

## **ZONE 7 BOARD OF DIRECTORS FINANCE COMMITTEE**

DATE: December 14, 2023  
TIME: 11:00 a.m.  
LOCATION: Boardroom  
Zone 7 Administration Building  
100 North Canyons Parkway, Livermore

Director Gambs  
Director Narum  
Director Ramirez Holmes

### **AGENDA**

1. Call Meeting to Order
2. Public Comment on Items Not on the Agenda
3. Independent Auditor's Report and Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2023
4. Verbal Reports
5. Adjournment



100 North Canyons Parkway  
Livermore, CA 94551  
(925) 454-5000

**Date:** December 14, 2023

**TO:** Finance Committee

**FROM:** Osborn Solitei, Treasurer/Assistant General Manager – Finance

**SUBJECT:** Independent Auditor’s Report and Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2023

### **SUMMARY:**

- The Pun Group, LLP, the Agency’s external auditor, recently completed its audit of the Agency’s financial statements for the fiscal year ended June 30, 2023, and issued an unmodified opinion. The auditors will provide a supplemental presentation during the December Board meeting. Acceptance of the Annual Comprehensive Financial Report will help meet the Agency’s Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency and continue to conduct an annual audit.
- The audit was conducted in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- The audit concluded that: (1) the financial statements present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and the major funds of the Alameda County Flood Control and Water Conservation District - Zone 7 at June 30, 2023, and the respective changes in the financial position and cash flows for the year; (2) the accounting is in conformity with generally accepted accounting principles in the United States of America; and (3) the internal controls and communications are adequate.

### **DISCUSSION:**

As demonstrated by the results reported in the Fiscal Year 2022-23 ACFR, the Agency continues to meet its financial objectives. Financial highlights for Fiscal Year 2022-23 include:

- The Agency’s total net position was \$586 million as of June 30, 2023. Of this amount, \$81 million is available to meet the Agency’s ongoing obligations to residents, customers, stakeholders, and creditors.

- The Agency's total net position increased for fiscal year 2023 by \$19 million or 3.4 percent from \$567 million to \$586 million. The net position for governmental activities increased by \$5.8 million or 4.6 percent. Net position for business-type activities increased \$13.2 million or 3 percent.
- Total revenues increased by \$5.7 million or 4.8 percent from \$120.1 million to \$125.8 million while total expenses decreased by \$0.9 million or 0.8 percent from \$107.7 million to \$106.8 million for the fiscal year ended June 30, 2023.
- The net position of the State Water Facilities Fund increased \$5.1 million or 11.7 percent from \$43.5 million to \$48.6 million. The net position of the Water Enterprise Operations Fund increased \$6.9 million or 2 percent from \$337 million to \$343.9 million.
- The Agency's total assets increased \$11.8 million or 1.8 percent from \$667.4 million to \$679.2 million. Capital assets increased by \$7.9 million or 2.2 percent from \$356.1 million to \$364 million. Cash and investments increased \$10.2 million or 3.5 percent from \$287 million to \$297.2 million.

The Audit Report contains the following documents for Board's review:

- Annual Comprehensive Financial Report: This report provides information on the Agency's operating and financial activities for the fiscal year ending June 30, 2023.
  - The Introductory Section – provides an overview of the Agency.
  - The Financial Section – provides an analysis of the Agency's financial performance during the previous two fiscal years and presents the Agency's audited financial statements, including Statements of Net Position (balance sheet), Statements of Revenues, Expenses and Changes in Net Position (income statement) and Statements of Cash Flows for the fiscal year ending June 30, 2023. This section also includes the management's discussion and analysis, notes to the financial statements, which provide supplementary information regarding the Agency and its financial standing.
  - Statistical Section – provides ten years of key historical financial data and demographic data and economic data.
- Independent Auditor's Report: This letter is included in the ACFR on page 1 and communicates the auditor's unmodified opinion. The auditors expressed an opinion that the

Agency's financial statements for FY 2022-23 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion.

- Report on Internal Control over Financial Reporting and on Compliance and Other Matters: This letter is included in the ACFR on page 105. This is a required report that auditors provide for audits performed under Government Auditing Standards (standards in addition to generally accepted auditing standards). It describes the scope of the auditor's testing of the Agency's internal control and compliance.
- Report to the Board of Directors: This is an internal report for the Board of Directors and is a required communication and recommendation by Statement on Auditing Standards (SAS) No. 114. The letter outlines the Auditor's responsibility, planned scope and timing of the audit, provides advice on accounting policies, evaluates accounting estimates, proposes audit adjustments, significant audit findings, status of prior years' recommendations, corrected and uncorrected misstatements, disagreement with management, management representation, and outlines any major difficulties encountered in performing the audit.

The Annual Comprehensive Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA") and the Agency will be submitting the FY 2022-23 Report GFOA for review and certification.

#### **FUNDING:**

There is no funding impact.

#### **RECOMMENDED ACTION:**

Accept the Annual Comprehensive Financial Report for Fiscal Year 2022-23 and refer the Annual Comprehensive Financial Report to the full Board for the December 20, 2023, Board Meeting for consideration.

#### **ATTACHMENTS:**

- Annual Comprehensive Financial Report – For the year ended June 30, 2023
- SAS No. 114 – Report to the Board of Directors for the year ended June 30, 2023



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2022-23

ALAMEDA COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT – ZONE 7  
Zone 7 Water Agency

FOR THE YEAR ENDED JUNE 30, 2023  
WITH SUMMARIZED INFORMATION AS OF  
JUNE 30, 2022  
Livermore, CA

DRAFT 12.07.2023

**Alameda County Flood Control and  
Water Conservation District, Zone 7  
Zone 7 Water Agency**

Livermore, California

**Annual Comprehensive Financial Report  
and Independent Auditors' Reports**

*For the Year Ended June 30, 2023*

*(With Summarized Information For The Year Ended June 30, 2022)*



DRAFT 12.07.2023

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Annual Comprehensive Financial Report**  
**For the Year Ended June 30, 2023**  
**(With Summarized Information for the Year Ended June 30, 2022)**

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Annual Comprehensive Financial Report  
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(With Summarized Information for the Year Ended June 30, 2022)**

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December XX, 2023

To the Board of Directors, Customers, and Residents of Eastern Alameda County:

### The Annual Comprehensive Financial Report for the Zone 7 Water Agency

We are pleased to present the Annual Comprehensive Financial Report (“ACFR”) of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Agency), for the fiscal year ended June 30, 2023 (with summarized information for the year ended June 30, 2022).

The Annual Comprehensive 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, 2023. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2023, 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 Annual Comprehensive 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 ACFR 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 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 an estimated population of 260,000 people and is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control, and groundwater management throughout eastern Alameda County.

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

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

The Agency’s four retail water customers are the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District, and California Water Service Company – Livermore District. These retailers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton, and through a 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 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 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

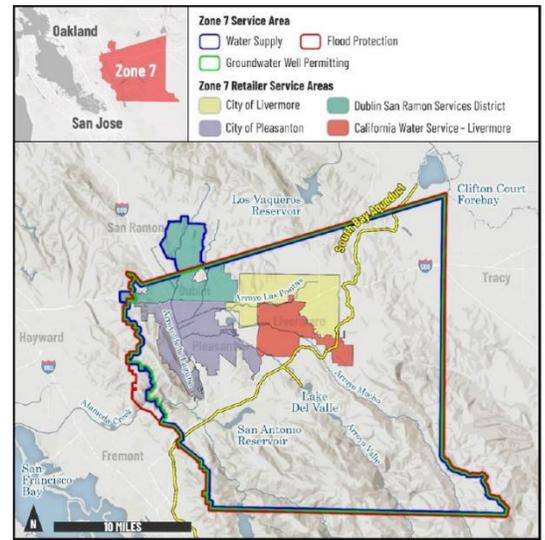


Since its formation, the Agency has continued to take steps to expand its level of local control and autonomy. In 2003, state legislation granted the Agency more authority over issues and projects of exclusive interest to the Agency, allowing the Board to improve economic efficiencies and reduce administrative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

## Service Area

The Agency supplies treated drinking water to retailers serving a population of 260,000 people and businesses in Pleasanton, Livermore, Dublin, and through a 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 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 (for major employers including both vineyards and high-tech firms.) With a combined population now of 260,000 residents, the Tri-Valley area continues 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. With a population of 72,000 residents, its 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 85,000 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 76,000 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.

## Local Economy

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 2022-23 local roll included assessments of 519,664 taxable properties within Alameda County. The assessed value of these properties totaled \$386.7 billion - a \$28.2 billion or a 7.87% increase above the previous year's assessment roll. The growing economy and increase in real estate values and new construction are responsible for this increase. 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, increase in business personal property, and other miscellaneous factors added \$8.7 billion. Reassessments due to sales/transfers of real estate added \$15.5 billion, new construction activity added \$3.8 billion. A copy of the [2022-23 annual report](#) is available at the Alameda County Assessor Office website.

Cities within the Agency service area had a slight decrease in population from 2022 to 2023. The city of Pleasanton saw the highest decline in population growth of -1.4%, followed by cities of Livermore and Dublin with a slight decrease in population of -1.3% and -0.9%, respectively. Facing rising inflation, the Federal Reserve—tasked with maintaining stable price growth—repeatedly has enacted large interest rate increases throughout 2022 with the aim of cooling the economy and, in turn, slowing inflation, thus impacting home values. In June 2023, Alameda County home prices were down 10.4% compared to last year, selling for a median price of \$1.1M.

As of May 2023, the Alameda County unemployment rate was reported at 3.7% up from 2.8% in May 2022.

## 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.

On October 11, 2023, S&P Global Ratings (S&P) announced it has raised its long-term rating on the Agency's outstanding 2018 Series A Water Revenue Bonds to 'AAA' from 'AA+'. S&P also assigned a 'AAA' to the Agency's 2023 Series A Water Revenue Bonds, with a stable outlook. 'AAA' is the highest rating assigned by S&P. Fitch Ratings affirmed its 'AA+' rating of the Agency and revised the rating outlook to 'Positive' from 'Stable'.

The rating agencies cited the following factors in their decision to pursue positive rating action:

- exceptionally strong water supply position, storing a significant amount of water in wet years for usage in dry years
- very strong revenue source characteristics including fixed-charge rate structure, drought surcharge and regular Board review and implementation of rate adjustments
- robust cash position and formal reserve policy
- very low leverage despite potential future debt financing of water supply reliability projects

On October 24, the Agency, via the Livermore Valley Water Financing Authority, issued \$28,795,00 Water Revenue Bonds, 2023 Series A to finance the 2023 Water Project, which generally consists of water treatment facilities, related site improvements, certain other capital improvements for the Agency's water system and pay the costs of issuing the 2023 Bonds.

### **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. On November 16, 2022, the Board approved 5.5% annual rate revenue adjustment for wholesale water services for



Calendar Years 2023, 2024, 2025 and 2026. The CY 2023 increase went into effect February 1, 2023, and the remaining increases for years 2024-2026 will be effective January 1 of each year. The Board will revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024.

Zone 7 studied the need for rate revenue adjustments in consideration of the rising costs of importing water, operations, maintenance, environmental and regulatory compliance — ensuring treated water rates keep pace with the increasing costs to provide safe, reliable water. The approved rate increase is essential to construct, maintain and repair the crucial infrastructure that keeps customers' water safe and consistently flowing to homes and businesses.

### **Strategic Planning:**

On June 17, 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 Agency employees and supervisors mined key strengths, weaknesses, opportunities, and threats facing the Agency. The Board discussed the strategic challenges facing the 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 reevaluated regularly to adjust as conditions warrant.

### **Capital Improvement Plan:**

Existing infrastructure must be maintained, upgraded, and/or replaced to ensure reliable operations. Modifications to infrastructure related to technological advances and improvements must be considered and incorporated to improve system reliability and operations/maintenance efficiency. New infrastructure must be developed to serve future growth in the Valley and to comply with future anticipated water quality regulations.

To maintain reliable operations, the Agency continues to effectively implement infrastructure projects in its Capital Improvement Plan (CIP). The CIP encompasses the near-term (ten years for the Water System and five years for Flood Protection) implementation and funding plan for projects required to meet the Agency's long-term mission and goals.

The Asset Management Plan (AMP) includes the asset inventory and long-term (40-year) renewal and replacement schedule for the water system

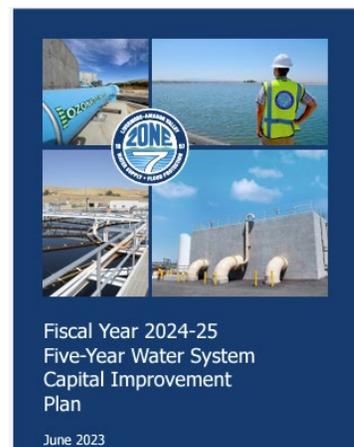
assets, determines total funding needed over the planning horizon, and documents the Agency's funding plan.

For purposes 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.

Zone 7 has recently completed two major surface water treatment plant upgrade and ozone projects and is now constructing two per- and polyfluoroalkyl substances (PFAS) treatment plants which were not contemplated in the FY 2018-19 Ten-Year CIP. The PFAS projects represent significant capital expenditures over the next five years.

The recent drought and PFAS regulatory requirements have accelerated certain capital projects (e.g., construction of the Valley Booster Pump Station), and prompted the addition of new improvement projects (e.g., Chain of Lakes and Stoneridge PFAS Treatment Facility projects) not originally planned for in the Ten-Year CIP

The urgency of completing the PFAS projects has accelerated the need for the Agency to secure bond financing. The Agency conducted a CIP update to satisfy the bond issuance disclosure requirement of providing an accurate financial plan that includes a five-year CIP outlook in the Official Statement, In accordance with this requirement, the Board adopted an interim Five-Year Water System CIP on June 21, 2023.



## Significant Accomplishments

### **Drought Conditions:**

On September 1, 2021, the Board (Resolution No. 21-67) declared a state of drought emergency within its service area and a Stage 2 water shortage. This declaration included mandatory conservation of 15% to align with Governor Newsom's drought emergency proclamation.

In 2023, much of California experienced a drastic swing from drought conditions to heavy snowpack and flooding. In 2023, Sierra snowpack is one of the largest on record and most of California's major reservoirs are making mandatory flood control release. The State Water Project allocation is 100%, which yields 80,619 AF to the Agency, and is the highest allocation since 2019.

Based on the SWP allocation and local and State water conditions, the Agency lifted the drought emergency and mandatory conservation in April 2023. In June 2023, Zone 7's overall water demands were 15% lower compared to the same time in 2020.



*Image: A comparison of water levels at Lake Oroville shows water level on July 22, 2021 compared to June 15, 2022, courtesy of Getty Images/Justin Sullivan.*

### **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 support of Strategic Plan Initiative No. 8 - Conduct additional basin modeling to incorporate the extended cross sections and other data to evaluate how the new information impacts future drought scenarios and future basin salt loading, the Agency initiated a groundwater model upgrade in FY 2023-23.

### **Water Quality:**

Zone 7 operates two water treatment plants (Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant), the Mocho Groundwater Demineralization Plant, 10 groundwater supply wells and a state-of-the-art water quality testing laboratory. Water treatment facilities are staffed by talented and committed experts in their fields who make a world of difference when it comes to bringing safe water to the Tri-Valley community.

All Zone 7 water supplied in 2022 met the regulatory standards set by the state and federal governments and, in almost all cases, the quality was significantly better than required.

### **PFAS:**

PFAS refers to **(Per- and Polyfluoroalkyl Substances)**. Since PFAS are used in an array of industrial and consumer products, there could be many sources of contamination in our water supplies. Common pathways for PFAS to enter our water supplies include through locations where PFAS are manufactured

or used, areas where firefighting foam was used, wastewater treatment plants, and landfills.

Zone 7 is in the proactive process of planning, designing, and constructing PFAS treatment facilities in anticipation of new regulations. On September 13, 2023, the Agency celebrated the grand opening of its Ion Exchange (IX) PFAS Treatment Facility at Stoneridge Well. The new facility is the first of its kind in Northern California and will PFAS from groundwater pumped into the facility to ensure the Tri-Valley community has a safe, reliable water supply. Construction for the Stoneridge Well Treatment Plant began in February 2023 and was completed in September 2023 at a cost of \$16.3M.



On September 12, 2023, DWR announced that Zone 7 will receive a \$16 million grant from the Sustainable Groundwater Management Grant Program for development of the Stoneridge Well Ion Exchange (IX) PFAS Treatment facility. This funding will help to bring approximately 16 percent of the drinking water supply back online and benefit underrepresented

communities in the area. Zone 7 received the highest grant award of any basin in the State in this round of funding.

A second PFAS facility, the Chain of Lakes Wellfield PFAS Treatment Facility began construction in October 2023 and is expected to be online by summer 2024. The project will be funded with the 2023 Series A Water Revenue Bonds.

### **Flood Protection:**

The Agency's Five-Year Strategic Plan includes an initiative to update the flood protection strategy. 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.



In Spring 2021, the Agency hired a consultant to complete Phase I of the Flood Management Plan. This Phase includes establishing Agency flood

management guidance such as flood management guiding principles, flood performance goals and objectives, flood system definition, and best management practices. On August 17, 2022, the Board adopted Resolution No. 22-73 approving the Flood Management Plan Phase 1. Phase 2A commenced in February 2023. Phase 2A will focus on a quantitative risk-informed, watershed-based, systemwide evaluation of the 37-mile flood protection system. This will be the basis for the development of planning alternatives to be considered by the Board. Phase 2A is anticipated to last 24 months.

In January and March 2023, higher than normal frequency and intensity storms caused significant damage to the Agency's flood protection facilities, resulting in the Board declaring a local state of flood emergency for the two storms. Staff has identified storm-related channel bank damages at 177 sites owned by Zone 7. In November 2023, the Board approved design and environmental permitting assistance services to begin repair of the damaged sites for an amount not to exceed \$6.1M.

The Agency has applied for assistance from the US Army Corps of Engineers, FEMA, and Governor's Office of Emergency Services to help fund the repairs of the 2023 storm damages.

The following are some of the key accomplishments related to the Flood Protection Program in FY 2022-23:

- Completed removal of significant debris from 2022-23 storms.
- Phase 3 projects for 2017 repairs were completed in 2022 (\$3.4M).
- Arroyo Mocho Medeiros Reach Floodplain Reconnection Project completed in November 2022 (\$4.9M).
- Coordinated repair of access road/trail and top of bank at Alamo Creek with City of Pleasanton, completed in July 2022.

### **Long-Term Water Supply Reliability:**

The Agency continues investment and participation in water supply reliability projects as part of its mission to deliver safe, reliable, efficient, and sustainable water, such as the Los Vaqueros Reservoir Expansion and Sites Reservoir projects.

The Agency will also continue to pursue the following projects, with direction from the Board of Directors, as long as the projects demonstrate progress toward attaining new sustainable water supplies both regionally and locally and are fiscally feasible:

- Bay Area Regional Desalination Project
- Delta Conveyance
- Potable Reuse
- Water Transfers
- Intertie with a neighboring water agency

In 2022-23, the Agency took additional steps toward establishing a diversified water supply plan. These efforts included:

- Development of a water model designed for Zone 7's water supply sources in early 2023 to conduct water supply risk modeling, operational decision making, water supply planning, system optimization, water accounting and long-term water resource planning.
- In May 2023, the Agency completed the 2022 Water Supply Evaluation Update.
- Initiated the development of a long-term water transfer program to meet future water supply needs and manage available transfer water supply and costs.
- Completed the Chain of Lakes Conveyance System alignment study in January 2023 and began implementing a follow-up study to analyze costs and benefits of operational alternatives.

## Communications, Outreach and Education Programs

The Agency adopted the 2020-24 Five-Year Strategic Plan in June 2020 and has made significant progress in meeting the goals of that plan through comprehensive programs in both the digital and public spaces.

### **Drought Outreach:**

In the third year of drought, Zone 7 led communications efforts via a special Drought Committee comprised of Zone 7 and its retailers.

Together, the committee has successfully leveraged resources to convey a unified and consistent message to the public about the need for conservation. Working together with the community and the retailers, the Agency met the needed 15% conservation goal and saved 1.7 billion gallons of water in 2022.



### **Public Tours:**

The newly upgraded Patterson Pass Water Treatment Plant was opened for the first public tours in several years. The tours were held on Saturday, June 17 from 10am to 2pm and consisted of 6 one-hour tours. All the time slots sold out and 67 people attended the tours which featured a fifteen-minute powerpoint presentation introducing the attendees to the history and functions of Zone 7 Water Agency. Guests were then led on a 45-minute walking tour of the plant, guided by a water operator and an engineer.

The tour concluded with refreshments, snacks and a shower bucket filled with rebate information, water-saving tips, information on the water treatment plant and ozone process. Tour participants were very impressed with the tour, were engaged and had many follow up questions that were answered by staff. Tours will be held annually in celebration of Water Awareness Month in May.

### **Kid Zone Schools Program:**

The Kid Zone Schools Program is designed to teach kids to be water-savvy today so they can be water-wise adults for generations to come.

Lessons are aligned with the Next Generation Science Standards for K-12, designed, and taught by certified educators. During the 2022-23 school year we reached nearly 8,000 students by providing over 300 Kid Zone lessons. Each grade level received a lesson designed for their specific needs:



- 1,343 Kindergarteners & Transitional Kindergarteners learned about Water Matters
- 1,352 1st Graders learned Water Wise Tips
- 1,357 2nd Graders learned All About Creeks & Streams
- 1,181 3rd Graders learned about The People & Events of Our Watershed
- 393 4th Graders learned about California & the Race for Liquid Gold
- 1,126 5th Graders learned about Life as a Water Molecule
- 633 6th Graders learned about The Wonder Down Under
- 400 7th & 8th Graders learned about Drinking Water Treatment

Our team also attended eight student focused outreach events such as STEAM Family Nights, science fairs and more reaching over 1,000 students and their families.

### **2023 Annual Livermore Water Conservation Art Contest:**

Once again, Zone 7 was proud to sponsor the Livermore art contest to help make sure students understand that native California plants are naturally drought resistant, use less water, and are beautiful. Students were encouraged to inspire their community to save water by going back to our native California plant roots with the art of their choice.



### Communications Awards:

Zone 7 was recognized for its outstanding achievements in communications receiving three EPIC awards from the California Association of Public Information Officers (CAPIO):

Flood Ready Freddy Flood Preparedness Campaign

- EPIC award for the category of Video Production Series
- EPIC Award for the category of Preparedness/Public Safety Education Campaign

Water Wise Wendy Campaign

- EPIC award for the category of Video Production Series

### Digital Annual Report:

A digital version of the Annual Report for the 2021-2022 fiscal year was published and can be found at [www.zone7water.report](http://www.zone7water.report). The switch to a digital report was made in the prior year to increase accessibility and better track how much exposure the report is getting and what topics the public is most interested in. The Annual Report is fully online and meets and exceeds the Americans with Disability Act (ADA) compliance and regulation standards. Residents of the Tri-Valley who use assistive technology can browse and interact with the report with the accessible website design. The

report was promoted through social media and at public events using a postcard with a scannable QR code.

### **Tri-Valley Water Reliability Website:**

In July 2022 Zone 7 launched [www.trivalleywater.org](http://www.trivalleywater.org), a new website focused on educating the public on the region's water supply reliability. The website is part of the Agency's Strategic Plan and features a vibrant design with a full suite of photography highlighting water infrastructure and a new "Water's Journey" video that educates users about the journey water takes through the State Water Project system to homes and businesses in the Tri-Valley. The site also covers water supply challenges, and potential solutions including Sites Reservoir and Delta Conveyance, as well as more local solutions like Los Vaqueros Reservoir Expansion, potable reuse, and regional desalination. In June 2023 a paid media campaign was launched to promote the website and increase engagement.

### **The Zone 7 Little Free Library:**

Local Girl Scout Troop's 31253 spent several months collaborating with Zone 7 communications staff to design and build a Zone 7 Little Free Library which was installed at a ribbon cutting ceremony on June 7, 2023. The literature provided by the Agency in the Zone 7 Little Free Library will highlight the importance of water, shed light on today's water issues and provide water-saving resources for the community. It helps encourage kids and families to adopt water-wise behaviors by providing free books and water saving resources. The Zone 7 Little Free Library is located at 5997 Parkside Dr., Pleasanton, CA and will be maintained by the Agency.



**Workforce Development:**

The Agency continued its proactive role as a Baywork signatory in FY 2022-23. Baywork'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 Tri-Valley's collaboration working to realize a community vision on a healthy watershed worked with partners and community volunteers to remove 3,025 gallons of trash, plant 100 trees and 369 acorns, and remove over 1,364 gallons of invasive weeds. 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.

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.



## Financial Policies

### **Financial Reserve Policy:**

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 Agency's Investment Policy was adopted by the Board on June 21, 2023 (Resolution No. 23-46). 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 the 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 and is reviewed on an annual basis.

**Debt Management Policy:**

An update to the Agency's Debt Management Policy was by the Board in May 2023 (Resolution No. 23-35). The Debt Management 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 has a two-year budget cycle for governmental funds and proprietary funds and maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the two-year budget approved by the Board. The Agency's operating and capital budgets are reviewed and approved by the Board of Directors. The budget includes the projects, services, and activities to be carried out during the two fiscal years and the estimated revenue available to fund these operating and capital costs. 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 delineated 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 Operations and Flood Protection Development Impact Fee Fund). The guidelines used by the Agency in developing the 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgements

The preparation of this Annual Comprehensive 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,

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**Valerie Pryor**

General Manager

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**Osborn Solitei**

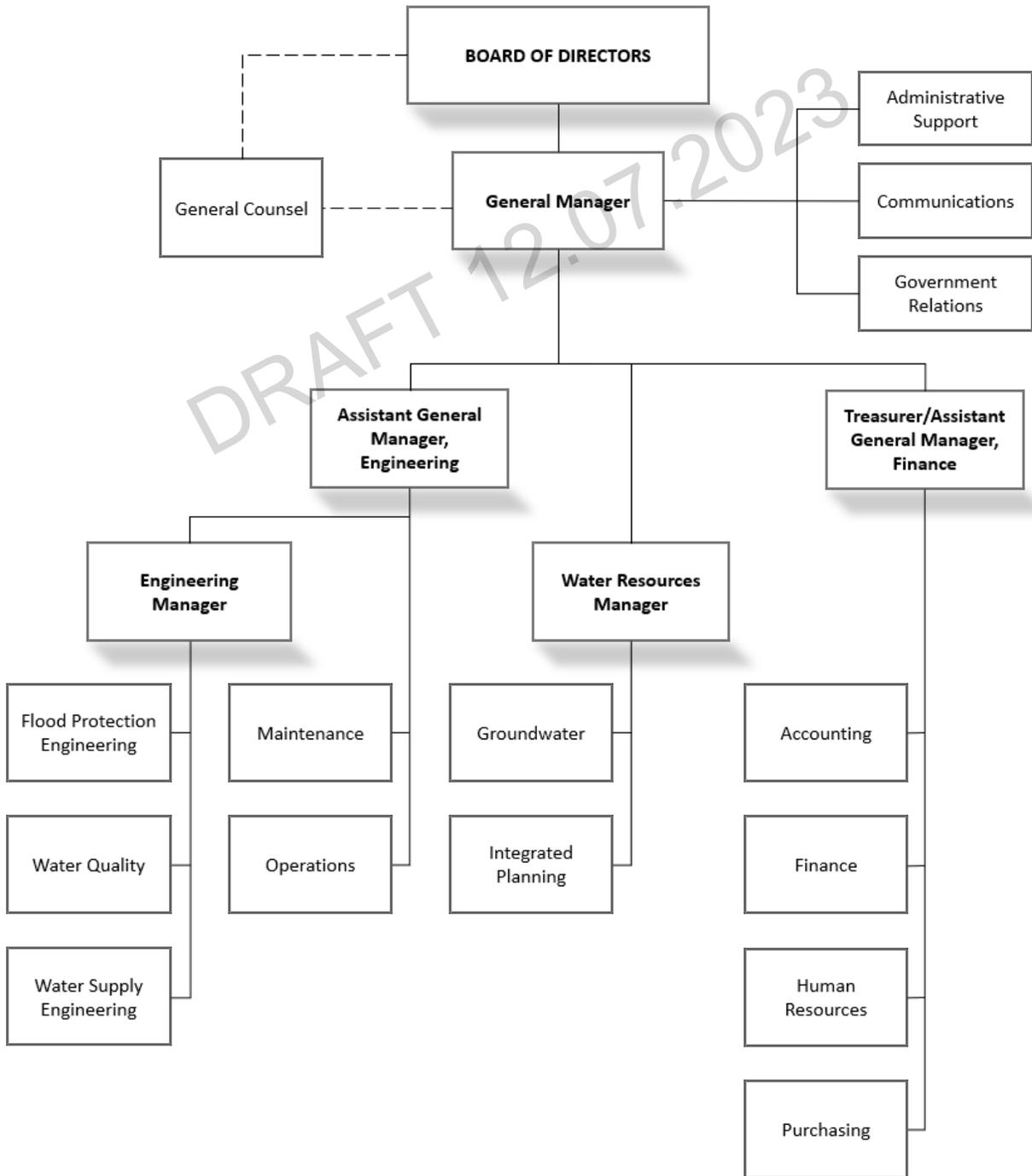
Treasurer/Assistant

General Manager, Finance

# Alameda County Flood Control and Water Conservation District, Zone 7

## Functional Organizational Chart

Fiscal Year 2022-2023



# List of Elected Officials and Agency Management



**Sands Figuers, *President***

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



**Dennis Gambs, *Vice President***

Board Member since 2018 -- Term Expires June 30, 2026



**Dawn Benson**

Board Member since 2022 -- Term Expires June 30, 2026



**Laurene Green**

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



**Kathy Narum**

Board Member since 2023 -- Term Expires June 30, 2024



**Sarah Palmer**

Board Member since 2006 -- Term Expires June 30, 2026



**Angela Ramirez Holmes**

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

## **Executive Management Team**

**Valerie Pryor, *General Manager***

**Jarnail Chahal, *Acting Assistant General Manager, Engineering***

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

**Alameda County Flood Control and Water Conservation  
District, Zone 7**

**2023 Annual Comprehensive Financial Report  
Project Team**

**Audit/Financial Statement Coordinator**

**Osborn Solitei,**

Treasurer/Assistant General Manager, Finance

**Teri Yasuda**

Accounting Manager

**Flora Guo**

Sr. Auditor/ Accountant

**Elizabeth Foss**

Financial Analyst

**JaVia Green**

Financial Analyst



Government Finance Officers Association

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in Financial  
Reporting

Presented to

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

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District, Zone 7– Zone 7 Water Agency (the “Agency”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

##### *Implementation of GASB Statement No.96*

As described in Note 1 and 12 to the financial statements, the Agency implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of GASB Statement No. 96 requires the Agency to record “right-to-use” subscription assets and a corresponding subscription liability for all information technology subscription agreements in excess of one year. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Report on Summarized Comparative Information***

We have previously audited the Agency's 2022 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated December 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent in all material respects, with the audited financial statements from which it has been derived.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated (DATE) 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.

Walnut Creek, California  
(DATE)

DRAFT 12.07.2023

## **Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (Unaudited)**

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

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (“Agency”) MD&A presents management’s analysis of the Agency’s financial condition and activities for the year ended June 30, 2023, and 2022. 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 2023 to 2022 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
- Government-wide Financial Analysis
- Capital Assets
- Debt Administration and Bond Rating
- Economic Factors and Next Year’s Budget and Rates
- Request for Information

### **Financial Highlights**

- The Agency’s total net position was \$586 million as of June 30, 2023. Of this amount, \$81 million is available to meet the Agency’s ongoing obligations to residents, customers, stakeholders, and creditors.
- The Agency’s total net position increased for fiscal year 2023 by \$19 million or 3.4 percent from \$567 million to \$586 million. The net position for governmental activities increased by \$5.8 million or 4.6 percent. Net position for business-type activities increased \$13.2 million or 3 percent.
- Total revenues increased by \$5.7 million or 4.8 percent from \$120.1 million to \$125.8 million while total expenses decreased by \$0.9 million or 0.8 percent from \$107.7 million to \$106.8 million for the fiscal year ended June 30, 2023.
- The net position of the State Water Facilities Fund increased \$5.1 million or 11.7 percent from \$43.5 million to \$48.6 million. The net position of the Water Enterprise Operations Fund increased \$6.9 million or 2 percent from \$337 million to \$343.9 million.
- The Agency’s total assets increased \$11.8 million or 1.8 percent from \$667.4 million to \$679.2 million. Capital assets increased by \$7.9 million or 2.2 percent from \$356.1 million to \$364 million. Cash and investments increased \$10.2 million or 3.5 percent from \$287 million to \$297.2 million.

### **Overview of Financial Statements**

This discussion and analysis serve 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.

## Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

### **Agency-wide financial statements**

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

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

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

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

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

### **Fund financial statements**

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

#### Governmental funds

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

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

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

#### Proprietary funds

The Agency's proprietary funds consist of four enterprise funds: Water Enterprise Operations, State Water Facilities, Water Enterprise Capital Expansion, and Water Facilities. 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,

## **Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

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 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:

## Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

### Statement of Net Position

June 30, 2023, and 2022

|   | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total                 |                       |
|---|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|   | 2023                       | 2022                  | 2023                        | 2022                  | 2023                  | 2022                  |
| <b>Assets:</b>                              |                            |                       |                             |                       |                       |                       |
| Current and other assets                    | \$ 103,893,110             | \$ 98,216,208         | \$ 211,291,869              | \$ 213,003,978        | \$ 315,184,979        | \$ 311,220,186        |
| Capital and leased assets                   | 33,188,061                 | 32,886,671            | 330,831,805                 | 323,273,253           | 364,019,866           | 356,159,924           |
| <b>TOTAL ASSETS</b>                         | <b>137,081,171</b>         | <b>131,102,879</b>    | <b>542,123,674</b>          | <b>536,277,231</b>    | <b>679,204,845</b>    | <b>667,380,110</b>    |
| <b>Deferred Outflows of Resources</b>       |                            |                       |                             |                       |                       |                       |
| Pension related                             | 618,261                    | 408,238               | 7,506,060                   | 4,000,378             | 8,124,321             | 4,408,616             |
| OPEB related                                | 164,905                    | 83,637                | 2,002,044                   | 819,574               | 2,166,949             | 903,211               |
| <b>Total Deferred Outflows of Resources</b> | <b>783,166</b>             | <b>491,875</b>        | <b>9,508,104</b>            | <b>4,819,952</b>      | <b>10,291,270</b>     | <b>5,311,827</b>      |
| <b>Liabilities:</b>                         |                            |                       |                             |                       |                       |                       |
| Current liabilities                         | 3,672,237                  | 2,858,186             | 10,230,040                  | 11,436,432            | 13,902,277            | 14,294,618            |
| Noncurrent liabilities                      | 1,559,906                  | 1,092,968             | 80,171,507                  | 74,664,813            | 81,731,413            | 75,757,781            |
| <b>TOTAL LIABILITIES</b>                    | <b>5,232,143</b>           | <b>3,951,154</b>      | <b>90,401,547</b>           | <b>86,101,245</b>     | <b>95,633,690</b>     | <b>90,052,399</b>     |
| <b>Deferred Inflows of Resources</b>        |                            |                       |                             |                       |                       |                       |
| Lease related                               | 423,308                    | 447,269               | 452,647                     | 493,052               | 875,955               | 940,321               |
| Pension related                             | 428,071                    | 871,618               | 5,197,048                   | 8,541,102             | 5,625,119             | 9,412,720             |
| OPEB related                                | 100,813                    | 488,939               | 1,223,931                   | 4,791,173             | 1,324,744             | 5,280,112             |
| <b>Total Deferred Inflows of Resources</b>  | <b>952,192</b>             | <b>1,807,826</b>      | <b>6,873,626</b>            | <b>13,825,327</b>     | <b>7,825,818</b>      | <b>15,633,153</b>     |
| <b>Net Position:</b>                        |                            |                       |                             |                       |                       |                       |
| Net Investment in capital assets            | 33,188,061                 | 32,886,671            | 276,759,129                 | 273,744,254           | 309,947,190           | 306,630,925           |
| Restricted for:                             |                            |                       |                             |                       |                       |                       |
| Capital projects and water expansion        | 75,844,802                 | 73,996,664            | 117,661,201                 | 113,044,353           | 193,506,003           | 187,041,017           |
| Pension trust                               | 163,767                    | 146,484               | 1,488,488                   | 1,323,131             | 1,652,255             | 1,469,615             |
| Unrestricted                                | 22,483,372                 | 18,805,955            | 58,447,787                  | 53,058,873            | 80,931,159            | 71,864,828            |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 131,680,002</b>      | <b>\$ 125,835,774</b> | <b>\$ 454,356,605</b>       | <b>\$ 441,170,611</b> | <b>\$ 586,036,607</b> | <b>\$ 567,006,385</b> |

As the above table indicates, the Agency's total net position in fiscal year 2023 increased by \$19 million or 3.4 percent from \$567 million to \$586 million. During the fiscal year ended June 30, 2023, the total assets increased by \$11.8 million or 1.8 percent from \$667.4 million to \$679.2. Capital assets increased by \$7.9 million or 2.2 percent from \$356.1 million to \$364 million. Current and other assets increased \$4 million or 1.3 percent from \$667.4 million to \$679.2 million mainly due to an increase in cash and investments of \$10.2 million or 3.5 percent offset by a decrease in account receivables of \$4.1 million or 22 percent. Total liabilities reflect an increase of \$5.6 million or 6.2 percent from \$90 million to \$95.6 million mainly due to a \$6.5 million increase in the pension liability, \$1.7 million increase in OPEB liability, offset by a \$2.3 million retirement of bonds payable and \$0.7 million decrease in accounts payable and accrued expenses.

The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2023, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$586 million compared to \$567 million at June 30, 2022.

The largest portion of the Agency's net position, \$309.9 million or 52.9 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.

## Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2023, and 2022 were \$8.1 million and \$4.4 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2023, and 2022 were \$2.2 million and \$0.9 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, 2023, and 2022 were \$5.6 million and \$9.4 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2023, and 2022 were \$1.3 million and \$5.3 million, respectively. The deferred inflows of resources due to leases (GASB Statement No. 87) at June 30, 2023, and 2022 were \$0.9 million.

### Statement of Net Position

June 30, 2022, and 2021

|   | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total                 |                       |
|---|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|   | 2022                       | 2021                  | 2022                        | 2021                  | 2022                  | 2021                  |
| <b>Assets:</b>                              |                            |                       |                             |                       |                       |                       |
| Current and other assets                    | \$ 98,216,208              | \$ 99,471,631         | \$ 213,003,978              | \$ 229,700,127        | \$ 311,220,186        | \$ 329,171,758        |
| Capital and leased assets                   | 32,886,671                 | 32,772,306            | 323,273,253                 | 297,708,617           | 356,159,924           | 330,480,923           |
| <b>TOTAL ASSETS</b>                         | <b>131,102,879</b>         | <b>132,243,937</b>    | <b>536,277,231</b>          | <b>527,408,744</b>    | <b>667,380,110</b>    | <b>659,652,681</b>    |
| <b>Deferred Outflows of Resources</b>       |                            |                       |                             |                       |                       |                       |
| Pension related                             | 408,238                    | 526,710               | 4,000,378                   | 4,908,905             | 4,408,616             | 5,435,615             |
| OPEB related                                | 83,637                     | 105,154               | 819,574                     | 980,030               | 903,211               | 1,085,184             |
| <b>Total Deferred Outflows of Resources</b> | <b>491,875</b>             | <b>631,864</b>        | <b>4,819,952</b>            | <b>5,888,935</b>      | <b>5,311,827</b>      | <b>6,520,799</b>      |
| <b>Liabilities:</b>                         |                            |                       |                             |                       |                       |                       |
| Current liabilities                         | 2,858,186                  | 4,134,694             | 11,436,432                  | 11,681,221            | 14,294,618            | 15,815,915            |
| Noncurrent liabilities                      | 1,092,968                  | 1,672,810             | 74,664,813                  | 82,060,531            | 75,757,781            | 83,733,341            |
| <b>TOTAL LIABILITIES</b>                    | <b>3,951,154</b>           | <b>5,807,504</b>      | <b>86,101,245</b>           | <b>93,741,752</b>     | <b>90,052,399</b>     | <b>99,549,256</b>     |
| <b>Deferred Inflows of Resources</b>        |                            |                       |                             |                       |                       |                       |
| Lease related                               | 447,269                    | 471,230               | 493,052                     | 533,457               | 940,321               | 1,004,687             |
| Pension related                             | 871,618                    | 802,440               | 8,541,102                   | 7,478,671             | 9,412,720             | 8,281,111             |
| OPEB related                                | 488,939                    | 271,536               | 4,791,173                   | 2,530,687             | 5,280,112             | 2,802,223             |
| <b>Total Deferred Inflows of Resources</b>  | <b>1,807,826</b>           | <b>1,545,206</b>      | <b>13,825,327</b>           | <b>10,542,815</b>     | <b>15,633,153</b>     | <b>12,088,021</b>     |
| <b>Net Position:</b>                        |                            |                       |                             |                       |                       |                       |
| Net Investment in capital assets            | 32,886,671                 | 32,772,306            | 273,744,254                 | 246,768,274           | 306,630,925           | 279,540,580           |
| Restricted for:                             |                            |                       |                             |                       |                       |                       |
| Capital projects and water expansion        | 73,996,664                 | 72,715,433            | 113,044,353                 | 110,609,342           | 187,041,017           | 183,324,775           |
| Pension trust                               | 146,484                    | -                     | 1,323,131                   | -                     | 1,469,615             | -                     |
| Unrestricted                                | 18,805,955                 | 20,035,351            | 53,058,873                  | 71,635,497            | 71,864,828            | 91,670,848            |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 125,835,774</b>      | <b>\$ 125,523,090</b> | <b>\$ 441,170,611</b>       | <b>\$ 429,013,113</b> | <b>\$ 567,006,385</b> | <b>\$ 554,536,203</b> |

As the above table indicates, the total assets increased by \$7.7 million, or 1.2 percent, from \$659.6 million to \$667.3 million during the fiscal year ended June 30, 2022. The increase is mainly due to the construction of the 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, 2022, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$567 million compared to \$554.5 million at June 30, 2021.

## **Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

The largest portion of the Agency's net position, \$306.6 million, or 54.1 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, 2022 and 2021 were \$4.4 million and \$5.4 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2022, and 2021 were \$0.9 million and \$1.1 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, 2022, and 2021 were \$9.4 million and \$8.3 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2022, and 2021 were \$5.3 million and \$2.8 million, respectively. The deferred inflows of resources due to leases (GASB Statement No. 87) at June 30, 2022, and 2021 were \$0.9 million and \$1.0 million, respectively.

For Fiscal year ended June 30, 2022, total liabilities reflect a decrease of \$9.5 million from \$99.5 million to \$90.0 million mainly due to a \$5.4 million decrease in the net pension liability, \$0.1 million decrease in OPEB liability, \$2.3 million retirement in bonds payable and \$1.7 million in accounts payable and accrued expenses.

The total net position increased by \$12.5 million, or 2.3 percent, from \$554.5 million to \$567 million mainly due \$25.6 million increase in capital assets as a result of the construction of the Patterson Pass Water Treatment Plant ozone and upgrade projects. Current and other assets decreased by \$18.0 million from the prior year mainly due to a decrease of \$25.2 million in cash and investments in the Water Enterprise Capital Expansion 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 projects and due to a decrease in charges for services as a result of lower water demand in the Water Enterprise Operations Fund as a result of the state of drought emergency declared by the Board.

**Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

**Statement of Activities and Changes in Net Position**  
For the Years Ended June 30, 2023, and 2022

|   | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total                 |                       |
|---|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|   | 2023                       | 2022                  | 2023                        | 2022                  | 2023                  | 2022                  |
| <b>Revenues:</b>                              |                            |                       |                             |                       |                       |                       |
| Charges for services                          | \$ 1,384,402               | \$ 1,714,458          | \$ 99,389,690               | \$ 102,134,293        | \$ 100,774,092        | \$ 103,848,751        |
| Grants and other contributions                | 90,914                     | 84,034                | 9,752,717                   | 6,710,435             | 9,843,631             | 6,794,469             |
| Capital grants and contributions              | 486,234                    | 399,290               | -                           | -                     | 486,234               | 399,290               |
| General revenues:                             |                            |                       |                             |                       |                       |                       |
| Property taxes                                | 11,647,326                 | 10,791,532            | -                           | -                     | 11,647,326            | 10,791,532            |
| Investment earnings and others (loss)         | 1,464,877                  | 501,077               | 1,612,299                   | (2,209,267)           | 3,077,176             | (1,708,190)           |
| <b>Total revenues</b>                         | <b>15,073,753</b>          | <b>13,490,391</b>     | <b>110,754,706</b>          | <b>106,635,461</b>    | <b>125,828,459</b>    | <b>120,125,852</b>    |
| <b>Expenses:</b>                              |                            |                       |                             |                       |                       |                       |
| Flood Protection Operations                   | 8,811,830                  | 12,352,060            | -                           | -                     | 8,811,830             | 12,352,060            |
| Flood Protection Development Impact Fee       | 176,869                    | 381,617               | -                           | -                     | 176,869               | 381,617               |
| Flood Protection Grants                       | 228,936                    | 432,140               | -                           | -                     | 228,936               | 432,140               |
| State Water Project                           | -                          | -                     | 25,703,191                  | 24,331,873            | 25,703,191            | 24,331,873            |
| Water Enterprise                              | -                          | -                     | 71,877,411                  | 70,157,980            | 71,877,411            | 70,157,980            |
| <b>Total expenses</b>                         | <b>9,217,635</b>           | <b>13,165,817</b>     | <b>97,580,602</b>           | <b>94,489,853</b>     | <b>106,798,237</b>    | <b>107,655,670</b>    |
| Change in net position before transfers       | 5,856,118                  | 324,574               | 13,174,104                  | 12,145,608            | 19,030,222            | 12,470,182            |
| Transfers, net                                | (11,890)                   | (11,890)              | 11,890                      | 11,890                | -                     | -                     |
| Change in net position                        | 5,844,228                  | 312,684               | 13,185,994                  | 12,157,498            | 19,030,222            | 12,470,182            |
| Net position at beginning of year as restated | 125,835,774                | 125,523,090           | 441,170,611                 | 429,013,113           | 567,006,385           | 554,536,203           |
| Net position at end of year                   | <u>\$ 131,680,002</u>      | <u>\$ 125,835,774</u> | <u>\$ 454,356,605</u>       | <u>\$ 441,170,611</u> | <u>\$ 586,036,607</u> | <u>\$ 567,006,385</u> |

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency’s overall net position increased \$19 million from the prior year. The table above indicates the Agency total revenues increased by \$5.7 million or 4.8 percent to \$125.8 million from \$120.1 million in the prior year. The increase is mainly due to a \$4.8 million increase in investment earnings from the previous year as a result of favorable market conditions, a \$3 million increase in grants and other contributions from DWR refunds of our State Water Project pass-through payments, and a \$0.9 million increase in property tax due to increased property assessed valuations. These increases were offset by a decrease in charges for services as connection and development fees decreased \$2.6 million due to slower construction and development activities in the service.

Total expenses decreased by \$0.9 million or 0.8 percent from \$107.7 million to \$106.8 million mainly due to a \$6.6 million decrease in Water Enterprise water purchases and water storage as the state of drought emergency declared by the Board ended in 2023. Flood Protection Operations projects decreased \$3.5 million as maintenance repair program activities were completed or substantially completed in fiscal year 2023 along with a deferral of flood repairs projects to fiscal year 2024. This decrease was offset by a \$4.5 million increase in employee salaries and benefits due to a cost-of-living adjustment effective June 2022, a \$1.4 million increase in State Water Project pass-through payments to DWR, a \$1.2 million increase in other services and supplies for funding contributions to the Los Vaqueros Reservoir Expansion Project, and a \$1.1 million increase in capital asset depreciation due to the capitalization of large construction projects in recent years.

**Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

**Statement of Activities and Changes in Net Position**  
For the Years Ended June 30, 2022, and 2021

|   | Governmental Activities |                       | Business-Type Activities |                       | Total                 |                       |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|   | 2022                    | 2021                  | 2022                     | 2021                  | 2022                  | 2021                  |
| <b>Revenues:</b>                              |                         |                       |                          |                       |                       |                       |
| Charges for services                          | \$ 1,714,458            | \$ 2,624,628          | \$ 102,134,293           | \$ 95,844,162         | \$ 103,848,751        | \$ 98,468,790         |
| Grants and other contributions                | 84,034                  | 81,730                | 6,710,435                | 6,640,850             | 6,794,469             | 6,722,580             |
| Capital grants and contributions              | 399,290                 | 474,319               | -                        | -                     | 399,290               | 474,319               |
| General revenues:                             |                         |                       |                          |                       |                       |                       |
| Property taxes                                | 10,791,532              | 10,344,149            | -                        | -                     | 10,791,532            | 10,344,149            |
| Investment earnings and others (loss)         | 501,077                 | 1,062,111             | (2,209,267)              | 1,294,719             | (1,708,190)           | 2,356,830             |
| <b>Total revenues</b>                         | <b>13,490,391</b>       | <b>14,586,937</b>     | <b>106,635,461</b>       | <b>103,779,731</b>    | <b>120,125,852</b>    | <b>118,366,668</b>    |
| <b>Expenses:</b>                              |                         |                       |                          |                       |                       |                       |
| Flood Protection Operations                   | 12,352,060              | 8,949,669             | -                        | -                     | 12,352,060            | 8,949,669             |
| Flood Protection Development Impact Fee       | 381,617                 | 208,142               | -                        | -                     | 381,617               | 208,142               |
| Flood Protection Grants                       | 432,140                 | 474,319               | -                        | -                     | 432,140               | 474,319               |
| State Water Project                           | -                       | -                     | 24,331,873               | 23,173,321            | 24,331,873            | 23,173,321            |
| Water Enterprise                              | -                       | -                     | 70,157,980               | 67,019,978            | 70,157,980            | 67,019,978            |
| <b>Total expenses</b>                         | <b>13,165,817</b>       | <b>9,632,130</b>      | <b>94,489,853</b>        | <b>90,193,299</b>     | <b>107,655,670</b>    | <b>99,825,429</b>     |
| Change in net position before transfers       | 324,574                 | 4,954,807             | 12,145,608               | 13,586,432            | 12,470,182            | 18,541,239            |
| Transfers, net                                | (11,890)                | (11,890)              | 11,890                   | 11,890                | -                     | -                     |
| Change in net position                        | 312,684                 | 4,942,917             | 12,157,498               | 13,598,322            | 12,470,182            | 18,541,239            |
| Net position at beginning of year as restated | 125,523,090             | 120,580,173           | 429,013,113              | 415,414,791           | 554,536,203           | 535,994,964           |
| Net position at end of year                   | <u>\$ 125,835,774</u>   | <u>\$ 125,523,090</u> | <u>\$ 441,170,611</u>    | <u>\$ 429,013,113</u> | <u>\$ 567,006,385</u> | <u>\$ 554,536,203</u> |

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency’s overall net position increased \$12.5 million from the prior year. The table above indicates the Agency total revenues increased by \$1.7 million, or 1.4 percent, to \$120.1 million from \$118.4 million in the prior year. The increase is mainly due to an increase in charges for services of \$5.4 million from the previous year as a result of improved construction and development activities in the service area and an increase in property tax during the fiscal year due to increased property assessed valuations. The increase in development activities is offset by a decrease in water sales mainly due to a decrease in residential water demand as a result of the 15 percent mandatory state of drought emergency declared by the Board. The increase is also offset by lower investment earnings as a result of the fair value of investments (GASB Statement No. 72) at the end of the fiscal year.

Total expenses increased by \$7.8 million, or 7.8 percent, from \$99.8 million to \$107.6 million mainly due to an increase of \$7.7 million for the Water Enterprise Operation Fund water purchases during the fiscal year. The water purchase cost increased as a result of the state of drought emergency declared by the Board in the service area.

The Flood Protection Operations projects increased by \$3.4 million mainly due to the Arroyo Mocho Medeiros Parkway, Stanley Reach Stabilization, North Canyons Administrative Building HVAC, bank slide and storm damage repairs projects. The State Water Project pass-through payments to California State Department of Water Resources (DWR) also increased by \$1.2 million during the fiscal year.

**Governmental Activities**

The net position for the Agency’s governmental activities increased by \$5.8 million from \$125.8 million to \$131.7 million. The net position’s increase from the prior year is mainly due to a \$6 million increase in total assets and a \$0.8 million decrease in pension and OPEB-related deferred inflows, which contributes to the increase in net position. This was offset by a \$1.3 million increase in total liabilities. Total revenues were \$15 million and total expenses (including transfers) were \$9.2 million.

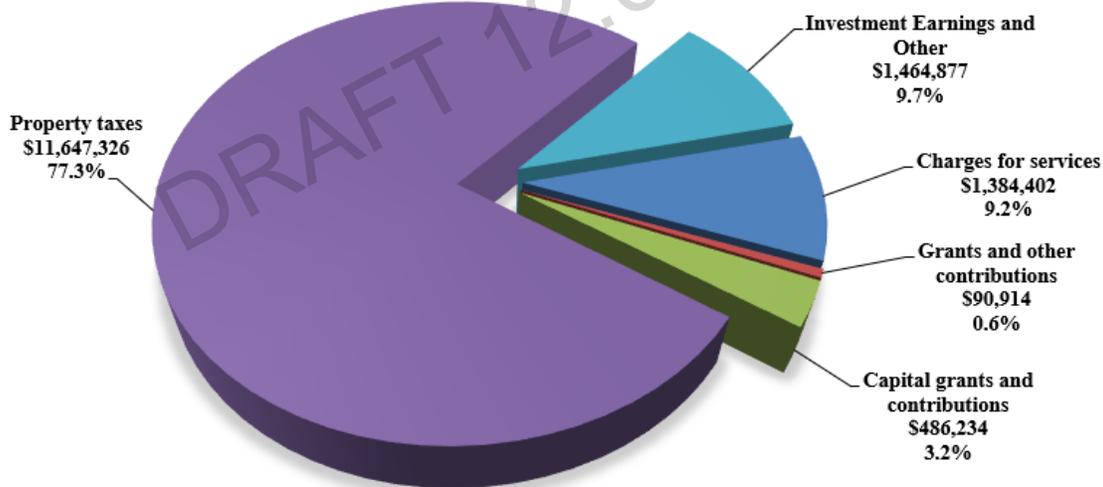
**Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

**Revenues:** Significant changes in revenue are as follows:

Total revenues increased by \$1.6 million from the prior year or 11.7 percent.

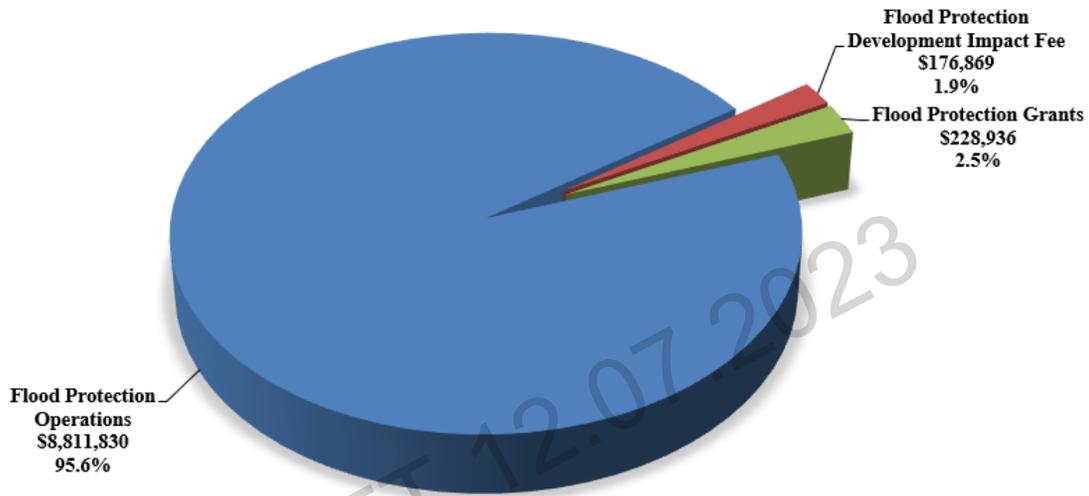
- Charges for services decreased by \$0.3 million or 19.3 percent mainly due to slower construction and development activities in the service area.
- Property tax revenue increased by \$0.9 million or 7.9 percent due to the higher total assessed value.
- Investment earnings and others increased by \$1 million due to favorable market conditions this fiscal year.

**Revenues by Source - Governmental Activities**



**Expenses:** Total expenses decreased by \$3.9 million, or 30 percent, in the governmental activities mainly due to completion or substantial completion of flood protection maintenance repair program activities during the fiscal year, which include the Arroyo Mocho Medeiros Parkway Project, Stanley Reach Stabilization, North Canyons Administrative Building HVAC, and bank slide and storm damage repairs projects. Projects, such as the Flood management Plans Phase 2A, Alamo Creek Pilot Project, and flood emergency repairs, were deferred to fiscal year 2024. In August 2022, the Board adopted the Flood Management Plan Phase 1 which will direct the Agency’s future maintenance activities and capital projects for flood protection. Phase 2A commenced in February 2023, and will be the basis for the development of planning alternatives to be considered by the Board.

**Expenses by Source - Governmental Activities**



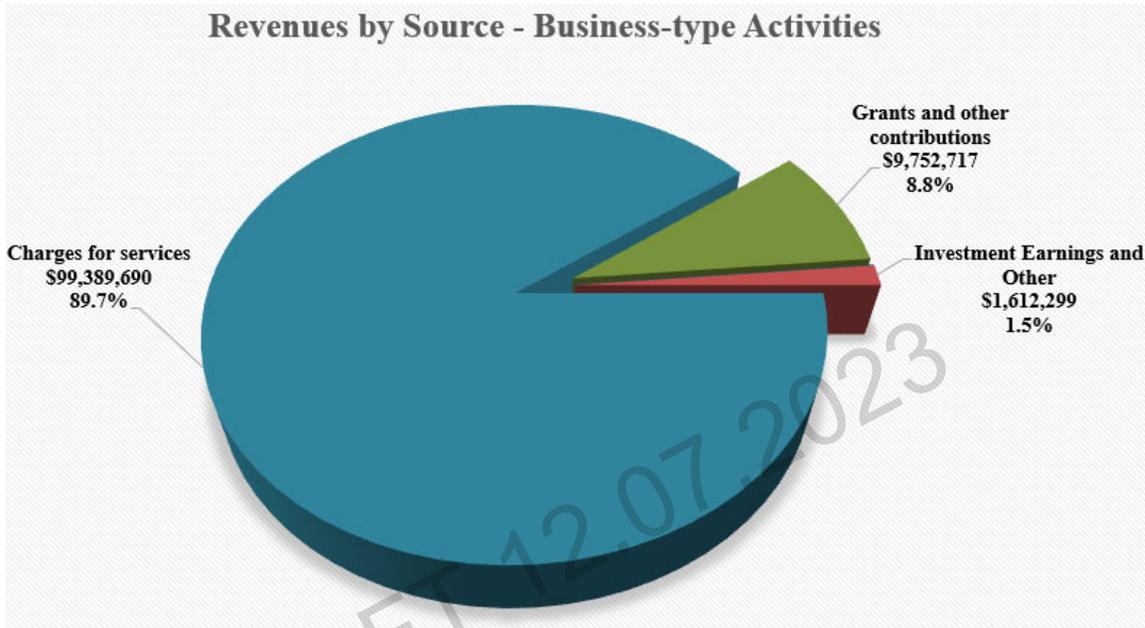
**Business-Type Activities**

The net position for the Agency’s business-type activities increased by \$13.2 million from \$441.2 million to \$454.4 million during the current year. The net position increased from the prior year mainly due to a \$7.6 million increase in capital assets as a result of the construction and construction in progress of the Stoneridge Well per- and polyfluoroalkyl substances (PFAS) Treatment Facility, Mocho Groundwater Demineralization Plant (MGDP) Concentrate Conditioning Facility Project, Busch Valley Booster Pump Station Project, and the Patterson Pass Water Treatment ozone and upgrade projects. Total revenues were \$110.8 million and total expenses (including transfers) were \$97.6 million.

**Revenues:** Significant changes in revenues are as follows:

- Charges for services: includes water rate revenue, connections fees, and property taxes. Charges for services decreased by a net of \$2.7 million from the prior year. The decrease is mainly due to a \$2.6 million or 13.5 percent decrease in connection fee revenues as a result of slower construction and development activities in the service.
- Investment earnings: increased by \$3.8 million mainly due favorable market conditions for the fiscal year.
- Grants and other contributions: include intergovernmental revenue such as DWR refunds and grant proceeds. Grants and other contributions increased by \$3 million mainly due to the DWR refunds. DWR refunds and credits vary year to year based on the level of prior year expenditures.

**Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

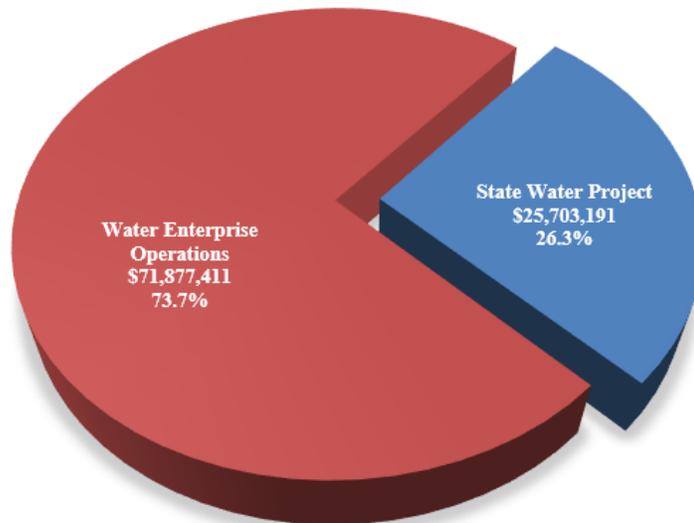


**Expenses:** Significant changes in expenses are as follows:

Total expenses: The total expenses are \$97.6 million which is a \$3.1 million or 3.3 percent increase from the prior year mainly attributed to the following:

- State Water Project: Expenses increased by \$1.4 million or 5.6 percent. The State Water Project pass-through payments to California State Department of Water Resources (DWR) cost fluctuates during the years.
- Water Enterprise: includes Water Enterprise Operations, Water Enterprise Capital Expansion, and Non-Major Enterprise Funds. Expenses increased by \$1.7 million or 2.5 percent mainly due to an increase in salaries, wages, and benefits due to a cost-of-living adjustment, depreciation, and contributions to the Los Vaqueros Reservoir Expansion Project. These increases were offset by decreases in water purchases and water storage as the state of drought emergency declared by the Board ended in 2023.

**Expenses by Source - Business-type Activities**



## Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

### **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, 2023, the Agency's governmental funds reported combined ending fund balance of \$99.8 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, 2023, its fund balance was \$24 million, an increase of \$3.4 million from prior fiscal year. The increase in fund balance is mainly due to a \$3.8 million decrease in services and supplies as maintenance repair program activities were completed or substantially completed in fiscal year 2023 and bank slide and storm damage repairs projects were deferred to fiscal year 2024. The \$24 million fund balance is committed as follows; \$22 million for capital projects, \$1.8 million for operating contingency and \$0.2 million is restricted.
- **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, 2023, its restricted fund balance was \$75.8 million, an increase of \$1.8 million from the prior fiscal year. The increase in fund balance was mainly due to less expenses incurred during the year than revenue earned. In accordance with the Agency Goal D – Effective Flood Project, Strategic Initiative Plan No. 10, the Board approved Flood Management Plan Phase 1 in August 2022 which will direct the Agency's future maintenance activities and capital project for flood protection. Phase 2A commenced in February 2023, and will be the basis for the development of planning alternatives to be considered by the Board.

### **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, 2023, was \$48.6 million, an increase of \$5.1 million from the prior fiscal year.

Operating expenses increased by \$1.4 million or 5.6 percent due to the State Water Project pass-through payments to California State Department of Water Resources. Intergovernmental revenue increased \$1 million due to refunds from DWR which are based on the level of prior year expenditures.

- **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, 2023, was \$343.9 million, an increase of \$6.8 million from the prior

## Management's Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

fiscal year.

Operating revenues increased by a net of \$0.5 million due to an increase in water sales revenue from the fixed charge. Investment earnings increased by \$1.6 million due to favorable market conditions for the fiscal year. Operating expenses were \$51 million, an increase of \$1.4 million from the prior fiscal year. In operating expenses, employee salaries, wages, and benefits increased by \$4.8 million due to a cost-of-living adjustment effective June 2022, depreciation and amortization increased \$1.1 million due to the recent capitalization of large construction projects such as the Del Valle Ozone Plant and the Patterson Pass Water Treatment Plant ozone and upgrades projects, other services and supplies increased \$1.2 million due to funding contributions to the Los Vaqueros Reservoir Expansion Project, and chemical purchases increased \$0.6 million due to an increase in surface water treatment and inflation. Water purchases and storage decreased \$6.8 million due to the end of the state of drought emergency declared by the Board.

- **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, 2023, the net position for the fund was \$60.7 million, an increase of \$2.7 million from the prior fiscal year.

Operating revenues were \$3 million less than the prior fiscal year. The decrease is mainly due to a \$2.6 million or 13.5 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area. Operating expenses were \$0.4 million or 2.1 percent more than the prior fiscal year mainly due to increases in contractual services and the South Bay Aqueduct (SBA) debt service payment refinancing by the State.

Non-operating revenues (expenses) saw an increase in revenue of \$4.1 million from the prior year mainly due to DWR refunds, which vary from year to year based on level of prior year expenditures, and favorable market conditions for the fiscal year.

### **Governmental Funds Budgetary Highlights**

A comparative budgetary statement for the Agency's governmental fund (Flood Protection Operation Fund) for the year ended June 30, 2023:

**Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

|   | Final Budgeted<br>Amounts | Actual Amounts<br>Budgetary Basis | Budget Variance       |                      |
|---|---------------------------|-----------------------------------|-----------------------|----------------------|
|   |                           |                                   | June 30, 2023         | June 30, 2022        |
| <b>REVENUES:</b>                          |                           |                                   |                       |                      |
| Property taxes                            | \$ 10,735,000             | \$ 11,647,326                     | \$ 912,326            | \$ 933,089           |
| Intergovernmental revenues                | 6,829,000                 | 90,914                            | (6,738,086)           | 19,334               |
| Charges for services                      | 23,000                    | 106,801                           | 83,801                | 127,433              |
| Investment earnings                       | 235,000                   | 345,495                           | 110,495               | 18,696               |
| Others                                    | 338,000                   | 102,510                           | (235,490)             | 164,732              |
| Total Revenue                             | <u>\$ 18,160,000</u>      | <u>\$ 12,293,046</u>              | <u>\$ (5,866,954)</u> | <u>\$ 1,263,284</u>  |
| <b>EXPENDITURES:</b>                      |                           |                                   |                       |                      |
| Flood Protection:                         |                           |                                   |                       |                      |
| Salaries and employee benefits            | 2,589,000                 | 2,199,363                         | 389,637               | 530,276              |
| Services and supplies                     | 14,399,435                | 6,522,162                         | 7,877,273             | 8,870,046            |
| Capital outlay:                           |                           |                                   |                       |                      |
| Equipment and capital structures          | 4,922,000                 | 150,821                           | 4,771,179             | 137,220              |
| Total Expenditures                        | <u>\$ 21,910,435</u>      | <u>\$ 8,872,346</u>               | <u>\$ 13,038,089</u>  | <u>\$ 9,537,542</u>  |
| EXCESS REVENUES OVER EXPENDITURES         | (3,750,435)               | 3,420,700                         | 7,171,135             | 10,800,826           |
| Other Financing Sources (Uses)            |                           |                                   |                       |                      |
| Transfers (out) (Note 3)                  | (15,000)                  | (11,890)                          | (3,110)               | (2,255)              |
| NET CHANGE IN FUND BALANCE                | <u>\$ (3,765,435)</u>     | <u>3,408,810</u>                  | <u>\$ 7,174,245</u>   | <u>\$ 10,803,081</u> |
| Fund balance, beginning of year, restated |                           | <u>20,577,759</u>                 |                       |                      |
| FUND BALANCE, END OF YEAR                 |                           | <u>\$ 23,986,569</u>              |                       |                      |

The Agency’s actual flood protection operation fund revenues are under the budget by \$5.9 million due to potential grant funding for the Flood Management Plan Phase 2 and the Alamo Creek Pilot Project not being received in fiscal year 2023. The grants are expected to be received in fiscal year 2024.

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by \$13 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase 1, approved by the Board in August 2022, and 2A are being developed.

**Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

A comparative budgetary statement for the Agency’s governmental fund (Flood Protection Development Impact Fee Fund) for the year ended June 30, 2023:

|  | <b>Final Budgeted<br/>Amounts</b> | <b>Actual Amounts<br/>Budgetary Basis</b> | <b>Budget Variance</b> |                       |
|--|-----------------------------------|---|------------------------|-----------------------|
|  |                                   |   | <b>June 30, 2023</b>   | <b>June 30, 2022</b>  |
| <b>REVENUES:</b>                         |                                   |   |                        |                       |
| Charges for services                     | \$ 2,500,000                      | \$ 1,253,640                              | \$ (1,246,360)         | \$ (1,319,586)        |
| Investment earnings                      | 525,000                           | 958,486                                   | 433,486                | 7,770                 |
| Others                                   | 25,000                            | -   | (25,000)               | (25,000)              |
| <b>Total Revenue</b>                     | <b>\$ 3,050,000</b>               | <b>\$ 2,212,126</b>                       | <b>\$ (837,874)</b>    | <b>\$ (1,336,816)</b> |
| <b>EXPENDITURES:</b>                     |                                   |   |                        |                       |
| <b>Flood Protection:</b>                 |                                   |   |                        |                       |
| Salaries and employee benefits           | 323,296                           | 43,728                                    | 279,568                | 217,617               |
| Services and supplies                    | 1,732,130                         | 133,141                                   | 1,598,989              | 891,301               |
| <b>Capital outlay:</b>                   |                                   |   |                        |                       |
| Equipment and capital structures         | -                                 | 187,119                                   | (187,119)              | 582,048               |
| <b>Total Expenditures</b>                | <b>\$ 2,055,426</b>               | <b>\$ 363,988</b>                         | <b>\$ 1,691,438</b>    | <b>\$ 1,690,966</b>   |
| <b>EXCESS REVENUES OVER EXPENDITURES</b> | <b>994,574</b>                    | <b>1,848,138</b>                          | <b>853,564</b>         | <b>354,150</b>        |
| <b>NET CHANGE IN FUND BALANCE</b>        | <b>\$ 994,574</b>                 | <b>1,848,138</b>                          | <b>\$ 853,564</b>      | <b>\$ 354,150</b>     |
| Fund balance, beginning of year          |                                   | 73,996,664                                |                        |                       |
| <b>FUND BALANCE, END OF YEAR</b>         |                                   | <b>\$ 75,844,802</b>                      |                        |                       |

The Agency’s actual flood protection development impact fee fund revenues are below the budget by \$0.8 million mainly due to less development activities in the services area.

Variations between budget and actual expenditures in the flood protection development impact fee fund reflect overall expenditures less than the final budget by \$1.7 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase 1, approved by the Board in August 2022, and 2A are being developed.

**Capital Assets**

As of June 30, 2023, the agency’s investment in capital assets totaled \$309.9 million (net of accumulated depreciation) which is an increase of \$3.3 million from the net investment in capital assets balance of \$306.6 million at June 30, 2022. The increase in capital assets was primarily due to construction and construction in progress of the Stoneridge Well PFAS Treatment Facility, MGD Concentrate Conditioning Facility Project, Busch Valley Booster Pump Stations, and the Patterson Pass Water Treatment ozone and upgrade projects.

There were many capital project activities in fiscal year 2022-23. They include the Stoneridge Well PFAS Treatment Facility, MGD Concentrate Conditioning Facility Project, Busch Valley Booster pump station, PPWTP ozone project, PPWTP upgrades project, Arroyo Mocho/ Medeiros Parkway project, Chain of Lakes PFAS treatment facility, and other miscellaneous repair projects. Additional information on the Agency’s capital assets is provided in Note 5 of the financial statement.

## Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

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, 2023, 2022 and 2021 (In millions of dollars)

|  | 2023     | 2022     | 2023 vs. 2022 |          | 2021     | 2022 vs. 2021 |          |
|--|----------|----------|---------------|----------|----------|---------------|----------|
|  |          |          | \$ Change     | % Change |          | \$ Change     | % Change |
| Easements  | \$ 1.9   | \$ 1.9   | \$ -          | 0%       | \$ 1.9   | \$ -          | 0%       |
| Land   | 9.6      | 9.6      | -             | 0%       | 9.6      | -             | 0%       |
| Treatment Plants                                 | 260.5    | 149.4    | 111.1         | 74%      | 146.6    | 2.8           | 2%       |
| Construction in Progress                         | 15.8     | 112.8    | (97.0)        | -86%     | 83.2     | 29.6          | 36%      |
| Office Building                                  | 8.6      | 7.1      | 1.5           | 21%      | 7.1      | -             | 0%       |
| Pipelines  | 53.9     | 53.9     | -             | 0%       | 53.9     | -             | 0%       |
| Reservoirs                                       | 3.0      | 3.0      | -             | 0%       | 2.9      | 0.1           | 3%       |
| 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   | 9.7      | 9.6      | 0.1           | 1%       | 9.6      | -             | 0%       |
| Subtotal   | 440.6    | 424.9    | 15.7          | 4%       | 392.4    | 32.5          | 8%       |
| Less Accumulated depreciation/amortization       | 109.8    | 101.8    | 8.0           | 8%       | 95.0     | 6.8           | 7%       |
| Total capital assets                             | 330.8    | 323.1    | 7.7           | 2%       | 297.4    | 25.7          | 9%       |
| Lease assets                                     | -        | 0.6      | (0.6)         | -100%    | 0.6      | \$ -          | 0%       |
| Less Accumulated depreciation/amortization       | -        | 0.5      | (0.5)         | -100%    | 0.3      | 0.2           | 67%      |
| Total lease assets                               | -        | 0.1      | (0.1)         | -100%    | -        | 0.1           | 0%       |
| Subscription Assets                              | -        | 0.1      | (0.1)         | -100%    | 0.6      | \$ (0.5)      | -83%     |
| Less Accumulated depreciation/amortization       | -        | 0.1      | (0.1)         | -100%    | 0.3      | (0.2)         | -67%     |
| Total lease assets                               | -        | -        | -             | 0%       | 0.3      | (0.3)         | -100%    |
| Total capital assets, net                        | \$ 330.8 | \$ 323.2 | \$ 7.6        | 2%       | \$ 297.4 | \$ 25.8       | 9%       |

### Capital Assets Governmental Activities For the Years Ended June 30, 2023, 2022 and 2021 (In millions of dollars)

|  | 2023    | 2022    | 2023 vs. 2022 |          | 2021    | 2022 vs. 2021 |          |
|--|---------|---------|---------------|----------|---------|---------------|----------|
|  |         |         | \$ Change     | % Change |         | \$ Change     | % Change |
| Land                                       | \$ 21.2 | \$ 21.2 | \$ -          | 0%       | \$ 21.2 | \$ -          | 0%       |
| Easements                                  | 0.1     | 0.1     | -             | 0%       | 0.1     | -             | 0%       |
| Flood Control Channels                     | 12.4    | 12.4    | -             | 0%       | 12.4    | -             | 0%       |
| Construction in Progress                   | -       | 1.6     | (1.6)         | -100%    | 1.4     | 0.2           | 14%      |
| Office Building                            | 1.9     | 1.5     | 0.4           | 27%      | 1.5     | -             | 0%       |
| Others                                     | 3.1     | 1.2     | 1.9           | 158%     | 1.0     | 0.2           | 20%      |
| Subtotal                                   | 38.7    | 38.0    | 0.7           | 2%       | 37.6    | 0.4           | 1%       |
| Less Accumulated depreciation/amortization | 5.5     | 5.1     | 0.4           | 8%       | 4.8     | 0.3           | 6%       |
| Capital assets, net                        | \$ 33.2 | \$ 32.9 | \$ 0.3        | 1%       | \$ 32.8 | \$ 0.1        | 0%       |

## **Debt Administration and Bond Rating**

As of June 30, 2023, the Agency had \$58.4 million in outstanding debt and \$4.1 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.

## Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)

### **Bond Rating**

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:

| <u>Type of Bond</u>                      | <u>Ratings/ Outlook</u> |               |
|--|-------------------------|---------------|
|  | <u>S &amp; P</u>        | <u>Fitch</u>  |
| LVWFA Water Revenue Bonds, 2018 Series A | AAA/ Stable             | AA+/ Positive |

On October 11, 2023, S&P Global Ratings (S&P) announced it has raised its long-term rating on the Agency's outstanding 2018 Series A Water Revenue Bonds to 'AAA' from 'AA+'. According to S&P, *“the stable outlook reflects our view of the agency's diverse water supply when considering its surface and groundwater storage, strong financial position in terms of all-in coverage and liquidity, fixed-rate schedule, and 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 three strongest retail customers' water fund credit quality will remain consistent with current projections.”*

On October 19, 2023, Fitch Ratings affirmed its ‘AA+’ rating of the Agency and revised the rating outlook to ‘Positive’ from ‘Stable’. According to Fitch, *“the 'AA+' bond rating and Issuer Default Rating reflect the agency’s exceptionally low leverage, measured as net adjusted debt to adjusted funds available for debt service, within the framework of very strong revenue defensibility and low operating risk profile”*.

On June 17, 2022, Fitch Rating affirmed the Livermore Valley Water Financing Authority's series 2018 water revenue bonds at ‘AA+’. The Rating outlook is stable.

On March 19, 2018, S&P Global Ratings assigned its 'AA+' long-term rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds, issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7. The outlook is stable.

Additional information on the Agency’s long-term debt is provided in Note 6 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 15, 2022 and adopted a mid-cycle budget amendment on June 21, 2023 for FY 2023-24. The two-year budget provides funding for the Agency’s operating, capital and debt service payments for the fiscal years ending June 30, 2023, and 2024. The budget addresses current operational and economic conditions and continues to provide the highest standard of water quality, reliability, and flood protection. These current conditions have impacted the budget in the following ways:
  - Increase in revenue due to adopted water rates and assumptions.
  - Increase in water production costs due to a shift to surface water production as a result of the

## **Management’s Discussion and Analysis for the Years Ended June 30, 2023, and 2022 (continued)**

increased allocation from the State Water Project.

- Funding for continued participation in various water supply reliability projects (Los Vaqueros Reservoir Expansion, Sites Reservoir, Delta Conveyance) to further diversify the Agency’s water portfolio.
  - Increase in personnel costs due to the adopted cost-of-living adjustments.
- The unemployment rate in Alameda County increased. As of May 2023, the unemployment rate was reported at 3.7% versus 2.9% in October 2022.
- On November 16, 2022, the Board approved 5.5% annual rate revenue adjustment for wholesale water services for Calendar Years 2023, 2024, 2025 and 2026. The first rate increase went into effect February 1, 2023, and the remaining increases for years 2024-2026 will be effective January 1 of each year. The new rate schedule was set through a rigorous cost-recovery analysis and public review process. The Board will revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024. The new rate schedule is shown in the table below:

| <b>Calendar Year</b>      | <b>2023</b>  | <b>2024</b>  | <b>2025</b>  | <b>2026</b>  |
|---------------------------|--------------|--------------|--------------|--------------|
| Volume-based Rate per CCF | \$2.27       | \$2.34       | \$2.44       | \$2.47       |
| Fixed Revenue Recovery    | 45%          | 45%          | 45%          | 45%          |
| Total Fixed Charges       | \$27,395,440 | \$29,703,607 | \$31,805,889 | \$33,286,846 |

### **Request 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>.

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Net Position**  
**June 30, 2023**

(With summarized information as of June 30, 2022, as restated)

| ASSETS   | Governmental<br>Activities | Business-Type<br>Activities | Totals             |                       |
|--|----------------------------|-----------------------------|--------------------|-----------------------|
|  |                            |                             | 2023               | 2022<br>(as restated) |
| <b>Current assets:</b>   |                            |                             |                    |                       |
| Pooled cash in County Treasury (Note 2)                                      | \$ 83,542,008              | \$ 67,725,372               | \$ 151,267,380     | \$ 138,705,984        |
| Cash and investments - Agency Treasury (Note 2)                              | 17,378,523                 | 122,504,679                 | 139,883,202        | 139,711,952           |
| Restricted cash (Note 2)   | 1,641,639                  | 4,413,332                   | 6,054,971          | 8,585,658             |
| Accounts receivable, net   | 906,816                    | 13,719,741                  | 14,626,557         | 18,754,452            |
| Interest receivable  | 3,096                      | 18,000                      | 21,096             | 693                   |
| Lease receivable - current (Note 4)  | 23,410                     | 39,792                      | 63,202             | 62,957                |
| Prepaid items  | -                          | 2,457,547                   | 2,457,547          | 892,186               |
| <b>Total current assets</b>  | <b>103,495,492</b>         | <b>210,878,463</b>          | <b>314,373,955</b> | <b>306,713,882</b>    |
| <b>Noncurrent assets:</b>  |                            |                             |                    |                       |
| Lease receivable (Note 4)  | 397,618                    | 413,406                     | 811,024            | 874,226               |
| Net OPEB assets (Note 9)   | -                          | -                           | -                  | 3,632,078             |
| <b>Capital assets (Note 5):</b>  |                            |                             |                    |                       |
| Rights of way, water entitlements, easements<br>and construction in progress | 21,240,011                 | 63,848,225                  | 85,088,236         | 183,805,873           |
| Depreciable/amortizable, net   | 11,948,050                 | 266,983,580                 | 278,931,630        | 172,354,051           |
| <b>Total capital assets</b>  | <b>33,188,061</b>          | <b>330,831,805</b>          | <b>364,019,866</b> | <b>356,159,924</b>    |
| <b>Total noncurrent assets</b>   | <b>33,585,679</b>          | <b>331,245,211</b>          | <b>364,830,890</b> | <b>360,666,228</b>    |
| <b>Total assets</b>  | <b>137,081,171</b>         | <b>542,123,674</b>          | <b>679,204,845</b> | <b>667,380,110</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                            |                             |                    |                       |
| Pension related (Note 8)   | 618,261                    | 7,506,060                   | 8,124,321          | 4,408,616             |
| OPEB related (Note 9)  | 164,905                    | 2,002,044                   | 2,166,949          | 903,211               |
| <b>Total deferred outflows of resources</b>                                  | <b>783,166</b>             | <b>9,508,104</b>            | <b>10,291,270</b>  | <b>5,311,827</b>      |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Net Position (Continued)**  
**June 30, 2023**

(With summarized information as of June 30, 2022, as restated)

| LIABILITIES   | Governmental<br>Activities | Business-Type<br>Activities | Totals         |                       |
|---|----------------------------|-----------------------------|----------------|-----------------------|
|   |                            |                             | 2023           | 2022<br>(as restated) |
| <b>Current liabilities:</b>                           |                            |                             |                |                       |
| Accounts payable and accrued expenses                 | 2,226,446                  | 7,572,846                   | 9,799,292      | 10,547,745            |
| Deposits payable                                      | 1,411,985                  | 343,372                     | 1,755,357      | 1,355,233             |
| Compensated absences (Note 7)                         | 33,806                     | 718,822                     | 752,628        | 678,534               |
| Long-term debt - due within one year (Note 6)         | -                          | 1,595,000                   | 1,595,000      | 1,713,106             |
| <b>Total current liabilities</b>                      | 3,672,237                  | 10,230,040                  | 13,902,277     | 14,294,618            |
| <b>Noncurrent liabilities:</b>                        |                            |                             |                |                       |
| Compensated absences, due more than one year (Note 7) | 36,141                     | 768,476                     | 804,617        | 881,853               |
| Long-term debt - due more than one year (Note 6)      | -                          | 60,903,601                  | 60,903,601     | 63,072,816            |
| Net pension liability (Note 8)                        | 1,395,518                  | 16,942,431                  | 18,337,949     | 11,803,112            |
| Net OPEB liability (Note 9)                           | 128,247                    | 1,556,999                   | 1,685,246      | -                     |
| <b>Total noncurrent liabilities</b>                   | 1,559,906                  | 80,171,507                  | 81,731,413     | 75,757,781            |
| <b>Total liabilities</b>                              | 5,232,143                  | 90,401,547                  | 95,633,690     | 90,052,399            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                            |                             |                |                       |
| Lease related (Note 4)                                | 423,308                    | 452,647                     | 875,955        | 940,321               |
| Pension related (Note 8)                              | 428,071                    | 5,197,048                   | 5,625,119      | 9,412,720             |
| OPEB related (Note 9)                                 | 100,813                    | 1,223,931                   | 1,324,744      | 5,280,112             |
| <b>Total deferred inflows of resources</b>            | 952,192                    | 6,873,626                   | 7,825,818      | 15,633,153            |
| <b>NET POSITION</b>                                   |                            |                             |                |                       |
| Net investment in capital assets                      | 33,188,061                 | 276,759,129                 | 309,947,190    | 306,630,925           |
| Restricted for:                                       |                            |                             |                |                       |
| Capital projects and water expansion                  | 75,844,802                 | 117,661,201                 | 193,506,003    | 187,041,017           |
| Pension trust   | 163,767                    | 1,488,488                   | 1,652,255      | 1,469,615             |
| Unrestricted  | 22,483,372                 | 58,447,787                  | 80,931,159     | 71,864,828            |
| <b>Total net position</b>                             | \$ 131,680,002             | \$ 454,356,605              | \$ 586,036,607 | \$ 567,006,385        |

**Alameda County Flood Control and Water Conservation District, Zone 7  
Zone 7 Water Agency  
Statement of Activities**

**For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022, as restated)

| <b>Functions/Programs</b>               | <b>Expenses</b>       | <b>Program Revenues</b>         |   |   | <b>Total</b>          |
|---|-----------------------|---------------------------------|---|---|-----------------------|
|   |                       | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> |                       |
| <b>Governmental Activities:</b>         |                       |                                 |   |   |                       |
| Flood protection operations             | \$ 8,811,830          | \$ 130,762                      | \$ 90,914   | \$ -  | \$ 221,676            |
| Flood protection development impact fee | 176,869               | 1,253,640                       | -   | -   | 1,253,640             |
| Flood protection grants                 | 228,936               | -                               | -   | 486,234   | 486,234               |
| <b>Total Governmental Activities</b>    | <b>9,217,635</b>      | <b>1,384,402</b>                | <b>90,914</b>                                     | <b>486,234</b>                                  | <b>1,961,550</b>      |
| <b>Business-Type Activities:</b>        |                       |                                 |   |   |                       |
| State water project                     | 25,703,191            | 25,850,736                      | 4,786,166   | -   | 30,636,902            |
| Water Enterprise                        | 71,877,411            | 73,538,954                      | 4,966,551   | -   | 78,505,505            |
| <b>Total Business-Type Activities</b>   | <b>97,580,602</b>     | <b>99,389,690</b>               | <b>9,752,717</b>                                  | <b>-</b>  | <b>109,142,407</b>    |
| <b>Total Primary Government</b>         | <b>\$ 106,798,237</b> | <b>\$ 100,774,092</b>           | <b>\$ 9,843,631</b>                               | <b>\$ 486,234</b>                               | <b>\$ 111,103,957</b> |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022, as restated)

| <b>Functions/Programs</b>                                      | <b>Net (Expense) Revenue and Changes<br/>in Net Position</b> |                                     | <b>Totals</b>  |                               |
|--|--|-------------------------------------|----------------|-------------------------------|
|  | <b>Governmental<br/>Activities</b>                           | <b>Business-Type<br/>Activities</b> | <b>2023</b>    | <b>2022<br/>(as restated)</b> |
| <b>Governmental Activities:</b>                                |  |                                     |                |                               |
| Flood protection operations                                    | \$ (8,590,154)   | \$ -                                | \$ (8,590,154) | (12,068,982)                  |
| Flood protection development impact fee                        | 1,076,771  | -                                   | 1,076,771      | 1,133,797                     |
| Flood protection grants  | 257,298  | -                                   | 257,298        | (32,850)                      |
| <b>Total Governmental Activities</b>                           | (7,256,085)  | -                                   | (7,256,085)    | (10,968,035)                  |
| <b>Business-Type Activities:</b>                               |  |                                     |                |                               |
| State water project  | -  | 4,933,711                           | 4,933,711      | 5,554,364                     |
| Water Enterprise   | -  | 6,628,094                           | 6,628,094      | 8,800,511                     |
| <b>Total Business-Type Activities</b>                          | -  | 11,561,805                          | 11,561,805     | 14,354,875                    |
| <b>Total Primary Government</b>                                | (7,256,085)  | 11,561,805                          | 4,305,720      | 3,386,840                     |
| <b>General Revenues:</b>                                       |  |                                     |                |                               |
| Property taxes:  |  |                                     |                |                               |
| Secured  | 10,687,356   | -                                   | 10,687,356     | 9,986,713                     |
| Unsecured  | 510,931  | -                                   | 510,931        | 484,259                       |
| Supplemental   | 449,039  | -                                   | 449,039        | 320,560                       |
| Investment earnings (losses)                                   | 1,280,020  | 1,612,299                           | 2,892,319      | (1,940,772)                   |
| Other  | 184,857  | -                                   | 184,857        | 232,582                       |
| <b>Total General Revenues</b>                                  | 13,112,203   | 1,612,299                           | 14,724,502     | 9,083,342                     |
| <b>Transfers, net</b>  | (11,890)   | 11,890                              | -              | -                             |
| <b>Changes in Net Position</b>                                 | 5,844,228  | 13,185,994                          | 19,030,222     | 12,470,182                    |
| <b>Net Position - Beginning of Year, as restated (Note 12)</b> | 125,835,774  | 441,170,611                         | 567,006,385    | 554,536,203                   |
| <b>Net Position - End of Year</b>                              | \$ 131,680,002   | \$ 454,356,605                      | \$ 586,036,607 | \$ 567,006,385                |

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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**  
**Zone 7 Water Agency**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

(With summarized information as of June 30, 2022)

|   | Flood<br>Protection<br>Operations | Flood<br>Protection<br>Development<br>Impact Fee | Total<br>Non-Major<br>Governmental<br>Funds | Totals                |                      |
|---|-----------------------------------|--|---|-----------------------|----------------------|
|   |                                   |  |   | 2023                  | 2022                 |
| <b>ASSETS</b>   |                                   |  |   |                       |                      |
| <b>Current assets</b>   |                                   |  |   |                       |                      |
| Cash in County treasury (Note 2)  | \$ 22,744,248                     | \$ 60,797,760                                    | \$ -  | \$ 83,542,008         | \$ 78,857,022        |
| Cash in Agency treasury (Note 2)  | 2,917,175                         | 14,461,348                                       | -   | 17,378,523            | 16,764,920           |
| Restricted cash (Note 2)  | 1,641,639                         | -  | -   | 1,641,639             | 1,217,940            |
| Accounts receivable, net  | 44,785                            | 469,866  | 392,165                                     | 906,816               | 633,865              |
| Interest receivable   | 907                               | 2,189  | -   | 3,096                 | 244                  |
| Lease receivable (Note 4)   | 421,028                           | -  | -   | 421,028               | 444,361              |
| Prepaid items   | -                                 | -  | -   | -                     | 4,827                |
| Due from other funds  | 172,741                           | 193,598  | -   | 366,339               | 3,674                |
| <b>Total assets</b>   | <b>\$ 27,942,523</b>              | <b>\$ 75,924,761</b>                             | <b>\$ 392,165</b>                           | <b>\$ 104,259,449</b> | <b>\$ 97,926,853</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>       |                                   |  |   |                       |                      |
| <b>Liabilities</b>  |                                   |  |   |                       |                      |
| Accounts payable and accrued liabilities                                  | \$ 2,120,661                      | \$ 79,959  | \$ 25,826                                   | \$ 2,226,446          | \$ 1,826,201         |
| Deposits payable  | 1,411,985                         | -  | -   | 1,411,985             | 1,031,985            |
| Due to other funds  | -                                 | -  | 366,339                                     | 366,339               | 46,975               |
| <b>Total liabilities</b>  | <b>3,532,646</b>                  | <b>79,959</b>                                    | <b>392,165</b>                              | <b>4,004,770</b>      | <b>2,905,161</b>     |
| <b>Deferred inflows of resources:</b>                                     |                                   |  |   |                       |                      |
| Lease-related (Note 4)  | 423,308                           | -  | -   | 423,308               | 447,269              |
| <b>Total deferred inflows of resources</b>                                | <b>423,308</b>                    | <b>-</b>   | <b>-</b>                                    | <b>423,308</b>        | <b>447,269</b>       |
| <b>Fund balances (Note 10):</b>   |                                   |  |   |                       |                      |
| Restricted  | 163,767                           | 75,844,802                                       | -   | 76,008,569            | 74,143,148           |
| Committed:  |                                   |  |   |                       |                      |
| Flood protection capital projects   | 22,022,802                        | -  | -   | 22,022,802            | 16,131,275           |
| Flood protection operating contingency                                    | 1,800,000                         | -  | -   | 1,800,000             | 4,300,000            |
| <b>Total fund balances</b>  | <b>23,986,569</b>                 | <b>75,844,802</b>                                | <b>-</b>                                    | <b>99,831,371</b>     | <b>94,574,423</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 27,942,523</b>              | <b>\$ 75,924,761</b>                             | <b>\$ 392,165</b>                           | <b>\$ 104,259,449</b> | <b>\$ 97,926,853</b> |

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**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Government-Wide Statement of Net Position**  
**June 30, 2023**

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**Total Fund Balances - Total Governmental Funds** \$ 99,831,371

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               | \$ | 21,240,011 |            |
| Depreciable/Amortizable, net |    | 11,948,050 | 33,188,061 |

**LONG-TERM DEBT**

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

|                      |          |
|----------------------|----------|
| Compensated absences | (69,947) |
|----------------------|----------|

**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 | 618,261     |
| Net pension liability                          | (1,395,518) |
| Pension related deferred inflows of resources  | (428,071)   |

**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 | 164,905   |
| Net OPEB Liability                          | (128,247) |
| OPEB related deferred inflows of resources  | (100,813) |

|  |           |                    |
|--|-----------|--------------------|
| <b>Net Position of Governmental Activities</b> | <b>\$</b> | <b>131,680,002</b> |
|--|-----------|--------------------|

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**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022)

|  | Flood                    | Flood                                   | Total                              | Totals            |                   |
|--|--------------------------|---|------------------------------------|-------------------|-------------------|
|  | Protection<br>Operations | Protection<br>Development<br>Impact Fee | Non-Major<br>Governmental<br>Funds | 2023              | 2022              |
| <b>Revenues:</b>   |                          |   |                                    |                   |                   |
| Property taxes   | \$ 11,647,326            | \$ -                                    | \$ -                               | \$ 11,647,326     | \$ 10,791,532     |
| Intergovernmental  | 90,914                   | -                                       | 486,234                            | 577,148           | 483,324           |
| Charges for services   | 106,801                  | 1,253,640                               | -                                  | 1,360,441         | 1,690,497         |
| Investment earnings  | 321,534                  | 958,486                                 | -                                  | 1,280,020         | 268,495           |
| Rental income  | 23,961                   | -                                       | -                                  | 23,961            | 23,961            |
| Other revenues   | 102,510                  | -                                       | 82,347                             | 184,857           | 232,582           |
| <b>Total revenues</b>  | <b>12,293,046</b>        | <b>2,212,126</b>                        | <b>568,581</b>                     | <b>15,073,753</b> | <b>13,490,391</b> |
| <b>Expenditures:</b>   |                          |   |                                    |                   |                   |
| Current:   |                          |   |                                    |                   |                   |
| Salaries and employee benefits<br>transferred from district-wide | 2,199,363                | 43,728                                  | 7,460                              | 2,250,551         | 2,484,861         |
| Services and supplies  | 6,522,162                | 133,141                                 | 221,476                            | 6,876,779         | 10,873,497        |
| Capital outlay:  |                          |   |                                    |                   |                   |
| Equipment and capital infrastructure                             | 150,821                  | 187,119                                 | 339,645                            | 677,585           | 411,426           |
| <b>Total expenditures</b>  | <b>8,872,346</b>         | <b>363,988</b>                          | <b>568,581</b>                     | <b>9,804,915</b>  | <b>13,769,784</b> |
| <b>Revenues over (under)<br/>expenditures</b>                    | <b>3,420,700</b>         | <b>1,848,138</b>                        | <b>-</b>                           | <b>5,268,838</b>  | <b>(279,393)</b>  |
| <b>Other financing (uses):</b>                                   |                          |   |                                    |                   |                   |
| Transfers out  | (11,890)                 | -                                       | -                                  | (11,890)          | (11,890)          |
| <b>Total other financing (uses)</b>                              | <b>(11,890)</b>          | <b>-</b>                                | <b>-</b>                           | <b>(11,890)</b>   | <b>(11,890)</b>   |
| <b>Net change in fund balances</b>                               | <b>3,408,810</b>         | <b>1,848,138</b>                        | <b>-</b>                           | <b>5,256,948</b>  | <b>(291,283)</b>  |
| <b>Fund balances:</b>  |                          |   |                                    |                   |                   |
| Beginning of year  | 20,577,759               | 73,996,664                              | -                                  | 94,574,423        | 94,865,706        |
| End of year  | \$ 23,986,569            | \$ 75,844,802                           | \$ -                               | \$ 99,831,371     | \$ 94,574,423     |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**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, 2023**

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|  |                     |
|--|---------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>  | \$ 5,256,948        |
| Amounts reported for Governmental activities in the Statement of Activities were reported differently because:   |                     |
| <b>CAPITAL ASSETS TRANSACTIONS</b>   |                     |
| 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/amortization expense.    |                     |
| The capital outlay expenditures are therefore added back to fund balance   | 677,585             |
| Depreciation/amortization expense is deducted from the fund balance  | (376,195)           |
| <b>LONG-TERM DEBT</b>  |                     |
| Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds. |                     |
|  | (69,947)            |
| <b>ACCRUALS OF PENSIONS AND OPEB</b>   |                     |
| Net change in net pension liability and related deferred inflows and outflows of resources   | 351,020             |
| Net change in net OPEB liability and related deferred inflows and outflows of resources  | 4,817               |
| <b>Change in Net Position of Governmental Activities</b>   | <b>\$ 5,844,228</b> |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Flood Protection Operations Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

|   | Budgeted Amounts  |                       | Actual<br>Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-----------------------|----------------------|---|
|   | Original          | Final                 |                      |   |
| <b>Revenues:</b>                              |                   |                       |                      |   |
| Property taxes                                | \$ 10,735,000     | \$ 10,735,000         | \$ 11,647,326        | \$ 912,326  |
| Intergovernmental revenue                     | 6,829,000         | 6,829,000             | 90,914               | (6,738,086)   |
| Charges for services                          | 23,000            | 23,000                | 106,801              | 83,801  |
| Investment earnings                           | 235,000           | 235,000               | 345,495              | 110,495   |
| Other revenue                                 | 338,000           | 338,000               | 102,510              | (235,490)   |
| <b>Total Revenues</b>                         | <b>18,160,000</b> | <b>18,160,000</b>     | <b>12,293,046</b>    | <b>(5,866,954)</b>                                      |
| <b>Expenditures:</b>                          |                   |                       |                      |   |
| Current:                                      |                   |                       |                      |   |
| Flood protection:                             |                   |                       |                      |   |
| Salaries and benefits                         | 2,589,000         | 2,589,000             | 2,199,363            | 389,637   |
| Services and supplies                         | 14,507,000        | 14,399,435            | 6,522,162            | 7,877,273   |
| Capital outlay:                               |                   |                       |                      |   |
| Equipment and capital infrastructure          | 122,000           | 4,922,000             | 150,821              | 4,771,179   |
| <b>Total Expenditures</b>                     | <b>17,218,000</b> | <b>21,910,435</b>     | <b>8,872,346</b>     | <b>13,038,089</b>                                       |
| <b>Revenues over (under)<br/>expenditures</b> | <b>942,000</b>    | <b>(3,750,435)</b>    | <b>3,420,700</b>     | <b>7,171,135</b>  |
| <b>Other Financing (Uses):</b>                |                   |                       |                      |   |
| Transfers out                                 | (15,000)          | (15,000)              | (11,890)             | 3,110   |
| <b>Total Other Financing (Uses)</b>           | <b>(15,000)</b>   | <b>(15,000)</b>       | <b>(11,890)</b>      | <b>3,110</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>             | <b>\$ 927,000</b> | <b>\$ (3,765,435)</b> | <b>3,408,810</b>     | <b>\$ 7,174,245</b>                                     |
| <b>FUND BALANCE:</b>                          |                   |                       |                      |   |
| Beginning of year                             |                   |                       | 20,577,759           |   |
| End of year                                   |                   |                       | <u>\$ 23,986,569</u> |   |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Flood Protection Development Impact Fee Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

|   | Budgeted Amounts    |                   | Actual<br>Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|-------------------|----------------------|---|
|   | Original            | Final             |                      |   |
| <b>Revenues:</b>                              |                     |                   |                      |   |
| Charges for services                          | \$ 2,500,000        | \$ 2,500,000      | \$ 1,253,640         | \$ (1,246,360)  |
| Investment earnings                           | 525,000             | 525,000           | 958,486              | 433,486   |
| Other revenue                                 | 25,000              | 25,000            | -                    | (25,000)  |
| <b>Total Revenues</b>                         | <u>3,050,000</u>    | <u>3,050,000</u>  | <u>2,212,126</u>     | <u>(837,874)</u>  |
| <b>Expenditures:</b>                          |                     |                   |                      |   |
| Current:                                      |                     |                   |                      |   |
| Flood protection:                             |                     |                   |                      |   |
| Salaries and benefits                         | 323,296             | 323,296           | 43,728               | 279,568   |
| Services and supplies                         | 1,613,704           | 1,732,130         | 133,141              | 1,598,989   |
| Capital outlay:                               |                     |                   |                      |   |
| Equipment and capital infrastructure          | -                   | -                 | 187,119              | (187,119)   |
| <b>Total Expenditures</b>                     | <u>1,937,000</u>    | <u>2,055,426</u>  | <u>363,988</u>       | <u>1,691,438</u>  |
| <b>Revenues over (under)<br/>expenditures</b> | <u>1,113,000</u>    | <u>994,574</u>    | <u>1,848,138</u>     | <u>853,564</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>             | <u>\$ 1,113,000</u> | <u>\$ 994,574</u> | <u>1,848,138</u>     | <u>\$ 853,564</u>                                       |
| <b>FUND BALANCE:</b>                          |                     |                   |                      |   |
| Beginning of year                             |                     |                   | <u>73,996,664</u>    |   |
| End of year                                   |                     |                   | <u>\$ 75,844,802</u> |   |

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**PROPRIETARY FUND FINANCIAL STATEMENTS**

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

(With summarized information as of June 30, 2022, as restated)

|   | State             | Water              | Water             | Non-Major        | Totals             |                    |
|---|-------------------|--------------------|-------------------|------------------|--------------------|--------------------|
|   | Water             | Enterprise         | Enterprise        |                  | Enterprise Fund    | 2023               |
|   | Facilities        | Operations         | Capital Expansion |                  |                    | (as restated)      |
| <b>ASSETS</b>                               |                   |                    |                   |                  |                    |                    |
| <b>Current assets:</b>                      |                   |                    |                   |                  |                    |                    |
| Cash in County treasury (Note 2)            | \$ 19,228,829     | \$ 34,716,620      | \$ 12,319,847     | \$ 1,460,076     | \$ 67,725,372      | \$ 59,848,962      |
| Cash in Agency treasury (Note 2)            | 28,120,015        | 37,409,209         | 56,975,455        | -                | 122,504,679        | 122,947,032        |
| Restricted cash and investments (Note 2)    | -                 | 3,545,438          | 867,894           | -                | 4,413,332          | 7,367,718          |
| Account receivables, net                    | -                 | 11,544,399         | 2,175,342         | -                | 13,719,741         | 18,120,587         |
| Interest receivable                         | 3,784             | 5,707              | 8,509             | -                | 18,000             | 449                |
| Lease receivables - current (Note 4)        | -                 | 39,792             | -                 | -                | 39,792             | 39,624             |
| Due from other funds                        | -                 | -                  | -                 | -                | -                  | 43,301             |
| Prepaid deposits                            | 1,261,429         | 210,450            | 985,668           | -                | 2,457,547          | 887,359            |
| <b>Total current assets</b>                 | <b>48,614,057</b> | <b>87,471,615</b>  | <b>73,332,715</b> | <b>1,460,076</b> | <b>210,878,463</b> | <b>209,255,032</b> |
| <b>Noncurrent assets:</b>                   |                   |                    |                   |                  |                    |                    |
| Lease receivables (Note 4)                  | -                 | 413,406            | -                 | -                | 413,406            | 453,198            |
| Net OPEB assets (Note 9)                    | -                 | -                  | -                 | -                | -                  | 3,295,748          |
| Capital assets (Note 5):                    |                   |                    |                   |                  |                    |                    |
| Non-depreciable                             | -                 | 63,848,225         | -                 | -                | 63,848,225         | 160,915,029        |
| Depreciable/amortizable, net                | -                 | 266,983,580        | -                 | -                | 266,983,580        | 162,358,224        |
| <b>Total noncurrent assets</b>              | <b>-</b>          | <b>331,245,211</b> | <b>-</b>          | <b>-</b>         | <b>331,245,211</b> | <b>327,022,199</b> |
| <b>Total assets</b>                         | <b>48,614,057</b> | <b>418,716,826</b> | <b>73,332,715</b> | <b>1,460,076</b> | <b>542,123,674</b> | <b>536,277,231</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                   |                    |                   |                  |                    |                    |
| Pension related (Note 8)                    | -                 | 7,352,510          | 153,550           | -                | 7,506,060          | 4,000,378          |
| OPEB related (Note 9)                       | -                 | 1,961,089          | 40,955            | -                | 2,002,044          | 819,574            |
| <b>Total deferred outflows of resources</b> | <b>-</b>          | <b>9,313,599</b>   | <b>194,505</b>    | <b>-</b>         | <b>9,508,104</b>   | <b>4,819,952</b>   |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2023**

(With summarized information as of June 30, 2022, as restated)

|   | State               | Water                 | Water                | Non-Major           | Totals                |                       |
|---|---------------------|-----------------------|----------------------|---------------------|-----------------------|-----------------------|
|   | Water               | Enterprise            | Enterprise           |                     | Enterprise Fund       | 2023                  |
|   | Facilities          | Operations            | Capital Expansion    |                     |                       |                       |
| <b>LIABILITIES</b>                            |                     |                       |                      |                     |                       |                       |
| <b>Current liabilities:</b>                   |                     |                       |                      |                     |                       |                       |
| Accounts payable and accrued expenses         | 1,497               | 6,108,591             | 1,462,758            | -                   | 7,572,846             | 8,721,544             |
| Unearned revenues                             | -                   | -                     | -                    | -                   | -                     | -                     |
| Deposits                                      | -                   | -                     | -                    | 343,372             | 343,372               | 323,248               |
| Due to other funds                            | -                   | -                     | -                    | -                   | -                     | -                     |
| Compensated absences (Note 7)                 | -                   | 718,822               | -                    | -                   | 718,822               | 678,534               |
| Long-term debt - due within one year (Note 6) | -                   | 980,000               | 615,000              | -                   | 1,595,000             | 1,713,106             |
| <b>Total current liabilities</b>              | <b>1,497</b>        | <b>7,807,413</b>      | <b>2,077,758</b>     | <b>343,372</b>      | <b>10,230,040</b>     | <b>11,436,432</b>     |
| <b>Noncurrent liabilities:</b>                |                     |                       |                      |                     |                       |                       |
| Compensated absences (Note 7)                 | -                   | 768,476               | -                    | -                   | 768,476               | 881,853               |
| Long-term debt (Note 6)                       | -                   | 50,655,620            | 10,247,981           | -                   | 60,903,601            | 63,072,816            |
| Net pension liability (Note 8)                | -                   | 16,595,844            | 346,587              | -                   | 16,942,431            | 10,710,144            |
| Net OPEB liability (Note 9)                   | -                   | 1,525,148             | 31,851               | -                   | 1,556,999             | -                     |
| <b>Total noncurrent liabilities</b>           | <b>-</b>            | <b>69,545,088</b>     | <b>10,626,419</b>    | <b>-</b>            | <b>80,171,507</b>     | <b>74,664,813</b>     |
| <b>Total liabilities</b>                      | <b>1,497</b>        | <b>77,352,501</b>     | <b>12,704,177</b>    | <b>343,372</b>      | <b>90,401,547</b>     | <b>86,101,245</b>     |
| <b>DEFERRED INFLOW OF RESOURCES</b>           |                     |                       |                      |                     |                       |                       |
| Lease related (Note 4)                        | -                   | 452,647               | -                    | -                   | 452,647               | 493,052               |
| Pension related (Note 8)                      | -                   | 5,090,733             | 106,315              | -                   | 5,197,048             | 8,541,102             |
| OPEB related (Note 9)                         | -                   | 1,198,893             | 25,038               | -                   | 1,223,931             | 4,791,173             |
| <b>Total deferred inflows of resources</b>    | <b>-</b>            | <b>6,742,273</b>      | <b>131,353</b>       | <b>-</b>            | <b>6,873,626</b>      | <b>13,825,327</b>     |
| <b>NET POSITION</b>                           |                     |                       |                      |                     |                       |                       |
| Net investment in capital assets              | -                   | 276,759,129           | -                    | -                   | 276,759,129           | 273,744,254           |
| Restricted for:                               |                     |                       |                      |                     |                       |                       |
| Capital projects and water expansion          | 48,612,560          | 8,365,370             | 60,683,271           | -                   | 117,661,201           | 113,044,353           |
| Pension trust                                 | -                   | 1,480,069             | 8,419                | -                   | 1,488,488             | 1,323,131             |
| Unrestricted                                  | -                   | 57,331,083            | -                    | 1,116,704           | 58,447,787            | 53,058,873            |
| <b>Total net position</b>                     | <b>\$48,612,560</b> | <b>\$ 343,935,651</b> | <b>\$ 60,691,690</b> | <b>\$ 1,116,704</b> | <b>\$ 454,356,605</b> | <b>\$ 441,170,611</b> |

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**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**

**For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022, as restated)

|   | Major Funds                  |                                   |  |                                 | Totals                |                       |
|---|------------------------------|-----------------------------------|--|---------------------------------|-----------------------|-----------------------|
|   | State<br>Water<br>Facilities | Water<br>Enterprise<br>Operations | Water<br>Enterprise<br>Capital Expansion | Non-Major<br>Enterprise<br>Fund | 2023                  | 2022<br>(as restated) |
| <b>OPERATING REVENUES:</b>                |                              |                                   |  |                                 |                       |                       |
| Water sales                               | \$ -                         | \$ 56,105,302                     | \$ -                                     | \$ -                            | \$ 56,105,302         | \$ 55,670,511         |
| Connection and development fees           | -                            | -                                 | 17,023,627                               | -                               | 17,023,627            | 19,669,509            |
| Charges for services                      | -                            | 86,983                            | -  | -                               | 86,983                | 144,160               |
| Other revenues                            | 2,310,146                    | 323,042                           | -  | -                               | 2,633,188             | 2,813,952             |
| <b>Total operating revenues</b>           | <b>2,310,146</b>             | <b>56,515,327</b>                 | <b>17,023,627</b>                        | <b>-</b>                        | <b>75,849,100</b>     | <b>78,298,132</b>     |
| <b>OPERATING EXPENSES:</b>                |                              |                                   |  |                                 |                       |                       |
| Salaries, wages and benefits              | -                            | 18,565,758                        | 219,072                                  | -                               | 18,784,830            | 14,243,920            |
| Contractual services                      | 16,828                       | 3,747,031                         | 391,485                                  | -                               | 4,155,344             | 3,159,258             |
| Technical supplies                        | -                            | 565,949                           | -  | -                               | 565,949               | 555,666               |
| Chemical purchases                        | -                            | 2,177,378                         | -  | -                               | 2,177,378             | 1,516,832             |
| Water purchases                           | 25,686,363                   | 6,964,825                         | 16,459,813                               | -                               | 49,111,001            | 52,245,990            |
| Water storage                             | -                            | 2,252,378                         | -  | -                               | 2,252,378             | 4,305,743             |
| Utilities                                 | -                            | 3,703,946                         | 5,361                                    | -                               | 3,709,307             | 3,764,688             |
| Maintenance and repairs                   | -                            | 1,646,277                         | -  | -                               | 1,646,277             | 1,902,758             |
| Equipment and building rents              | -                            | 225,682                           | -  | -                               | 225,682               | 136,433               |
| Other services and supplies               | -                            | 2,307,460                         | 1,715,045                                | -                               | 4,022,505             | 2,809,657             |
| Risk management                           | -                            | 597,518                           | -  | -                               | 597,518               | 519,034               |
| Depreciation and amortization (Note 5)    | -                            | 8,249,031                         | -  | -                               | 8,249,031             | 7,224,301             |
| <b>Total operating expenses</b>           | <b>25,703,191</b>            | <b>51,003,233</b>                 | <b>18,790,776</b>                        | <b>-</b>                        | <b>95,497,200</b>     | <b>92,384,280</b>     |
| <b>OPERATING INCOME (LOSS)</b>            | <b>(23,393,045)</b>          | <b>5,512,094</b>                  | <b>(1,767,149)</b>                       | <b>-</b>                        | <b>(19,648,100)</b>   | <b>(14,086,148)</b>   |
| <b>NONOPERATING INCOME (LOSS):</b>        |                              |                                   |  |                                 |                       |                       |
| Property taxes                            | 23,540,590                   | -                                 | -  | -                               | 23,540,590            | 23,836,161            |
| Intergovernmental revenue                 | 4,786,166                    | 108,673                           | 4,857,878                                | -                               | 9,752,717             | 6,710,435             |
| Investment earnings (losses)              | 150,357                      | 842,966                           | 588,918                                  | 30,058                          | 1,612,299             | (2,209,267)           |
| Gain on disposal of assets                | -                            | 2,072                             | -  | -                               | 2,072                 | 7,626                 |
| Interest expense for long term debt       | -                            | (1,781,641)                       | (303,833)                                | -                               | (2,085,474)           | (2,113,199)           |
| <b>Total Nonoperating Income (Loss)</b>   | <b>28,477,113</b>            | <b>(827,930)</b>                  | <b>5,142,963</b>                         | <b>30,058</b>                   | <b>32,822,204</b>     | <b>26,231,756</b>     |
| <b>NET INCOME (LOSS) BEFORE TRANSFERS</b> | <b>5,084,068</b>             | <b>4,684,164</b>                  | <b>3,375,814</b>                         | <b>30,058</b>                   | <b>13,174,104</b>     | <b>12,145,608</b>     |
| <b>TRANSFERS:</b>                         |                              |                                   |  |                                 |                       |                       |
| Transfers in (Note 3)                     | -                            | 2,169,697                         | 63,268,272                               | -                               | 65,437,969            | 14,347,604            |
| Transfers out (Note 3)                    | -                            | -                                 | (63,977,519)                             | (1,448,560)                     | (65,426,079)          | (14,335,714)          |
| <b>Total Transfers</b>                    | <b>-</b>                     | <b>2,169,697</b>                  | <b>(709,247)</b>                         | <b>(1,448,560)</b>              | <b>11,890</b>         | <b>11,890</b>         |
| <b>CHANGES IN NET POSITION</b>            | <b>5,084,068</b>             | <b>6,853,861</b>                  | <b>2,666,567</b>                         | <b>(1,418,502)</b>              | <b>13,185,994</b>     | <b>12,157,498</b>     |
| <b>NET POSITION:</b>                      |                              |                                   |  |                                 |                       |                       |
| Beginning of year, as restated (Note 12)  | 43,528,492                   | 337,081,790                       | 58,025,123                               | 2,535,206                       | 441,170,611           | 429,013,113           |
| End of year                               | <u>\$ 48,612,560</u>         | <u>\$ 343,935,651</u>             | <u>\$ 60,691,690</u>                     | <u>\$ 1,116,704</u>             | <u>\$ 454,356,605</u> | <u>\$ 441,170,611</u> |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022)

|  | State<br>Water<br>Facilities | Water<br>Enterprise<br>Operations | Water<br>Enterprise<br>Capital Expansion |
|--|------------------------------|-----------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                              |                                   |  |
| Cash received from customers and users   | \$ 2,308,884                 | \$ 55,659,681                     | \$ 5,250,453                             |
| Refund of customers deposits   | -                            | -                                 | -  |
| Cash received from connection and development fees   | -                            | -                                 | 17,023,627                               |
| Cash paid to suppliers for goods and services  | (26,127,067)                 | (26,000,863)                      | (19,118,999)                             |
| Cash paid to employees for services  | -                            | (18,846,610)                      | (421,571)                                |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>(23,818,183)</b>          | <b>10,812,208</b>                 | <b>2,733,510</b>                         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>  |                              |                                   |  |
| Interfund borrowing  | -                            | 43,301                            | -  |
| Transfers in   | -                            | 2,169,697                         | 63,268,272                               |
| Transfers (out)  | -                            | -                                 | (63,977,519)                             |
| Property tax   | 23,540,590                   | -                                 | -  |
| Intergovernmental  | 4,786,166                    | 108,673                           | 4,857,878                                |
| <b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>                                    | <b>28,326,756</b>            | <b>2,321,671</b>                  | <b>4,148,631</b>                         |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>   |                              |                                   |  |
| Purchase of capital assets   | -                            | (15,865,784)                      | -  |
| Proceeds from sale of assets   | -                            | 60,273                            | -  |
| Principles payments on long-term debt  | -                            | (1,123,106)                       | (590,000)                                |
| Interest paid  | -                            | (2,194,174)                       | (503,701)                                |
| <b>Net Cash (Used in) Capital and Related Financing Activities</b>                                       | <b>-</b>                     | <b>(19,122,791)</b>               | <b>(1,093,701)</b>                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                              |                                   |  |
| Interest received on investments   | 146,573                      | 842,966                           | 580,409                                  |
| <b>Net Cash Provided by (Used in) Investing Activities</b>   | <b>146,573</b>               | <b>842,966</b>                    | <b>580,409</b>                           |
| <b>Net Increase (Decrease) In Cash and Cash Equivalents</b>  | <b>4,655,146</b>             | <b>(5,145,946)</b>                | <b>6,368,849</b>                         |
| <b>CASH AND CASH EQUIVALENTS:</b>  |                              |                                   |  |
| Beginning of year  | 42,693,698                   | 80,817,213                        | 63,794,347                               |
| End of year  | <u>\$ 47,348,844</u>         | <u>\$ 75,671,267</u>              | <u>\$ 70,163,196</u>                     |
| <b>CASH AND CASH EQUIVALENTS:</b>  |                              |                                   |  |
| Cash in County treasury  | \$ 19,228,829                | \$ 34,716,620                     | \$ 12,319,847                            |
| Cash in Agency treasury  | 28,120,015                   | 37,409,209                        | 56,975,455                               |
| Restricted cash and investments  | -                            | 3,545,438                         | 867,894                                  |
| <b>Total cash and cash equivalents</b>   | <u>\$ 47,348,844</u>         | <u>\$ 75,671,267</u>              | <u>\$ 70,163,196</u>                     |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b> |                              |                                   |  |
| Operating income (loss)  | \$ (23,393,045)              | \$ 5,512,094                      | \$ (1,767,149)                           |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                              |                                   |  |
| Depreciation and amortization  | -                            | 8,249,031                         | -  |
| Changes in assets and liabilities:   |                              |                                   |  |
| Receivables  | -                            | (815,241)                         | 5,250,453                                |
| Prepays  | (425,373)                    | (159,147)                         | (985,668)                                |
| Accounts payable and accrued expenses  | 1,497                        | (1,549,120)                       | 438,373                                  |
| Compensated absences   | -                            | (73,089)                          | -  |
| Deposits   | (1,262)                      | -                                 | -  |
| Deferred inflows - lease related   | -                            | (40,405)                          | -  |
| Net pension liability, deferred inflows and deferred outflows  | -                            | (420,988)                         | (196,461)                                |
| Net OPEB liability, deferred inflows and deferred outflows   | -                            | 109,073                           | (6,038)                                  |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <u>\$ (23,818,183)</u>       | <u>\$ 10,812,208</u>              | <u>\$ 2,733,510</u>                      |

See accompanying Notes to the Financial Statements.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**  
(With summarized information for the year ended June 30, 2022)

|  | Non-Major<br>Enterprise<br>Fund | Totals                 |                        |
|--|---------------------------------|------------------------|------------------------|
|  |                                 | 2023                   | 2022                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                 |                        |                        |
| Cash received from customers and users   | \$ -                            | \$ 63,219,018          | \$ 54,463,217          |
| Refund of customers deposits   | 20,124                          | 20,124                 | (4,867)                |
| Cash received from connection and development fees   | -                               | 17,023,627             | 19,669,509             |
| Cash paid to suppliers for goods and services  | -                               | (71,246,929)           | (71,399,022)           |
| Cash paid to employees for services  | -                               | (19,268,181)           | (17,919,533)           |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>20,124</b>                   | <b>(10,252,341)</b>    | <b>(15,190,696)</b>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>  |                                 |                        |                        |
| Interfund borrowing  | -                               | 43,301                 | 30,701                 |
| Transfers in   | -                               | 65,437,969             | 14,347,604             |
| Transfers (out)  | (1,448,560)                     | (65,426,079)           | (14,335,714)           |
| Property tax   | -                               | 23,540,590             | 23,836,161             |
| Intergovernmental  | -                               | 9,752,717              | 6,710,435              |
| <b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>                                    | <b>(1,448,560)</b>              | <b>33,348,498</b>      | <b>30,589,187</b>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>   |                                 |                        |                        |
| Purchase of capital assets   | -                               | (15,865,784)           | (32,735,518)           |
| Proceeds from sale of assets   | -                               | 60,273                 | 19,751                 |
| Principles payments on long-term debt  | -                               | (1,713,106)            | (1,691,534)            |
| Interest paid  | -                               | (2,697,875)            | (2,772,875)            |
| <b>Net Cash (Used in) Capital and Related Financing Activities</b>                                       | <b>-</b>                        | <b>(20,216,492)</b>    | <b>(37,180,176)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                 |                        |                        |
| Interest received on investments   | 30,058                          | 1,600,006              | (2,209,267)            |
| <b>Net Cash Provided by (Used in) Investing Activities</b>   | <b>30,058</b>                   | <b>1,600,006</b>       | <b>(2,209,267)</b>     |
| <b>Net Increase (Decrease) In Cash and Cash Equivalents</b>  | <b>(1,398,378)</b>              | <b>4,479,671</b>       | <b>(23,990,952)</b>    |
| <b>CASH AND CASH EQUIVALENTS:</b>  |                                 |                        |                        |
| Beginning of year  | 2,858,454                       | 190,163,712            | 214,154,664            |
| End of year  | \$ 1,460,076                    | \$ 194,643,383         | \$ 190,163,712         |
| <b>CASH AND CASH EQUIVALENTS:</b>  |                                 |                        |                        |
| Cash in County treasury  | \$ 1,460,076                    | \$ 67,725,372          | \$ 59,848,962          |
| Cash in Agency treasury  | -                               | 122,504,679            | 122,947,032            |
| Restricted cash and investments  | -                               | 4,413,332              | 7,367,718              |
| <b>Total cash and cash equivalents</b>   | <b>\$ 1,460,076</b>             | <b>\$ 194,643,383</b>  | <b>\$ 190,163,712</b>  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b> |                                 |                        |                        |
| Operating income (loss)  | \$ -                            | \$ (19,648,100)        | \$ (14,086,148)        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                                 |                        |                        |
| Depreciation and amortization  | -                               | 8,249,031              | 7,224,301              |
| Changes in assets and liabilities:   |                                 |                        |                        |
| Receivables  | -                               | 4,435,212              | (4,124,604)            |
| Prepays  | -                               | (1,570,188)            | 94,848                 |
| Accounts payable and accrued expenses  | -                               | (1,109,250)            | (422,178)              |
| Compensated absences   | -                               | (73,089)               | (47,103)               |
| Deposits   | 20,124                          | 18,862                 | (5,264)                |
| Deferred inflows - lease related   | -                               | (40,405)               | (40,405)               |
| Net pension liability, deferred inflows and deferred outflows  | -                               | (617,449)              | (2,858,700)            |
| Net OPEB liability, deferred inflows and deferred outflows   | -                               | 103,035                | (925,443)              |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>\$ 20,124</b>                | <b>\$ (10,252,341)</b> | <b>\$ (15,190,696)</b> |

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**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the Alameda County Flood Control and Water Conservation District, Zone 7 – 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 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**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

The Statement of Net Position and Balance Sheet – Governmental Funds reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

*Deferred Inflows of Resources* represent an acquisition of net assets that applies 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**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**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 Fund - Federal Fund** is used to account for revenues and expenses resulting from the EPA Preparing for the Storm grant.

The **Cal-OES Grant Fund** – 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 **State Grants Fund** - To account for the revenues and expenditures of State Grants.

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.

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**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**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.

**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**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**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.

GASB Statement No. 72, *Fair Value Measurement and Application* defined 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. Leases***

*Lessee*

The Agency has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. The Agency recognizes lease liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Agency has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***F. Leases (Continued)***

*Lessee (Continued)*

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt on the Government-Wide Statement of Net Position and the Statement of Net Position - Proprietary Funds.

*Lessor*

The Agency is a lessor for leases of special purpose facilities. The Agency recognizes leases receivable and deferred inflows of resources in the financial Statements.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets**

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

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

| Capital Assets                | Useful Life |
|-------------------------------|-------------|
| Treatment plants              | 40 years    |
| Treatment plants improvements | 10-40 years |
| Sludge drying ponds           | 40 years    |
| Pipelines                     | 40 years    |
| Equipment                     | 3-10 years  |
| SCADA Project                 | 20 years    |
| Other Infrastructure          | 40 years    |
| Reservoirs                    | 40 years    |
| Office building               | 40 years    |
| Wellfields                    | 40 years    |
| Flood control channels        | 50 years    |

**H. Subscription-Based Information Technology Arrangements (“SBITA”s)**

The Agency has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The Agency recognizes subscription liabilities with an initial, individual value of \$50,000 or more with a subscription term greater than one year. Variable payments based on future performance of the Agency’s usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the Agency initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**H. Subscription-Based Information Technology Arrangements (“SBITA”s (Continued))**

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- **Preliminary Project Stage:** Outlays are expensed as incurred.
- **Initial Implementation Stage:** Outlays are capitalized as an addition to the subscription asset.
- **Operation and Additional Implementation Stage:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the Agency elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2021.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the Agency has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgments related to SBITA include how the Agency determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Agency used the U.S. Treasury rates at the time of GASB Statement No. 96 implementation for its existing SBITAs. The Agency will use the current rate at the time of a new SBITA agreement is executed. If available, the Agency uses the interest rate charged by the SBITA vendor as the discount rate.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure it accordingly if certain changes occur that are expected to significantly affect the liability.

**I. 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 GAAP budgetary basis. The Agency has a two-year budget cycle and budgets are prepared for Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund.

The two-year budget is approved by the Agency’s Board of Directors at an appropriation level established by fund, further delineated by two categories, the operating budget and the capital budget, which are detailed in the budget document.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**J. 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, 2023 are as follows:

| Fund                                    | Encumbrances |
|---|--------------|
| Flood Protection Operations Major Funds | \$ 1,466,874 |

**K. Property Taxes**

The Agency receives property taxes and an override property tax for 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.

The override property tax amount is used to pay the cost for use of the State Department of Water Resources (DWR) water delivery system, which includes repayment of voter approved, State incurred, long-term debt. The Agency projects such costs annually and requests that the County collect that amount. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year’s State water purchase cost. For the year ended June 30, 2023, the Agency recognized \$23.5 million of State water facilities property tax.

**L. 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.

**M. 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.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. 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, 2021                    |
| Measurement Date   | December 31, 2022                    |
| Measurement Period | January 1, 2022 to December 31, 2022 |

Gains and losses related to changes in net 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.

**O. Net Position**

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by any related debt, and deferred inflows of resources related to such borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is offset by unspent proceeds.

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.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***P. 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.

***Q. 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.

***R. Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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.

***S. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement***

During the fiscal year ended June 30, 2023, the Agency implemented the following accounting standards:

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are 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. Application of this statement did not have an effect on the Agency's financial reporting for fiscal year ending June 30, 2023.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement (Continued)**

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement did not have an effect on the Agency's financial reporting for fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides 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. Application of this statement did have an effect on the Agency's financial reporting for fiscal year ending June 30, 2023. See Note 12.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Application of this statement did not have an effect on the Agency's financial reporting for fiscal year ending June 30, 2023.

**T. New GASB Pronouncements**

The Agency is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the Agency's fiscal year ending June 30, 2024.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the Agency's fiscal year ending June 30, 2025.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 2 – Cash and Investments**

The Agency’s cash and investments consist of the following at June 30, 2023:

|   |                              |
|---|------------------------------|
| Pooled Cash and investment in County Treasury | \$ 151,267,380               |
| Cash and investments - Agency Treasury        | 139,883,202                  |
| Restricted cash and investments               | 6,054,971                    |
| <b>Total cash and investments</b>             | <u><u>\$ 297,205,553</u></u> |
| Cash and investment in Government Funds       | \$ 102,562,170               |
| Cash and investments in Proprietary Funds     | 194,643,383                  |
| <b>Total cash and investments</b>             | <u><u>\$ 297,205,553</u></u> |

***Demand Deposits***

The carrying amounts of cash deposits were \$15,568,548 at June 30, 2023, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the Agency’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency’s name.

The fair value of pledged securities must equal at least 110% of the Agency’s cash deposits. California law also allows institutions to secure the Agency’s deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency’s total cash deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Agency, however, has not waived the collateralization requirements.

***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.

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.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 2 – Cash and Investments (Continued)**

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

| 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.

***Investments Authorized by Debt Agreements***

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency’s Investment Policy.

***Pension Trust – Investment Policy***

The Agency established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the Agency’s pension plan. The pension trust Fund’s specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the Agency. Those guidelines are as follows:

***Risk Tolerance***

Moderately Conservative – The account’s risk tolerance has been rated moderately conservative, which demonstrates that the account can accept modest price fluctuations to pursue its investment objectives.

***Security Guidelines***

Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities. In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 2 – Cash and Investments (Continued)**

***Pension Trust – Investment Policy (Continued)***

*Investment Objective*

The primary objective is to generate a reasonable level of growth. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the Alameda County Employees' Retirement Association (ACERA) Trust.

|                          |               |            |
|--------------------------|---------------|------------|
| <i>Strategic Ranges:</i> | Cash-         | 0% to 20%  |
|                          | Fixed Income- | 50% to 80% |
|                          | Equity-       | 20% to 40% |

***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. As of June 30, 2023, approximately 49.9 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 y maturity or earliest calldate:

| Investment Type  | Less than 1 year | 1-3 years  | 3-5 years  | More than 5 years | Total                 |
|--|------------------|------------|------------|-------------------|-----------------------|
| <b><i>Pooled Cash and Investments in County Treasury</i></b> |                  |            |            |                   |                       |
| Cash in County Pool  | \$ -             | \$ -       | \$ -       | \$ -              | \$ 151,267,380        |
| <b><i>Cash and Investments - Agency Treasury</i></b>         |                  |            |            |                   |                       |
| U.S. Treasury Notes  | 18,043,894       | 43,965,141 | 45,698,034 | -                 | 107,707,069           |
| Asset-backed Securities                                      | -                | -          | 917,435    | -                 | 917,435               |
| Corporate Bonds  | 8,143,538        | 3,186,512  | 8,762,816  | -                 | 20,092,866            |
| Money Markey Fund  | 3,575,495        | -          | -          | -                 | 3,575,495             |
| Total  | 29,762,927       | 47,151,653 | 55,378,285 | -                 | 132,292,865           |
| Cash in bank   |                  |            |            |                   | 7,590,337             |
| <b>Total Cash and Investments - Agency Treasury</b>          |                  |            |            |                   | <b>139,883,202</b>    |
| <b><i>Restricted Cash and Investments</i></b>                |                  |            |            |                   |                       |
| Money Market Fund  | 4,402,716        | -          | -          | -                 | 4,402,716             |
| Investment Held by Pension Trust                             | -                | -          | -          | 1,652,255         | 1,652,255             |
| Total  | \$ 4,402,716     | \$ -       | \$ -       | \$ 1,652,255      | 6,054,971             |
| <b>Total Restricted Cash and Investments</b>                 |                  |            |            |                   | <b>6,054,971</b>      |
| <b>Total Cash and Investments</b>                            |                  |            |            |                   | <b>\$ 297,205,553</b> |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**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, 2023 for each investment type as provided by Moody's Investor Service:

| Investment Type  | Aaa                | Aa2              | A1                | A2               | Total                       |
|--|--------------------|------------------|-------------------|------------------|-----------------------------|
| <b><i>Pooled Cash and Investments in County Treasury</i></b> |                    |                  |                   |                  |                             |
| <b>Not rated:</b>  |                    |                  |                   |                  |                             |
| Cash in County Pool  | \$ -               | \$ -             | \$ -              | \$ -             | \$151,267,380               |
| <b><i>Cash and Investments - Agency Treasury</i></b>         |                    |                  |                   |                  |                             |
| U.S. Treasury Notes  | 107,707,069        | -                | -                 | -                | 107,707,069                 |
| Asset-backed Securities                                      | 917,435            | -                | -                 | -                | 917,435                     |
| Corporate Bonds  | 4,258,049          | 1,266,759        | 12,016,030        | 2,552,028        | 20,092,866                  |
| <b>Not rated:</b>  |                    |                  |                   |                  |                             |
| Cash in bank   | -                  | -                | -                 | -                | 7,590,337                   |
| Money Markey Fund  | -                  | -                | -                 | -                | 3,575,495                   |
| <b><i>Total Cash and Investments - Agency Treasury</i></b>   | <b>112,882,553</b> | <b>1,266,759</b> | <b>12,016,030</b> | <b>2,552,028</b> | <b>139,883,202</b>          |
| <b><i>Restricted Cash and Investments</i></b>                |                    |                  |                   |                  |                             |
| <b>Not rated:</b>  |                    |                  |                   |                  |                             |
| Money Market Fund  | -                  | -                | -                 | -                | 4,402,716                   |
| Investment Held by Pension Trust                             | -                  | -                | -                 | -                | 1,652,255                   |
| <b><i>Total Restricted Cash and Investments</i></b>          | <b>-</b>           | <b>-</b>         | <b>-</b>          | <b>-</b>         | <b>6,054,971</b>            |
| <b>Total Cash and Investments</b>                            |                    |                  |                   |                  | <b><u>\$297,205,553</u></b> |

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***

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 2023 Alameda County Annual Comprehensive Financial Report.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**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, 2023, the Agency had \$151,267,380 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, 2023:

|   | Level 1            | Level 2           | Total                 |
|---|--------------------|-------------------|-----------------------|
| <b><i>Investments - Agency Treasury</i></b>       |                    |                   |                       |
| <b>Investments by Fair Value Level</b>            |                    |                   |                       |
| U.S. Treasury Notes                               | \$ 107,707,069     | \$ -              | \$ 107,707,069        |
| Asset-backed Securities                           | -                  | 917,435           | 917,435               |
| Corporate Bonds                                   | -                  | 20,092,866        | 20,092,866            |
| <b>Investments Measured at Amortized Cost</b>     |                    |                   |                       |
| Money Market Fund                                 | -                  | -                 | 3,575,495             |
| <b><i>Total Investments - Agency Treasury</i></b> | <b>107,707,069</b> | <b>21,010,301</b> | <b>132,292,865</b>    |
| <b><i>Restricted Investments</i></b>              |                    |                   |                       |
| <b>Investments by Fair Value Level</b>            |                    |                   |                       |
| Investment Held by Pension Trust                  | -                  | 1,652,255         | 1,652,255             |
| <b>Investments Measured at Amortized Cost</b>     |                    |                   |                       |
| Money Market Fund                                 | -                  | -                 | 4,402,716             |
| <b><i>Total Restricted Investments</i></b>        | <b>-</b>           | <b>1,652,255</b>  | <b>6,054,971</b>      |
| <b>Total Investments</b>                          |                    |                   | <b>\$ 138,347,836</b> |

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 the Agency's custodian bank.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 3 – Interfund Transfers**

**A. Due to/from Other Funds**

The following is a summary of due to and from other funds as of June 30, 2023:

| <u>Receivable Fund</u>                       | <u>Payable Fund</u>                 | <u>Amount</u>     |
|--|-------------------------------------|-------------------|
| Flood Protection Operations Fund             | Environmental Protection - EPA Fund | \$ 26,694         |
| Flood Protection Operations Fund             | State Grants Fund                   | 146,047           |
| Flood Protection Development Impact Fee Fund | State Grants Fund                   | 193,598           |
| <b>Total Interfund Receivables/Payables</b>  |                                     | <b>\$ 366,339</b> |

The interfund balances resulted from eligible reimbursable grant expenses being paid from the receivable funds and grant proceeds were not yet collected as of June 30, 2023.

**B. Transfers**

During the year ended June 30, 2023, the Agency had the following transfers:

| <u>Fund Making Transfer</u>             | <u>Fund Receiving Transfers</u>         | <u>Amount</u>        |
|---|---|----------------------|
| <b><u>Governmental Fund</u></b>         |   |                      |
| Flood Protection Operations Funds       | Water Enterprise Operations Fund        | \$ 11,890 (A)        |
| <b><u>Enterprise Funds:</u></b>         |   |                      |
| Water Enterprise Capital Expansion Fund | Water Enterprise Operations Fund        | 63,977,519 (B)       |
| Water Facilities Fund                   | Water Enterprise Capital Expansion Fund | 1,448,560 (C)        |
|   |   | <b>\$ 65,437,969</b> |

(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.

**Note 4 – Lease Receivable**

The portion of the Agency's property is leased to others. Such property includes special purpose facilities. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the Agency. The terms of the arrangements range from 2 to 99 years. The calculated interest rates used vary depending on the length of the lease. For the fiscal year ended June 30, 2023, the Agency recognized \$23,333 in lease revenue and \$1,447 in interest revenue in the governmental activities, and recognized \$39,624 in lease revenue and \$1,996 in interest revenue in the business type activities.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 4 – Lease Receivable (Continued)**

**A. Governmental Activities**

A summary of changes in lease receivable in governmental activities for the fiscal year ended June 30, 2023 is as follows:

|                   | Balance<br>July 1, 2022 | Additions   | Deletions          | Balance<br>June 30, 2023 | Classification         |                              |
|-------------------|-------------------------|-------------|--------------------|--------------------------|------------------------|------------------------------|
|                   |                         |             |                    |                          | Due within<br>One Year | Due in More<br>Than One Year |
| Leases receivable | \$ 444,361              | \$ -        | \$ (23,333)        | \$ 421,028               | \$ 23,410              | \$ 397,618                   |
| <b>Total</b>      | <b>\$ 444,361</b>       | <b>\$ -</b> | <b>\$ (23,333)</b> | <b>\$ 421,028</b>        | <b>\$ 23,410</b>       | <b>\$ 397,618</b>            |

Lease receivable are due in the upcoming years as follows:

| Year Ending<br>June 30, | Principal         | Interest         | Total             |
|-------------------------|-------------------|------------------|-------------------|
| 2024                    | \$ 23,410         | \$ 1,370         | \$ 24,780         |
| 2025                    | 23,487            | 1,293            | 24,780            |
| 2026                    | 23,565            | 1,215            | 24,780            |
| 2027                    | 23,643            | 1,137            | 24,780            |
| 2028                    | 23,720            | 1,060            | 24,780            |
| 2029-2033               | 119,784           | 4,116            | 123,900           |
| 2034-2038               | 121,776           | 2,124            | 123,900           |
| 2039-2041               | 61,643            | 307              | 61,950            |
| <b>Total</b>            | <b>\$ 421,028</b> | <b>\$ 12,622</b> | <b>\$ 433,650</b> |

**B. Business-Type Activities**

A summary of changes in lease receivable in business-type activities for the fiscal year ended June 30, 2023 is as follows:

|                   | Balance<br>July 1, 2022 | Additions   | Deletions          | Balance<br>June 30, 2023 | Classification         |                              |
|-------------------|-------------------------|-------------|--------------------|--------------------------|------------------------|------------------------------|
|                   |                         |             |                    |                          | Due within<br>One Year | Due in More<br>Than One Year |
| Leases receivable | \$ 492,822              | \$ -        | \$ (39,624)        | \$ 453,198               | \$ 39,792              | \$ 413,406                   |
| <b>Total</b>      | <b>\$ 492,822</b>       | <b>\$ -</b> | <b>\$ (39,624)</b> | <b>\$ 453,198</b>        | <b>\$ 39,792</b>       | <b>\$ 413,406</b>            |

Lease receivable are due in the upcoming years as follows:

| Year Ending<br>June 30, | Principal         | Interest         | Total             |
|-------------------------|-------------------|------------------|-------------------|
| 2024                    | \$ 39,792         | \$ 1,828         | \$ 41,620         |
| 2025                    | 39,960            | 1,660            | 41,620            |
| 2026                    | 40,129            | 1,491            | 41,620            |
| 2027                    | 40,300            | 1,320            | 41,620            |
| 2028                    | 40,470            | 1,150            | 41,620            |
| 2029-2033               | 173,938           | 3,162            | 177,100           |
| 2034-2038               | 52,189            | 911              | 53,100            |
| 2039-2041               | 26,420            | 130              | 26,550            |
| <b>Total</b>            | <b>\$ 453,198</b> | <b>\$ 11,652</b> | <b>\$ 464,850</b> |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 4 – Lease Receivable (Continued)**

**B. Business-Type Activities (Continued)**

As of June 30, 2023, the amounts reported as deferred inflows of resources related to leases will be recognized as lease revenue as follows:

| Year Ending<br>June 30, | Governmental      | Proprietary       | Total             |
|-------------------------|-------------------|-------------------|-------------------|
| 2024                    | \$ 23,961         | \$ 40,405         | \$ 64,366         |
| 2025                    | 23,961            | 40,405            | 64,366            |
| 2026                    | 23,961            | 40,405            | 64,366            |
| 2027                    | 23,961            | 40,405            | 64,366            |
| 2028                    | 23,961            | 40,405            | 64,366            |
| 2029-2033               | 119,805           | 171,895           | 291,700           |
| 2034-2038               | 119,805           | 51,345            | 171,150           |
| 2039-2041               | 63,893            | 27,382            | 91,275            |
| <b>Total</b>            | <b>\$ 423,308</b> | <b>\$ 452,647</b> | <b>\$ 875,955</b> |

**Note 5 – Capital Assets**

**A. Governmental Activities**

Summary of changes in governmental activities capital assets for the year ended June 30, 2023 is as follows:

| <i>Governmental Activities:</i>              | Balance<br>July 1, 2022 | Additions         | Transfers   | Balance<br>June 30, 2023 |
|--|-------------------------|-------------------|-------------|--------------------------|
| <i>Capital assets not being depreciated:</i> |                         |                   |             |                          |
| Right of way                                 | \$ 21,203,051           | \$ -              | \$ -        | \$ 21,203,051            |
| Easements                                    | 36,960                  | -                 | -           | 36,960                   |
| Construction in progress                     | 1,650,833               | -                 | (1,650,833) | -                        |
| Total capital assets not being depreciated   | 22,890,844              | -                 | (1,650,833) | 21,240,011               |
| <i>Capital assets being depreciated:</i>     |                         |                   |             |                          |
| Flood control channels                       | 12,393,619              | -                 | -           | 12,393,619               |
| Other infrastructure                         | 1,048,885               | 667,044           | 1,270,055   | 2,985,984                |
| Office building                              | 1,459,756               | 10,541            | 380,778     | 1,851,075                |
| Equipment                                    | 187,785                 | -                 | -           | 187,785                  |
| Total capital assets being depreciated       | 15,090,045              | 677,585           | 1,650,833   | 17,418,463               |
| Less accumulated depreciation for:           |                         |                   |             |                          |
| Flood control channels                       | (4,695,698)             | (231,734)         | -           | (4,927,432)              |
| Other infrastructure                         | (203,221)               | (63,888)          | -           | (267,109)                |
| Office building                              | (188,552)               | (43,016)          | -           | (231,568)                |
| Equipment                                    | (6,747)                 | (37,557)          | -           | (44,304)                 |
| Total accumulated depreciation               | (5,094,218)             | (376,195)         | -           | (5,470,413)              |
| Total capital assets being depreciated, net  | 9,995,827               | 301,390           | 1,650,833   | 11,948,050               |
| <b>Total governmental activities</b>         | <b>\$ 32,886,671</b>    | <b>\$ 301,390</b> | <b>\$ -</b> | <b>\$ 33,188,061</b>     |

Depreciation expense in the amount of \$376,195 was charged to Flood Protection of the primary government.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 5 – Capital Assets (Continued)**

**B. Business-Type Activities**

Summary of changes in business-type activities capital assets for the year ended June 30, 2023 is as follows:

| <i>Business--Type Activities:</i>             | Balance<br>July 1, 2022<br>(restated) | Additions           | Deletions   | Transfers     | Balance<br>June 30, 2023 |
|---|---------------------------------------|---------------------|-------------|---------------|--------------------------|
| <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                                     | 1,862,074                             | -                   | -           | -             | 1,862,074                |
| Construction in progress                      | 112,844,510                           | 15,547,327          | -           | (112,614,131) | 15,777,706               |
| Total capital assets not being depreciated    | 160,915,029                           | 15,547,327          | -           | (112,614,131) | 63,848,225               |
| <i>Capital assets being depreciated:</i>      |                                       |                     |             |               |                          |
| Equipment                                     | 5,422,404                             | 318,457             | (163,286)   | -             | 5,577,575                |
| Treatment plants                              | 149,433,985                           | -                   | -           | 111,142,027   | 260,576,012              |
| Office building                               | 7,103,276                             | -                   | -           | 1,472,104     | 8,575,380                |
| Reservoir                                     | 3,005,321                             | -                   | -           | -             | 3,005,321                |
| Pipelines                                     | 53,929,752                            | -                   | -           | -             | 53,929,752               |
| Wellfields                                    | 31,202,337                            | -                   | -           | -             | 31,202,337               |
| SCADA project                                 | 9,704,664                             | -                   | -           | -             | 9,704,664                |
| Other infrastructure                          | 4,154,940                             | -                   | -           | -             | 4,154,940                |
| Total capital assets being depreciated        | 263,956,679                           | 318,457             | (163,286)   | 112,614,131   | 376,725,981              |
| Less accumulated depreciation for:            |                                       |                     |             |               |                          |
| Equipment                                     | (4,261,899)                           | (448,432)           | 163,286     | -             | (4,547,045)              |
| Treatment plants                              | (51,373,457)                          | (4,821,741)         | -           | -             | (56,195,198)             |
| Office buildings                              | (1,855,402)                           | (202,117)           | -           | -             | (2,057,519)              |
| Reservoirs                                    | (1,441,919)                           | (75,192)            | -           | -             | (1,517,111)              |
| Pipelines                                     | (22,666,060)                          | (1,241,532)         | -           | -             | (23,907,592)             |
| Wellfields                                    | (11,136,584)                          | (780,058)           | -           | -             | (11,916,642)             |
| SCADA project                                 | (8,491,581)                           | (485,233)           | -           | -             | (8,976,814)              |
| Other infrastructure                          | (528,771)                             | (103,874)           | -           | -             | (632,645)                |
| Total accumulated depreciation                | (101,755,673)                         | (8,158,179)         | 163,286     | -             | (109,750,566)            |
| Total capital assets being depreciated, net   | 162,201,006                           | (7,839,722)         | -           | 112,614,131   | 266,975,415              |
| Leased assets, being amortized                |                                       |                     |             |               |                          |
| Machinery and equipment                       | 581,893                               | -                   | (581,893)   | -             | -                        |
| Total leased asset, being amortized           | 581,893                               | -                   | (581,893)   | -             | -                        |
| Less: accumulated amortization                |                                       |                     |             |               |                          |
| Machinery and equipment                       | (465,504)                             | (58,188)            | 523,692     | -             | -                        |
| Total accumulated amortization                | (465,504)                             | (58,188)            | 523,692     | -             | -                        |
| Total leased asset, being amortized net       | 116,389                               | (58,188)            | (58,201)    | -             | -                        |
| Subscription assets, being amortized          | 73,493                                | -                   | -           | -             | 73,493                   |
| Less accumulated amortization                 | (32,664)                              | (32,664)            | -           | -             | (65,328)                 |
| Total subscription asset, being amortized net | 40,829                                | (32,664)            | -           | -             | 8,165                    |
| <b>Total business-type activities</b>         | <b>\$ 323,273,253</b>                 | <b>\$ 7,674,941</b> | <b>\$ -</b> | <b>\$ -</b>   | <b>\$ 330,831,805</b>    |

Depreciation and amortization expense in the amount of \$8,158,179 and \$90,852, respectively, were charged to Water Enterprise Operations of the primary government.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 5 – Capital Assets (Continued)**

**B. Business-Type Activities (Continued)**

Construction in Progress at June 30, 2023 comprises the following projects:

| <b>Enterprise Projects</b>                   |                      |
|--|----------------------|
| Stoneridge Well PFAS Treatment Facility      | \$ 6,116,529         |
| MGDP Concentrate Sump Pump & VFD Replacement | 2,620,275            |
| Busch Valley Well #1                         | 1,820,076            |
| COL PFAS Treatment Facility                  | 1,799,613            |
| DVWTP Post Ozone Modifications               | 1,702,596            |
| Wells & MGDP Electrical Replacement Projects | 895,043              |
| Chain of Lakes (COL) Pipeline                | 823,574              |
| <b>Total</b>                                 | <b>\$ 15,777,706</b> |

**Note 6 – Long-Term Debt**

Summary of changes in business-type activities long-term debt for the year ended June 30, 2023 is as follows:

|                                   | <b>Original Issue<br/>Amount</b> | <b>Balance<br/>July 1, 2022<br/>(as restated)</b> | <b>Retirements</b> | <b>Balance<br/>June 30, 2023</b> | <b>Amount due<br/>within<br/>one year</b> | <b>Amount more<br/>than<br/>one year</b> |
|-----------------------------------|----------------------------------|---|--------------------|----------------------------------|---|--|
| Bond payable                      |                                  |   |                    |                                  |   |  |
| 2018 Water Revenue Bonds          | \$ 64,010,000                    | \$ 59,890,000                                     | \$ (1,520,000)     | \$ 58,370,000                    | \$ 1,595,000                              | \$ 56,775,000                            |
| Plus: Unamortized Bond Premium    | 7,506,832                        | 4,702,816   | (574,215)          | 4,128,601                        | -   | 4,128,601                                |
| <b>Total bonds payable</b>        |                                  | 64,592,816  | (2,094,215)        | 62,498,601                       | 1,595,000                                 | 60,903,601                               |
| Lease payable                     |                                  |   |                    |                                  |   |  |
| Karl Needham Centrifuge Equipment |                                  | 160,358   | (160,358)          | -                                | -   | -  |
| <b>Total lease payable</b>        |                                  | 160,358   | (160,358)          | -                                | -   | -  |
| Subscription payable              |                                  | 32,748  | (32,748)           | -                                | -   | -  |
| <b>Total long-term debt</b>       |                                  | \$ 64,785,922                                     | \$ (2,287,321)     | \$ 62,498,601                    | \$ 1,595,000                              | \$ 60,903,601                            |

**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.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 6 – Long Term Debt (Continued)**

**2018 Water Revenue Bonds (Continued)**

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.

At June 30, 2023, the debt service payments to maturity, including interest payments, were as follows:

| Year ending<br>June 30, | Principal            | Interest             | Total                |
|-------------------------|----------------------|----------------------|----------------------|
| 2024                    | \$ 1,595,000         | \$ 2,619,663         | \$ 4,214,663         |
| 2025                    | 1,680,000            | 2,537,788            | 4,217,788            |
| 2026                    | 1,770,000            | 2,451,538            | 4,221,538            |
| 2027                    | 1,855,000            | 2,360,913            | 4,215,913            |
| 2028                    | 1,955,000            | 2,265,663            | 4,220,663            |
| 2029-2033               | 11,410,000           | 9,716,818            | 21,126,818           |
| 2034-2038               | 10,910,000           | 6,913,656            | 17,823,656           |
| 2039-2043               | 10,760,000           | 4,867,500            | 15,627,500           |
| 2044-2048               | 13,365,000           | 2,261,525            | 15,626,525           |
| 2049                    | 3,070,000            | 53,725               | 3,123,725            |
| Total Payments Due      | 58,370,000           | <u>\$ 36,048,787</u> | <u>\$ 94,418,787</u> |
| Unamortized Premium     | 4,128,601            |                      |                      |
| Total                   | <u>\$ 62,498,601</u> |                      |                      |

**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, 2023.

**Subscription-Based Information Technology Arrangement (SBITA) Liability**

The Agency has entered into a subscription-based IT arrangement and has recorded a liability to offset the right-to-use assets. These are calculated using the Agency’s incremental borrowing rate is 0.33%. As of June 30, 2023, the remaining balance was \$0.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 7 – Compensated Absences**

Summary of changes in compensated absences for the year ended June 30, 2023 is as follows:

|                     | <b>Governmental</b> | <b>Proprietary</b>  |
|---------------------|---------------------|---------------------|
| Beginning Balance   | \$ -                | \$ 1,560,387        |
| Additions           | 85,554              | 659,311             |
| Payments            | (15,607)            | (732,400)           |
| Ending Balance      | <u>\$ 69,947</u>    | <u>\$ 1,487,298</u> |
| Current portion     | <u>\$ 33,806</u>    | <u>\$ 718,822</u>   |
| Non-current Portion | <u>\$ 36,141</u>    | <u>\$ 768,476</u>   |

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

**Note 8 – 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, 2022. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available online at ACERA.org or 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, 2023, are summarized as follows:

|  | <b>Tier 1</b>   | <b>Tier 2</b>                        | <b>Tier 4</b>  |
|--|---|--------------------------------------|--|
| Hire date  | Prior to July 1, 1983   | July 1, 1983 to<br>December 31, 2012 | On or after January 1,<br>2013                                       |
| Benefit formula  | 2.61% 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<br>years of qualifying membership, or age 70 regardless<br>of service, or after 30 years, regardless of age. |                                      | Age 52 with 5 years of<br>service or age 70<br>regardless of service |
| Benefit payments   | Monthly for life  | Monthly for life                     | Monthly for life   |
| Retirement age   | 50  | 50                                   | 52   |
| Maximum monthly benefits, as a %<br>of eligible compensation | 100%  | 100%                                 | 100%   |
| Required employee contribution rates                         | 8.0% - 16.63%   | 5.8% - 12.16%                        | 9.23%  |
| Required employer contribution rates                         | 16.7% to 25.05%   | 15.67% to 23.51%                     | 23.01%   |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 8 – Alameda County Employees’ Retirement Association Pension Plan (Continued)**

**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 5.8 and 16.63 percent of their annual covered salary effective September 2022. 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.

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, 2023, the contributions recognized as part of pension expense for the Plan were \$1,807,428. Typically, Flood Protection Operations and Water Enterprise Operations funds have been used to liquidate pension liabilities.

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions** – As of June 30, 2023, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

|               |   |
|---------------|---|
|               | <b>Proportionate share of<br/>Net Pension Liability</b> |
| Miscellaneous | <u>\$ 18,337,949</u>                                    |

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, 2022, 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, 2021 rolled forward to December 31, 2022 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<br/>as of June 30</u> | <u>Proportion of the<br/>Net Pension<br/>Liability</u> | <u>Proportionate share of<br/>Net Pension Liability</u> | <u>Covered payroll</u> | <u>Net Pension Liability as<br/>a percentage of its<br/>covered payroll</u> |
|---|--|---|------------------------|---|
| 2021                                    | 1.00%  | \$ 17,207,178   | \$ 11,869,970          | 144.96%   |
| 2022                                    | 2.45%  | 11,803,112  | 13,078,647             | 90.25%  |
| 2023                                    | 1.16%  | 18,337,949  | 13,522,119             | 135.61%   |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 8 – Alameda County Employees’ Retirement Association Pension Plan (Continued)**

For the year ended June 30, 2023, the Agency recognized pension credit of \$968,469. Changes in the Net Pension Liability are recorded in the fund that recorded the liability. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred outflows<br>of Resources | Deferred inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Contributions made after measurement date   | \$ 1,872,272                      | \$ -                             |
| Changes in assumptions  | 987,679                           | 368,065                          |
| Difference between actual and expected experience   | 512,333                           | 186,070                          |
| Difference between projected and actual earning on pension plan investments                                   | 3,972,349                         | -                                |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 779,688                           | 5,070,984                        |
| Total   | \$ 8,124,321                      | \$ 5,625,119                     |

The \$1,872,272 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<br>Period Ending<br>June 30, | Deferred Outflows /<br>(Inflows) of Resources |
|--|---|
| 2024                                     | \$ (1,174,114)                                |
| 2025                                     | 26,823  |
| 2026                                     | 421,467                                       |
| 2027                                     | 1,352,754                                     |
| 2028                                     | -   |
| Total                                    | \$ 626,930                                    |

**Actuarial Assumptions** – The total pension liabilities in the December 31, 2021 actuarial valuations were determined using the following actuarial assumptions:

|                            |  |
|----------------------------|--|
| Valuation Date             | December 31, 2021  |
| Measurement Date           | December 31, 2022  |
| Actuarial Cost Method      | Entry Age Actuarial Cost Method  |
| Amortization Method        | Level percent of payroll   |
| Actuarial Assumptions:     |  |
| Discount Rate              | 7.00%  |
| Inflation Rate             | 2.75%  |
| Payroll Growth             | 3.25%  |
| Projected Salary Increase  | 3.65% - 8.35% (1)  |
| Cost of Living Adjustments | Tier 1: 2.75% ; Tier 2 and 4:2.00%   |
| Investment Rate of Return  | 7.00% (2)  |
| Mortality                  | Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables |

(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**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 8 – Alameda County Employees’ Retirement Association Pension Plan (Continued)**

**Discount Rate** – The discount rate used to measure the net pension liability was 7.00% 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 net pension liability as December 31, 2022.

The long-term expected rate of return on pension plan investments was determined in 2022 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:

| <b>Asset Class</b>             | <b>New Strategic Allocation</b> | <b>Long-Term Expected Arithmetic Real Rate of Return</b> |
|--------------------------------|---------------------------------|--|
| Domestic Large Cap Equity      | 22.40%                          | 5.43%  |
| Domestic Small Cap Equity      | 2.50%                           | 6.21%  |
| Developed International Equity | 17.00%                          | 6.67%  |
| Small Cap International Equity | 3.00%                           | 7.36%  |
| Emerging Markets Equity        | 5.00%                           | 8.58%  |
| U.S. Core Fixed Income         | 11.50%                          | 1.10%  |
| High Yield Bonds               | 1.60%                           | 2.91%  |
| Global Fixed Income            | 3.00%                           | -0.63%   |
| Private equity                 | 10.50%                          | 10.00%   |
| Real Estate                    | 8.00%                           | 4.58%  |
| Commodities                    | 0.75%                           | 3.46%  |
| Infrastructure                 | 1.75%                           | 7.80%  |
| Private Credit                 | 4.00%                           | 8.50%  |
| Absolute Return                | 9.00%                           | 3.70%  |
| Total                          | <u>100.00%</u>                  |  |

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:

| <b>Proportionate Share of Net Pension Liability/(Asset)</b> |  |                                       |
|---|--|---------------------------------------|
| <b>Discount Rate<br/>- 1% (6.00%)</b>                       | <b>Current Discount<br/>Rate (7.00%)</b> | <b>Discount Rate<br/>+ 1% (8.00%)</b> |
| \$ 31,210,040   | \$ 18,337,949                            | \$ 7,745,667                          |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 9 – 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.

**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, 2023:

| <b>Membership Eligibility</b>     | <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>  |                                   |                              |       |     |       |     |     |      |
|-----------------------------------|--|-----------------------------------|------------------------------|-------|-----|-------|-----|-----|------|
| <b>Benefit Eligibility</b>        | <p><b>1 Monthly Medical Allowance</b></p> <p><i>Service Retirees:</i> For retirees, a Maximum Monthly Medical Allowance of \$596.73 per month is provided, effective January 1, 2022 and through December 31, 2022. For the period January 1, 2023 through December 31, 2023 the maximum allowance will increase to \$616.12 per month. For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was \$457.13 and \$471.99 per month for 2022 and 2023, respectively. These Allowances are subject to the following subsidy schedule:</p> <table style="width: 100%; border-collapse: collapse;"> <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><b>2 Medical Benefit Reimbursement Plan:</b></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"> <li>- Have at least 10 years of ACERA service,</li> <li>- Be eligible for Monthly Medical Allowance,</li> <li>- Provide proof of enrollment in Medical Part B</li> </ul> <p><b>3 Dental and Vision Plans:</b></p> <p>The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premiums will be \$48.12 in 2022 and \$55.87 in 2023. 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%   |                                   |                              |       |     |       |     |     |      |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 9 – Postemployment Benefits Other Than Retirement (Continued)**

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

**Benefits Provided** – The following is a summary of Plan benefits as of June 30, 2023 (Continued):

|                         |   |
|-------------------------|---|
| <b>Deferred Benefit</b> | 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.  |
| <b>Death Benefit</b>    | 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. |

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2023:

|  |               |
|--|---------------|
| Active employees   | 98            |
| Inactive employees, spouses, or beneficiaries currently receiving benefit payments | Not available |
| Inactive employees entitled to but not yet receiving benefit payments              | Not available |
| Total  | 98            |

**B. Net OPEB Liability (Assets)**

**Actuarial Methods and Assumptions** – The Agency’s net OPEB liability (assets) was measured as of December 31, 2022 and the net OPEB liability (assets) was determined by an actuarial valuation dated December 31, 2021 that was rolled forward using standard update procedures to determine the Agency’s net OPEB liability as of June 30, 2023, based on the following actuarial methods and assumptions:

|                               |   |
|-------------------------------|---|
| Valuation Date                | December 31, 2021   |
| Measurement Date              | December 31, 2022   |
| Actuarial Cost Method         | Entry Age Cost Method   |
| <b>Actuarial Assumptions:</b> |   |
| Discount Rate                 | 7.00%   |
| Inflation                     | 2.75%   |
| Salary increases              | 3.25%   |
| Investment Rate of Return     | 7.00%   |
| Mortality Rate                | Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables   |
| Healthcare Trend Rates        | Non-Medicare medical plan - Graded from 7.5% to ultimate 4.50% over 12 years<br>Medicare medical plan - Graded from 6.25% to ultimate 4.50% over 7 years<br>Dental - 4.00%<br>Vision - 0.00% for the first two years and 4.00% after<br>Medicare Part B - 4.50% |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 9 – Postemployment Benefits Other Than Retirement (Continued)**

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

The following presents the net OPEB liability of the Agency, as well as what the Agency’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

| Net OPEB Liability/(Assets)   |                                  |                               |
|-------------------------------|----------------------------------|-------------------------------|
| Discount Rate<br>- 1% (6.00%) | Current Discount<br>Rate (7.00%) | Discount Rate<br>+ 1% (8.00%) |
| \$ 3,133,286                  | \$ 1,685,246                     | \$ 488,429                    |

| Net OPEB Liability/(Assets)     |                                     |                                 |
|---------------------------------|-------------------------------------|---------------------------------|
| Healthcare                      |                                     |                                 |
| 1% Decrease<br>(5.75% to 3.50%) | Cost Trend Rate<br>(6.75% to 4.50%) | 1% Increase<br>(7.75% to 5.50%) |
| \$ 260,724                      | \$ 1,685,246                        | \$ 3,449,846                    |

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

For the year ended June 30, 2023, the Agency recognized OPEB expense of \$98,218. Changes in the Net OPEB Liability are recorded in the fund that recorded the liability. At June 30, 2023, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

|   | Deferred outflows<br>of Resources | Deferred inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Changes in assumptions  | \$ 371,221                        | \$ 358,137                       |
| Difference between actual and expected experience   | -                                 | 640,038                          |
| Difference between projected and actual earnings<br>on OPEB plan investments  | 1,494,976                         | -                                |
| Changes in proportion and differences between<br>employer contributions and<br>proportionate share of contributions | 300,752                           | 326,569                          |
| Total   | \$ 2,166,949                      | \$ 1,324,744                     |

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<br>Period Ending<br>June 30, | Deferred<br>Outflows/<br>(Inflows) of<br>Resources |
|--|--|
| 2024                                     | \$ (354,901)                                       |
| 2025                                     | (112,529)  |
| 2026                                     | 334,380  |
| 2027                                     | 1,074,320  |
| 2028                                     | (82,854)   |
| Thereafter                               | (16,211)   |
| Total                                    | \$ 842,205   |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 10 – Insurance**

The Agency 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, 2023, 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     | 25,000                  |
| Crime                                       | 3,000,000       | 1,000                   |
| Pollution                                   | 10,000,000      | 250,000                 |
| Cyber Liability                             | 5,000,000       | 75,000                  |

**Note 11 – 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 2023 and 2022, the costs under the contract were \$27.9 million and \$27.2 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 2023 and 2022, the costs under Amendment No. 24 were \$16.8 million and 16.5 million, respectively with a remaining obligation of \$139 million as of June 30, 2023 to be paid by 2035.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 11 – Commitment and Contingent Liabilities (Continued)**

**B. Water Supply Commitments (Continued)**

**Semitropic Water Storage District:** In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal year 2022 the Agency's share of the operating, and maintenance costs and certain fees under the agreement were \$2.7 million and in fiscal year 2023 were \$1.9 million.

**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 entered 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. In July 2022, DWR released the Draft Environment Impact Report (“Draft EIR”) for the Delta Conveyance Project. This report evaluates and identifies potential environmental impacts of the proposed project and alternatives. The final report is scheduled to be released in Fall 2023. The Project is part of Governor Newsom’s portfolio approach to water management. The Agency is participating in the Delta Conveyance Project at a 2.2% participation level of Zone 7's Table A amount of 80,619 acre-feet. Through a funding agreement with DWR for environmental planning costs, the Agency is contributing \$2.4 million in calendar years 2024 and 2023. To-date no debt has been issued by the DCA and it is unknown when debt will be issued.

**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 to 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.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 11 – Commitment and Contingent Liabilities (Continued)**

***B. Water Supply Commitments (Continued)***

**Los Vaqueros Reservoir Expansion Joint Powers Authority** - On August 18, 2021, the Agency voted to join the Los Vaqueros Reservoir Joint Powers Authority (Authority). The Agency, along with seven other water agencies in the region, established the Authority for the purpose of enhancing regional water conveyance and storage, providing for public benefits by expanding existing conveyance facilities, constructing new conveyance facilities serving Los Vaqueros Reservoir, and expanding the Los Vaqueros Reservoir. Development and construction of new and expanded facilities is expected to cost about \$1.4 billion with \$650 million expected to be funded by state and federal programs with remaining costs funded by project partners, including the Agency. The JPA submitted a Water Infrastructure Finance and Innovation Act Loan application in September 2023 for \$675 million. All new and expanded facilities are expected to be constructed and operational by 2030. Agency costs will be dependent on its project benefits which will be negotiated with the Authority as part of a Service Agreement. The Authority is authorized to issue bonds and levy charges on its members in accordance with the terms of their Service Agreement. Until it signs a Service Agreement, which is expected to occur after the Spring of 2024, the Agency may withdraw from the Authority with no obligation to participate in or fund the project.

In July 2023, the Agency's Board approved continued participation in the Los Vaqueros Multi-Party agreement through June 30, 2024 with additional funding of \$1.2 million.

**Sites Reservoir Project** - The Sites Reservoir is a proposed reservoir project of approximately 1.3 million to 1.5 million acre-feet, being analyzed by the Sites Reservoir Authority, to be located in Colusa County. The water stored in the proposed project would be diverted from the Sacramento River and could provide additional water supply that could be used for dry-year benefits. Zone 7 is a member of the Sites Reservoir Committee, a group of 30 agencies that are participating in certain planning activities in connection with the proposed development of the project, including the development of environmental planning documents, a federal feasibility report and project permitting. In January 2022, the Agency's Board approved \$4.0 million in funding for the Agency's continued participation in such planning activities through the end of 2024. The Agency's agreement to participate in funding of this phase of project development activities does not commit Zone 7 to participate in any actual reservoir project that may be undertaken in the future.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 12 – Prior Period Adjustments**

As a result of implementation of GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*, net position at July 1, 2022 of the Government-Wide Financial Statements has been restated as follows::

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| Net position, as previously reported, at July 1, 2022 | \$ 125,835,774                     | \$ 441,162,602                      | \$ 566,998,376        |
| Restatement to implement GASB Statement No. 96        | -                                  | 8,009                               | 8,009                 |
| Net position at July 1, 2022, as restated             | <u>\$ 125,835,774</u>              | <u>\$ 441,170,611</u>               | <u>\$ 567,006,385</u> |

As a result of implementation of GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*, net position at July 1, 2022 of the Proprietary Funds Financial Statements has been restated as follows:

|  | <u>Originally<br/>Reported</u> | <u>Adjustments</u> | <u>As Restated</u>    |
|--|--------------------------------|--------------------|-----------------------|
| Capital assets, depreciable/amortizable, net | \$ 323,232,424                 | \$ 40,829          | \$ 323,273,253        |
| Accounts payable and accrued expenses        | (8,721,472)                    | (72)               | (8,721,544)           |
| Long-term debt - due within one year         | (1,680,358)                    | (32,748)           | (1,713,106)           |
| Total adjustments                            |                                | <u>8,009</u>       |                       |
| Net position                                 | <u>\$ 441,162,602</u>          | <u>\$ 8,009</u>    | <u>\$ 441,170,611</u> |

|                                     | <u>Originally<br/>Reported</u> | <u>Adjustments</u> | <u>As Restated</u>    |
|-------------------------------------|--------------------------------|--------------------|-----------------------|
| Other revenue                       | \$ (2,806,002)                 | \$ (7,950)         | \$ (2,813,952)        |
| Other services and supplies         | 2,842,507                      | (32,850)           | 2,809,657             |
| Depreciation and amortization       | 7,191,637                      | 32,664             | 7,224,301             |
| Interest expense for long term debt | 2,113,072                      | 127                | 2,113,199             |
| Total adjustments                   |                                | <u>8,009</u>       |                       |
| Net position                        | <u>\$ 441,162,602</u>          | <u>\$ 8,009</u>    | <u>\$ 441,170,611</u> |

**Note 13 – Subsequent Events**

*2023 Water Revenue Bonds, 2023 Series A (2023 Bonds)*

On October 24, 2023, the Agency, via the Livermore Valley Water Financing Authority, issued the 2023 Water Revenue Bonds in the amount of \$28,795,000. The 2023 Bonds are being issued to provide funds to (i) pay the cost of the 2023 Water Project, which generally consists of water treatment facilities, related site improvements and certain other capital improvements for the Agency’s water system; and (ii) pay the costs of issuing the 2023 Bonds. The 2023 Bonds will bear interest at a rate of 5%, payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2024, through July 1, 2053.

DRAFT 12.07.2023

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**

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**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 net 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**  
**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, 2023**

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

| Measurement period   | 2019          | 2020          | 2021          | 2022          |               |
|--|---------------|---------------|---------------|---------------|---------------|
| Plan's proportion of the net pension liability   | 1.11%         | 1.00%         | 2.45%         | 1.16%         |               |
| Plan's proportionate share of the net pension liability  | \$ 18,610,738 | \$ 17,207,178 | \$ 11,803,112 | \$ 18,337,949 |               |
| Plan's covered payroll   | \$ 12,130,078 | \$ 11,869,970 | \$ 13,078,647 | \$ 13,522,119 |               |
| Plan's proportionate share of the net pension liability as a percentage of its covered payroll | 153.43%       | 144.96%       | 90.25%        | 135.61%       |               |
| Plan fiduciary net position as a percentage of the total pension liability                     | 1.11%         | 1.00%         | 2.45%         | 1.16%         |               |
|  |               |               |               |               |               |
| Measurement period   | 2014          | 2015          | 2016          | 2017          | 2018          |
| Plan's proportion of the net pension liability   | 1.60%         | 1.18%         | 1.46%         | 1.26%         | 1.24%         |
| Plan's proportionate share of the net pension liability  | \$ 22,241,545 | \$ 24,951,866 | \$ 25,488,068 | \$ 19,859,054 | \$ 26,320,948 |
| Plan's covered payroll   | \$ 12,318,588 | \$ 13,014,942 | \$ 12,536,863 | \$ 12,229,930 | \$ 11,719,529 |
| Plan's proportionate share of the net pension liability as a percentage of its covered payroll | 180.55%       | 191.72%       | 203.30%       | 162.38%       | 224.59%       |
| Plan fiduciary net position as a percentage of the total pension liability                     | 1.60%         | 1.18%         | 1.46%         | 1.26%         | 1.24%         |

<sup>1</sup> Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

Last Ten Fiscal Years

**Cost-Sharing Multiple-Employer Defined Pension Plan**

| Fiscal year  | 2019          | 2020          | 2021          | 2022          | 2023          |
|--|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution                                  | \$ 4,468,041  | \$ 2,923,829  | \$ 2,711,470  | \$ 3,216,634  | \$ 3,321,931  |
| Contributions in relation to the actuarially determined contribution | (4,468,041)   | (2,923,829)   | (2,711,470)   | (3,216,634)   | (3,321,931)   |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Covered payroll  | \$ 11,839,254 | \$ 12,184,391 | \$ 12,615,174 | \$ 13,229,994 | \$ 14,088,709 |
| Contributions as a percentage of covered payroll                     | 37.74%        | 24.00%        | 21.49%        | 24.31%        | 23.58%        |

| Fiscal year  | 2015          | 2016          | 2016          | 2017          | 2018          |
|--|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution                                  | \$ 4,324,438  | \$ 4,568,731  | \$ 4,568,731  | \$ 4,616,119  | \$ 4,272,678  |
| Contributions in relation to the actuarially determined contribution | (4,324,438)   | (4,568,731)   | (4,568,731)   | (4,616,119)   | (4,272,678)   |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Covered payroll  | \$ 12,505,557 | \$ 12,840,271 | \$ 12,840,271 | \$ 12,351,170 | \$ 11,997,578 |
| Contributions as a percentage of covered payroll                     | 34.58%        | 35.58%        | 35.58%        | 37.37%        | 35.61%        |

**Methods and assumptions used to determine contribution rates:**

|                            |  |
|----------------------------|--|
| Valuation Date             | December 31, 2021  |
| Measurement Date           | December 31, 2022  |
| Actuarial Cost Method      | Entry Age Actuarial Cost Method  |
| Amortization Method        | Level percent of payroll   |
| Actuarial Assumptions:     |  |
| Discount Rate              | 7.00%  |
| Inflation Rate             | 2.75%  |
| Payroll Growth             | 3.25%  |
| Projected Salary Increase  | 3.65% - 8.35% (1)  |
| Cost of Living Adjustments | Tier 1: 2.75% ; Tier 2 and 4:2.00%   |
| Investment Rate of Return  | 7.00% (2)  |
| Mortality                  | Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables |

(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**  
**Zone 7 Water Agency**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2023**

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**COST-SHARING MULTIPLE EMPLOYER DEFINED OPEB PLAN:**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

This schedule reports the proportion (percentage) of the collective net OPEB liability, the proportionate share (amount) of the collective net OPEB liability, the employer's covered employee payroll, the proportionate share (amount of the collective net OPEB liability as a percentage of the employer's covered employee payroll and the OPEB plan's fiduciary net position as a percentage of the net 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**  
**Zone 7 Water Agency**  
**Required Supplementary Information**  
**Schedule of the Plan's Proportionate Share of the Net OPEB Liability (Assets) and Related Ratios**  
**For the Year Ended June 30, 2023**

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Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined OPEB Plan

| Measurement period  | 2017         | 2018         | 2019         | 2020         | 2021           | 2022         |
|---|--------------|--------------|--------------|--------------|----------------|--------------|
| Plan's proportion of the net OPEB liability   | 1.43%        | 1.29%        | 0.78%        | 1.09%        | 1.12%          | 1.14%        |
| Plan's proportionate share of the net OPEB liability (asset)                                | \$ 298,850   | \$ 2,295,442 | \$ 678,897   | \$ 56,071    | \$ (3,632,078) | \$ 1,685,246 |
| Plan's covered payroll  | \$12,229,930 | \$11,719,530 | \$12,130,078 | \$11,869,970 | \$13,078,647   | \$13,522,119 |
| Plan's proportionate share of the net OPEB liability as a percentage of its covered payroll | 2.44%        | 19.59%       | 5.60%        | 0.47%        | -27.77%        | 12.46%       |
| Plan's fiduciary net position as a percentage of the total net OPEB liability               | 1.43%        | 1.29%        | 0.78%        | 1.09%        | 1.12%          | 1.14%        |

<sup>1</sup> Fiscal year 2018 was the 1st year of implementation, therefore only six years are shown.

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

Last Ten Fiscal Years

**Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan**

| Fiscal Year  | 2022 |           | 2023 |            |
|--|------|-----------|------|------------|
| Actuarially determined contribution                                  | \$   | -         | \$   | -          |
| Contributions in relation to the actuarially determined contribution |      | -         |      | -          |
| Contribution deficiency (excess)                                     | \$   | -         | \$   | -          |
| Covered payroll  | \$   | 9,142,247 | \$   | 13,154,667 |
| Contributions as a percentage of covered payroll                     |      | 0.00%     |      | 0.00%      |

| Fiscal Year  | 2018         | 2019         | 2020         | 2021         |
|--|--------------|--------------|--------------|--------------|
| 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 | \$ 8,531,883 |
| Contributions as a percentage of covered payroll                     | 0.00%        | 0.00%        | 0.00%        | 0.00%        |

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

**Notes to Schedule:**

|                           |   |
|---------------------------|---|
| Valuation date            | December 31, 2021   |
| Measurement Date          | December 31, 2022   |
| Actuarial cost method     | Entry Age Cost Method   |
| Actuarial Assumptions:    |   |
| Discount Rate             | 7.00%   |
| Inflation                 | 2.75%   |
| Payroll Growth            | 3.25%   |
| Investment rate of return | 7.00%   |
| Mortality rates           | Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables   |
| Healthcare Trend Rates    | Non-Medicare medical plan - Graded from 7.5% to ultimate 4.50% over 12 years<br>Medicare medical plan - Graded from 6.25% to ultimate 4.50% over 7 years<br>Dental - 4.00%<br>Vision - 0.00% for the first two years and 4.00% after<br>Medicare Part B - 4.50% |

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**SUPPLEMENTARY INFORMATION**

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**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

(With summarized information as of June 30, 2022)

|  | Environmental<br>Protection Agency<br>(EPA) Grant -<br>Federal | Cal OES<br>Grant<br>Federal | State Grant       | Totals            |                  |
|--|--|-----------------------------|-------------------|-------------------|------------------|
|  |  |                             |                   | 2023              | 2022             |
| <b>ASSETS</b>                              |  |                             |                   |                   |                  |
| <b>Current Assets</b>                      |  |                             |                   |                   |                  |
| Accounts receivable, net                   | \$ 52,520  | \$ -                        | \$ 339,645        | \$ 392,165        | \$ 23,651        |
| <b>Total assets</b>                        | <b>\$ 52,520</b>   | <b>\$ -</b>                 | <b>\$ 339,645</b> | <b>\$ 392,165</b> | <b>\$ 23,651</b> |
| <b>LIABILITIES</b>                         |  |                             |                   |                   |                  |
| <b>Current liabilities</b>                 |  |                             |                   |                   |                  |
| Accounts payable                           | \$ 25,826  | \$ -                        | \$ -              | \$ 25,826         | \$ 19,977        |
| Accrued liabilities                        | -  | -                           | -                 | -                 | -                |
| Due to other funds                         | 26,694   | -                           | 339,645           | 366,339           | 3,674            |
| <b>Total liabilities</b>                   | <b>52,520</b>  | <b>-</b>                    | <b>339,645</b>    | <b>392,165</b>    | <b>23,651</b>    |
| <b>FUND BALANCES</b>                       |  |                             |                   |                   |                  |
| Unassigned                                 | -  | -                           | -                 | -                 | -                |
| <b>Total fund balances</b>                 | <b>-</b>   | <b>-</b>                    | <b>-</b>          | <b>-</b>          | <b>-</b>         |
| <b>Total liabilities and fund balances</b> | <b>\$ 52,520</b>   | <b>\$ -</b>                 | <b>\$ 339,645</b> | <b>\$ 392,165</b> | <b>\$ 23,651</b> |

**Alameda County Flood Control and Water Conservation District, Zone 7  
Zone 7 Water Agency**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022)

|  | Environmental<br>Protection Agency<br>(EPA) Grant-<br>Federal | Cal OES<br>Grant<br>Federal | State Grant    | Total Non-major<br>Governmental Funds |                |
|--|---|-----------------------------|----------------|---------------------------------------|----------------|
|  |   |                             |                | 2023                                  | 2022           |
| <b>REVENUES:</b>   |   |                             |                |                                       |                |
| Intergovernmental revenues                                       | \$ 146,589  | \$ -                        | \$ 339,645     | \$ 486,234                            | \$ 399,290     |
| Other revenue  | 9,459   | 72,888                      | -              | 82,347                                | 32,850         |
| <b>Total revenues</b>  | <b>156,048</b>  | <b>72,888</b>               | <b>339,645</b> | <b>\$ 568,581</b>                     | <b>432,140</b> |
| <b>EXPENDITURES:</b>   |   |                             |                |                                       |                |
| Current:   |   |                             |                |                                       |                |
| Salaries and employee benefits<br>transferred from district-wide | 7,460   | -                           | -              | 7,460                                 | 72,131         |
| Services and supplies  | 148,588   | 72,888                      | -              | 221,476                               | 360,009        |
| Capital outlay:  |   |                             |                |                                       |                |
| Equipment and capital infrastructure                             | -   | -                           | 339,645        | 339,645                               | -              |
| <b>Total expenditures</b>  | <b>156,048</b>  | <b>72,888</b>               | <b>339,645</b> | <b>568,581</b>                        | <b>432,140</b> |
| <b>NET CHANGES IN FUND BALANCES</b>                              | <b>-</b>  | <b>-</b>                    | <b>-</b>       | <b>-</b>                              | <b>-</b>       |
| <b>FUND BALANCES:</b>  |   |                             |                |                                       |                |
| Beginning of year  | -   | -                           | -              | -                                     | -              |
| End of year  | \$ -  | \$ -                        | \$ -           | \$ -                                  | \$ -           |

**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Combining Statement of Net Position**  
**Nonmajor Water Enterprise Fund**  
**June 30, 2023**

(With summarized information as of June 30, 2022)

|                                  | Water<br>Facilities | Totals              |                     |
|----------------------------------|---------------------|---------------------|---------------------|
|                                  |                     | 2023                | 2022                |
| <b>ASSETS</b>                    |                     |                     |                     |
| <b>Current assets:</b>           |                     |                     |                     |
| Cash in County Treasury          | \$ 1,460,076        | \$ 1,460,076        | \$ 2,858,454        |
| <b>Total current assets</b>      | <u>1,460,076</u>    | <u>1,460,076</u>    | <u>2,858,454</u>    |
| <b>Total assets</b>              | <u>1,460,076</u>    | <u>1,460,076</u>    | <u>2,858,454</u>    |
| <b>LIABILITIES</b>               |                     |                     |                     |
| <b>Current Liabilities:</b>      |                     |                     |                     |
| Deposits                         | 343,372             | 343,372             | 323,248             |
| <b>Total current liabilities</b> | <u>343,372</u>      | <u>343,372</u>      | <u>323,248</u>      |
| <b>Total liabilities</b>         | <u>343,372</u>      | <u>343,372</u>      | <u>323,248</u>      |
| <b>NET POSITION</b>              |                     |                     |                     |
| Unrestricted                     | 1,116,704           | 1,116,704           | 2,535,206           |
| <b>Total net position</b>        | <u>\$ 1,116,704</u> | <u>\$ 1,116,704</u> | <u>\$ 2,535,206</u> |

**Alameda County Flood Control and Water Conservation District, Zone 7  
Zone 7 Water Agency**

**Combining Statement of Revenues, Expenses, and Changes in Net Position  
Nonmajor Water Enterprise Fund  
For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022)

|                                       | Water<br>Facilities | Totals              |                     |
|---------------------------------------|---------------------|---------------------|---------------------|
|                                       |                     | 2023                | 2022                |
| <b>NONOPERATING REVENUES:</b>         |                     |                     |                     |
| Investment earnings                   | \$ 30,058           | \$ 30,058           | \$ 31,730           |
| <b>Income (loss) before transfers</b> | <u>30,058</u>       | <u>30,058</u>       | <u>31,730</u>       |
| Transfers (out)                       | (1,448,560)         | (1,448,560)         | (1,770,355)         |
| <b>CHANGES IN NET POSITION</b>        | (1,418,502)         | (1,418,502)         | (1,738,625)         |
| <b>NET POSITION:</b>                  |                     |                     |                     |
| Beginning of the year                 | 2,535,206           | 2,535,206           | 4,273,831           |
| End of the year                       | <u>\$ 1,116,704</u> | <u>\$ 1,116,704</u> | <u>\$ 2,535,206</u> |

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**Alameda County Flood Control and Water Conservation District, Zone 7**  
**Zone 7 Water Agency**  
**Combining Statement of Cash Flows**  
**Nonmajor Water Enterprise Fund**  
**For the Year Ended June 30, 2023**

(With summarized information for the year ended June 30, 2022)

|   | Water<br>Facilities | Totals              |                     |
|---|---------------------|---------------------|---------------------|
|   |                     | 2023                | 2022                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                     |                     |
| Refund of customers deposits  | \$ 20,124           | \$ 20,124           | \$ (4,867)          |
| <b>Net cash provided by (used in) operating activities</b>  | <u>20,124</u>       | <u>20,124</u>       | <u>(4,867)</u>      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |                     |                     |                     |
| Transfers (out)   | (1,448,560)         | (1,448,560)         | (1,770,355)         |
| <b>Net cash (used in) noncapital financing activities</b>   | <u>(1,448,560)</u>  | <u>(1,448,560)</u>  | <u>(1,770,355)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                     |                     |
| Interest received on investments  | 30,058              | 30,058              | 31,730              |
| <b>Net cash provided by investing activities</b>  | <u>30,058</u>       | <u>30,058</u>       | <u>31,730</u>       |
| <b>Net (decrease) in cash and cash equivalents</b>  | (1,398,378)         | (1,398,378)         | (1,743,492)         |
| <b>CASH AND CASH EQUIVALENTS:</b>   |                     |                     |                     |
| Beginning of year   | 2,858,454           | 2,858,454           | 4,601,946           |
| End of year   | <u>\$ 1,460,076</u> | <u>\$ 1,460,076</u> | <u>\$ 2,858,454</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b> |                     |                     |                     |
| Operating income  | \$ -                | \$ -                | \$ -                |
| Adjustments to reconcile operating income to cash flows   |                     |                     |                     |
| Changes in assets and liabilities   |                     |                     |                     |
| Deposits  | 20,124              | 20,124              | (4,867)             |
| <b>Net cash provided by (used in) operating activities</b>  | <u>\$ 20,124</u>    | <u>\$ 20,124</u>    | <u>\$ (4,867)</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  
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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alameda County Flood Control And Water Conservation District, Zone 7, Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2023, 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 XX, 2023.

**Report on 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") as a basis for designing 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 or significant deficiencies may exist that were not identified.

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

### **Report on 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 financial statements. 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.

Walnut Creek, California  
December XX, 2023

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**STATISTICAL SECTION**

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# Alameda County Flood Control and Water Conservation District

## Zone 7 Water Agency

### Statistical Section Overview

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This part of the Alameda County Flood and Water Conservation District, Zone 7'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.

|  | <b>Pages</b> |
|--|--------------|
| <b>Contents</b>  |              |
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.   | 110-117      |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess one of the government's most significant local revenue sources - property tax.  | 118-126      |
| <b>Debt Capacity</b><br>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.                            | 127-128      |
| <b>Demographic and Economic Information</b><br>This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.   | 129-131      |
| <b>Operating Information</b><br>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. | 132-133      |

**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|  | <u>2014</u>           | <u>2015</u>           | <u>2016</u>           | <u>2017</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities                            |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 30,403,950         | \$ 30,385,318         | \$ 30,334,638         | \$ 31,990,546         | \$ 32,247,481         |
| Restricted   | 41,506,430            | 49,177,969            | 56,059,067            | 58,149,272            | 62,760,525            |
| Unrestricted                                       | 15,260,267            | 16,739,156            | 19,133,427            | 20,484,357            | 16,662,343            |
| Total governmental activities net position         | <u>\$ 87,170,647</u>  | <u>\$ 96,302,443</u>  | <u>\$ 105,527,132</u> | <u>\$ 110,624,175</u> | <u>\$ 111,670,349</u> |
| Business-type activities                           |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 211,603,471        | \$ 212,562,797        | \$ 188,968,433        | \$ 194,732,197        | \$ 198,348,996        |
| Restricted   | 42,196,142            | 50,917,217            | 82,151,910            | 97,494,721            | 107,414,628           |
| Unrestricted                                       | 57,821,385            | 36,428,063            | 30,717,428            | 37,712,019            | 47,669,365            |
| Total business-type activities net position        | <u>\$ 311,620,998</u> | <u>\$ 299,908,077</u> | <u>\$ 301,837,771</u> | <u>\$ 329,938,937</u> | <u>\$ 353,432,989</u> |
| Primary government                                 |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 242,007,421        | \$ 242,948,115        | \$ 219,303,071        | \$ 226,722,743        | \$ 230,596,477        |
| Restricted   | 83,702,572            | 100,095,186           | 138,210,977           | 155,643,993           | 170,175,153           |
| Unrestricted                                       | 73,081,652            | 53,167,219            | 49,850,855            | 58,196,376            | 64,331,708            |
| Total primary governmental activities net position | <u>\$ 398,791,645</u> | <u>\$ 396,210,520</u> | <u>\$ 407,364,903</u> | <u>\$ 440,563,112</u> | <u>\$ 465,103,338</u> |

**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Net Position by Component (Continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|  | <u>2019</u>           | <u>2020</u>           | <u>2021 (a)</u>       | <u>2022 (b)</u>       | <u>2023</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities                            |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 33,164,265         | \$ 32,993,757         | \$ 32,772,306         | \$ 32,886,671         | \$ 33,188,061         |
| Restricted   | 66,872,665            | 69,648,891            | 72,715,433            | 74,143,148            | 76,008,569            |
| Unrestricted                                       | 15,346,434            | 17,937,525            | 20,035,351            | 18,805,955            | 22,483,372            |
| Total governmental activities net position         | <u>\$ 115,383,364</u> | <u>\$ 120,580,173</u> | <u>\$ 125,523,090</u> | <u>\$ 125,835,774</u> | <u>\$ 131,680,002</u> |
| Business-type activities                           |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 210,675,110        | \$ 227,930,485        | \$ 246,768,274        | \$ 273,744,254        | \$ 276,759,129        |
| Restricted   | 127,521,329           | 131,461,963           | 110,609,342           | 114,367,484           | 119,149,689           |
| Unrestricted                                       | 48,823,266            | 56,022,343            | 71,635,497            | 53,058,873            | 58,447,787            |
| Total business-type activities net position        | <u>\$ 387,019,705</u> | <u>\$ 415,414,791</u> | <u>\$ 429,013,113</u> | <u>\$ 441,170,611</u> | <u>\$ 454,356,605</u> |
| Primary government                                 |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 243,839,375        | \$ 260,924,242        | \$ 279,540,580        | \$ 306,630,925        | \$ 309,947,190        |
| Restricted   | 194,393,994           | 201,110,854           | 183,324,775           | 188,510,632           | 195,158,258           |
| Unrestricted                                       | 64,169,700            | 73,959,868            | 91,670,848            | 71,864,828            | 80,931,159            |
| Total primary governmental activities net position | <u>\$ 502,403,069</u> | <u>\$ 535,994,964</u> | <u>\$ 554,536,203</u> | <u>\$ 567,006,385</u> | <u>\$ 586,036,607</u> |

(a) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retroactive application resulted in a restatement of fiscal year 2021 balances.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022 balances.

**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|   | 2014                 | 2015                 | 2016                  | 2017                  | 2018                  |
|---|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>   |                      |                      |                       |                       |                       |
| Governmental activities                                   |                      |                      |                       |                       |                       |
| Flood Protection Operations                               | \$ 1,488,735         | \$ 4,705,166         | \$ 5,328,998          | \$ 5,341,751          | \$ 12,859,064         |
| Flood Protection Drainage DIF                             | 4,029,268            | 499,169              | 794,922               | 1,841,555             | 542,139               |
| Flood Protection Grants                                   |                      |                      |                       |                       | 1,230,924             |
| Total governmental activities expenses                    | <u>5,518,003</u>     | <u>5,204,335</u>     | <u>6,123,920</u>      | <u>7,183,306</u>      | <u>14,632,127</u>     |
| Business-type activities                                  |                      |                      |                       |                       |                       |
| State Water Project                                       | 13,681,891           | 16,359,406           | 20,621,344            | 20,985,604            | 19,794,128            |
| Water Enterprise Funds                                    | 57,386,822           | 59,122,995           | 81,257,514            | 60,641,826            | 75,273,928            |
| Total business-type activities                            | <u>71,068,713</u>    | <u>75,482,401</u>    | <u>101,878,858</u>    | <u>81,627,430</u>     | <u>95,068,056</u>     |
| Total primary government expenses                         | <u>\$ 76,586,716</u> | <u>\$ 80,686,736</u> | <u>\$ 108,002,778</u> | <u>\$ 88,810,736</u>  | <u>\$ 109,700,183</u> |
| <b>Program Revenues</b>                                   |                      |                      |                       |                       |                       |
| Governmental activities                                   |                      |                      |                       |                       |                       |
| Charges for Services                                      | \$ 113,016           | \$ 517,030           | \$ 7,556,578          | \$ 3,683,683          | \$ 4,652,449          |
| Operating grants and contributions                        | 64,318               | 112,334              | 71,562                | 181,418               | 182,315               |
| Other program revenues                                    | 4,953,372            | 8,032,445            | 40,202                | 13,263                | 1,230,924             |
| Total governmental activities program revenues            | <u>5,130,706</u>     | <u>8,661,809</u>     | <u>7,668,342</u>      | <u>3,878,364</u>      | <u>6,065,688</u>      |
| Business-type activities                                  |                      |                      |                       |                       |                       |
| Charges for Services:                                     |                      |                      |                       |                       |                       |
| State Water Project                                       | 12,269,322           | 13,708,844           | 19,419,226            | 20,795,420            | 22,927,398            |
| Water Enterprise Funds                                    | 58,119,942           | 56,369,393           | 68,594,249            | 77,826,527            | 84,362,659            |
| Operating grants and contributions                        | 4,347,897            | 5,012,899            | 15,285,044            | 10,179,114            | 7,235,940             |
| Capital grants and contributions                          |                      |                      |                       |                       | -                     |
| Total business-type activities program                    | <u>74,737,161</u>    | <u>75,091,136</u>    | <u>103,298,519</u>    | <u>108,801,061</u>    | <u>114,525,997</u>    |
| Total primary government program revenues                 | <u>\$ 79,867,867</u> | <u>\$ 83,752,945</u> | <u>\$ 110,966,861</u> | <u>\$ 112,679,425</u> | <u>\$ 120,591,685</u> |
| <b>Net (Expense)/Revenue</b>                              |                      |                      |                       |                       |                       |
| Governmental activities                                   | \$ (387,297)         | \$ 3,457,474         | \$ 1,544,422          | \$ (3,304,942)        | \$ (8,566,439)        |
| Business-type activities                                  | 3,668,448            | (391,265)            | 1,419,661             | 27,173,631            | 19,457,941            |
| Total primary government net revenues                     | <u>\$ 3,281,151</u>  | <u>\$ 3,066,209</u>  | <u>\$ 2,964,083</u>   | <u>\$ 23,868,689</u>  | <u>\$ 10,891,502</u>  |
| <b>General Revenues and Other Changes in Net Position</b> |                      |                      |                       |                       |                       |
| Governmental activities                                   |                      |                      |                       |                       |                       |
| Taxes   |                      |                      |                       |                       |                       |
| Property  | \$ 6,201,653         | \$ 6,759,202         | \$ 7,329,117          | \$ 7,895,448          | \$ 8,518,064          |
| Investment earnings                                       | 133,926              | 194,118              | 342,127               | 518,982               | 897,199               |
| Transfers   | (13,334)             | (13,333)             | (13,333)              | (12,445)              | (12,444)              |
| Other   |                      |                      | 22,356                |                       | 34,267                |
| Total governmental activities                             | <u>6,322,245</u>     | <u>6,939,987</u>     | <u>7,680,267</u>      | <u>8,401,985</u>      | <u>9,437,086</u>      |
| Business-type activities                                  |                      |                      |                       |                       |                       |
| Investment earnings                                       | 390,865              | 314,297              | 496,700               | 915,090               | 2,021,455             |
| Transfers   | 13,334               | 13,333               | 13,333                | 12,445                | 12,444                |
| Total business-type activities                            | <u>404,199</u>       | <u>327,630</u>       | <u>510,033</u>        | <u>927,535</u>        | <u>2,033,899</u>      |
| Total primary government                                  | <u>\$ 6,726,444</u>  | <u>\$ 7,267,617</u>  | <u>\$ 8,190,300</u>   | <u>\$ 9,329,520</u>   | <u>\$ 11,470,985</u>  |
| <b>Change in Net Position</b>                             |                      |                      |                       |                       |                       |
| Governmental activities                                   | 5,934,948            | 10,397,461           | 9,224,689             | 5,097,043             | 870,647               |
| Business-type activities                                  | 4,072,647            | (63,635)             | 1,929,694             | 28,101,166            | 21,491,840            |
| Total primary government                                  | <u>\$ 10,007,595</u> | <u>\$ 10,333,826</u> | <u>\$ 11,154,383</u>  | <u>\$ 33,198,209</u>  | <u>\$ 22,362,487</u>  |

**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|   | 2019                  | 2020                  | 2021 (a)              | 2022 (b)              | 2023                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>   |                       |                       |                       |                       |                       |
| Governmental activities                                   |                       |                       |                       |                       |                       |
| Flood Protection Operations                               | \$ 10,308,973         | \$ 9,547,702          | \$ 8,949,669          | \$ 12,352,060         | \$ 8,811,830          |
| Flood Protection Drainage DIF                             | 367,976               | 168,503               | 208,142               | 381,617               | 176,869               |
| Flood Protection Grants                                   | 125,352               | 497,987               | 474,319               | 432,140               | 228,936               |
| Total governmental activities expenses                    | <u>10,802,301</u>     | <u>10,214,192</u>     | <u>9,632,130</u>      | <u>13,165,817</u>     | <u>9,217,635</u>      |
| Business-type activities                                  |                       |                       |                       |                       |                       |
| State Water Project                                       | 21,420,192            | 24,333,554            | 23,173,321            | 24,331,873            | 25,703,191            |
| Water Enterprise Funds                                    | 63,564,015            | 61,634,465            | 67,019,978            | 70,157,980            | 71,877,411            |
| Total business-type activities                            | <u>84,984,207</u>     | <u>85,968,019</u>     | <u>90,193,299</u>     | <u>94,489,853</u>     | <u>97,580,602</u>     |
| Total primary government expenses                         | <u>\$ 95,786,508</u>  | <u>\$ 96,182,211</u>  | <u>\$ 99,825,429</u>  | <u>\$ 107,655,670</u> | <u>\$ 106,798,237</u> |
| <b>Program Revenues</b>                                   |                       |                       |                       |                       |                       |
| Governmental activities                                   |                       |                       |                       |                       |                       |
| Charges for Services                                      | \$ 3,522,081          | \$ 1,694,933          | \$ 2,624,628          | \$ 1,714,458          | \$ 1,384,402          |
| Operating grants and contributions                        | 70,969                | 79,929                | 81,730                | 84,034                | 90,914                |
| Other program revenues                                    | 125,352               | 488,451               | 482,306               | 399,290               | 486,234               |
| Total governmental activities program revenues            | <u>3,718,402</u>      | <u>2,263,313</u>      | <u>3,188,664</u>      | <u>2,197,782</u>      | <u>1,961,550</u>      |
| Business-type activities                                  |                       |                       |                       |                       |                       |
| Charges for Services:                                     |                       |                       |                       |                       |                       |
| State Water Project                                       | 23,420,521            | 23,415,684            | 24,633,172            | 26,102,946            | 25,850,736            |
| Water Enterprise Funds                                    | 83,227,173            | 79,931,895            | 71,244,549            | 76,031,347            | 73,538,954            |
| Operating grants and contributions                        | 6,723,525             | 6,509,157             | 6,640,850             | 6,710,435             | 9,752,717             |
| Capital grants and contributions                          | -                     | 26,226                | -                     | -                     | -                     |
| Total business-type activities program                    | <u>113,371,219</u>    | <u>109,882,962</u>    | <u>102,518,571</u>    | <u>108,844,728</u>    | <u>109,142,407</u>    |
| Total primary government program revenues                 | <u>\$ 117,089,621</u> | <u>\$ 112,146,275</u> | <u>\$ 105,707,235</u> | <u>\$ 111,042,510</u> | <u>\$ 111,103,957</u> |
| <b>Net (Expense)/Revenue</b>                              |                       |                       |                       |                       |                       |
| Governmental activities                                   | \$ (7,083,899)        | \$ (7,950,879)        | \$ (6,443,466)        | \$ (10,968,035)       | \$ (7,256,085)        |
| Business-type activities                                  | 28,387,012            | 23,914,943            | 12,325,272            | 14,354,875            | 11,561,805            |
| Total primary government net revenues                     | <u>\$ 21,303,113</u>  | <u>\$ 15,964,064</u>  | <u>\$ 5,881,806</u>   | <u>\$ 3,386,840</u>   | <u>\$ 4,305,720</u>   |
| <b>General Revenues and Other Changes in Net Position</b> |                       |                       |                       |                       |                       |
| Governmental activities                                   |                       |                       |                       |                       |                       |
| Taxes   |                       |                       |                       |                       |                       |
| Property  | \$ 9,144,785          | \$ 9,834,264          | \$ 10,344,149         | \$ 10,791,532         | \$ 11,647,326         |
| Investment earnings                                       | 1,485,504             | 1,745,490             | 956,235               | 268,495               | 1,280,020             |
| Transfers   | (12,444)              | (11,890)              | (11,890)              | (11,890)              | (11,890)              |
| Other   | 179,069               | 1,579,824             | 97,889                | 232,582               | 184,857               |
| Total governmental activities                             | <u>10,796,914</u>     | <u>13,147,688</u>     | <u>11,386,383</u>     | <u>11,280,719</u>     | <u>13,100,313</u>     |
| Business-type activities                                  |                       |                       |                       |                       |                       |
| Investment earnings                                       | 5,187,260             | 4,468,253             | 1,261,160             | (2,209,267)           | 1,612,299             |
| Transfers   | 12,444                | 11,890                | 11,890                | 11,890                | 11,890                |
| Total business-type activities                            | <u>5,199,704</u>      | <u>4,480,143</u>      | <u>1,273,050</u>      | <u>(2,197,377)</u>    | <u>1,624,189</u>      |
| Total primary government                                  | <u>\$ 15,996,618</u>  | <u>\$ 17,627,831</u>  | <u>\$ 12,659,433</u>  | <u>\$ 9,083,342</u>   | <u>\$ 14,724,502</u>  |
| <b>Change in Net Position</b>                             |                       |                       |                       |                       |                       |
| Governmental activities                                   | 3,713,015             | 5,196,809             | 4,942,917             | 312,684               | 5,844,228             |
| Business-type activities                                  | 33,586,716            | 28,395,086            | 13,598,322            | 12,157,498            | 13,185,994            |
| Total primary government                                  | <u>\$ 37,299,731</u>  | <u>\$ 33,591,895</u>  | <u>\$ 18,541,239</u>  | <u>\$ 12,470,182</u>  | <u>\$ 19,030,222</u>  |

(a) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retroactive application resulted in a restatement of fiscal year 2021  
(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022.

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**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

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| <b>Fiscal Year</b> | <b>Restricted</b> | <b>Committed</b> | <b>Total</b> |
|--------------------|-------------------|------------------|--------------|
| 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   |
| 2021               | 72,715,433        | 22,150,273       | 94,865,706   |
| 2022               | 74,143,148        | 20,431,275       | 94,574,423   |
| 2023               | 76,008,569        | 23,822,802       | 99,831,371   |

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

|  | <u>2014</u>           | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>                              |                       |                      |                      |                      |                      |
| Property taxes                               | \$ 6,201,653          | \$ 6,759,202         | \$ 7,329,117         | \$ 7,895,448         | \$ 8,518,064         |
| Intergovernmental                            | 64,318                | 144,691              | 71,562               | 181,418              | 1,413,239            |
| Charges for services                         | 4,879,252             | 8,516,405            | 7,556,578            | 3,683,683            | 4,652,449            |
| Investment earnings                          | 133,926               | 194,118              | 342,127              | 518,982              | 897,199              |
| Rental Income                                |                       |                      |                      |                      |                      |
| Other revenues                               | 187,136               | 713                  | 62,558               | 13,263               | 34,267               |
| Total revenues                               | <u>\$ 11,466,285</u>  | <u>\$ 15,615,129</u> | <u>\$ 15,361,942</u> | <u>\$ 12,292,794</u> | <u>\$ 15,515,218</u> |
| <b>Expenditures</b>                          |                       |                      |                      |                      |                      |
| Salaries and employee benefits               |                       |                      |                      |                      |                      |
| transferred from district-wide               | \$ 2,535,779          | \$ 2,252,655         | \$ 2,455,453         | \$ 1,961,724         | \$ 2,292,919         |
| Services and supplies                        | 2,650,121             | 2,821,192            | 3,354,938            | 4,187,243            | 11,014,697           |
| Equipment and capital structures             | 14,503,864            | 107,500              |                      | 2,809,252            | 1,129,750            |
| Other  |                       |                      |                      |                      |                      |
| Total Expenditures                           | <u>\$ 19,689,764</u>  | <u>\$ 5,181,347</u>  | <u>\$ 5,810,391</u>  | <u>\$ 8,958,219</u>  | <u>\$ 14,437,366</u> |
| Excess of revenues over/(under) expenditures | <u>\$ (8,223,479)</u> | <u>\$ 10,433,782</u> | <u>\$ 9,551,551</u>  | <u>\$ 3,334,575</u>  | <u>\$ 1,077,852</u>  |
| <b>Other Financing Sources (Uses)</b>        |                       |                      |                      |                      |                      |
| Transfers In                                 |                       |                      |                      |                      |                      |
| Transfers Out                                | \$ (13,334)           | \$ (13,333)          | \$ (13,333)          | \$ (12,445)          | \$ (12,444)          |
| Total other financing sources (uses)         | <u>\$ (13,334)</u>    | <u>\$ (13,333)</u>   | <u>\$ (13,333)</u>   | <u>\$ (12,445)</u>   | <u>\$ (12,444)</u>   |
| Net change in fund balances                  | <u>\$ (8,236,813)</u> | <u>\$ 10,420,449</u> | <u>\$ 9,538,218</u>  | <u>\$ 3,322,130</u>  | <u>\$ 1,065,408</u>  |

**Alameda County Flood Control 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)**

|  | <u>2019</u>          | <u>2020</u>          | <u>2021</u>          | <u>2022</u>          | <u>2023</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>  |                      |                      |                      |                      |                      |
| Property taxes   | \$ 9,144,785         | \$ 9,834,264         | \$ 10,344,149        | \$ 10,791,532        | \$ 11,647,326        |
| Intergovernmental  | 196,321              | 568,380              | 556,049              | 483,324              | 577,148              |
| Charges for services   | 3,522,081            | 1,694,933            | 2,624,628            | 1,690,497            | 1,360,441            |
| Investment earnings  | 1,485,504            | 1,745,490            | 956,235              | 268,495              | 1,280,020            |
| Rental Income  |                      |                      | 7,987                | 23,961               | 23,961               |
| Other revenues   | 179,069              | 1,579,824            | 97,889               | 232,582              | 184,857              |
| <b>Total revenues</b>  | <u>\$ 14,527,760</u> | <u>\$ 15,422,891</u> | <u>\$ 14,586,937</u> | <u>\$ 13,490,391</u> | <u>\$ 15,073,753</u> |
| <b>Expenditures</b>  |                      |                      |                      |                      |                      |
| Salaries and employee benefits<br>transferred from district-wide | \$ 2,332,437         | \$ 2,205,357         | \$ 2,401,207         | \$ 2,484,861         | \$ 2,250,551         |
| Services and supplies  | 8,612,252            | 8,008,597            | 6,966,093            | 10,873,497           | 6,876,779            |
| Equipment and capital structures                                 | 208,151              | 13,059               | 1,407                | 411,426              | 677,585              |
| Other  |                      |                      |                      |                      |                      |
| <b>Total Expenditures</b>  | <u>\$ 11,152,840</u> | <u>\$ 10,227,013</u> | <u>\$ 9,368,707</u>  | <u>\$ 13,769,784</u> | <u>\$ 9,804,915</u>  |
| Excess of revenues over/(under)<br>expenditures                  | <u>\$ 3,374,920</u>  | <u>\$ 5,195,878</u>  | <u>\$ 5,218,230</u>  | <u>\$ (279,393)</u>  | <u>\$ 5,268,838</u>  |
| <b>Other Financing Sources (Uses)</b>                            |                      |                      |                      |                      |                      |
| Transfers In   |                      |                      |                      |                      |                      |
| Transfers Out  | \$ (12,444)          | \$ (11,890)          | \$ (11,890)          | \$ (11,890)          | \$ (11,890)          |
| <b>Total other financing sources (uses)</b>                      | <u>\$ (12,444)</u>   | <u>\$ (11,890)</u>   | <u>\$ (11,890)</u>   | <u>\$ (11,890)</u>   | <u>\$ (11,890)</u>   |
| <b>Net change in fund balances</b>                               | <u>\$ 3,362,476</u>  | <u>\$ 5,183,988</u>  | <u>\$ 5,206,340</u>  | <u>\$ (291,283)</u>  | <u>\$ 5,256,948</u>  |

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

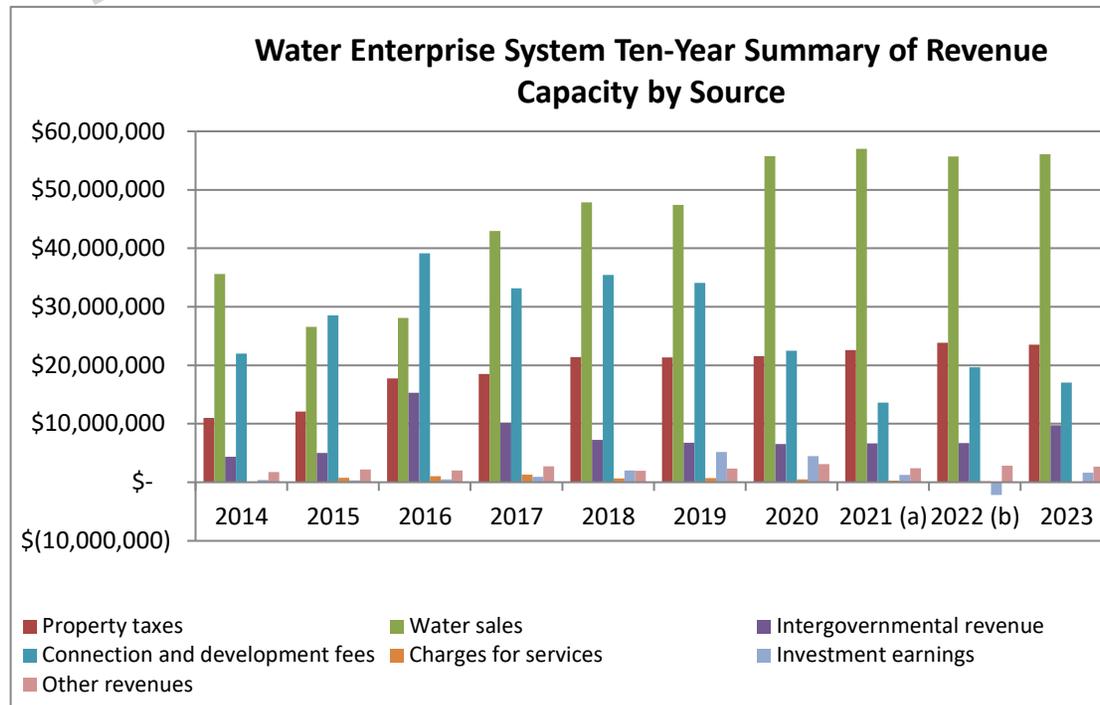
**Alameda County Flood Control and Water Conservation District  
Zone 7 Water Agency  
Revenue Capacity - Water Enterprise System  
Ten-Year Summary of Revenue by Source  
Fiscal Year Ended June 30**

**Water Enterprise System**

|                                 | Fiscal Year          |                      |                       |                       |                       |                       |                       |                       |                       |                       |
|---------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                 | 2014                 | 2015                 | 2016                  | 2017                  | 2018                  | 2019                  | 2020                  | 2021 (a)              | 2022 (b)              | 2023                  |
| <b>Revenues</b>                 |                      |                      |                       |                       |                       |                       |                       |                       |                       |                       |
| Property taxes                  | \$ 11,016,532        | \$ 12,060,478        | \$ 17,716,841         | \$ 18,524,750         | \$ 21,385,641         | \$ 21,353,809         | \$ 21,553,508         | \$ 22,616,173         | \$ 23,836,161         | \$ 23,540,590         |
| Water sales                     | 35,616,588           | 26,552,568           | 28,110,974            | 42,975,960            | 47,860,145            | 47,440,592            | 55,777,208            | 57,012,484            | 55,670,511            | 56,105,302            |
| Intergovernmental revenue       | 4,347,890            | 5,012,899            | 15,285,044            | 10,179,114            | 7,235,940             | 6,723,525             | 6,509,157             | 6,640,850             | 6,710,435             | 9,752,717             |
| Connection and development fees | 21,973,245           | 28,521,399           | 39,135,444            | 33,128,280            | 35,434,462            | 34,068,092            | 22,461,926            | 13,609,527            | 19,669,509            | 17,023,627            |
| Charges for services            | 49,734               | 771,485              | 1,050,070             | 1,276,122             | 665,688               | 687,569               | 500,371               | 277,722               | 144,160               | 86,983                |
| Investment earnings             | 390,865              | 314,297              | 496,700               | 915,090               | 2,021,455             | 5,187,260             | 4,468,253             | 1,261,160             | (2,209,267)           | 1,612,299             |
| Other revenues                  | 1,733,172            | 2,172,307            | 2,000,146             | 2,716,835             | 1,944,121             | 2,310,887             | 3,080,792             | 2,361,815             | 2,813,952             | 2,633,188             |
| <b>Total Revenues</b>           | <b>\$ 75,128,026</b> | <b>\$ 75,405,433</b> | <b>\$ 103,795,219</b> | <b>\$ 109,716,151</b> | <b>\$ 116,547,452</b> | <b>\$ 117,771,734</b> | <b>\$ 114,351,215</b> | <b>\$ 103,779,731</b> | <b>\$ 106,635,461</b> | <b>\$ 110,754,706</b> |

(a) Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

(b) The Agency implemented the provisions of GASB Statement 96 in fiscal year 2022 and retroactive application resulted in a restatement of fiscal year 2022.

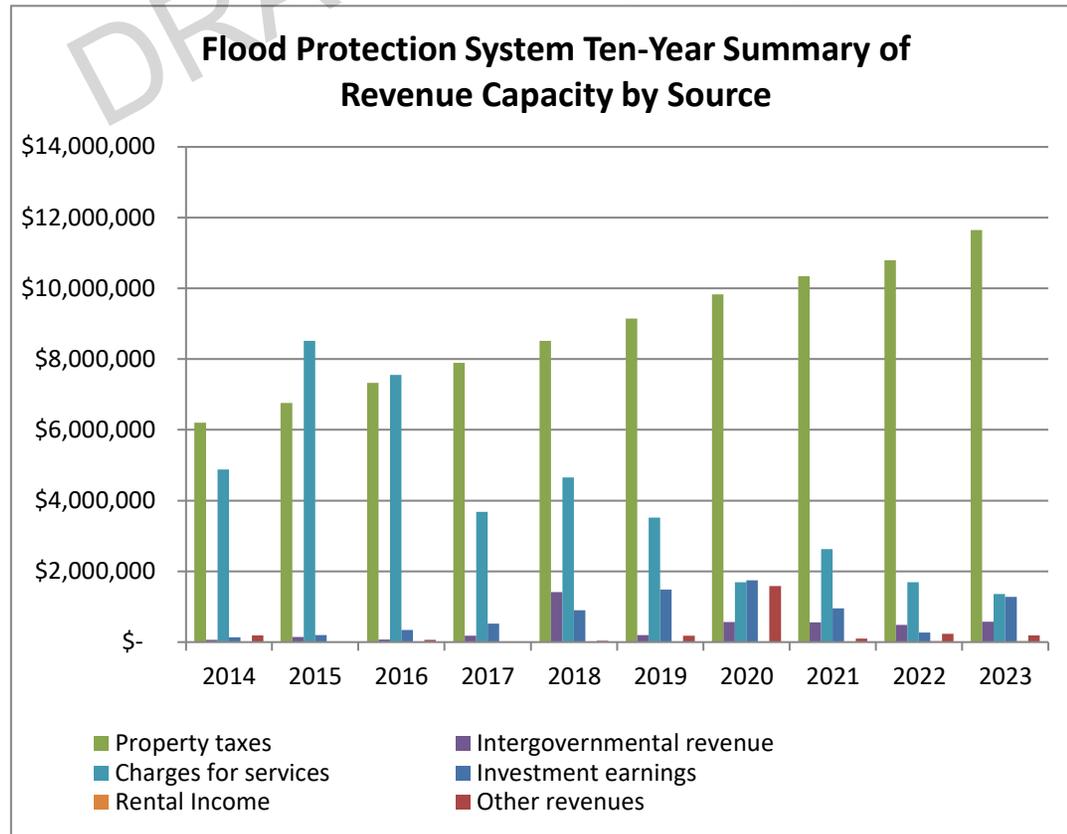


**Alameda County Flood Control and Water Conservation District  
Zone 7 Water Agency  
Revenue Capacity  
Ten-Year Summary of Revenue by Source  
Fiscal Year Ended June 30**

**Flood Protection System**

|                           | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                           | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
| <b>Revenues</b>           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Property taxes            | \$ 6,201,653         | \$ 6,759,202         | \$ 7,329,117         | \$ 7,895,448         | \$ 8,518,064         | \$ 9,144,785         | \$ 9,834,264         | \$ 10,344,149        | \$ 10,791,532        | \$ 11,647,326        |
| Intergovernmental revenue | 64,318               | 144,691              | 71,562               | 181,418              | 1,413,239            | 196,321              | 568,380              | 556,049              | 483,324              | 577,148              |
| Charges for services      | 4,879,252            | 8,516,405            | 7,556,578            | 3,683,683            | 4,652,449            | 3,522,081            | 1,694,933            | 2,624,628            | 1,690,497            | 1,360,441            |
| Investment earnings       | 133,926              | 194,118              | 342,127              | 518,982              | 897,199              | 1,485,504            | 1,745,490            | 956,235              | 268,495              | 1,280,020            |
| Rental Income             |                      |                      |                      |                      |                      |                      |                      | 7,987                | 23,961               | 23,961               |
| Other revenues            | 187,136              | 713                  | 62,558               | 13,263               | 34,267               | 179,069              | 1,579,824            | 97,889               | 232,582              | 184,857              |
| <b>Total Revenues</b>     | <b>\$ 11,466,285</b> | <b>\$ 15,615,129</b> | <b>\$ 15,361,942</b> | <b>\$ 12,292,794</b> | <b>\$ 15,515,218</b> | <b>\$ 14,527,760</b> | <b>\$ 15,422,891</b> | <b>\$ 14,586,937</b> | <b>\$ 13,490,391</b> | <b>\$ 15,073,753</b> |

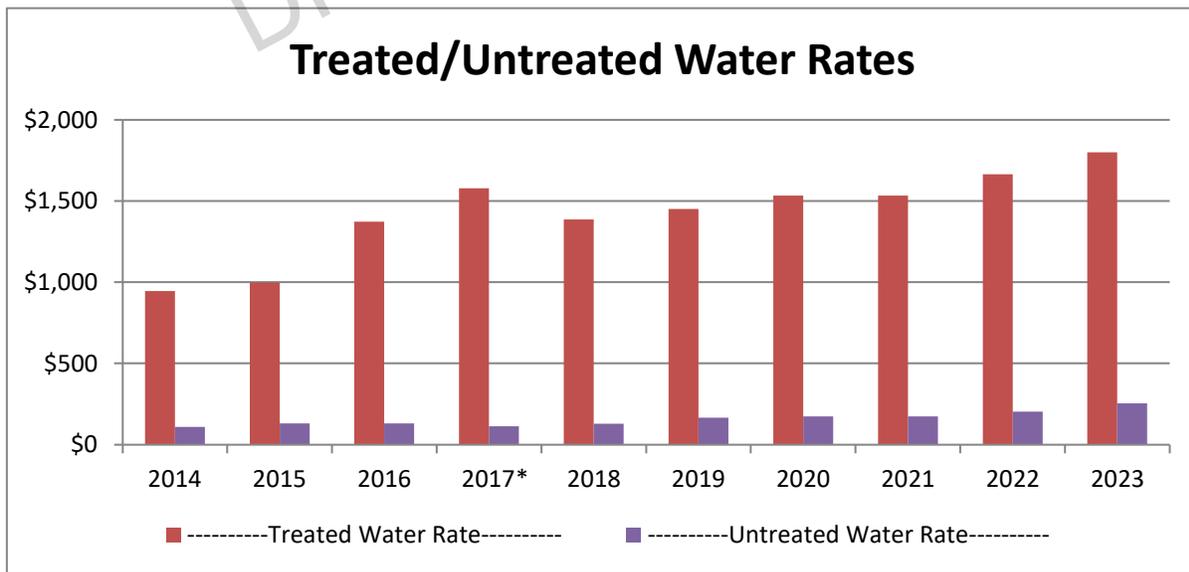
Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.



**Alameda County Flood Control 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<br>Year | Rate/AF                        | % Change Year Over<br>Year |
| 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%                       |
| 2021          | \$1,533                      | 0.0%                       | \$173                          | 0.0%                       |
| 2022          | \$1,664                      | 8.5%                       | \$204                          | 17.9%                      |
| 2023          | \$1,799                      | 8.1%                       | \$255                          | 25.0%                      |

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

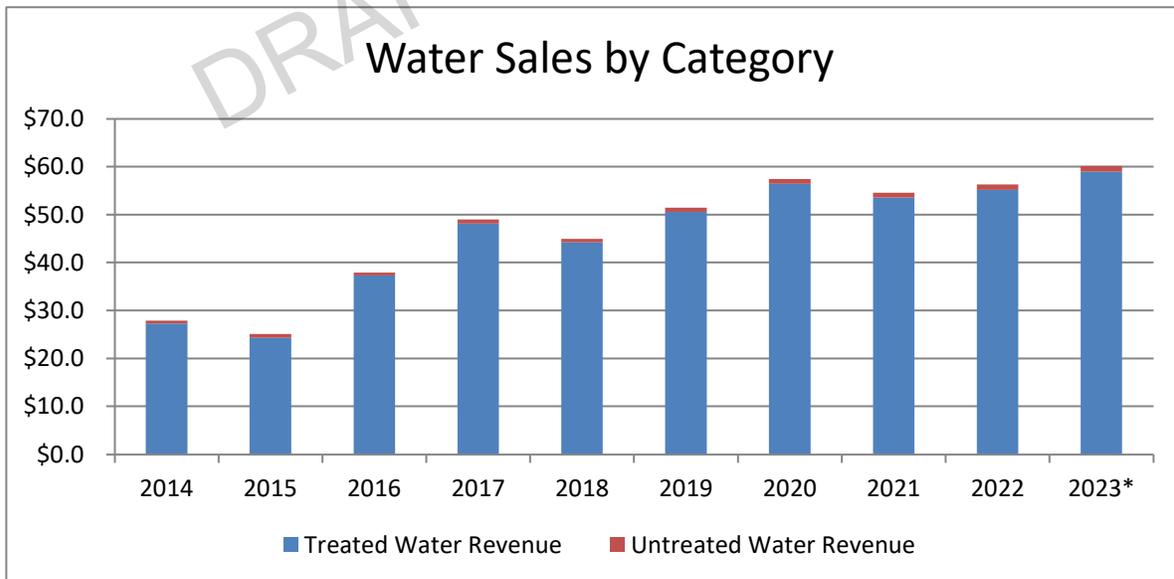


Source: Zone 7 Finance Department

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

| Calendar Year | Municipal/Industrial (Treated)<br>Water Revenue | Untreated Water Revenue | Total  |
|---------------|---|-------------------------|--------|
| 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          | \$56.4  | \$1.0                   | \$57.4 |
| 2021          | \$53.5  | \$1.0                   | \$54.6 |
| 2022          | \$55.2  | \$1.1                   | \$56.3 |
| 2023*         | \$58.9  | \$1.2                   | \$60.1 |

\*Calendar Year 2023 revenue is forecasted.



Source: Zone 7 Finance Department

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

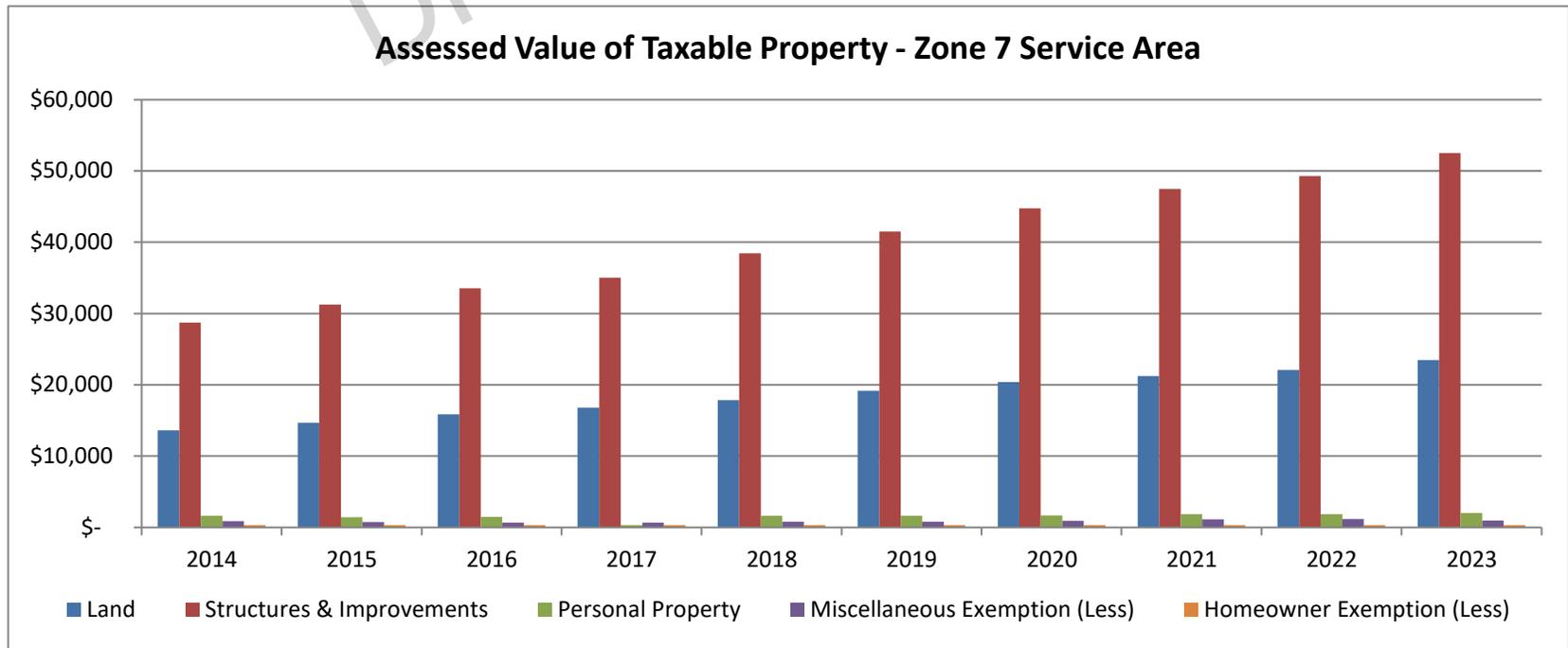
| Customer                                       | -----2022-----          |      |  | Customer                                       | -----2013-----          |      |  |
|--|-------------------------|------|--|--|-------------------------|------|--|
|  | Annual Consumption (AF) | Rank | Percentage of Total Annual Consumption |  | Annual Consumption (AF) | Rank | Percentage of Total Annual Consumption |
| City of Pleasanton                             | 10,526                  | 1    | 31%                                    | City of Pleasanton                             | 14,566                  | 1    | 35%                                    |
| Dublin San Ramon Services District             | 10,033                  | 2    | 30%                                    | Dublin San Ramon Services District             | 11,248                  | 2    | 27%                                    |
| California Water Service Company               | 6,453                   | 3    | 19%                                    | California Water Service Company               | 8,752                   | 3    | 21%                                    |
| City of Livermore                              | 6,126                   | 4    | 18%                                    | City of Livermore                              | 6,731                   | 4    | 16%                                    |
| All other treated water customers <sup>1</sup> | 312                     | 5    | 1%                                     | All other treated water customers <sup>1</sup> | 188                     | 5    | 0.5%                                   |
| <b>Total Annual Consumption (AF)</b>           | <b>33,449</b>           |      | <b>100%</b>                            | <b>Total Annual Consumption (AF)</b>           | <b>41,484</b>           |      | <b>100%</b>                            |

Source: Zone 7 Finance Department

<sup>1</sup>Other treated customers include Lawrence Livermore Laboratory, Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

**Alameda County Flood Control and Water Conservation District  
Zone 7 Water Agency  
Assessed Value of Taxable Property - Zone 7 Service Area  
Last Ten Fiscal Years  
Fiscal Year Ended June 30  
(expressed in millions)**

|   | Fiscal Year      |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             | 2023             |
| <b>Assessed Value of Taxable Property</b> |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Land                                      | \$ 13,587        | \$ 14,680        | \$ 15,861        | \$ 16,766        | \$ 17,825        | \$ 19,166        | \$ 20,359        | \$ 21,220        | \$ 22,068        | \$ 23,473        |
| Structures & Improvements                 | 28,695           | 31,246           | 33,555           | 35,024           | 38,434           | 41,506           | 44,764           | 47,473           | 49,260           | 52,485           |
| Personal Property                         | 1,611            | 1,419            | 1,473            | 326              | 1,625            | 1,622            | 1,667            | 1,858            | 1,829            | 2,005            |
| Miscellaneous Exemption (Less)            | 867              | 755              | 661              | 664              | 769              | 769              | 921              | 1,130            | 1,167            | 961              |
| Subtotal                                  | 43,026           | 46,590           | 50,228           | 51,452           | 57,115           | 61,525           | 65,869           | 69,421           | 71,990           | 77,002           |
| Homeowner Exemption (Less)                | 299              | 300              | 303              | 304              | 306              | 307              | 309              | 308              | 305              | 302              |
| <b>Net Total</b>                          | <b>\$ 42,727</b> | <b>\$ 46,290</b> | <b>\$ 49,925</b> | <b>\$ 51,148</b> | <b>\$ 56,809</b> | <b>\$ 61,218</b> | <b>\$ 65,560</b> | <b>\$ 69,113</b> | <b>\$ 71,685</b> | <b>\$ 76,700</b> |



Source: Alameda County Assessor's Office

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

|   | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Direct Rates:</b>                      |                |                |                |                |                |                |                |                |                |                |
| 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%        | 0.0036%        | 0.0041%        | 0.0103%        |
| <b>Overlapping Rates<sup>(2)</sup>:</b>   |                |                |                |                |                |                |                |                |                |                |
| School District                           | 0.0596%        | 0.0497%        | 0.0404%        | 0.0886%        | 0.0803%        | 0.0771%        | 0.0743%        | 0.0691%        | 0.0706%        | 0.0638%        |
| Community College                         | 0.0214%        | 0.0217%        | 0.0198%        | 0.0246%        | 0.0445%        | 0.0443%        | 0.0422%        | 0.0214%        | 0.0458%        | 0.0388%        |
| Bay Area Rapid Transit                    | 0.0075%        | 0.0045%        | 0.0026%        | 0.0080%        | 0.0084%        | 0.0070%        | 0.0120%        | 0.0139%        | 0.0060%        | 0.0140%        |
| Zone 7 Flood Control                      | 0.0257%        | 0.0250%        | 0.0343%        | 0.0333%        | 0.0359%        | 0.0332%        | 0.0309%        | 0.0309%        | 0.0307%        | 0.0279%        |
| <b>Total Direct and Overlapping Rates</b> | <b>1.1142%</b> | <b>1.1009%</b> | <b>1.0971%</b> | <b>1.1545%</b> | <b>1.1691%</b> | <b>1.1728%</b> | <b>1.1702%</b> | <b>1.1389%</b> | <b>1.1572%</b> | <b>1.1548%</b> |

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.

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

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| Fiscal Year Ended<br>June 30 | Taxes Levied  | Amount Collected Within<br>Fiscal Year | Percentage of<br>Levy | Delinquent Tax<br>Collections |
|------------------------------|---------------|--|-----------------------|-------------------------------|
| 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%                            |
| 2021                         | 30,722,352    | 30,722,352                             | 100%                  | 0%                            |
| 2022                         | 32,008,443    | 32,008,443                             | 100%                  | 0%                            |
| 2023                         | 32,885,000    | 32,885,000                             | 100%                  | 0%                            |

Source: Zone 7 Finance Department

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

| Taxpayer                                     | 2023 <sup>(1)</sup>     |      |  | 2015 <sup>(2)</sup>     |      |  |
|--|-------------------------|------|--|-------------------------|------|--|
|  | Taxable Assessed Value  | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value  | Rank | Percentage of Total Total Assessed Value |
| Kaiser Foundation Hospitals                  | \$ 286,428,666          | 1    | 0.38%                                      |                         |      |  |
| Stoneridge Creek Pleasanton CCRC LLC         | 283,389,361             | 2    | 0.38%                                      |                         |      |  |
| Stoneridge Properties                        | 280,102,890             | 3    | 0.37%                                      | 243,030,900             | 2    | 0.54%                                    |
| Workday Inc.                                 | 269,447,040             | 4    | 0.36%                                      |                         |      |  |
| Leland Stanford Jr University Board Trustees | 269,292,580             | 5    | 0.36%                                      |                         |      |  |
| Rosewood Commons Property Owner LLC          | 267,153,620             | 6    | 0.36%                                      |                         |      |  |
| Kaiser Foundation Health Plan Inc            | 252,582,319             | 7    | 0.34%                                      | 430,545,066             | 1    | 0.93%                                    |
| OAK Owens 20172020 LLC                       | 241,172,088             | 8    | 0.32%                                      |                         |      |  |
| Livermore Premium Outlets LLC                | 229,616,255             | 9    | 0.31%                                      |                         |      |  |
| 6200 Stoneridge Mall Road Investors LLC      | 224,804,562             | 10   | 0.30%                                      |                         |      |  |
| SFI Pleasanton LLC                           |                         |      |  | 219,942,146             | 3    | 0.47%                                    |
| Trust NOIP Dublin LP                         |                         |      |  | 152,798,425             | 4    | 0.33%                                    |
| Safeway Inc.                                 |                         |      |  | 150,698,132             | 5    | 0.33%                                    |
| Paragon Outlet Livermore Valley LLC          |                         |      |  | 150,683,826             | 6    | 0.33%                                    |
| Stoneridge Residential LLC                   |                         |      |  | 148,086,880             | 7    | 0.32%                                    |
| Applera Corporation                          |                         |      |  | 145,907,078             | 8    | 0.32%                                    |
| Tishman Speyer Archstone Smith               |                         |      |  | 128,207,825             | 9    | 0.28%                                    |
| Oracle America Inc/Peoplesoft                |                         |      |  | 127,431,038             | 10   | 0.28%                                    |
|  | <u>\$ 2,603,989,381</u> |      | <u>3.46%</u>                               | <u>\$ 1,897,331,316</u> |      | <u>4.10%</u>                             |

Source: (1) County of Alameda 2022-23 FY Top 10 Taxpayers by Primary Tax Code Area (Secured)

(2) Taxable Assessed Value and Percentage of Principal Property Tax Payers unavailable for 2014. City of Livermore, City of Pleasanton, and City of Dublin's FY 2014-15 Comprehensive Annual Financial Reports

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

|                              | 2014 | 2015 | 2016 | 2017 | 2018 <sup>1</sup> | 2019          | 2020          | 2021          | 2022          | 2023          |
|------------------------------|------|------|------|------|-------------------|---------------|---------------|---------------|---------------|---------------|
| 2018 Water Revenue Bond      | -    | -    | -    | -    | \$ 71,376,744     | \$ 70,735,844 | \$ 68,705,423 | \$ 66,661,411 | \$ 64,592,816 | \$ 62,498,601 |
| <b>Total</b>                 | \$ - | \$ - | \$ - | \$ - | \$ 71,376,744     | \$ 70,735,844 | \$ 68,705,423 | \$ 66,661,411 | \$ 64,592,816 | \$ 62,498,601 |
| <b>Total Debt Per Capita</b> | -    | -    | -    | -    | \$ 275.41         | \$ 272.06     | \$ 264.25     | \$ 256.39     | \$ 242.83     | \$ 234.96     |

Source: Zone 7 Finance Department

<sup>1</sup> 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 Control and Water Conservation District  
 Zone 7 Water Agency  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (In Millions)**

|   | 2014     | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Debt Limit  | \$ 2,136 | \$ 2,315 | \$ 2,496 | \$ 2,668 | \$ 2,840 | \$ 3,056 | \$ 3,278 | \$ 3,456 | \$ 3,584 | \$ 3,835 |
| Total Net Debt Applicable to Limit                                    | -        | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| Legal Debt Margin   | \$ 2,136 | \$ 2,315 | \$ 2,496 | \$ 2,668 | \$ 2,840 | \$ 3,056 | \$ 3,278 | \$ 3,456 | \$ 3,584 | \$ 3,835 |
| 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 Zone 7 Finance Department

**Alameda County Flood Control 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**

| <b>Fiscal Year</b> | <b>Zone 7 Service Area<br/>(Acres)</b> | <b>Population Served<br/>within Zone 7's<br/>Service Area<sup>1</sup></b> | <b>Total Population<br/>Alameda County<sup>2</sup></b> | <b>Total Personal<br/>Income Alameda<br/>County<br/>(billions)<sup>2</sup></b> | <b>Per Capita Income<br/>Alameda County<sup>2</sup></b> | <b>Unemployment Rate<br/>Alameda County</b> | <b>Consumer Price Index Alameda<br/>County<br/>(% change in CPI)</b> |
|--------------------|--|---|--|--|---|---|--|
| 2014               | 272,000                                | 239,000   | 1,583,979  | \$ 92.4  | \$ 58,364.0   | 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%   |
| 2021               | 272,000                                | 260,000   | 1,656,591  | 138.7  | 78,805  | 6.6%  | 3.2%   |
| 2022               | 272,000                                | 266,000   | 1,651,979  | 155.3  | 87,575  | 3.0%  | 6.8%   |
| 2023               | 272,000                                | 266,000   | 1,636,194  | 167.0  | 89,023  | 4.2%  | 2.9%   |

<sup>1</sup> Population of Service Area are estimates and includes the cities of Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 3.36% of City of San Ramon) .

<sup>2</sup> Figures are estimates

Sources: State of California Department of Finance  
State of California Department of Transportation  
U.S. Bureau of Labor Statistics San Francisco Area  
State of California Employment Development Department Labor Market Information

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

CITY OF DUBLIN <sup>1</sup>

| -----2022 <sup>A</sup> -----                            |                     |   | -----2014-----  |                     |   |
|---|---------------------|---|---|---------------------|---|
| Company/Organization                                    | Number of Employees | Percentage of Total Employment <sup>4</sup> | Company/Organization                                    | Number of Employees | Percentage of Total Employment <sup>4</sup> |
| United States Government & Federal Correction Institute | 1,589               | 4.86%                                       | United States Government & Federal Correction Institute | 2,100               | 8.02%                                       |
| County of Alameda                                       | 1,307               | 4.00%                                       | Ross Stores Headquarters                                | 1,200               | 4.58%                                       |
| Dublin Unified School District                          | 1,200               | 3.67%                                       | Dublin Unified School District                          | 733                 | 2.80%                                       |
| Ross Stores Headquarters                                | 1,160               | 3.55%                                       | SAP (Formerly: Sybase Corporation)                      | 604                 | 2.31%                                       |
| Patelco Credit Union                                    | 831                 | 2.54%                                       | Zeiss Meditec   | 535                 | 2.04%                                       |
| Zeiss Meditec   | 692                 | 2.12%                                       | County of Alameda                                       | 465                 | 1.77%                                       |
| Kaiser Permanente                                       | 601                 | 1.84%                                       | Target Stores   | 412                 | 1.57%                                       |
| Target Stores   | 334                 | 1.02%                                       | Micro Dental Laboratories                               | 242                 | 0.92%                                       |
| Snowflake, Inc.   | 250                 | 0.76%                                       | Safeway   | 284                 | 1.08%                                       |
| TriNet  | 215                 | 0.66%                                       | City of Dublin  | 221                 | 0.84%                                       |
| <b>Total Employment</b>                                 | <b>32,700</b>       | <b>25.01%</b>                               | <b>Total Employment</b>                                 | <b>26,200</b>       | <b>25.94%</b>                               |

CITY OF LIVERMORE <sup>2</sup>

| -----2022 <sup>A</sup> -----    |                     |                                | -----2013 <sup>B</sup> -----                 |                     |                                |
|---------------------------------|---------------------|--------------------------------|--|---------------------|--------------------------------|
| Company/Organization            | Number of Employees | Percentage of Total Employment | Company/Organization                         | Number of Employees | Percentage of Total Employment |
| Lawrence Livermore National Lab | 8,100               | 15.40%                         | Lawrence Livermore National Lab              | 5,870               | 17.42%                         |
| Sandia National Lab             | 1,770               | 3.36%                          | Sandia National Lab                          | 1,100               | 3.26%                          |
| Livermore Valley Joint Unified  | 1,351               | 2.57%                          | Livermore Valley Joint Unified               | 1,077               | 3.20%                          |
| Lam Research                    | 1,205               | 2.29%                          | Form Factor                                  | 850                 | 2.52%                          |
| Form Factor                     | 950                 | 1.81%                          | Kaiser Permanente                            | 750                 | 2.23%                          |
| Kaiser Permanente               | 935                 | 1.78%                          | Comcast                                      | 710                 | 2.11%                          |
| GILLIG                          | 920                 | 1.75%                          | Wente  | 676                 | 2.01%                          |
| US Foodservice Inc              | 690                 | 1.31%                          | Livermore Area Recreation and Parks District | 540                 | 1.60%                          |
| Topcon Positioning Systems      | 500                 | 0.95%                          | Las Positas College                          | 515                 | 1.53%                          |
| Las Positas College             | 478                 | 0.91%                          | Valley Care Health Systems                   | 432                 | 1.28%                          |
| <b>Total Employment</b>         |                     | <b>32.13%</b>                  | <b>Total Employment</b>                      |                     | <b>37.16%</b>                  |

CITY OF PLEASANTON <sup>3</sup>

| -----2022 <sup>A</sup> -----     |                     |                                | -----2014-----                     |                     |                                |
|----------------------------------|---------------------|--------------------------------|------------------------------------|---------------------|--------------------------------|
| Company/Organization             | Number of Employees | Percentage of Total Employment | Company/Organization               | Number of Employees | Percentage of Total Employment |
| Workday Inc                      | 5,017               | 8.14%                          | Kaiser Permanente                  | 3,271               | 6.06%                          |
| Kaiser Foundation Hospitals      | 4,087               | 6.63%                          | Safeway Inc                        | 2,600               | 4.82%                          |
| Oracle America Inc               | 1,681               | 2.73%                          | Oracle                             | 1,650               | 3.06%                          |
| Roche Molecular Systems Inc      | 1,004               | 1.63%                          | Workday Inc                        | 1,456               | 2.70%                          |
| Stanford Healthcare - Valleycare | 896                 | 1.45%                          | Pleasanton Unified School District | 1,290               | 2.39%                          |
| Veeva Systems Inc                | 764                 | 1.24%                          | Macy's                             | 949                 | 1.76%                          |
| Vocera Communications Inc        | 629                 | 1.02%                          | Valley Care Medical Center         | 942                 | 1.74%                          |
| Thermo Fisher                    | 579                 | 0.94%                          | Ross                               | 785                 | 1.45%                          |
| 10x Genomics                     | 560                 | 0.91%                          | Clorox Service Company             | 694                 | 1.29%                          |
| Ince Mortgage Technology Inc     | 556                 | 0.90%                          | State Fund Compensation Ins.       | 650                 | 1.20%                          |
| <b>Total Employment</b>          |                     | <b>25.59%</b>                  | <b>Total Employment</b>            |                     | <b>26.47%</b>                  |

Note: <sup>A</sup>Number of Employees and Percentage of Total Employment unavailable for 2023.

<sup>B</sup>Number of Employees and Percentage of Total Employment unavailable for City of Livermore FY2013/14

Source: <sup>1</sup>City of Dublin, Annual Comprehensive Financial Report FY 2021/22 and FY 2013/14

<sup>2</sup>City of Livermore, Annual Comprehensive Financial Report FY 2021/22 and FY 2012/13

<sup>3</sup>City of Pleasanton, Annual Comprehensive Financial Report FY 2021/22 and FY 2013/14

<sup>4</sup>Percentage calculated based on Dublin's Employment of 32,700 for 2022 and 26,200 for 2014 (Source: State of California Employment Development Department)

**Alameda County Flood Control 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 |            |              |              |              |              |              |              |              |              |
|----------------------------------|-------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                  | 2014        | 2015       | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         |
| Office of the General Manager    | 7           | 7          | 8            | 9            | 9            | 9            | 10           | 10           | 10           | 11           |
| Integrated Planning              | 7.5         | 7.5        | 8.5          | 9.5          | 9.5          | 6.5          | 8.5          | 9.5          | 8.5          | 11           |
| Finance:                         |             |            |              |              |              |              |              |              |              |              |
| Accounting, Finance & Purchasing | 9           | 9          | 10           | 10           | 10           | 10           | 11           | 11           | 11           | 12           |
| Human Resources                  | 7           | 7          | 7            | 4            | 4            | 3            | 3            | 3            | 3            | 3            |
| Engineering:                     |             |            |              |              |              |              |              |              |              |              |
| Facilities Engineering           | 13          | 14         | 12           | 13           | 13           | 10           | 12           | 11           | 11           | 11           |
| Groundwater                      | 7           | 7          | 8.5          | 7.5          | 7.5          | 7.5          | 7.5          | 7            | 7            | 7            |
| Water Quality                    | 7.5         | 7.5        | 7.5          | 7.5          | 7.5          | 7.5          | 7.5          | 7            | 7            | 7            |
| Flood Protection                 | 5           | 5          | 6            | 7            | 7            | 8            | 7            | 5.5          | 5.5          | 5            |
| Operations                       | 24          | 24         | 24           | 27           | 27           | 28           | 29           | 30           | 30           | 30           |
| Maintenance                      | 19          | 19         | 20           | 20           | 20           | 19           | 19           | 21           | 22           | 25           |
| <b>Total FTE</b>                 | <b>106</b>  | <b>107</b> | <b>111.5</b> | <b>114.5</b> | <b>114.5</b> | <b>108.5</b> | <b>114.5</b> | <b>115.0</b> | <b>115.0</b> | <b>122.0</b> |

Source: Zone 7 Finance Department

**Alameda County Flood Control and Water Conservation District  
Zone 7 Water Agency  
Operating Indicators  
Fiscal Years 2014-2023**

|  | Fiscal Year |       |       |       |       |       |        |        |        |       |
|--|-------------|-------|-------|-------|-------|-------|--------|--------|--------|-------|
|  | 2014        | 2015  | 2016  | 2017  | 2018  | 2019  | 2020   | 2021   | 2022   | 2023  |
| <b>Water Enterprise System</b>               |             |       |       |       |       |       |        |        |        |       |
| Total Groundwater pumped (AF) <sup>1</sup>   | 8,782       | 2,565 | 2,002 | 2,300 | 4,700 | 8,200 | 10,100 | 16,400 | 15,200 | 5,100 |
| Total Artificial Stream Recharge (AF)        | 3,826       | 3,766 | 8,910 | 8,300 | 9,100 | 3,100 | 4,040  | 830    | 110    | 4,400 |
| New water connections                        | 928         | 1,196 | 1,600 | 1,338 | 1,301 | 1,214 | 796    | 470    | 643    | 522   |
| Total drilling permits issued                | 176         | 171   | 133   | 155   | 165   | 154   | 119    | 130    | 136    | 125   |
| <b>Flood Protection System</b>               |             |       |       |       |       |       |        |        |        |       |
| 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          | 31    | 34    | 24    | 32    | 37    | 44     | 23     | 18     | 20    |
| Flood Protection development referrals       | 13          | 13    | 15    | 20    | 15    | 11    | 18     | 26     | 45     | 49    |

Source: Facilities Engineering, Flood Protection, Groundwater and Integrated Planning departments.

<sup>1</sup> Calculated on a Water Year basis (October 1 - September 30)

**Alameda County Flood Control and Water Conservation District**  
**Zone 7 Water Agency**  
**Operating Information**  
**Capital Asset Statistics**  
**Fiscal Years 2014-2023**

(Table 20)

|  | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    | 2022    | 2023    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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       | 3       |
| Number of wells operated   | 10      | 10      | 10      | 10      | 10      | 10      | 10      | 10      | 10      | 10      |
| Total number of treated-water retailers served*                    | 10      | 10      |         |         |         |         |         |         |         |         |
| Municipal/Industrial (M&I, Treated)                                |         |         |         |         |         |         |         |         |         |         |
| Water Deliveries (AF)**  | 28867   | 27440   |         |         |         |         |         |         |         |         |
| Untreated Water Deliveries (AF)***                                 | 4981    | 4216    |         |         |         |         |         |         |         |         |
| Total water (M&I + Untreated) (AF)                                 | 33848   | 31656   |         |         |         |         |         |         |         |         |
| Total Groundwater storage (AF) <sup>1,2</sup>                      | 209,000 | 213,000 | 226,000 | 248,000 | 249,000 | 252,000 | 246,000 | 230,000 | 218,000 | 230,000 |
| Total Groundwater operational storage-water year (AF) <sup>2</sup> | 81,000  | 85,000  | 98,000  | 120,000 | 121,000 | 124,000 | 118,000 | 102,000 | 90,000  | 102,000 |

Source: Facilities Engineering and Integrated Planning Departments

<sup>1</sup> 2023 total and operational Groundwater Storage are estimates based on mid-September water levels. Actual values get calculated at end of each year.

<sup>2</sup> Calculated on a Water Year basis (October 1 - September 30).

(DATE)

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

We have audited the financial statements of the governmental activities and business-type activities 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, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements.

#### *New Accounting Standards*

- 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. Application of this statement did not have an effect on the Agency’s financial reporting for the fiscal year ending June 30, 2023.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement did not have an effect on the Agency’s financial reporting for the fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Application of this statement had an effect on the Agency’s financial reporting for the fiscal year ending June 30, 2023.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Agency's financial statements were:

- Management estimates fair market value of its investments using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on certain valuation inputs used to measure fair value. The Agency's investments, except for restricted investments under held under bond indenture, is based on information provided by the County of Alameda Treasury Pool and US Bank, the custodian for the Agency's investments in U.S. Government securities and agency obligations, commercial paper, corporate bonds, and money market funds. Restricted investments consist of US Agency Securities and Treasury Notes held by fiscal agents under bond indenture. These investments are valued by use of matrix pricing techniques (Level 2 of the fair value hierarchy) or quoted market prices (Level 1).
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for the ACERA plans.
- Management's estimate of the net other post-employment benefit ("OPEB") cost is based on the actuarial valuation.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 2 – Cash and Investments
- Note 4 – Lease Receivable
- Note 6 – Long-Term Debt
- Note 8 – Alameda County Employee's Retirement Pension Plan
- Note 9 – Post Employment Benefits Other Than Retirement
- Note 11 -Commitment and Contingent Liabilities

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated [REDACTED], 2023.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management Discussion & Analysis, the Schedule of Changes in Net Pension Liability and Related Ratio for ACERA Pension Plan, the Schedule of Contributions for ACERA Pension Plan, the Schedule of Changes in OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan, and Schedule of Contributions for Other Post-Employment Benefits Plan which is required supplementary information (“RSI”) supplementing the basic financial statements. Our procedures consisted principally of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory and Statistical Section, which accompany the financial statements but are not RSI. Such information has 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 it.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the Alameda County Flood Control and Water Conservation District, Zone 7 Water Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Walnut Creek, California

DRAFT