimate 4.50% over 10 years Medicare medical plan - Graded from 6.5% to ultimate 4.50% over 8 years Dental/Vision - 4.00% Medicare Part B - 4.00%

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:

Net OPEB Liability/(Asset)		
Discount Rate - 1% (6.25%)	Current Discount Rate (7.25%)	Discount Rate + 1% (8.25%)
\$ 1,515,932	\$ 678,897	\$ (15,986)

Net OPEB Liability/(Asset)		
Healthcare		
1% Decrease (5.75% to 3.50%)	Cost Trend Rate (6.75% to 4.50%)	1% Increase (7.75% to 5.50%)
\$ (93,065)	\$ 678,897	\$ 1,629,868

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Postemployment Benefits Other Than Retirement (Continued)

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

For the year ended June 30, 2020, the Agency recognized OPEB revenue of \$37,174. Changes in the Net OPEB Liability are recorded in the fund that recorded the liability. At June 30, 2020, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes in assumptions	\$ 259,201	\$ 48,107
Difference between actual and expected experience	-	401,048
Difference between projected and actual earnings on OPEB plan investments	-	339,860
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	766,152
Total	\$ 259,201	\$ 1,555,167

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:

Measurement Period Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ (307,384)
2022	(307,385)
2023	(86,114)
2024	(342,822)
2025	(171,189)
Thereafter	(81,072)
	\$ (1,295,966)

Note 9 – Insurance

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority Property and Liability Insurance Programs for risk of loss. These programs provide general liability, including auto, property, crime, pollution, and cyber liability insurance coverage. The Agency is self-insured for worker's compensation 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. As of June 30, 2020, the Agency participated in the liability and property programs of the ACWA/JPIA as follows:

Type of Coverage	Coverage Limit	Self Insured/Deductible
General Liability, including Auto Liability	\$55,000,000	\$5,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	500,000,000	10,000
Crime	3,000,000	1,000
Pollution	10,000,000	250,000
Cyber Liability	3,000,000	50,000

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

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.

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 2020 and 2019, the costs under the contract were \$26.2 million and \$22.1 million, respectively.

Effective November 7th, 2003, Amendment No. 24 to the Water Supply Contract between the DWR and the Agency was executed to set forth their agreement regarding the Agency's responsibility for the repayment of costs for the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, was \$314.7 million. In fiscal years 2020 and 2019, the costs under Amendment No. 24 were \$17.1 million and \$18.5 million, respectively with a remaining obligation of \$178.8 million as of June 30, 2020 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 2020 and 2019, the costs under the agreement were \$90,000 each year.

Delta Conveyance Design and Construction Joint Powers Authority – On May 14, 2018, the Agency along with participating State Water Contractors formed the Delta Conveyance Design and Construction Joint Powers Authority (“DCA”). The DCA was formed with the proposes to enter into an agreement with DWR establishing that the DCA will undertake those activities required to complete the design and construction of the Delta Conveyance Project. The Delta Conveyance Project will make physical and operational improvements to the State Water Project (“SWP”) and the Central Valley Project (“CVP”) necessary to: protect and maintain ecosystem health; maintain water quality; and restore and protect water supplies so that the SWP and CVP are capable of readily delivering water within a stable regulatory framework at costs that are not so high as to preclude, and in amounts that are sufficient to support, the financing of the investments necessary to fund construction and operation of facilities and/or improvements. In January 2020, DWR released a Notice of Preparation (NOP) of an Environmental Impact Report (EIR) pursuant to CEQA for a proposed single tunnel project with 6,000 cfs of capacity referred to as the ‘Delta Conveyance Project’ or Project referred to above. The Project is part of Governor Newsom’s portfolio approach to water management. To-date no debt has been issued by the DCA and it is unknown when debt will be issued.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Commitment and Contingent Liabilities (Continued)

B. Water Supply Commitments (Continued)

Delta Conveyance Finance Authority - On July 3, 2018, the Agency along with two other agencies formed the Delta Conveyance Finance Authority (“DCFA”). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a Delta Conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according water allocations.

The Agency has a 2 percent share of State Water Project Table A allocations, but the Agency’s actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed Executive Order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 DWR withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor’s vision.

DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024.

C. COVID-19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Agency could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Agency and the duration cannot be estimated at this time.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
For the Year Ended June 30, 2020

COST-SHARING MULTIPLE 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.

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2020

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Measurement period	2017	2018	2019
Plan's proportion of the net pension liability	1.26%	1.24%	1.11%
Plan's proportionate share of the net pension liability	\$ 19,859,054	\$ 26,320,948	\$ 18,610,738
Plan's covered payroll	\$ 12,229,930	\$ 11,719,529	\$ 12,130,078
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	162.38%	224.59%	153.43%
Plan fiduciary net position as a percentage of the total pension liability	1.26%	1.24%	1.11%

Measurement period	2014	2015	2016
Plan's proportion of the net pension liability	1.60%	1.18%	1.46%
Plan's proportionate share of the net pension liability	\$ 22,241,545	\$ 24,951,866	\$ 25,488,068
Plan's covered payroll	\$ 12,318,588	\$ 13,014,942	\$ 12,536,863
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	180.55%	191.72%	203.30%
Plan fiduciary net position as a percentage of the total pension liability	1.60%	1.18%	1.46%

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

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2020

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Fiscal year	2018	2019	2020
Actuarially determined contribution	\$ 4,272,678	\$ 4,468,041	\$ 2,923,829
Contributions in relation to the actuarially determined contribution	(4,272,678)	(4,468,041)	(2,923,829)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 11,997,578	\$ 11,839,254	\$ 12,184,391
Contributions as a percentage of covered payroll	35.61%	37.74%	24.00%

Fiscal year	2015	2016	2017
Actuarially determined contribution	\$ 4,324,438	\$ 4,568,731	\$ 4,616,119
Contributions in relation to the actuarially determined contribution	(4,324,438)	(4,568,731)	(4,616,119)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 12,505,557	\$ 12,840,271	\$ 12,351,170
Contributions as a percentage of covered payroll	34.58%	35.58%	37.37%

Methods and assumptions used to determine contribution rates:

Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation Rate	3.00%
Payroll Growth	3.50%
Projected Salary Increase	4.80% - 7.80% (1)
Cost of Living Adjustments	Tier 1: 3.00% ; Tier 2 and 4: 2.00%
Investment Rate of Return	7.25% (2)
Mortality	RP-2014 (RPH-2014) Healthy Annuitant Mortal

(1) Vary by service, including inflation

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

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
For the Year Ended June 30, 2020

COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION 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.

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Plan's Proportionate Share of the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined OPEB Plan

Measurement period	2017	2018	2019
Plan's proportion of the net OPEB liability	1.43%	1.29%	0.78%
Plan's proportionate share of the net OPEB liability	\$ 298,850	\$ 2,295,442	\$ 678,897
Plan's covered payroll	\$ 12,229,930	\$ 11,719,530	\$ 12,130,078
Plan's proportionate share of the net OPEB liability as a percentage of its covered payroll	2.44%	19.59%	5.60%
Plan's fiduciary net position as a percentage of the total net OPEB liability	1.43%	1.29%	0.78%

¹ Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2020

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan

Fiscal Year	2018	2019	2020
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 9,957,944	\$ 9,400,208	\$ 5,942,078
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

*Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

Notes to Schedule:

Valuation date	December 31, 2018
Measurement Date	December 31, 2019
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 rates	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 6.50% to ultimate 4.50% over 8 years
	Dental/Vision and Medicare Part B - 4.00%

SUPPLEMENTARY INFORMATION

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Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

(With summarized information as of June 30, 2019)

	Environmental	Cal OES	Department of	Totals	
	Protection Agency (EPA) Grant - Federal	Grant Federal	Water Resources (DWR) Grant - Federal	2020	2019
ASSETS					
Current Assets					
Accounts receivable, net	\$ 11,885	\$ 230,454	\$ 5,452	\$ 247,791	\$ 26,177
Total assets	<u>\$ 11,885</u>	<u>\$ 230,454</u>	<u>\$ 5,452</u>	<u>\$ 247,791</u>	<u>\$ 26,177</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 7,996	\$ -	\$ -	\$ 7,996	\$ 24,703
Due to other funds	3,889	230,454	5,452	239,795	1,474
Total liabilities	<u>11,885</u>	<u>230,454</u>	<u>5,452</u>	<u>247,791</u>	<u>26,177</u>
FUND BALANCES					
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,885</u>	<u>\$ 230,454</u>	<u>\$ 5,452</u>	<u>\$ 247,791</u>	<u>\$ 26,177</u>

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020
(With summarized information for the year ended June 30, 2019)

	Environmental	Cal OES	Department of	Total Non-major	
	Protection Agency (EPA) Grant- Federal	Grant Federal	Water Resources (DWR) Grant - Federal	Governmental Funds	
				2020	2019
REVENUES:					
Intergovernmental revenues	\$ 167,147	\$ 315,852	\$ 5,452	\$ 488,451	\$ 125,352
Other revenue	9,536	-	-	9,536	-
Total revenues	176,683	315,852	5,452	497,987	125,352
EXPENDITURES:					
Current:					
Salaries and employee benefits transferred from district-wide	8,954	-	5,452	14,406	6,284
Services and supplies	167,729	315,852	-	483,581	119,068
Total expenditures	176,683	315,852	5,452	497,987	125,352
NET CHANGES IN FUND BALANCES	-	-	-	-	-
FUND BALANCES:					
Beginning of year	-	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Net Position
Nonmajor Water Enterprise Funds
June 30, 2020

(With summarized information as of June 30, 2019)

	Water Facilities	Water Supply and Reliability	Totals	
			2020	2019
ASSETS				
Current assets:				
Cash in County Treasury	\$ 3,965,248	\$ 2,902,414	\$ 6,867,662	\$ 7,136,273
Total current assets	<u>3,965,248</u>	<u>2,902,414</u>	<u>6,867,662</u>	<u>7,136,273</u>
Total assets	<u>3,965,248</u>	<u>2,902,414</u>	<u>6,867,662</u>	<u>7,136,273</u>
LIABILITIES				
Current Liabilities:				
Deposits	319,115	-	319,115	319,115
Total current liabilities	<u>319,115</u>	<u>-</u>	<u>319,115</u>	<u>319,115</u>
Total liabilities	<u>319,115</u>	<u>-</u>	<u>319,115</u>	<u>319,115</u>
NET POSITION				
Unrestricted	3,646,133	2,902,414	6,548,547	6,817,158
Total net position	<u>\$ 3,646,133</u>	<u>\$ 2,902,414</u>	<u>\$ 6,548,547</u>	<u>\$ 6,817,158</u>

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Water Enterprise Funds
For the Year Ended June 30, 2020
(With summarized information for the year ended June 30, 2019)

	Water Facilities	Water Supply and Reliability	Totals	
			2020	2019
NONOPERATING REVENUES:				
Investment earnings	\$ 80,186	\$ 60,104	\$ 140,290	\$ 128,259
Income (loss) before transfers	<u>80,186</u>	<u>60,104</u>	<u>140,290</u>	<u>128,259</u>
Transfers (out)	<u>-</u>	<u>(408,901)</u>	<u>(408,901)</u>	<u>(500,065)</u>
CHANGES IN NET POSITION	80,186	(348,797)	(268,611)	(371,806)
NET POSITION:				
Beginning of the year	<u>3,565,947</u>	<u>3,251,211</u>	<u>6,817,158</u>	<u>7,188,964</u>
End of the year	<u>\$ 3,646,133</u>	<u>\$ 2,902,414</u>	<u>\$ 6,548,547</u>	<u>\$ 6,817,158</u>

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Cash Flows
Nonmajor Water Enterprise Funds
For the Year Ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

	Water Facilities	Water Supply and Reliability	Totals	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from (payments to) customers	-	-	-	(62,156)
Net cash provided (used) by operating activities	-	-	-	(62,156)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers (out)	-	(408,901)	(408,901)	(500,065)
Net cash provided by (used in) noncapital financing activities	-	(408,901)	(408,901)	(500,065)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	80,186	60,104	140,290	128,259
Net Cash Provided by Investing Activities	80,186	60,104	140,290	128,259
Net increase (decrease) in cash and cash equivalents	80,186	(348,797)	(268,611)	(433,962)
CASH AND CASH EQUIVALENTS:				
Beginning of year	3,885,062	3,251,211	7,136,273	7,570,235
End of year	<u>\$ 3,965,248</u>	<u>\$ 2,902,414</u>	<u>\$ 6,867,662</u>	<u>\$ 7,136,273</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to cash flows				
Changes in assets and liabilities				
Deposits	-	-	-	(62,156)
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,156)</u>

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**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***

Independent Auditors' Report

To the Board of Directors of the
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 financial statements of the Alameda County Flood Control And Water Conservation District, Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 8, 2020.

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 entity'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.

To the Board of Directors of the
Alameda County Flood Control and Water Conservation
District Zone 7 Water Agency
Livermore, California
Page 2

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
December 8, 2020

STATISTICAL SECTION
(Unaudited)

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Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Statistical Section Overview
(Unaudited)

This part of the Alameda County Flood and Water Conservation District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents	Pages
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	100-107
Revenue Capacity	
These schedules contain information to help the reader assess one of the government's most significant local revenue sources - property tax.	109-118
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	119-120
Demographic and Economic Information	
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	121-123
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	124-125

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013 (a)</u>	<u>2014</u>	<u>2015</u>
Governmental Activities					
Net Investment in capital assets	\$ 14,479,216	\$ 14,301,567	\$ 16,232,189	\$ 30,403,950	\$ 30,385,318
Restricted	58,914,899	36,696,155	60,596,601	41,506,430	49,177,969
Unrestricted	<u>3,928,002</u>	<u>23,559,397</u>	<u>4,406,909</u>	<u>15,260,267</u>	<u>16,739,156</u>
Total governmental activities net position	<u>\$ 77,322,117</u>	<u>\$ 74,557,119</u>	<u>\$ 81,235,699</u>	<u>\$ 87,170,647</u>	<u>\$ 96,302,443</u>
Business-type activities					
Net Investment in capital assets	\$ 208,841,658	\$ 205,651,283	\$ 202,295,691	\$ 211,603,471	\$ 212,562,797
Restricted	40,041,672	37,928,558	65,125,317	42,196,142	50,917,217
Unrestricted	<u>39,394,747</u>	<u>41,291,980</u>	<u>40,127,373</u>	<u>57,821,385</u>	<u>36,428,063</u>
Total business-type activities net position	<u>\$ 288,278,077</u>	<u>\$ 284,871,821</u>	<u>\$ 307,548,381</u>	<u>\$ 311,620,998</u>	<u>\$ 299,908,077</u>
Primary government					
Net Investment in capital assets	\$ 223,320,874	\$ 219,952,850	\$ 218,527,880	\$ 242,007,421	\$ 242,948,115
Restricted	98,956,571	74,624,713	125,721,918	83,702,572	100,095,186
Unrestricted	<u>43,322,749</u>	<u>64,851,377</u>	<u>44,534,282</u>	<u>73,081,652</u>	<u>53,167,219</u>
Total primary government net position	<u>\$ 365,600,194</u>	<u>\$ 359,428,940</u>	<u>\$ 388,784,080</u>	<u>\$ 398,791,645</u>	<u>\$ 396,210,520</u>

(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
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental Activities					
Net Investment in capital assets	\$ 30,334,638	\$ 31,990,546	\$ 32,247,481	\$ 33,164,265	\$ 32,993,757
Restricted	56,059,067	58,149,272	62,760,525	66,872,665	69,648,891
Unrestricted	<u>19,133,427</u>	<u>20,484,357</u>	<u>16,662,343</u>	<u>15,346,434</u>	<u>17,937,525</u>
Total governmental activities net position	<u>\$ 105,527,132</u>	<u>\$ 110,624,175</u>	<u>\$ 111,670,349</u>	<u>\$ 115,383,364</u>	<u>\$ 120,580,173</u>
Business-type activities					
Net Investment in capital assets	\$ 188,968,433	\$ 194,732,197	\$ 198,348,996	\$ 210,675,110	\$ 227,930,485
Restricted	82,151,910	97,494,721	107,414,628	127,521,329	131,461,963
Unrestricted	<u>30,717,428</u>	<u>37,712,019</u>	<u>47,669,365</u>	<u>48,823,266</u>	<u>56,022,343</u>
Total business-type activities net position	<u>\$ 301,837,771</u>	<u>\$ 329,938,937</u>	<u>\$ 353,432,989</u>	<u>\$ 387,019,705</u>	<u>\$ 415,414,791</u>
Primary government					
Net Investment in capital assets	\$ 219,303,071	\$ 226,722,743	\$ 230,596,477	\$ 243,839,375	\$ 260,924,242
Restricted	138,210,977	155,643,993	170,175,153	194,393,994	201,110,854
Unrestricted	<u>49,850,855</u>	<u>58,196,376</u>	<u>64,331,708</u>	<u>64,169,700</u>	<u>73,959,868</u>
Total primary government net position	<u>\$ 407,364,903</u>	<u>\$ 440,563,112</u>	<u>\$ 465,103,338</u>	<u>\$ 502,403,069</u>	<u>\$ 535,994,964</u>

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013 (a)	2014	2015
Expenses					
Governmental activities:					
Flood Protection Operations	\$ 4,063,566	\$ 8,499,485	\$ 3,947,332	\$ 1,488,735	\$ 4,705,166
Flood Protection Drainage DIF	615,758	5,903,778	705,688	4,029,268	499,169
Flood Protection Grants	-	-	-	-	-
Total governmental activities expenses	<u>4,679,324</u>	<u>14,403,263</u>	<u>4,653,020</u>	<u>5,518,003</u>	<u>5,204,335</u>
Business-type activities:					
State Water Project	10,670,494	13,858,280	14,002,380	13,681,891	16,359,406
Water Enterprise Funds	50,869,431	51,267,019	54,868,275	57,386,822	59,122,995
Total business-type activities expenses	<u>61,539,925</u>	<u>65,125,299</u>	<u>68,870,655</u>	<u>71,068,713</u>	<u>75,482,401</u>
Total primary government expenses	<u>\$ 66,219,249</u>	<u>\$ 79,528,562</u>	<u>\$ 73,523,675</u>	<u>\$ 76,586,716</u>	<u>\$ 80,686,736</u>
Program Revenues					
Governmental activities:					
Charges for Services	\$ 30,230	\$ 58,583	\$ 53,897	\$ 113,016	\$ 517,030
Operating grants and contributions	53,229	61,249	61,578	64,318	112,334
Other program revenues	3,187,574	5,505,787	5,095,420	4,953,372	8,032,445
Total governmental activities program revenues	<u>3,271,033</u>	<u>5,625,619</u>	<u>5,210,895</u>	<u>5,130,706</u>	<u>8,661,809</u>
Business-type activities:					
Charges for service:					
State Water Project	12,206,165	15,489,732	11,942,972	12,269,322	13,708,844
Water Enterprise Funds	31,886,389	35,559,292	38,231,851	58,119,942	56,369,393
Operating grants & contributions	444,139	106,194	68,416	4,347,897	5,012,899
Capital grants & contributions	11,810,379	13,700,090	30,824,513	-	-
Total business-type activities program revenues	<u>56,347,072</u>	<u>64,855,308</u>	<u>81,067,752</u>	<u>74,737,161</u>	<u>75,091,136</u>
Total primary government program revenues	<u>\$ 59,618,105</u>	<u>\$ 70,480,927</u>	<u>\$ 86,278,647</u>	<u>\$ 79,867,867</u>	<u>\$ 83,752,945</u>
Net (expense)/revenue					
Governmental activities	\$ (1,425,750)	\$ (8,777,644)	\$ 557,875	\$ (387,297)	\$ 3,457,474
Business-type activities	(5,223,853)	(269,991)	12,197,097	3,668,448	(391,265)
Total primary government net expense	<u>\$ (6,649,603)</u>	<u>\$ (9,047,635)</u>	<u>\$ 12,754,972</u>	<u>\$ 3,281,151</u>	<u>\$ 3,066,209</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	\$ 5,745,003	\$ 5,773,050	\$ 5,959,083	\$ 6,201,653	\$ 6,759,202
Investment earnings and rental charges	328,384	239,596	161,622	189,800	194,118
Transfers	-	-	-	(13,334)	(13,333)
Other	-	-	-	-	-
Total governmental activities	<u>6,073,387</u>	<u>6,012,646</u>	<u>6,120,705</u>	<u>6,378,119</u>	<u>6,939,987</u>
Business-type activities:					
Investment earnings	704,257	610,133	331,588	390,865	314,297
Transfers	-	-	-	13,334	13,333
Total business-type activities	<u>704,257</u>	<u>610,133</u>	<u>331,588</u>	<u>404,199</u>	<u>327,630</u>
Total primary government	<u>\$ 6,777,644</u>	<u>\$ 6,622,779</u>	<u>\$ 6,452,293</u>	<u>\$ 6,782,318</u>	<u>\$ 7,267,617</u>
Change in Net Position					
Governmental activities	\$ 4,665,096	\$ (2,764,998)	\$ 6,678,580	\$ 5,934,948	\$ 10,397,461
Business-type activities	(4,488,596)	340,142	12,528,685	4,072,647	(63,635)
Total primary government	<u>\$ 176,500</u>	<u>\$ (2,424,856)</u>	<u>\$ 19,207,265</u>	<u>\$ 10,007,595</u>	<u>\$ 10,333,826</u>

(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 (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019	2020
Expenses					
Governmental activities:					
Flood Protection Operations	\$ 5,328,998	\$ 5,341,751	\$ 12,859,064	\$ 10,308,973	\$ 9,547,702
Flood Protection Drainage DIF	794,922	1,841,555	542,139	367,976	168,503
Flood Protection Grants	-	-	1,230,924	125,352	497,987
Total governmental activities expenses	<u>6,123,920</u>	<u>7,183,306</u>	<u>14,632,127</u>	<u>10,802,301</u>	<u>10,214,192</u>
Business-type activities:					
State Water Project	20,621,344	20,985,604	19,794,128	21,420,192	24,333,554
Water Enterprise Funds	81,257,514	60,641,826	75,273,928	63,564,015	61,634,465
Total business-type activities expenses	<u>101,878,858</u>	<u>81,627,430</u>	<u>95,068,056</u>	<u>84,984,207</u>	<u>85,968,019</u>
Total primary government expenses	<u>\$ 108,002,778</u>	<u>\$ 88,810,736</u>	<u>\$ 109,700,183</u>	<u>\$ 95,786,508</u>	<u>\$ 96,182,211</u>
Program Revenues					
Governmental activities:					
Charges for Services	\$ 7,556,578	\$ 3,683,683	\$ 4,652,449	\$ 3,522,081	\$ 1,694,933
Operating grants and contributions	71,562	181,418	182,315	70,969	79,929
Capital grants and contributions	40,202	13,263	1,230,924	125,352	488,451
Total governmental activities program revenues	<u>7,668,342</u>	<u>3,878,364</u>	<u>6,065,688</u>	<u>3,718,402</u>	<u>2,263,313</u>
Business-type activities:					
Charges for service:					
State Water Project	19,419,226	20,795,420	22,927,398	23,420,521	23,415,684
Water Enterprise Funds	68,594,249	77,826,527	84,362,659	83,227,173	79,931,895
Operating grants & contributions	15,285,044	10,179,114	7,235,940	6,723,525	6,509,157
Capital grants & contributions	-	-	-	-	26,226
Total business-type activities program revenues	<u>103,298,519</u>	<u>108,801,061</u>	<u>114,525,997</u>	<u>113,371,219</u>	<u>109,882,962</u>
Total primary government program revenues	<u>\$ 110,966,861</u>	<u>\$ 112,679,425</u>	<u>\$ 120,591,685</u>	<u>\$ 117,089,621</u>	<u>\$ 112,146,275</u>
Net (expense)/revenue					
Governmental activities	\$ 1,544,422	\$ (3,304,942)	\$ (8,566,439)	\$ (7,083,899)	\$ (7,950,879)
Business-type activities	1,419,661	27,173,631	19,457,941	28,387,012	23,914,943
Total primary government net expense	<u>\$ 2,964,083</u>	<u>\$ 23,868,689</u>	<u>\$ 10,891,502</u>	<u>\$ 21,303,113</u>	<u>\$ 15,964,064</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	\$ 7,329,117	\$ 7,895,448	\$ 8,518,064	\$ 9,144,785	\$ 9,834,264
Investment earnings and rental charges	342,127	518,982	897,199	1,485,504	1,745,490
Transfers	(13,333)	(12,445)	(12,444)	(12,444)	(11,890)
Other	22,356	-	34,267	179,069	1,579,824
Total governmental activities	<u>7,680,267</u>	<u>8,401,985</u>	<u>9,437,086</u>	<u>10,796,914</u>	<u>13,147,688</u>
Business-type activities:					
Investment earnings	496,700	915,090	2,021,455	5,187,260	4,468,253
Transfers	13,333	12,445	12,444	12,444	11,890
Total business-type activities	<u>510,033</u>	<u>927,535</u>	<u>2,033,899</u>	<u>5,199,704</u>	<u>4,480,143</u>
Total primary government	<u>\$ 8,190,300</u>	<u>\$ 9,329,520</u>	<u>\$ 11,470,985</u>	<u>\$ 15,996,618</u>	<u>\$ 17,627,831</u>
Change in Net Position					
Governmental activities	\$ 9,224,689	\$ 5,097,043	\$ 870,647	\$ 3,713,015	\$ 5,196,809
Business-type activities	1,929,694	28,101,166	21,491,840	33,586,716	28,395,086
Total primary government	<u>\$ 11,154,383</u>	<u>\$ 33,198,209</u>	<u>\$ 22,362,487</u>	<u>\$ 37,299,731</u>	<u>\$ 33,591,895</u>

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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)

Fiscal Year	Restricted	Committed	Total
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
2019	66,872,665	17,602,713	84,475,378
2020	69,648,891	20,010,475	89,659,366

Note: In Fiscal Year 2013, the Agency implemented the provisions of GASB Statement 63 which replaced the term "net assets" with the term "net position."

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)

	2011	2012	2013	2014	2015
Revenues					
Property taxes	\$ 5,745,003	\$ 5,773,050	\$ 5,959,083	\$ 6,201,653	\$ 6,759,202
Intergovernmental	53,229	61,249	61,578	64,318	144,691
Charges for services	3,196,178	5,522,909	5,135,797	4,879,252	8,516,405
Investment earnings	328,384	239,596	161,622	133,926	194,118
Other revenues	21,626	41,461	13,520	187,136	713
Total revenues	<u>9,344,420</u>	<u>11,638,265</u>	<u>11,331,600</u>	<u>11,466,285</u>	<u>15,615,129</u>
Expenditures					
Salaries and employee benefits					
transferred from district-wide	1,937,436	2,243,556	2,631,352	2,535,779	2,252,655
Services and supplies	2,559,113	6,851,120	3,498,544	2,650,121	2,821,192
Equipment and capital structures	126	5,130,850	451,740	14,503,864	107,500
Other	-	88	2,006	-	-
Total Expenditures	<u>4,496,675</u>	<u>14,225,614</u>	<u>6,583,642</u>	<u>19,689,764</u>	<u>5,181,347</u>
Excess of revenues over/(under) expenditures	<u>4,847,745</u>	<u>(2,587,349)</u>	<u>4,747,958</u>	<u>(8,223,479)</u>	<u>10,433,782</u>
Other Financing Sources (Uses)					
Transfers Out	-	-	-	(13,334)	(13,333)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,334)</u>	<u>(13,333)</u>
Net change in fund balances	<u>\$ 4,847,745</u>	<u>\$ (2,587,349)</u>	<u>\$ 4,747,958</u>	<u>\$ (8,236,813)</u>	<u>\$ 10,420,449</u>

Note: 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 Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

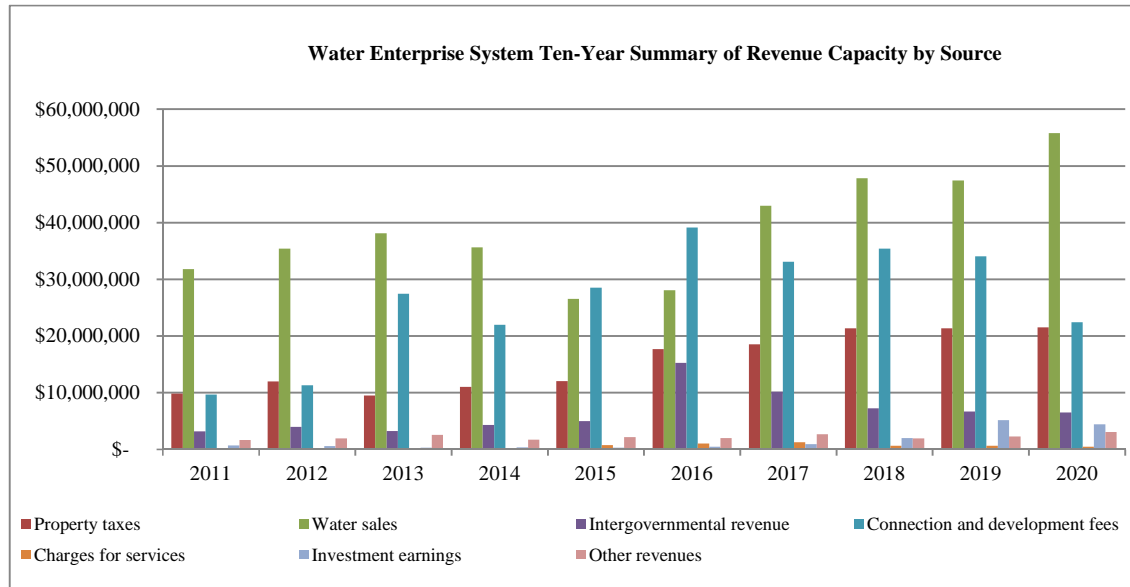
	2016	2017	2018	2019	2020
Revenues					
Property taxes	\$ 7,329,117	\$ 7,895,448	\$ 8,518,064	\$ 9,144,785	\$ 9,834,264
Intergovernmental	71,562	181,418	1,413,239	196,321	568,380
Charges for services	7,556,578	3,683,683	4,652,449	3,522,081	1,694,933
Investment earnings	342,127	518,982	897,199	1,485,504	1,745,490
Other revenues	62,558	13,263	34,267	179,069	1,579,824
Total revenues	15,361,942	12,292,794	15,515,218	14,527,760	15,422,891
Expenditures					
Salaries and employee benefits					
transferred from district-wide	2,455,453	1,961,724	2,292,919	2,332,437	2,205,357
Services and supplies	3,354,938	4,187,243	11,014,697	8,612,252	8,008,597
Equipment and capital structures		2,809,252	1,129,750	208,151	13,059
Other	-	-	-	-	-
Total Expenditures	5,810,391	8,958,219	14,437,366	11,152,840	10,227,013
Excess of revenues over/(under) expenditures	9,551,551	3,334,575	1,077,852	3,374,920	5,195,878
Other Financing Sources (Uses)					
Transfers Out	(13,333)	(12,445)	(12,444)	(12,444)	(11,890)
Total other financing sources (uses)	(13,333)	(12,445)	(12,444)	(12,444)	(11,890)
Net change in fund balances	\$ 9,538,218	\$ 3,322,130	\$ 1,065,408	\$ 3,362,476	\$ 5,183,988

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**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30**

Water Enterprise System

	Fiscal Year							Fiscal Year		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Property taxes	\$ 9,860,412	\$ 12,017,106	\$ 9,517,243	\$ 11,016,532	\$ 12,060,478	\$ 17,716,841	\$ 18,524,750	\$ 21,385,641	\$ 21,353,809	\$ 21,553,508
Water sales	31,785,517	35,398,908	38,130,264	35,616,588	26,552,568	28,110,974	42,975,960	47,860,145	47,440,592	55,777,208
Intergovernmental revenue	3,223,559	3,972,942	3,263,820	4,347,890	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525	6,509,157
Connection and development fees	9,697,595	11,345,942	27,483,527	21,973,245	28,521,399	39,135,444	33,128,280	35,434,462	34,068,092	22,461,926
Charges for services	100,872	160,384	101,587	49,734	771,485	1,050,070	1,276,122	665,688	687,569	500,371
Investment earnings	704,257	610,133	331,588	390,865	314,297	496,700	915,090	2,021,455	5,187,260	4,468,253
Other revenues	1,679,117	1,960,026	2,571,311	1,733,172	2,172,307	2,000,146	2,716,835	1,944,121	2,310,887	3,080,792
Total Revenues	\$ 57,051,329	\$ 65,465,441	\$ 81,399,340	\$ 75,128,026	\$ 75,405,433	\$ 103,795,219	\$ 109,716,151	\$ 116,547,452	\$ 117,771,734	\$ 114,351,215

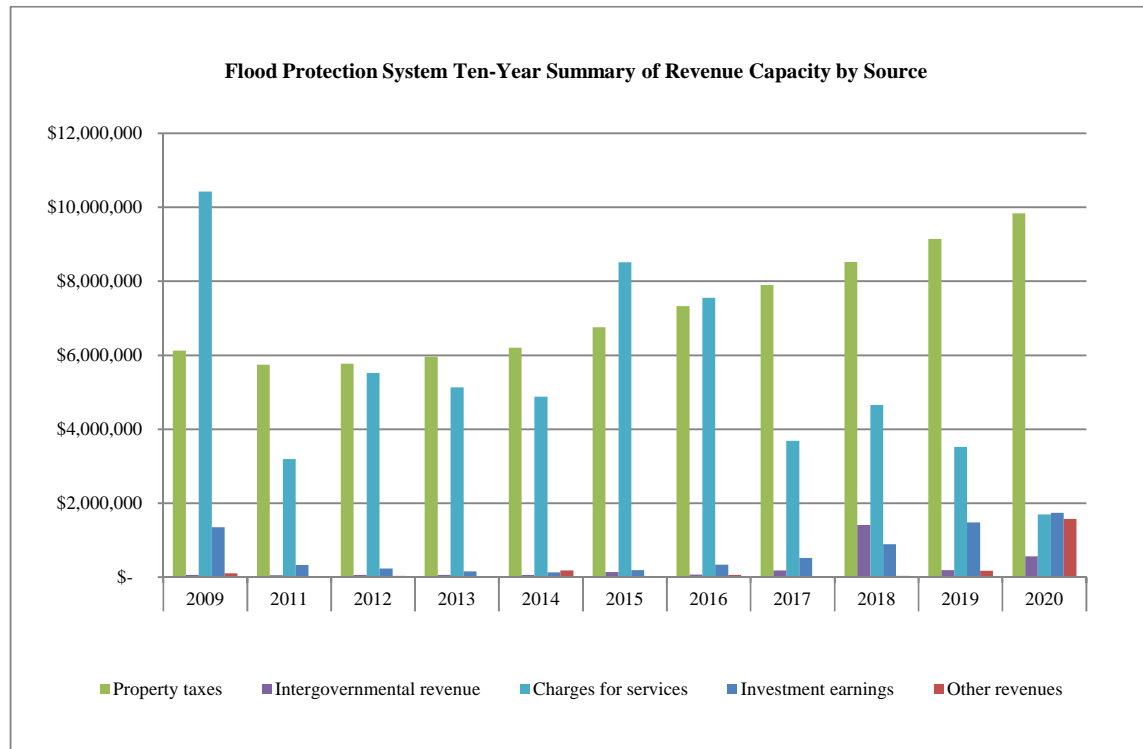


Source: Finance

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30**

Flood Protection System

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Property taxes	\$ 5,745,003	\$ 5,773,050	\$ 5,959,083	\$ 6,201,653	\$ 6,759,202	\$ 7,329,117	\$ 7,895,448	\$ 8,518,064	\$ 9,144,785	\$ 9,834,264
Intergovernmental revenue	53,229	61,249	61,578	64,318	144,691	71,562	181,418	1,413,239	196,321	568,380
Charges for services	3,196,178	5,522,909	5,135,797	4,879,252	8,516,405	7,556,578	3,683,683	4,652,449	3,522,081	1,694,933
Investment earnings	328,384	239,596	161,622	133,926	194,118	342,127	518,982	897,199	1,485,504	1,745,490
Other revenues	21,626	41,461	13,520	187,136	713	62,558	13,263	34,267	179,069	1,579,824
Total Revenues	\$ 9,344,420	\$ 11,638,265	\$ 11,331,600	\$ 11,466,285	\$ 15,615,129	\$ 15,361,942	\$ 12,292,794	\$ 15,515,218	\$ 14,527,760	\$ 15,422,891

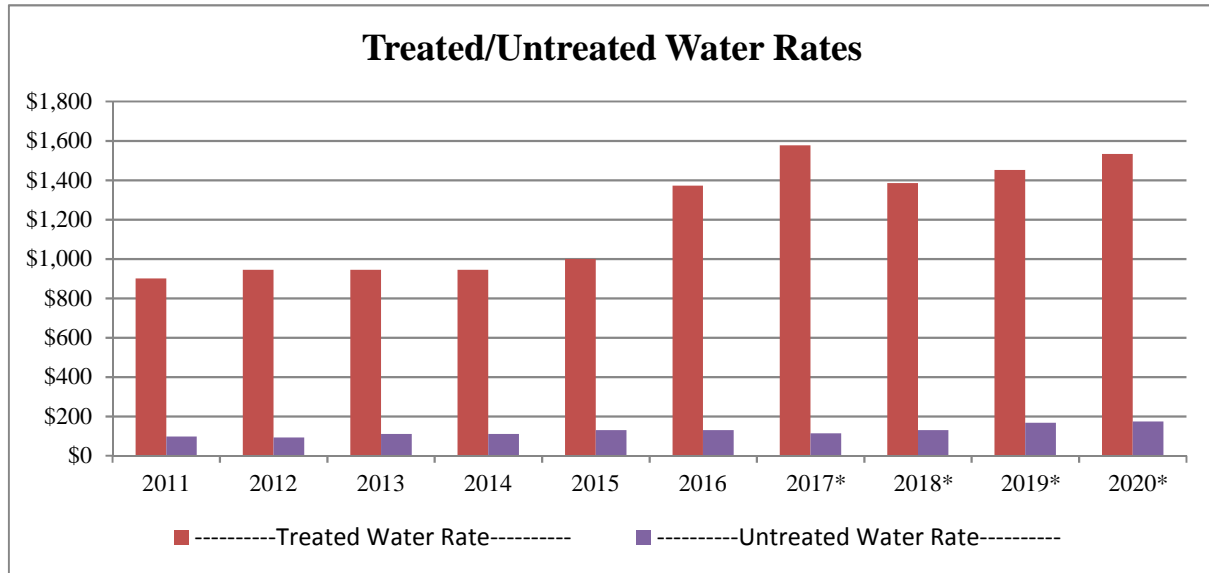


Source: Finance

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Treated and Untreated Water Rates
Ten-Year History
(In Acre Feet)**

Calendar Year	-----Treated Water Rate-----		-----Untreated Water Rate-----	
	Rate/AF	% Change Year Over Year	Rate/AF	% Change Year Over Year
2011	\$900	11.9%	\$97	-46.4%
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%
2019*	\$1,451	4.8%	\$167	29.5%
2020*	\$1,533	5.7%	\$173	3.6%

*In 2017, the agency changed its rates structure to include volume-based and fixed-based components.

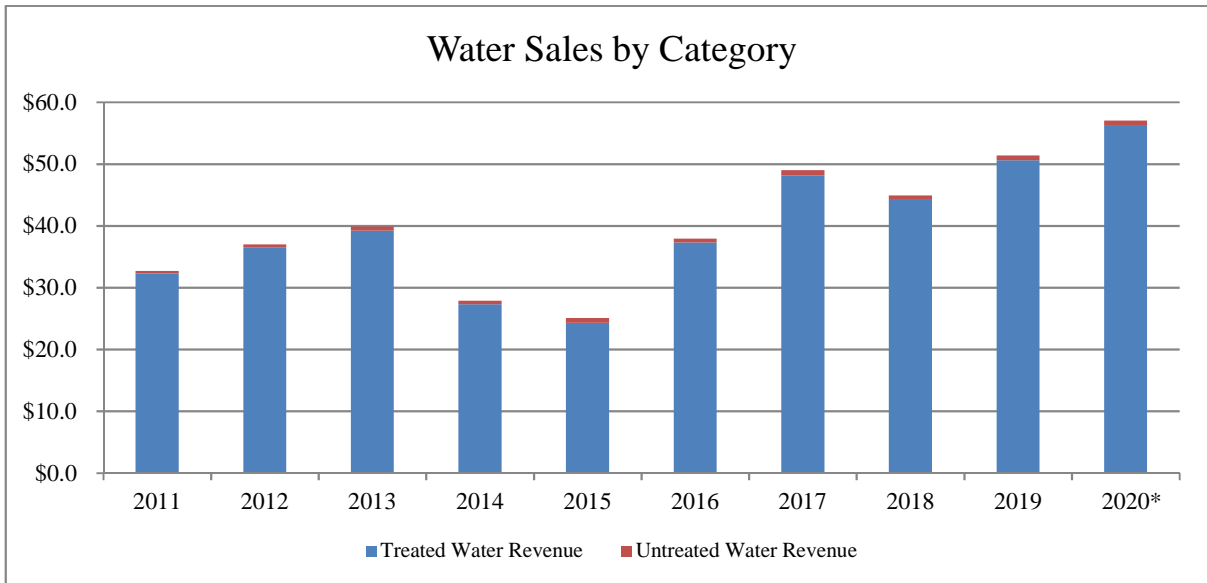


Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Water Sales by Category
Ten-Year History
(amounts expressed in millions)

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
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
2019	\$50.6	\$0.8	\$51.4
2020*	\$56.3	\$0.7	\$57.0

* 2020 Revenue figures are forecasted in order to calculate a full calendar year.



Source: Finance

**Alameda County Flood and Water Conservation District
 Zone 7 Water Agency
 Principal Treated Water Customers
 Current Complete Year Comparison to Nine Years Ago
 (Calendar Year)**

-----2019-----				-----2010-----			
Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption	Customer	Annual Consumption (AF)	Rank	Percentage of Total Annual Consumption
City of Pleasanton	10,328	1	29%	City of Pleasanton	12,672	1	36%
Dublin San Ramon Services District	10,151	2	28%	Dublin San Ramon Services District	9,262	2	26%
California Water	8,165	3	23%	California Water	7,146	3	20%
City of Livermore	5,930	4	17%	City of Livermore	6,078	4	17%
All other treated water customers ¹	983	5	3%	All other treated water customers ²	213	5	1%
Total Annual Consumption (AF)				Total Annual Consumption (AF)			
	35,557		100%		35,371		100%

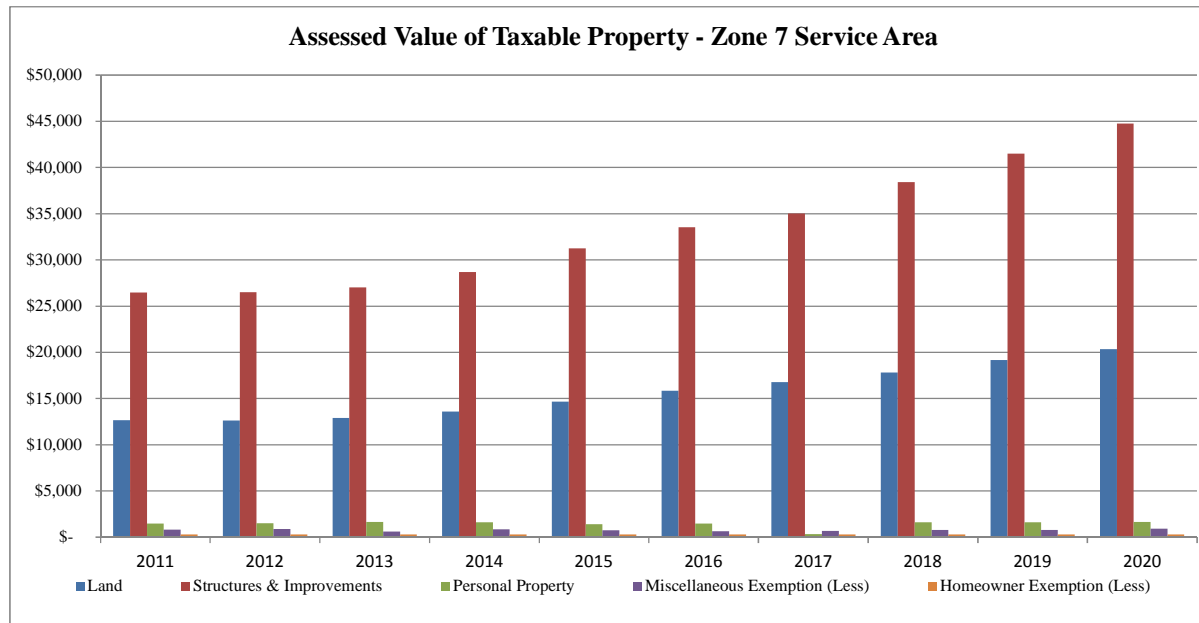
Source: Finance

¹ Other treated customers in 2019 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

² Other treated customers in 2010 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District, State of California, and Dublin Housing.

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Assessed Value of Taxable Property
Last Ten Fiscal Years
(expressed in millions)**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed Value of Taxable Property										
Land	\$ 12,660	\$ 12,635	\$ 12,905	\$ 13,587	\$ 14,680	\$ 15,861	\$ 16,766	\$ 17,825	\$ 19,166	\$ 20,359
Structures & Improvements	26,492	26,507	27,029	28,695	31,246	33,555	35,024	38,434	41,506	44,764
Personal Property	1,491	1,508	1,652	1,611	1,419	1,473	326	1,625	1,622	1,667
Miscellaneous Exemption (Less)	831	891	599	867	755	661	664	769	769	921
Subtotal	39,812	39,759	40,987	43,026	46,590	50,228	51,452	57,115	61,525	65,869
Homeowner Exemption (Less)	297	298	297	299	300	303	304	306	307	309
Net Total	\$ 39,515	\$ 39,461	\$ 40,690	\$ 42,727	\$ 46,290	\$ 49,925	\$ 51,148	\$ 56,809	\$ 61,218	\$ 65,560



Source: Alameda County Assessor's Office

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Property Tax Rates⁽¹⁾
Direct and Overlapping Governments
Last Ten Fiscal Years
(Rates per \$1,000 of Assessed value)**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Direct Rates:										
City of Livermore	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County GO Bond									0.0112%	0.0108%
Overlapping Rates⁽²⁾:										
School District	0.0635%	0.0627%	0.0607%	0.0596%	0.0497%	0.0404%	0.0886%	0.0803%	0.0771%	0.0743%
Community College	0.0211%	0.0214%	0.0219%	0.0214%	0.0217%	0.0198%	0.0246%	0.0445%	0.0443%	0.0422%
Bay Area Rapid Transit	0.0031%	0.0041%	0.0043%	0.0075%	0.0045%	0.0026%	0.0080%	0.0084%	0.0070%	0.0120%
Zone 7 Flood Control	0.0250%	0.0307%	0.0228%	0.0257%	0.0250%	0.0343%	0.0333%	0.0359%	0.0332%	0.0309%
Total Direct and Overlapping Rates	1.1127%	1.1189%	1.1097%	1.1142%	1.1009%	1.0971%	1.1545%	1.1691%	1.1728%	1.1702%

Source: Alameda County Auditor-Controller Agency

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.

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Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied	Amount Collected Within Fiscal Year	Percentage of Levy	Delinquent Tax Collections
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%
2019	28,991,052	28,991,052	100%	0%
2020	29,433,103	29,433,103	100%	0%

Source: Finance

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Principal Property Tax Payers
Current Year and Nine Years Ago
(Fiscal Year)**

Taxpayer	2020 ¹			2011 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Total Assessed Value
Stoneridge Creek Pleasanton CCRC LLC	\$ 269,596,062	1	0.42%			
Stoneridge Properties	267,031,933	2	0.42%	\$ 230,917,791	2	0.60%
Rosewood Commons Property Owner LLC	263,525,000	3	0.41%			
Kaiser Foundation Hospitals	255,587,787	4	0.40%			
Kaiser Foundation Health Plan Inc.	243,292,053	5	0.38%	240,191,871	1	0.63%
Livermore Premium Outlets	218,104,376	6	0.34%			
6200 Stoneridge Mall Road Investors LLC	205,207,270	7	0.32%	190,915,741	4	0.50%
Essex Pleasanton Owner LP	201,837,415	8	0.31%			
Avalon Dublin Station II LP	171,932,223	9	0.27%			
Livermore Oaks Joint Venture LLC	149,255,031	10	0.23%			
Pleasanton Property LLC				208,886,061	3	0.55%
Metropolitan Life Insurance Company				159,321,211	5	0.42%
NNN Britannia Business Ctr.				135,527,972	6	0.35%
Safeway Inc.				131,035,985	7	0.34%
Stoneridge Residential LLC				128,321,955	8	0.34%
Applera Corporation				127,400,641	9	0.33%
PeopleSoft Properties				120,119,380	10	0.31%
	<u>\$ 2,245,369,150</u>		<u>3.49%</u>	<u>\$ 1,672,638,608</u>		<u>4.38%</u>

Source:

¹ County of Alameda 2019-20 FY Top 10 Taxpayers by Primary Tax Code Area (Secured)

² FY 2010-11 City of Livermore, City of Pleasanton, and City of Dublin's Comprehensive Annual Financial Reports

**Alameda County Flood and Water Conservation District
 Zone 7 Water Agency
 Water Enterprise Outstanding Debt by Type
 Last Ten Fiscal Years**

Fiscal Year									
2011	2012	2013	2014	2015	2016	2017	2018 ¹	2019	2020
\$ 30,500,000	\$ 30,500,000	\$ 30,500,000	-	-	-	-	\$ 64,010,000	\$ 64,010,000	\$ 62,705,000

Source: Finance

¹ 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.

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years
(In Millions)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 1,976	\$ 1,973	\$ 2,035	\$ 2,136	\$ 2,315	\$ 2,496	\$ 2,668	\$ 2,840	\$ 3,056	\$ 3,278
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 1,976	\$ 1,973	\$ 2,035	\$ 2,136	\$ 2,315	\$ 2,496	\$ 2,668	\$ 2,840	\$ 3,056	\$ 3,278
Total net debt applied to the limit as a percentage of the debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Alameda County Assessor's Office and Agency Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Demographic and Economic Statistics
For Alameda County and the Zone 7 Service Area
Last Ten Fiscal Years

Fiscal Year	Zone 7 Service Area (Acres)	Population Served within Zone 7's Service Area ¹	Total Population Alameda County	Total Personal Income Alameda County (amounts expressed in billions)	Per Capita Income Alameda County	Unemployment Rate Alameda County	Consumer Price Index Alameda County (% change in CPI)
2011	272,000	224,000	1,526,226	\$ 78	\$ 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	104.4	64,466	5.2	3.2
2016	272,000	247,000	1,629,738	111.5	65,045	4.7	3.1
2017	272,000	255,023	1,646,405	118.7	69,350	4.0	3.0
2018	272,000	259,165	1,656,884	127.7	75,045	3.1	4.3
2019	272,000	260,000	1,666,753	134.8	76,644	3.1	2.7
2020	272,000	260,000*	1,670,834*	130.8*	76,837*	13.5	1.6

Source:

¹ Population of Service Area include cities of Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 3.36% of City of San Ramon) .

*Figures are forecasted estimates

Source: State of California Department of Finance
State of California Department of Transportation
U.S. Bureau of Labor Statistics
Employment Development Department Labor Market Information

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Principal Employers In Alameda County
Current Year and Nine Years Ago**

Company/Organization	Business Type	-----2020-----		-----2011-----		Percentage of Total County Employment ²	Percentage of Total County Employment ²
		Number of Employees July 31, 2020 ¹	Rank	Number of Employees June 30, 2011 ¹	Rank		
Kaiser Permanente Medical Group Inc. ³	Health Care	34,819	1	-	20+	4.25%	-
Tesla ³	Electric Vehicle Manufacturer	10,000	2	-	20+	1.22%	-
Safeway ³	Supermarkets & Other Grocery	9,796	3	4,268	7	1.20%	0.64%
County of Alameda	Local Government	9,588	4	8,843	2	1.17%	1.33%
Sutter Health ³	Health Care	9,377	5	-	20+	1.15%	-
John Muir Health ³	Health Care	6,012	6	-	20+	0.73%	-
Chevron Corporation ³	Energy Production	5,186	7	-	20+	0.63%	-
PG&E Corporation ³	Energy Production	5,100	8	-	20+	0.62%	-
Wells Fargo Bank ³	Financial Services	4,589	9	-	20+	0.56%	-
Workday ³	Enterprise Cloud Applications	4,565	10	-	20+	0.56%	-
Total		99,032		13,111		12.09%	1.97%

Source: Alameda County Auditor-Controller's Office; SFBT research for July 31, 2020 employment data. The County of Alameda number of employees as of June 30, 2011 is obtained from the County of Alameda Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

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 712,700 for June 2020 and 663,600 for 2011 (Source: Employment Development Department)

³ Information from SFBT research from December 2019 through July 2020. Information as of June, 2020 is not available, except for County of Alameda employer.

⁴ Information from County of Alameda's database as of June 30, 2020.

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Full-time Equivalent Agency Employees by Function/Program Budget
Last Ten Fiscal Years**

Division/Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Office of the General Manager	13	10	14	7	7	8	9	9	9	10
Integrated Planning				7.5	7.5	8.5	9.5	9.5	6.5	8.5
Finance:										
Finance and Accounting	11	10	11	9	9	10	10	10	10	11
Employee Services	6	6	6	7	7	7	4	4	3	3
Engineering:										
Facilities Engineering	16	16	15	13	14	12	13	13	10	12
Groundwater	9	9	8	7	7	8.5	7.5	7.5	7.5	7.5
Water Quality	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Flood Protection	7	7	6	5	5	6	7	7	8	7
Operations	25	24	24	24	24	24	27	27	28	29
Maintenance	18	19	19	19	19	20	20	20	19	19
Total FTE	112.5	108.5	110.5	106	107	111.5	114.5	114.5	108.5	114.5

Source: Finance

**Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Operating Indicators
Fiscal Years 2011-2020**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Enterprise System										
Total Groundwater pumped (AF) ¹	6,264	12,105	9,555	8,782	2,565	2,002	2,300	4,700	8,200	10,100
Total Artificial Stream Recharge (AF)	4,555	8,778	7,887	3,826	3,766	8,910	8,300	9,100	3,100	2,800 ²
New water connections	412	489	1,187	928	1,196	1,600	1,338	1,301	1,214	796
Total drilling permits issued	140	149	159	176	171	133	155	165	154	119
Flood Protection System										
Flood Protection area managed (sq. 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	36	36	30	31	34	24	32	37	44
Flood Protection development referrals	31	15	18	13	13	15	20	15	11	18

Source: Flood Protection, Groundwater and Integrated Planning departments.

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

² Total Artificial Stream Recharge calculations are completed at calendar year end, therefore 2020 figure is an estimate.

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Operating Information
Capital Asset Statistics
Fiscal Years 2011-2020

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	9	9	9	10	10	10	10	10	10	10
Total Groundwater storage (AF) ^{1,2}	235,000	227,000	220,000	209,000	213,000	226,000	248,000	249,000	252,000	246,000
Total Groundwater operational storage-water year (AF) ²	107,000	99,000	92,000	81,000	85,000	98,000	120,000	121,000	124,000	118,000

Source: Groundwater and Operations

¹ 2020 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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