

**LIVERMORE-AMADOR VALLEY WATER  
MANAGEMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

This Page Left Intentionally Blank

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY**  
**BASIC FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**  
**Table of Contents**

**BASIC FINANCIAL STATEMENTS**

Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	3
Statements of Net Position.....	6
Statements of Revenues, Expenses and Changes in Net Position.....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

**SUPPLEMENTAL INFORMATION**

Schedule of Sub Fund Balance Sheets.....	21
Schedule of Sub Fund Revenues, Expenses and Changes in Net Position.....	23

This Page Left Intentionally Blank



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Livermore-Amador Valley Water Management Agency  
Dublin, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Livermore-Amador Valley Water Management Agency (Agency), as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Livermore-Amador Valley Water Management Agency, as of June 30, 2016 and June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

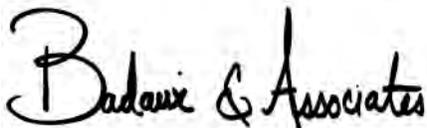
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Oakland, California  
November 8, 2016

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY

Management's Discussion & Analysis

June 30, 2016 and 2015

This section presents management's analysis of the Livermore-Amador Valley Water Management Agency (the Agency) financial condition and activities as of and for the years ended June 30, 2016 and 2015. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Agency's basic financial statements. The MDA represents management's examination and analysis of the Agency's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Request for Information

**Organization and Business**

Livermore-Amador Valley Water Management Agency (the Agency) is a joint powers agency that was formed in 1974 by a joint exercise of powers agreement between the cities of Pleasanton and Livermore and the Dublin San Ramon Services District. The Agency has implemented a water quality management program involving wastewater disposal. The Agency operates an export pump station and pipeline connecting with the East Bay Dischargers Authority's system and discharges treated wastewater, through a deep-water outfall, into San Francisco Bay. The Agency currently has an Amended and Restated Joint Exercise of Powers Agreement dated September 10, 1997, among the members. This agreement, among other things, sets forth capacity limitations and capacity rights of each member as well as cost-sharing procedures for debt service and fixed operating costs related to capacity rights and variable operating costs related to actual use of the export facilities.

For additional information, please see the notes to the basic financial statements.

**Overview of the Financial Statements**

The basic financial statements include a *statement of net position*, a *statement of revenues, expenses, and changes in net position*, a *statement of cash flows*, and *notes to financial statements*. The report also contains other required supplementary information in addition to the basic financial statements.

The Agency's basic financial statements include:

The *statement of net position* presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. It provides information about the nature and amount of resources and obligations at year-end.

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY

Management's Discussion & Analysis

June 30, 2016 and 2015

The *statement of revenues, expenses, and changes in net position* presents the results of the Agency's operations over the course of the fiscal year and information as to how the *net position* changed during the year.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operational, capital and related financing, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt.

The *notes to basic financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 9 to 18 of this report.

**Financial Analysis:**

Table 1 summarizes net position at June 30, 2016 and 2015, and Table 2 summarizes revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015. Both tables also include variances from the prior year.

**Table 1**  
**Summary of Net Position**  
June 30, 2016 and 2015

	2016	2015	Variance	2014	Variance
<b>Assets:</b>					
Current assets	\$ 18,200,745	\$ 18,070,822	\$ 129,923	\$ 18,177,395	\$ (106,573)
Non-current assets	337,178	337,178	-	337,178	-
Capital assets, net of accumulated depreciation	119,363,915	122,653,805	(3,289,890)	125,687,874	(3,034,069)
Total assets	<u>137,901,838</u>	<u>141,061,805</u>	<u>(3,159,967)</u>	<u>144,202,447</u>	<u>(3,140,642)</u>
<b>Liabilities:</b>					
Current liabilities	6,656,799	6,558,863	97,936	6,375,425	183,438
Long-term debt outstanding	97,826,612	102,356,060	(4,529,448)	106,687,820	(4,331,760)
Total Liabilities	<u>104,483,411</u>	<u>108,914,923</u>	<u>(4,431,512)</u>	<u>113,063,245</u>	<u>(4,148,322)</u>
<b>Net position:</b>					
Invested in capital assets, net of related debt	23,759,467	23,133,081	626,386	22,433,338	699,743
Unrestricted	9,658,960	9,013,801	645,159	8,705,864	307,937
Total net position	<u>\$ 33,418,427</u>	<u>\$ 32,146,882</u>	<u>\$ 1,271,545</u>	<u>\$ 31,139,202</u>	<u>\$ 1,007,680</u>

LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY

Management's Discussion & Analysis

June 30, 2016 and 2015

- The total assets of the Agency decreased \$3.2 million in 2016 from 2015, which had decreased \$3.1 million from 2014. The decrease is primarily due to depreciation (Note 3).
- Total liabilities have decreased steadily over the past two years by approximately \$4 million per year. The decrease is primarily in Long-term liabilities due to debt payments and amortization of bond issuance premium (Note 5).
- Net position overall has increased the last two years as debt is being paid down.

**Table 2**

**Summary of Revenues, Expenses and Changes in Net Position**

Years ended June 30, 2016 and 2015

	2016	2015	Variance	2014	Variance
Operating revenues:	\$ 11,405,848	\$ 11,198,378	\$ 207,470	\$ 11,322,513	\$ (124,135)
Operating expenses:	6,220,102	6,060,594	159,508	6,095,321	(34,727)
Net operating income (expenses)	<u>5,185,746</u>	<u>5,137,784</u>	<u>47,962</u>	<u>5,227,192</u>	<u>(89,408)</u>
Non operating revenues (expenses)	<u>(3,914,201)</u>	<u>(4,130,104)</u>	215,903	<u>(5,160,135)</u>	1,030,031
Change in net position	<u>1,271,545</u>	<u>1,007,680</u>	263,865	67,057	940,623

- Operating revenue comes from member agencies to cover operating costs, debt and replacement reserves. Fiscal year end 2016 revenue increased slightly due to increase in funds needed to cover operating costs and due to increase in funding being set aside for replacement reserves.
- Operating expenses increased in fiscal year end 2016 over 2015 due to an increase in energy costs and repairs and maintenance. Fiscal year end 2015 operating expenses decreased from 2014 as more wastewater was diverted for recycled water processing rather than export through the pipeline connecting with the East Bay Dischargers Authority's system.
- Non-operating revenues (expenses) reflect a net decrease in expenses over the last two years primarily due to the decrease in bond interest expense. In 2014 bond interest expense was higher due to the write-off of the remaining unamortized bond issuance costs per GASB Statement No. 65.

**Request for Information**

This financial report is designed to provide readers with a general overview of the Livermore-Amador Valley Water Management Agency's finances and demonstrate the Agency's accountability for the monies it manages. If you have any questions about this report or need additional information, please contact: LAVWMA Treasurer, 7051 Dublin Blvd., Dublin, CA 94568.

LIVERMORE - AMADOR VALLEY WATER MANAGEMENT AGENCY

STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

	2016	2015
	<hr/>	<hr/>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 2B)	\$ 18,149,214	\$ 18,058,255
Interest receivable	24,271	12,568
Miscellaneous accounts receivable	27,260	0
	<hr/>	<hr/>
Total current assets	18,200,745	18,070,822
Non-current assets:		
Advances to DSRSD	337,178	337,178
Capital assets (Note 3):		
Depreciable, net of accumulated depreciation	119,363,915	122,653,805
	<hr/>	<hr/>
Total non-current assets	119,701,093	122,990,983
	<hr/>	<hr/>
Total assets	137,901,838	141,061,805
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	420,948	210,466
Due to members (Note 4)	203,677	429,972
Interest payable	1,918,210	2,002,149
Current portion of long-term debt (Note 5)	4,113,964	3,916,276
	<hr/>	<hr/>
Total current liabilities	6,656,799	6,558,863
Long-term liabilities:		
Bond issuance premium, net of amortization (Note 5)	6,336,128	6,751,613
Long-term debt less current portion (Note 5)	91,490,484	95,604,448
	<hr/>	<hr/>
Total long-term liabilities	97,826,612	102,356,060
	<hr/>	<hr/>
Total liabilities	104,483,411	108,914,923
<u>NET POSITION</u> (Note 7)		
Net investment in capital assets	23,759,467	23,133,081
Unrestricted	9,658,960	9,013,801
	<hr/>	<hr/>
Total net position	\$ 33,418,427	\$ 32,146,882
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

LIVERMORE - AMADOR VALLEY WATER MANAGEMENT AGENCY  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues:		
Service charges (Note 4)	\$ 11,609,525	\$ 11,628,350
Service charges - other (Note 4)	(203,677)	12,568
Total operating revenues	11,405,848	11,198,378
Operating expenses:		
Energy	979,104	949,625
EBDA O&M costs	518,080	492,775
Operations agreement	846,229	836,174
Professional services	142,357	141,700
Livermore sole use O&M	66,366	44,467
Miscellaneous	50,201	51,150
Repairs and maintenance	257,210	194,933
Depreciation and amortization	3,360,555	3,349,770
Total operating expenses	6,220,102	6,060,594
Operating income	5,185,746	5,137,784
Non-operating revenues (expenses)		
Interest income	83,073	57,130
Bond interest expense	(3,997,274)	(4,187,234)
Total non-operating revenues (expenses)	(3,914,201)	(4,130,104)
Change in net position	1,271,545	1,007,680
Net position, beginning of year	32,146,882	31,139,202
Net position, end of year	\$ 33,418,427	\$ 32,146,882

The accompanying notes are an integral part of these financial statements

LIVERMORE - AMADOR VALLEY WATER MANAGEMENT AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$ 11,378,588	\$ 11,198,378
Payments to suppliers	(2,875,360)	(2,629,782)
Net cash provided (used) by operating activities	8,503,228	8,568,596
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(70,666)	(315,701)
Principal paid on long-term debt	(3,916,276)	(3,733,812)
Interest paid on long-term debt	(4,496,697)	(4,682,785)
Net cash provided (used) by capital and related financing activities	(8,483,639)	(8,732,298)
Cash flows from investing activities:		
Interest on cash and investments	71,370	54,342
Net cash provided (used) by investing activities	71,370	54,342
Net increase (decrease) in cash and cash equivalents	90,959	(109,360)
Cash and cash equivalents - beginning of period	18,058,255	18,167,615
Cash and cash equivalents - end of period	\$ 18,149,214	\$ 18,058,255
Reconciliation of operating income to net cash provided (used) in operating activities:		
Operating income	\$ 5,185,746	\$ 6,751,613
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation and amortization	3,360,555	3,349,770
Changes in certain assets and liabilities:		
(Increase) Decrease in miscellaneous accounts receivable	(27,260)	
Increase (Decrease) in accounts payable	210,482	(115,218)
Increase (Decrease) in due to members	(226,295)	196,260
Net cash provided (used) by operating activities	\$ 8,503,228	\$ 10,182,425

The accompanying notes are an integral part of these financial statements

# LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2016

---

---

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. *General*

Livermore-Amador Valley Water Management Agency (the Agency) is a joint powers agency that was formed in 1974 by a joint exercise of powers agreement between the cities of Pleasanton and Livermore and the Dublin San Ramon Services District (DSRSD). The Agency has implemented a water quality management program involving wastewater disposal. The Agency operates an export pump station and pipeline connecting with the East Bay Dischargers Authority's system and discharges treated wastewater, through a deep-water outfall, into San Francisco Bay. The Agency currently has an Amended and Restated Joint Exercise of Powers Agreement dated September 10, 1997, among the members. This agreement, among other things, sets forth capacity limitations and capacity rights of each member as well as cost-sharing procedures for debt service and fixed operating costs related to capacity rights and variable operating costs related to actual use of the export facilities.

### B. *Reporting Entity*

Accounting principles generally accepted in the United States of America require that these financial statements present the accounts of the Agency and any of its component units. Component units are legally separate entities of which the Agency is considered financially accountable or otherwise has a relationship, which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of the Agency's operations, so the accounts of these entities are to be combined with the data of the Agency. Component units, which do not meet these requirements, are reported in the financial statement as discrete units to emphasize their separate legal status. However, the Agency has determined that it is not financially accountable for, nor has any other relationship with, any other organization, which would require its inclusion in these financial statements.

### C. *Fund Accounting*

The Agency is a proprietary entity using an enterprise fund format to report its activities for financial statement purposes. 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 the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

### D. *Basis of Accounting*

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include member contributions.

Revenue from member contributions is recognized in the fiscal year in which it is earned. Non-operating revenues, such as interest income, result from non-exchange transactions or ancillary activities.

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**

For the year ended June 30, 2016

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***E. Use of Estimates***

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

***F. Cash and Cash Equivalents***

The Agency's cash and equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

The Agency places certain funds with the State of California's Local Agency Investment Fund (LAIF). The Agency is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The monies held in LAIF are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the Agency with twenty-four hours notice. Financial statements for LAIF can be obtained from the California State Treasurer's Office: State Treasurer's Office, 915 Capitol Mall, Suite 110, Sacramento, CA 95814.

At June 30, 2016 and 2015 the average maturity of LAIF investments was 167 and 239 days, respectively.

***G. Capital Assets***

Capital assets are recorded at cost. Assets with an initial cost of more than \$10,000 are capitalized. Infrastructure assets with an initial cost of more than \$25,000 are capitalized. Depreciation of property and equipment is provided on the straight-line method over the following useful lives:

Pipeline	50 years
Pump Station	25 years
Intangible	20 years
Equipment	5-10 years

***H. Bond Issuance Premium***

Bond issuance premium is amortized on a straight-line basis over the term of the bond.

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**

For the year ended June 30, 2016

**2. CASH AND INVESTMENTS**

*A. Policies*

California Law generally requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Agency’s cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Agency’s name and places the Agency ahead of general creditors of the institution. The Agency has waived collateral requirements for the portion of deposits covered by federal depository insurance. As of June 30, 2016 and 2015, the Agency’s cash in bank was insured or collateralized as discussed above.

Cash and investments are recorded at market value.

*B. Composition*

Cash and cash equivalents consist of the following as of June 30:

	2016	2015
Cash in Bank	\$ 309,368	\$ 275,481
California Local Agency Investment Fund	17,839,846	17,782,774
<b>Total Cash and Equivalents</b>	<b>\$ 18,149,214</b>	<b>\$ 18,058,255</b>

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

The Agency’s Investment Policy and the California Government Code allow 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’s Investment Policy is more restrictive.

Limit	Minimum Rating	Maximum Maturity	Authorized Investment
None	None	5 years	Collateralized Certificates of Deposits purchased from banks or savings and loan institutions as authorized by statute
30%	None	5 years	Negotiable Certificates of Deposit
None	None	5 years	U.S. Treasury Bills, Notes, and Bonds
None	None	5 years	Securities of Government Agencies (e.g., Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Government National Mortgage Association, Federal Farm Credit Bank, Tennessee Valley Authority)
30%	A	5 years	Medium-Term Corporate Notes
20%	None	N/A	Mutual Funds (Shares of beneficial interest issued by diversified management companies who invest in securities authorized by § 53601
None	None	5 years	Indebtedness issued by LAVWMA or any local agency in California
Maximum allowed by LAIF	None	N/A	The State of California Local Agency Investment Fund

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**3. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year June 30, 2016.

	Balance at 6/30/14	Additions	Balance at 6/30/15	Additions	Balance at 6/30/16
Construction in progress	\$ -	\$ -	\$ -	\$ 50,364	\$ 50,364
Capital assets being depreciated:					
Pipeline	118,107,869	128,205	118,236,074	-	118,236,074
Pump Station	17,986,460	187,496	18,173,956	20,301	18,194,257
Export Facility	5,767,500		5,767,500		5,767,500
Intangibles	10,000,000		10,000,000		10,000,000
Total capital assets being depreciated/amortized:	151,861,829	315,701	152,177,530	20,301	152,197,831
Less:					
Accumulated depreciation	(21,022,441)	(3,046,740)	(24,069,181)	(3,057,525)	(27,126,706)
Accumulated amortization	(5,151,514)	(303,030)	(5,454,544)	(303,030)	(5,757,574)
Net capital assets being depreciated	125,687,874	(3,034,069)	122,653,805	(3,340,254)	119,313,551
Total Capital Assets	<u>\$ 125,687,874</u>	<u>\$ (3,034,069)</u>	<u>\$ 122,653,805</u>	<u>\$ (3,289,890)</u>	<u>\$ 119,363,915</u>

Depreciation expense for the Agency for June 30, 2016 and June 30, 2015 was \$3,360,555 and \$3,349,770, respectively.

**4. SERVICE CHARGES TO MEMBERS**

Under the terms of the Agency's Sewer Service Contract with its members, the members pay the Agency a service charge equal to their share of the actual costs of operating the pipeline. The members are required to make advance payments to the Agency based on estimated costs. When advance payments are more or less than actual costs, differences are billed or refunded to the members in accordance with their participation percentage as specified in the contract with the Agency.

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC  
FINANCIAL STATEMENTS**  
For the year ended June 30, 2016

**4. SERVICE CHARGES TO MEMBERS (continued)**

The following schedule reconciles the advance payments received from members with the actual costs of operating the pipeline and pump station to determine what is owed to or from the members as of June 30, 2016 and 2015:

Advance payments received from members	2016	2015
City of Livermore	\$ 3,340,907	\$ 3,350,901
City of Pleasanton	3,973,014	3,984,077
Dublin San Ramon Services District	4,295,604	4,293,372
Total services charges	<u>\$ 11,609,525</u>	<u>\$ 11,628,350</u>
Advance payments received from members	\$ 11,609,525	\$ 11,628,350
Interest earned on operating advances	6,641	4,783
Less advances for:		
Debt service	(8,001,725)	(8,005,350)
Joint Use replacement	<u>(400,000)</u>	<u>(300,000)</u>
Net available for operations and maintenance	<u>3,214,441</u>	<u>3,327,783</u>
Operations and maintenance expenses:		
Power	979,104	949,625
LAVWMA share of EBDA O&M Costs	518,080	492,775
Operations agreement	846,229	818,770
EBDA capacity payment	411,248	411,248
Professional services	142,357	133,000
Livermore Sole Use O&M	66,366	44,467
Miscellaneous	47,380	47,926
Total operations and maintenance expenses	<u>3,010,764</u>	<u>2,897,811</u>
Amount due to (due from) members, net	<u>\$ 203,677</u>	<u>\$ 429,972</u>
Amount due to (due from):		
City of Livermore	\$ 55,268	\$ 103,426
City of Pleasanton	116,897	132,440
Dublin San Ramon Services District	31,512	194,106
	<u>\$ 203,677</u>	<u>\$ 429,972</u>

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**5. LONG-TERM DEBT**

The following is a summary of changes in long-term debt during the year ended June 30, 2016:

	Balance June 30, 2015	Retirements	Balance June 30, 2016	Amount due within one year	More than one year
<b>Revenue Bonds</b>					
2011 Sewer Revenue Refunding Bonds					
2% - 5%, due 8/1/2031	\$ 94,355,000	\$ (3,660,000)	\$ 90,695,000	\$ 3,850,000	\$ 86,845,000
<b>Loans Payable</b>					
Discharge Rights Capital Buy-in Fee Obligation					
3% - 6%, due 8/1/2030	5,165,724	(256,276)	4,909,448	263,964	4,645,484
Total Long-term Debt	99,520,724	(3,916,276)	95,604,448	4,113,964	91,490,484
Plus: Unamortized bond premium	6,751,613	(415,485)	6,336,128	-	6,336,128
Total Long-term Debt, net	<u>\$ 106,272,337</u>	<u>\$ (4,331,761)</u>	<u>\$ 101,940,576</u>	<u>\$ 4,113,964</u>	<u>\$ 97,826,612</u>

The following is a summary of changes in long-term debt during the year ended June 30, 2015:

	Balance June 30, 2014	Retirements	Balance June 30, 2015	Amount due within one year	More than one year
<b>Revenue Bonds</b>					
2011 Sewer Revenue Refunding Bonds					
2% - 5%, due 8/1/2031	\$97,840,000	\$3,485,000	\$94,355,000	\$3,660,000	\$90,695,000
<b>Loans Payable</b>					
Discharge Rights Capital Buy-in Fee Obligation					
3% - 6%, due 8/1/2030	5,414,536	248,812	5,165,724	256,276	4,909,448
Total Long-term Debt	103,254,536	3,733,812	99,520,724	3,916,276	95,604,448
Plus: Unamortized bond premium	7,167,096	415,483	6,751,613	-	6,751,613
Total Long-term Debt, net	<u>\$110,421,632</u>	<u>\$4,149,295</u>	<u>\$106,272,337</u>	<u>\$3,916,276</u>	<u>\$102,356,061</u>

**A. 2011 Sewer Revenue Refunding Bonds**

The Agency issued \$105,345,000 of 2011 Sewer Revenue Refunding Bonds on September 28, 2011. Proceeds of the issuance were used to refund and retire the Series A Sewer Revenue Bonds and to pay costs of issuance. Principal payments are due annually beginning August 1, 2012 through August 1, 2031.

Debt service on the 2011 Bonds is repayable from Agency Net Revenues which are defined as Gross Revenues less Maintenance and Operations costs, excluding in all cases depreciation, replacement and obsolescence charges or reserves.

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**

For the year ended June 30, 2016

**5. LONG-TERM DEBT, Continued**

Member Liens for Repayment of 2011 Bonds: Under an Amended And Restated Sewer Service Contract dated October 1, 2011, between the Agency and Members, the Members pledge and create, in favor of the Agency and the Trustee for the 2011 Bonds, a lien on the Net Revenues of their respective wastewater systems (the "Sewer Systems"), to pay the Agency the amounts owed in order for the Agency to pay the debt service on the 2011 Bonds. There are three limitations with respect to this pledge of Net Revenues. First, this lien is subordinated to the Members' existing obligations payable from their Net Revenues, as well as obligations payable from their Net Revenues to be issued in the future by the Members to finance or refinance improvements to their respective Sewer Systems. Second, for the Dublin San Ramon Services District and the City of Pleasanton, "Net Revenues" are not defined in the Sewer Service Contract to include all of the fees, rates and charges collected by Dublin San Ramon Services District and the City of Pleasanton in connection with their Sewer System; Dublin San Ramon Services District and the City of Pleasanton have only pledged regional service charges as security for their obligation to make the payments. Third, the City of Pleasanton, in its capacity as the largest customer of Dublin San Ramon Services District's Sewer System, is only obligated to levy regional charges and fees established by Dublin San Ramon Services District and to transfer the amount collected to Dublin San Ramon Services District.

Pursuant to the official statement, each member agency is required to set rates to achieve coverage of 1.1 times the 2011 Sewer Revenue Refunding Bond's debt service.

**B. Discharge Rights Capital Buy-In Fee Obligation**

On April 26, 2007, the East Bay Dischargers Authority (EBDA) and the Agency signed a new Master Agreement, superseding all previous agreements, which requires EBDA to provide the Agency with firm capacity discharge rights of 19.72 MGD (millions of gallons per day) and an additional 21.48 MGD in interruptible discharge rights for a capital buy-in of \$10,000,000. The Agency previously had entered into an agreement for additional capacity for a purchase price of \$3,000,000 plus accrued interest. The remaining \$7,000,000, plus accrued interest, is payable in annual installments through 2030. Interest is based on the change in the Consumer Price Index-All Urban Consumers (CPI-U) for the San Francisco Bay Area. The interest rate includes a floor and ceiling of 3% and 6%, respectively.

**Debt Service Maturity**

At June 30, 2016, future annual repayment requirements for long-term debt were as follows:

For The Year Ending June 30	Principal	Interest	Total
2017	\$ 4,113,964	\$ 4,301,259	\$ 8,415,223
2018	4,321,883	4,095,840	8,417,723
2019	4,535,040	3,880,058	8,415,098
2020	4,763,441	3,653,407	8,416,848
2021-2025	27,537,313	14,571,902	42,109,215
2026-2030	34,578,539	8,064,363	42,642,902
2031-2032	15,754,270	705,797	16,460,067
Total payments due	<u>\$ 95,604,448</u>	<u>\$ 39,272,626</u>	<u>\$ 134,877,076</u>

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**

For the year ended June 30, 2016

**6. RISK MANAGEMENT**

The Agency’s insurance coverage is as follows:

The Agency is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions and natural disaster. The Agency joined together with other entities to form the Special District Risk Management Authority (SDRMA), a public entity risk pool currently operating as a common risk management and insurance program for member entities. The purpose of SDRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing costs. The Agency pays annual premiums to SDRMA for its general, liability, and property damage.

SDRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of SDRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

In addition to the primary insurance types provided for through SDRMA listed above, the Agency also maintains commercial fidelity bonds and public official bonds to protect against theft or defalcation. Settled claims for SDRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

The following is a summary of the insurance policies carried by the Agency as of June 30, 2016:

Company Name	Insurance Program		
	Type of Coverage	Limits	Deductibles
Uninsured/underinsured motorists	Each occurrence	\$750,000	None
Auto liability	Comprehensive liability	5,000,000	\$1,000
Property coverage	Comprehensive liability	1,000,000,000	500
Employee dishonesty	Blanket Bond	400,000	None
Personal liability coverage (board)	Comprehensive liability	500,000	None
General liability	Comprehensive liability	5,000,000	None
Public officials and employee errors	Comprehensive liability	5,000,000	None
Employment practices liability	Comprehensive liability	5,000,000	None
Employee benefit liability	Comprehensive liability	5,000,000	None
Boiler and machinery coverage	Comprehensive liability	100,000,000	None

Claims and judgments, including provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the Agency has coverage for such claims, but it had retained the risk for the deductible or uninsured portion of these claims.

The Agency’s liability for uninsured claims is limited to general liability claims, as discussed above, and was estimated to be immaterial.

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**

For the year ended June 30, 2016

**7. NET POSITION**

Net Position is the excess of all the Agency's assets over all its liabilities. Net Position is divided into three captions which are described as follows:

- *Net investment in capital assets* describes the portion of net position that is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.
- *Restricted* describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. The Agency had no restricted net position.
- *Unrestricted* describes the portion of net position that is not restricted as to use.

**MEMBER EQUITY ALLOCATION**

A review of the member equity calculation was conducted and each type of asset is allocated according to contractually agreed ownership shares. At June 30, 2016, the member's respective share of the Agency's net position, based on this calculation, is as follows:

	Operation & Maintenance	EBDA Capacity	2011 Debt Service*	Joint-Use Replacement	Dual-Use Replacement	Sole-Use Replacement	TOTAL
<b>Net Position:</b>							
Total Assets	\$ 1,138,227	\$ 4,242,425	\$ 22,682	\$ 125,842,126	\$ 499,972	\$ 6,156,406	\$ 137,901,838
Total Liabilities	566,278	5,056,731	98,802,055	58,347	-	-	104,483,411
	<u>\$ 571,949</u>	<u>\$ (814,306)</u>	<u>\$ (98,779,373)</u>	<u>\$ 125,783,779</u>	<u>\$ 499,972</u>	<u>\$ 6,156,406</u>	<u>\$ 33,418,427</u>
<b>Allocation:</b>							
Livermore	30.10%	18.18%	27.83%	30.10%		100.00%	
Pleasanton	34.95%	34.14%	33.27%	34.95%	50.00%		
DSRSD	34.95%	47.68%	38.90%	34.95%	50.00%		
<b>Member Equity:</b>							
Livermore	\$ 172,157	\$ (148,041)	\$ (27,489,488)	\$ 37,860,917	\$ -	\$ 6,156,406	\$ 16,551,951
Pleasanton	199,896	(278,004)	(32,868,564)	43,961,431	249,986	-	11,264,745
DSRSD	199,896	(388,261)	(38,421,321)	43,961,431	249,986	-	5,601,731
	<u>\$ 571,949</u>	<u>\$ (814,306)</u>	<u>\$ (98,779,373)</u>	<u>\$ 125,783,779</u>	<u>\$ 499,972</u>	<u>\$ 6,156,406</u>	<u>\$ 33,418,427</u>

\* Note that for debt service, blended allocations are shown above. Actual allocations are below:

	Livermore	Pleasanton	DSRSD
Repair (30.46% of total debt)	39.95%	36.71%	23.34%
Expansion (69.54% of total debt)	22.52%	31.77%	45.71%

**LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**7. NET POSITION, Continued**

At June 30, 2015, the member's respective share of the Agency's net position, based on this calculation, is as follows:

	<b>Operation &amp; Maintenance</b>	<b>EBDA Capacity</b>	<b>2011 Debt Service*</b>	<b>Joint-Use Replacement</b>	<b>Dual-Use Replacement</b>	<b>Sole-Use Replacement</b>	<b>TOTAL</b>
<b>Net Position:</b>							
Total Assets	\$ 1,170,913	\$ 4,545,455	\$ 20,976	\$ 128,405,337	\$ 505,800	\$ 6,413,324	\$ 141,061,805
Total Liabilities	598,964	5,320,696	102,953,789	41,474	-	-	108,914,923
	<u>\$ 571,949</u>	<u>\$ (775,241)</u>	<u>\$ (102,932,813)</u>	<u>\$ 128,363,863</u>	<u>\$ 505,800</u>	<u>\$ 6,413,324</u>	<u>\$ 32,146,882</u>
<b>Allocation:</b>							
Livermore	30.10%	18.18%	27.83%	30.10%		100.00%	
Pleasanton	34.95%	34.14%	33.27%	34.95%	50.00%		
DSRSD	34.95%	47.68%	38.90%	34.95%	50.00%		
<b>Member Equity:</b>							
Livermore	\$ 172,157	\$ (140,939)	\$ (28,645,356)	\$ 38,637,523	\$ -	\$ 6,413,324	\$ 16,436,709
Pleasanton	199,896	(264,667)	(34,250,609)	44,863,170	252,900	-	10,800,690
DSRSD	199,896	(369,635)	(40,036,848)	44,863,170	252,900	-	4,909,483
	<u>\$ 571,949</u>	<u>\$ (775,241)</u>	<u>\$ (102,932,813)</u>	<u>\$ 128,363,863</u>	<u>\$ 505,800</u>	<u>\$ 6,413,324</u>	<u>\$ 32,146,882</u>

\* Note that for debt service, blended allocations are shown above. Actual allocations are below:

	<b>Livermore</b>	<b>Pleasanton</b>	<b>DSRSD</b>
Repair (30.46% of total debt)	39.95%	36.71%	23.34%
Expansion (69.54% of total debt)	22.52%	31.77%	45.71%

**8. CONTINGENT LIABILITIES**

The Agency is involved in various claims and litigation arising in the ordinary course of business. Agency management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the Agency's financial position or results of operations.

---

# **SUPPLEMENTARY INFORMATION**

---

LIVERMORE - AMADOR VALLEY WATER MANAGEMENT AGENCY  
SCHEDULE OF SUB FUND ACCOUNT BALANCE SHEETS  
JUNE 30, 2016

	Maintenance & Operation	EBDA Capacity	2011 Debt Service	Repair and Replacement Reserve			Total
				Joint-use Replacement	Dual-use Replacement	Sole-use Replacement	
<u>ASSETS</u>							
Cash and equivalents	\$ 352,282	\$ -	\$ 18,582	\$ (94,066)	\$ 12,165	\$ 9,322	\$ 298,285
Investments	764,905		4,094	15,163,767	404,098	1,514,065	17,850,929
Interest receivable	1,040		6	20,617	549	2,059	24,271
Misc. accounts receivable				27,260			27,260
Bond issuance cost							-
Advances to members	20,000			317,178			337,178
Capital assets, net of accumulated depreciation		\$4,242,425		110,407,370	83,160	4,630,960	119,363,915
<b>Total assets</b>	<b>1,138,227</b>	<b>\$4,242,425</b>	<b>22,682</b>	<b>125,842,126</b>	<b>499,972</b>	<b>6,156,406</b>	<b>137,901,838</b>
<u>LIABILITIES</u>							
Accounts payable	362,601			58,347			420,948
Due to members	203,677						203,677
Interest payable		147,283	1,770,927				1,918,210
Long-term debt:							
Bond issuance premium, net of amortization			6,336,128				6,336,128
Due within one year		263,964	3,850,000				4,113,964
Due in more than one year		4,645,484	86,845,000				91,490,484
<b>Total liabilities</b>	<b>566,278</b>	<b>5,056,731</b>	<b>98,802,055</b>	<b>58,347</b>			<b>104,483,411</b>
<u>NET POSITION</u>							
Net investment in capital assets	-	(667,023)	(90,695,000)	110,407,370	83,160	4,630,960	23,759,467
Unrestricted	571,949	(147,283)	(8,084,373)	15,376,409	416,812	1,525,446	9,658,960
<b>Total net position</b>	<b>\$ 571,949</b>	<b>\$ (814,306)</b>	<b>\$ (98,779,373)</b>	<b>\$ 125,783,779</b>	<b>\$ 499,972</b>	<b>\$ 6,156,406</b>	<b>\$ 33,418,427</b>

LIVERMORE - AMADOR VALLEY WATER MANAGEMENT AGENCY  
SCHEDULE OF SUB FUND ACCOUNT ACTIVITY  
For the Year Ended June 30, 2016

	Maintenance & Operation	EBDA Capacity	2011 Debt Service	Repair and Replacement Reserve			Total
				Joint-use Replacement	Dual-use Replacement	Sole-use Replacement	
Operating revenues:							
Service charges - City of Livermore	\$ 918,790	\$ 74,902	\$ 2,226,815	\$ 120,400			\$ 3,340,907
Service charges - City of Pleasanton	1,030,005	140,657	2,662,552	139,800			3,973,014
Service charges - Dublin San Ramon Services District	847,005	196,441	3,112,358	139,800			4,295,604
Service charges other	(202,925)	(752)					(203,677)
Total operating revenues	\$2,592,875	\$411,248	8,001,725	400,000			11,405,848
Operating expenses:							
Power	979,104						979,104
LAVWMA share of EBDA O&M	518,080						518,080
Operations agreement	846,229						846,229
Professional services	142,357						142,357
Livermore sole use O&M	66,366						66,366
Miscellaneous	47,380		51	2,456	67	247	50,201
Total operating expenses before depreciation and repairs	2,599,516		51	2,456	67	247	2,602,337
Depreciation and amortization		\$303,030		2,788,263	7,560	261,702	3,360,555
Repairs and maintenance				255,601		1,609	257,210
Total operating expenses	2,599,516	\$303,030	51	3,046,320	7,627	263,558	6,220,102
Operating income (loss)	(6,641)	108,218	8,001,674	(2,646,320)	(7,627)	(263,558)	5,185,746
Non-operating revenues (expenses)							
Interest income	6,641		1,757	66,236	1,799	6,640	83,073
Bond interest expense		(147,283)	(3,849,991)				(3,997,274)
Total non-operating revenues (expenses)	6,641	(\$147,283)	(3,848,234)	66,236	1,799	6,640	(3,914,201)
Changes in net position	-	(\$39,065)	4,153,440	(2,580,084)	(5,828)	(256,918)	1,271,545
Net position beginning of period	571,949	(\$775,241)	(102,932,813)	128,363,863	505,800	6,413,324	32,146,882
Net position end of period	\$ 571,949	\$ (814,306)	\$ (98,779,373)	\$ 125,783,779	\$ 499,972	\$ 6,156,406	\$ 33,418,427