

**SAFE. CLEAN. DEPENDABLE.**



**Comprehensive Annual Financial Report**

For the Fiscal Years Ended December 31, 2019 and 2018

**Citrus Heights Water District**

Citrus Heights, California



**C I T R U S**  
**H E I G H T S**  

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**W A T E R**  
**D I S T R I C T**



**C I T R U S  
H E I G H T S**

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**W A T E R  
D I S T R I C T**

**Citrus Heights Water District  
Citrus Heights, CA**

**Comprehensive Annual Financial Report  
Years Ended December 31, 2019 and 2018**

**Prepared By:  
The Administrative Services Department**

**6230 Sylvan Road  
Citrus Heights, CA 95610  
[www.chwd.org](http://www.chwd.org)**

# CITRUS HEIGHTS WATER DISTRICT

## Comprehensive Annual Financial Report Years Ended December 31, 2019 and 2018

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**CITRUS HEIGHTS WATER DISTRICT**  
**Comprehensive Annual Financial Report**  
**Years Ended December 31, 2019 and 2018**

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# Introductory Section





May 7, 2020

Honorable Members of the Board of Directors:

We are pleased to present the Citrus Heights Water District's ("District") third Comprehensive Annual Financial Report ("CAFR") for the fiscal year ending December 31, 2019. This report was prepared by District staff in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

The CAFR provides an assessment of the District's financial condition, informs readers about District services, includes information about capital improvement projects, and discusses current initiatives within the District's Basic Financial Statements. Financial and demographic trend information is provided within the statistical section located at the end of the report. Management at the District is responsible for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. As management, we assert that, to the best of our knowledge and belief, the information and data, as presented, is accurate in all material respects, and it is presented in a manner that provides a fair representation of the financial position and operations of the District. Furthermore, all disclosures that are necessary to enhance the Board's understanding of the financial condition of the District have been included.

The District's financial statements have been audited by Maze and Associates, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending December 31, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ending December 31, 2019, were fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) Section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately after the Independent Auditors' Report.

## **Overview of the Comprehensive Annual Financial Report**

This report is presented in three sections:



- **Introductory Section** – includes this letter of transmittal, a list of principal officials and an organization chart.
- **Financial Section** – includes the Independent Auditor’s Report, Management’s Discussion and Analysis (MD&A), the basic audited financial statements, and required supplementary information (RSI).
- **Statistical Section** – includes information on financial trends, revenue capacity, debt capacity, demographic and economic conditions, and multi-year comparative operational data.

## Profile of Citrus Heights Water District

Citrus Heights Water District was established in 1920, as the Citrus Heights Irrigation District, encompassing slightly more than 4.7 square miles, and serving approximately 225 farms. The District currently serves water to a population of approximately 67,000 people within an about 12 square mile service area.

Citrus Heights Water District carries out its mission with a highly-motivated and competent staff that is empowered to conduct the District’s business by placing the customers’ needs and welfare first. Each day, the District’s employees strive to carry out their work, mindful of the District’s mission, “to furnish a dependable supply of safe, quality water delivered to its customers in an efficient, responsive, and affordable manner.”

### Governance and Organizational Structure

CHWD is a special district established by the State of California. The District is governed by a three-member Board of Directors that is elected to a four-year term by voters who reside in the District’s service area. Beginning with the 2020 election, CHWD Board elections will be “By-District,” whereby only those customers who reside in the same CHWD District that a Board Member lives in will vote for that Board position. The District was staffed in 2019 by 35 full-time equivalent employees assigned to four departments: Administrative Services, Engineering, Operations, and the General Manager’s Office. The General Manager and District General Counsel are appointed by, and report directly to, the Board of Directors. All other staff members report to the General Manager or General Manager’s designee.

### Water Supply

In 2019, the District purchased 96.74% of its water from San Juan Water District (SJWD), and delivered it to approximately 19,900 residential and commercial service connections. Additionally, the District maintains six groundwater wells and approximately 250 miles of pipeline. CHWD has been treating and delivering groundwater to customers since 1943.

### Accounting and Budget Structure

CHWD operates as an enterprise fund with a fiscal year that begins January 1 and ends on December 31. Generally accepted accounting principles (GAAP) require local governments to use a proprietary-type fund, such as an enterprise fund, to account for business-type



activities similar to those found in the private sector. An enterprise fund is one in which the expenditures are supported by fees collected primarily through charging users in exchange for services. CHWD operations are supported entirely by fees collected from customers in exchange for providing water service and managing the groundwater basin.

CHWD's management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). CHWD's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

CHWD's Board annually adopts a budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations, accountability for CHWD's enterprise operations, and capital projects. The budget is presented on the accrual basis of accounting, and is consistent with the presentation of CHWD's Comprehensive Annual Financial Report. As part of the budget process, a Financial Model is updated annually to analyze revenue and expenses along with capital improvements. Also, CHWD's Board adopted an accelerated payoff schedule to reduce the District's unfunded actuarial liability to the following: 20 years (other post-employment benefits) and 15 years (pension) amortizations beginning in FY2018. This accelerated payoff will result in savings to the District's customers over the previous, longer amortization.

### **Financial Policies**

The CHWD financial policies include many of the District's financial management practices that are used for operational and strategic decision making. These policies also allow the Board of Directors and community stakeholders to monitor how effectively the District is managing its financial responsibilities, as well as providing a means for holding the District fiscally accountable. These policies are reviewed annually to incorporate minor changes to existing policy, or major shifts in financial priorities at the discretion of the Board of Directors.

- Investment Policy – The Board has adopted an investment policy that conforms to state law, CHWD's ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Statement of Investment Policy are safety, liquidity, and then yield. Currently, funds are invested in various securities as authorized by CHWD's Investment Policy, with most of the District's funds invested in California's Local Agency Investment Fund (LAIF).
- Reserve Policies – The District has ten Reserve accounts with supported policies to balance ongoing operations to capital improvement programs. These funds are allocated to the maintenance, repair, replacement, or improvement of water system infrastructure. Adequate reserves, along with sound financial policies, provide financial flexibility to counter unanticipated expenditures or revenue fluctuations.

## **Audit and Financial Reporting**

State Law and bond covenants require CHWD to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Maze and Associates conducted the audit of CHWD's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section. This is the fifth year of a six year engagement with Maze and Associates.

## **Risk Management**

CHWD participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) for the purchase of workers' compensation, liability, property, automobile, and fidelity insurance. The typical liability limits are \$5 million per incident/occurrence.

## **Economic Condition, Outlook and Major Initiatives**

CHWD is primarily a residential community, with some commercial enterprises within its boundaries. The District's service area is almost built out; therefore, the District does not anticipate a significant growth in revenue based solely upon new development. The District is forecasting a slow but steady revenue increase based on 0.5% growth per year from the demand in small in-fill of housing or commercial development within District boundaries.

CHWD operates as an enterprise fund, meaning the costs of providing water service and protecting groundwater resources are financed by rates and fees charged to District customers. Since the District receives no revenue from taxes, operating revenues consist primarily of water sales and bi-monthly service charges. Although water use increased slightly in 2019, District customers have decreased their water use significantly since 2013 in response to state-wide drought mandates. This drop in demand created a gap between the amount of water customers were projected to use, and the amount they actually used, and contributed to the need for a new rate study and Financial Model rebuild. The rebuild of the Financial Model was completed and used in the development of the 2020 budget.

CHWD and its wholesale water supplier, San Juan Water District, continue to encounter changes in operations due to new regulations. The impact of current and future regulations, and the resulting cost impact on water supply operations, are an ongoing challenge for the District. The District anticipates a 9% rate increase from its wholesale water supplier in 2020.

As of January 1, 2019, CHWD charges a uniform commodity rate of \$1.07 per unit and a bi-monthly fixed charge of \$78.18 for a 1-inch meter. One unit of water equals 748 gallons which means that the cost per gallon is 0.14 cents. At \$725.16 per year, the cost of water service for a typical single family home using 179,520 gallons of water annually remains a good value for CHWD's customers.

The District continues to repair and replace aging infrastructure throughout its system. During 2019, the District completed 233 service replacements, as well as the testing and replacement of the District's large water meters. The District also completed main replacements on Patten Avenue and Watson Way. Capital projects scheduled for 2020 total \$6.8 million.

The outbreak of the novel coronavirus COVID-19 in the United States in the first quarter of 2020 has caused a nationwide disruption to all facets of the national economy. At this time, the financial impact on the District cannot be reasonably estimated. See Note 12 of the Notes to the Financial Statements for more information.

Through this crisis, the District remains steadfast in its commitment to the safety and well-being of its customers. Therefore, the District temporarily suspended its collection activity for delinquent accounts, and temporarily suspended shut-offs for nonpayment. Additionally, the District remains operational to continue serving its customers, and has increased its customer outreach program to provide vital information and assure our customers that their water supply is safe, clean, and dependable.

### Long-Term Financial Planning

Citrus Heights Water District utilizes a number of planning strategies when considering long-term financial forecasts.

- **Strategic Plan** – Strategic planning involves establishing a vision for the future and a clear mission statement to provide direction and define what the organization stands for and what it has pledged to accomplish. Since 2016, CHWD has held a strategic planning workshop for the Board of Directors, management, and at-large customers. The purpose of the workshop has been to review the District’s mission statement and values, and to implement the District’s mission and values through an Annual Work Program. The Work Program includes three-year goals and one-year objectives, which emphasize the District’s commitment to promoting the efficient use of water, managing CHWD’s water supply, implementing capital improvements, and optimizing organizational efficiency. The Strategic Plan and its accompanying Annual Work Program form the basis for the District’s priority-based budgeting efforts.
- **Project 2030 Water Main Replacement Plan** – This plan was identified during the strategic planning process as a key strategy for engaging customers in long-range water main replacement planning and funding efforts. The purpose of this plan is to inform customers about challenges and opportunities, and the current actions being undertaken to ensure water supply reliability, and prepare for the replacement of aging infrastructure.
- **Capital Improvement Plan** – The Strategic Plan lays the groundwork for the Capital Improvement Plan, which includes project schedules and projected costs for production and water supply facilities identified in a 1999 Facilities Master Plan. The Capital Improvement Plan is a ten year forecast and a capital reinvestment plan.
- **10-Year Financial Planning Model** – The previous Financial Planning Model was prepared by NBS in consultation with District staff in June 2013, and includes short

and long-range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over the next ten years. The plan is updated as changes in customer water use impact long-range financial projections and capital improvement and water supply plans evolve. Raftelis Financial Consultants were retained to work with District staff to prepare a new Financial Planning Model, which was completed and presented to the Board in 2019, and used in the development of the 2020 budget.

- **Annual Budget** – A key component of financial planning is the District's budget, which is prepared, reviewed and adopted annually. Every summer, District Finance staff prepares a draft budget, based upon an analysis of the Financial Planning Model and on revenue/expenditure submissions from CHWD's departments. The budget is presented to the Board of Directors for approval prior to the beginning of the next fiscal year. The annual budget includes forecasts for revenues, operating expenditures and capital expenditures, and is formulated using a priority-based budgeting approach.
- **Water Meter Replacement Program**– As CHWD's first generation of meters age-out, the District has taken the lead to form an 11-agency consortium to partner in the replacement and testing of meters on an on-going basis. The goal of the newly-created Meter Replacement Program consortium is to take advantage of an economies of scale of over 300,000 meters to be able to reduce meter asset management costs for CHWD and its consortium partners. The consortium's initial project is the completion of a Meter Replacement Program Study to identify opportunities for partnership and strategies for each agency in the short and long-term to optimally manage meter replacements.

### **Awards and Acknowledgements**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Citrus Heights Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the second year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized CAFR. The 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. CHWD believes that this CAFR continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished through the combined efforts of CHWD's staff, most notably Accounting Manager Alberto Preciado, along with support from the various departmental directors, managers, and supervisors. CHWD staff's dedicated efforts, professionalism, and contributions to CHWD's CAFR is greatly appreciated. We would also


like to thank the members of the Board of Directors for their continued support in planning and implementing the District's fiscal policies.

Respectfully submitted,



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Hilary M. Straus  
General Manager/Secretary



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Susan K. Talwar  
Director of Finance and  
Administrative Services/ Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Citrus Heights Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

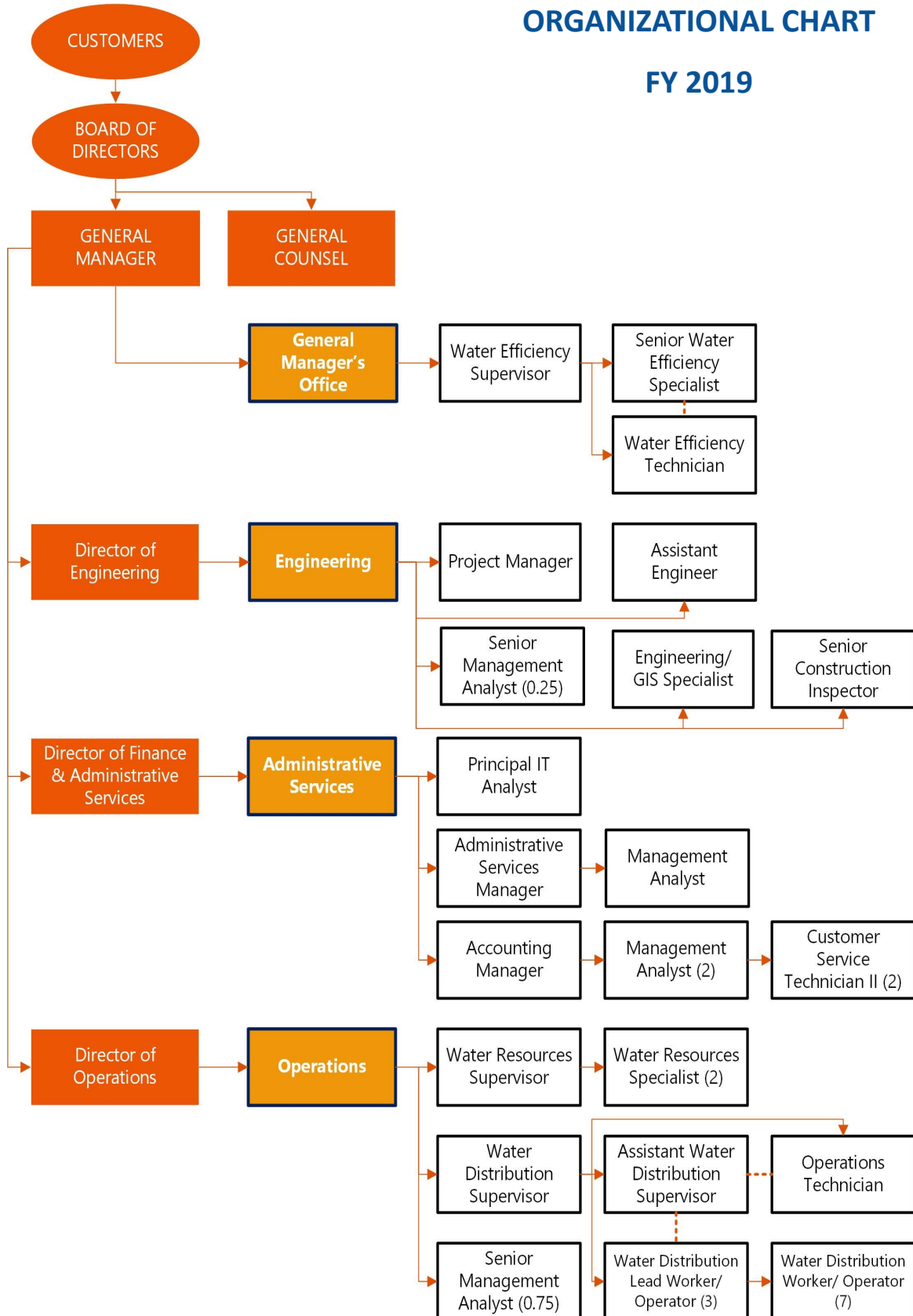
**December 31, 2018**

*Christopher P. Morrell*

Executive Director/CEO

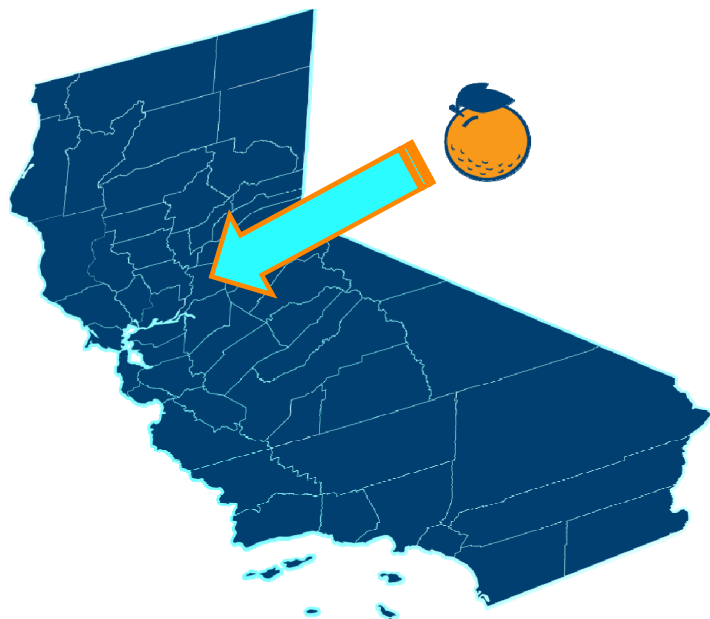
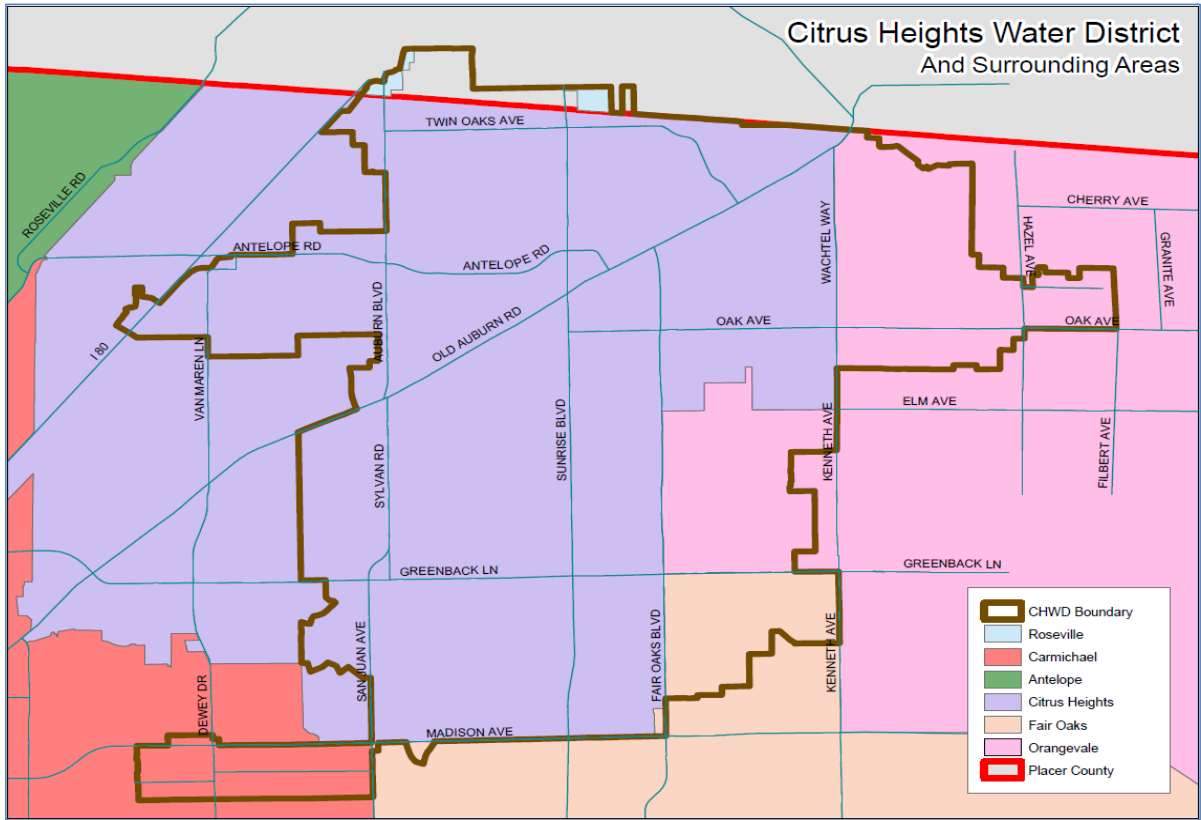
# ORGANIZATIONAL CHART

FY 2019





CITRUS HEIGHTS WATER DISTRICT  
Service Area Map with Cities Served



# CITRUS HEIGHTS WATER DISTRICT

## Board of Directors and Principal Officers

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### Board of Directors

|                |                   |                |
|----------------|-------------------|----------------|
| President      | Caryl F. Sheehan  | Division One   |
| Vice President | Raymond A. Riehle | Division Two   |
| Director       | David C. Wheaton  | Division Three |

### Executive Staff

|   |                  |
|---|------------------|
| General Manager                                 | Hilary M. Straus |
| Director of Engineering                         | Melissa Pieri    |
| Director of Finance and Administrative Services | Susan K. Talwar  |
| Director of Operations                          | David Gordon     |

### Appointed Officers

|                    |                  |
|--------------------|------------------|
| Secretary          | Hilary M. Straus |
| Treasurer          | Susan K. Talwar  |
| Assessor Collector | Alberto Preciado |

# Financial Section



# Independent Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Members of the Board of Directors  
Citrus Heights Water District  
Citrus Heights, California

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

We have audited the accompanying financial statements of the Citrus Heights Water District (District), California, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 District'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 District'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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the District as of December 31, 2019 and 2018, and the respective changes in its financial positions and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principles***

Management early implemented the provisions of the Governmental Accounting Standards Board Statement 84 – *Fiduciary Activities*, for the year ended December 31, 2018. See Note 1A for relevant disclosures.

Management adopted the provisions of the Governmental Accounting Standards Board Statement, Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefit Plans Other than Pensions*, which became effective during the year ended December 31, 2018, and required a restatement to of beginning net position as discussed in Note 6 to the financial statements.

The emphasis of these matters do not constitute a modification to our opinions.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

*Maze + Associates*

Pleasant Hill, California  
May 7, 2020

## Management's Discussion and Analysis



**CITRUS HEIGHTS WATER DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2019 and 2018

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Citrus Heights Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended December 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the accompanying basic financial statements and related notes, which follow this section.

### **Financial Highlights**

The following items are, in the opinion of District management, among the most significant in assessing the District's overall financial activities during 2019 and its financial position at the close of the year 2019:

- ❖ The District's assets exceeded its liabilities at the end of year 2019 by \$69,953,010. About 82 percent of the District's net position, \$57,193,152, is composed of the capital assets of the District – the water transmission and distribution system, water production facilities, land, buildings, and equipment belonging to the District. Unrestricted net position totaled \$12,217,198, up from \$11,717,632 at the end of year 2018. This increase is due primarily to an 11.9 percent rate increase levied by the Board of Directors at the beginning of 2019. In fiscal year 2018, unrestricted net assets increased to \$11,717,632, up from \$10,882,932 at the end of 2017. This increase was due primarily to revenue generated from a water transfer sale in 2018, and also a 3 percent rate increase levied by the Board of Directors at the beginning of 2018.
- ❖ Capital improvement spending in year 2019 decreased by \$298,288 as compared with 2018. Capital improvements capitalized in 2019 amounted to \$3.0 million. Capital improvement spending in year 2018 increased by \$70,000 as compared to year 2017. Capital improvements capitalized in 2018 amounted to \$4.8 million.
- ❖ The District's operating revenues for 2019 were \$15,340,476. About 97 percent of operating revenues, \$14,823,207, came from water sales to customers.
- ❖ The District's total net long-term liabilities at the end of 2019, including the 2012 Revenue Refunding bonds, the 2010 Revenue Refunding Certificates of Participation, pension liability, liability for other postemployment benefits (OPEB), and compensated absences is \$7,945,889. GASB Statement No. 68 required the recording of pension liability amounting to \$4,611,042. GASB Statement No. 75 required the recording of OPEB liability in the amount of \$1,459,582. Liabilities from Bond debt service decreased by \$669,819 due to a reduction in principal on debt during 2019 resulting from debt service payments during the year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: (1) management's discussion and analysis; and (2) the financial statements, including the notes to financial statements and required supplementary information.

**CITRUS HEIGHTS WATER DISTRICT**  
**Management's Discussion and Analysis**  
For the Fiscal Year Ended December 31, 2019 and 2018

The financial statements provide both long-term and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The required supplementary information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) to provide more context regarding the financial statements from an appropriate operational, economic, or historical perspective.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the District are included in the Balance Sheet.

The Balance Sheet presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

***Balance Sheet***

The following table summarizes assets, deferred outflows, liabilities, deferred inflows, and net position at December 31, 2019, 2018, and 2017:

|                                  |                     |                     |                     | % Increase<br>(Decrease) |                    |
|----------------------------------|---------------------|---------------------|---------------------|--------------------------|--------------------|
|                                  | 2019                | 2018                | 2017                | FY19<br>vs<br>FY18       | FY18<br>vs<br>FY17 |
| Current assets                   | \$18,801,764        | \$17,150,069        | \$16,248,823        | 9.6%                     | 5.6%               |
| Capital assets, net              | 59,640,444          | 58,109,443          | 57,038,900          | 2.6%                     | 1.9%               |
| <b>Total Assets</b>              | <b>78,442,208</b>   | <b>75,259,512</b>   | <b>73,287,723</b>   | <b>4.2%</b>              | <b>2.7%</b>        |
| <b>Deferred outflows</b>         | <b>2,113,759</b>    | <b>2,674,857</b>    | <b>1,981,897</b>    | <b>(21.0)%</b>           | <b>35.0%</b>       |
| Current liabilities              | 2,295,848           | 1,972,121           | 2,031,682           | 16.4%                    | (2.9)%             |
| Non-current liabilities          | 7,945,889           | 8,468,101           | 8,280,325           | (6.2)%                   | 2.3%               |
| <b>Total Liabilities</b>         | <b>10,241,737</b>   | <b>10,440,222</b>   | <b>10,312,007</b>   | <b>(1.9)%</b>            | <b>1.2%</b>        |
| <b>Deferred Inflows</b>          | <b>361,220</b>      | <b>205,982</b>      | <b>188,528</b>      | <b>75.4%</b>             | <b>9.3%</b>        |
| <b>Net Position</b>              |                     |                     |                     |                          |                    |
| Net investment in capital assets | 57,193,152          | 55,029,058          | 53,350,420          | 3.9%                     | 2.1%               |
| Restricted for debt service      | 542,660             | 541,475             | 535,733             | 0.2%                     | 1.1%               |
| Unrestricted                     | 12,217,199          | 11,717,632          | 10,882,932          | 4.3%                     | 13.2%              |
| <b>Total Net Position</b>        | <b>\$69,953,010</b> | <b>\$67,288,165</b> | <b>\$64,769,085</b> | <b>4.0%</b>              | <b>3.9%</b>        |

**CITRUS HEIGHTS WATER DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2019 and 2018

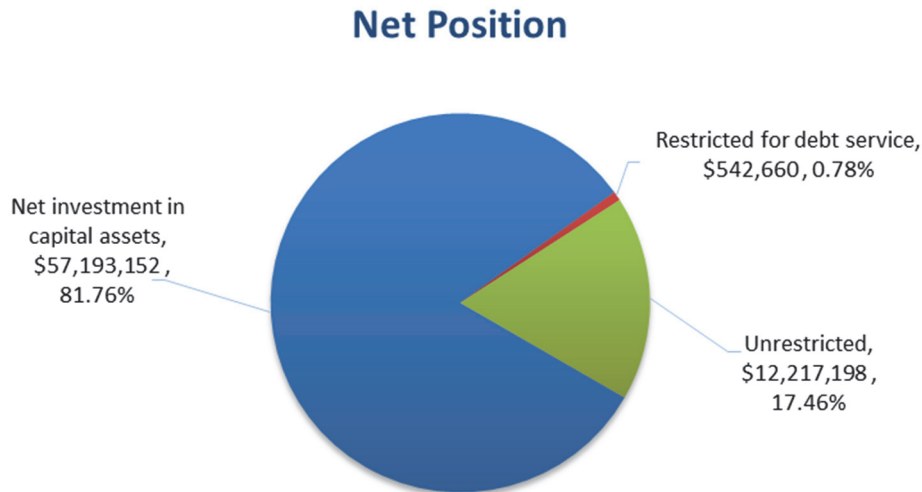
The total net position of the District increased from \$64.8 million in 2017 to \$67.3 million in 2018, and increased to \$70.0 million in 2019. The District's total assets increased by \$3.2 million, or 4.2%, in 2019 compared to 2018, and \$2.0 million, or 2.7%, in 2018 compared to 2017.

Deferred outflows decreased by 21.0% from \$2.7 million in 2018 to \$2.1 million in 2019, due to the amortization of a prior-year balance of pension deferred outflows; a 35.0% increase in deferred outflows from \$2.0 million in 2017 to \$2.7 million in 2018 was due to a prepayment of pension liability.

In 2019, the total liabilities decreased \$198,485, or 1.9%, compared to 2018, and in 2018, increased \$128,215, or 1.2%, compared to 2017.

Deferred inflows increased by \$155,238, or 75.4% to \$361,220 in 2019 from \$205,982 in 2018 as a result of changes in actuarial assumptions affecting the calculation of the pension liability; deferred inflows increased by \$17,454, or 9.3%, to \$205,982 in 2019 from \$188,528 in 2018 primarily as a result of changes in actuarial assumptions that affected the calculation of deferred inflows for pensions.

The increase in net position over the three-year period totals \$5.2 million or 8.0% and is the result of the combination of net income and capital contributions.



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***Changes in Net Position***

The following table summarizes the changes in net position for the fiscal years ended December 31, 2019, 2018, and 2017:

|  |              |              |              | % Increase<br>(Decrease) |         |
|--|--------------|--------------|--------------|--------------------------|---------|
|  | 2019         | 2018         | 2017         |                          |         |
| Operating revenues                           | \$15,340,476 | \$14,375,044 | \$14,043,049 | 6.7%                     | 2.4%    |
| Operating expenses:                          |              |              |              |                          |         |
| Customer service, administration and general | 4,371,420    | 3,228,919    | 2,543,736    | 35.4%                    | 26.9%   |
| Water purchases                              | 3,131,903    | 2,878,799    | 2,692,482    | 8.8%                     | 6.9%    |
| Transmission and distribution                | 2,425,827    | 2,142,451    | 1,963,750    | 13.2%                    | 9.1%    |
| Pumping & well maintenance                   | 683,432      | 717,562      | 145,077      | (4.8)%                   | 394.6%  |
| Water efficiency (Conservation)              | 617,732      | 563,708      | 189,336      | 9.6%                     | 197.7%  |
| Depreciation & amortization                  | 2,435,900    | 2,388,634    | 2,345,281    | 2.0%                     | 1.8%    |
| Total operating expenses                     | 13,666,214   | 11,920,073   | 9,879,662    | 14.6%                    | 20.7%   |
| Operating income                             | 1,674,262    | 2,454,971    | 4,163,377    | (31.8)%                  | (41.0)% |
| Net non-operating revenues (expenses)        | 92,499       | 302,184      | 898,144      | (69.4)%                  | (66.4)% |
| Net income before capital contributions      | 1,766,761    | 2,757,155    | 5,061,531    | (35.9)%                  | (45.5)% |
| Capital contributions:                       |              |              |              |                          |         |
| Contributed (donated) assets                 | 898,084      | 213,121      | 55,813       | 321.4%                   | 281.8%  |
| Grant Revenue                                | -            | -            | -            | 0.0%                     | 0.0%    |
| Total capital contributions                  | 898,084      | 213,121      | 55,813       | 321.4%                   | 281.8%  |
| Change in net position                       | 2,664,845    | 2,970,276    | 5,117,344    | (10.3)%                  | (42.0)% |
| Net position, beginning of year, as restated | 67,288,165   | 64,317,889   | 59,651,741   | 4.6%                     | 7.8%    |
| Net position, end of year                    | \$69,953,010 | \$67,288,165 | \$64,769,085 | 4.0%                     | 3.9%    |

Net position increased \$2.7 million, or 4.0 percent from the prior year; in 2018, net position increased \$2.5 million, or 3.9 percent from 2017. Operating revenue that exceeded operating expenses by \$1.7 million and \$2.5 million for 2019 and 2018, respectively, accounts for the majority of the increase in net position, and most of these funds were expended for the construction of capital improvements or set aside for that purpose. The receipt of \$898,084 in donated assets from private developer additions to the District's water distribution system accounted for about 33.7 percent of the increase in net position.

**CITRUS HEIGHTS WATER DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2019 and 2018

Total operating revenues increased in 2019 by \$965,432 or 6.7 percent from 2018, and in 2018 by \$331,995 or 2.4 percent from 2017. An increase in water rates accounts for most of this increase. Water consumption by the District customers increased in 2019 compared with consumption in 2018 by 0.2%; this is as a result of a dryer winter than in the previous year. Consumption decreased in 2018 by 0.3% over 2017 due to due to increased rainfall in the winter months.

In 2019, operating expenses increased by \$1.7 million, or 14.6% from 2018, primarily due to a pension expense of \$0.9 million recorded for GASB 68, and an increase of \$253,104 in the cost of wholesale water caused by an increase in the wholesale water rate. Operating expenses increased in 2018 by \$2,040,411, or 20.7 percent from 2017, due to increases in operating costs such as the beginning of an accelerated payoff of the District's GASB 68 pension and GASB 75 OPEB unfunded liabilities, the cost of materials and supplies used to operate and maintain the District's water distribution system and groundwater production wells, including major maintenance to the Sunrise Well, and professional services for advanced planning for the Project 2030 Water Main Replacement study and the Meter Replacement program.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

As of December 31, 2019, 2018 and 2017, the District's investment in capital assets, net of related debt, was \$57,193,152, \$55,029,058, and \$53,350,420, respectively, including: the water transmission and distribution system (underground pipelines, water services, water meters, fire hydrants, and other components), water production facilities (groundwater wells), land, buildings and both mobile and fixed equipment.

Replacement of aging pipelines and water service connections throughout the District's system continued to represent the majority of the \$3.0 million additions to the District's capital assets in 2019, the \$4.8 million additions in 2018, and the \$1.7 million additions in 2017. A number of private development projects resulted in the addition of \$898,084 in donated capital assets in 2019, and \$213,122 in 2018.

Additional information on the District's capital assets can be found in Note 3, Capital Assets, of the notes to the basic financial statements.

### ***Debt Administration***

The District continues to meet its debt obligations under its 2010 Refunded Certificates of Participation (COPs) and the 2012 Revenue Refunding bonds. Through scheduled debt service payments, principal on its collective debt was reduced by \$644,819 during 2019, and by \$619,820 during 2018. The District's total debt from its COP and bond issuances now stands at approximately \$2.4 million.

Total compensated absences (long-term liability and current portion combined), are composed of leave hours earned by employees that are payable upon termination or

**CITRUS HEIGHTS WATER DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2019 and 2018

retirement and are valued at \$444,651 at the end of 2019, a decrease from the 2018 year-end amount of \$463,089. This decrease was due to a change in leave policies that reduced the amount of management, vacation, and compensated time off leave balances that could be carried forward to the next year. From 2017 to 2018, compensated absences increased by \$84,750. This increase was due primarily to higher rates of leave due to seniority and multiple employees becoming eligible for sick leave payouts.

The liability for other post-employment benefits (OPEB) increased by \$58,314 to 1.5 million in 2019; as a result of the annual cost of these benefits exceeding the amounts paid for premiums. OPEB liability increased by \$560,741 in 2018 due to the implementation of GASB 75. The District began prefunding its OPEB liability in 2018; if it hadn't done so, the increase would have been \$1.2 million.

Additional information on the District's debt activity can be found in Note 4, Long-Term Liabilities, of the notes to the basic financial statements.

### **ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS**

The District continued to exercise fiscal restraint in budgeting for District operations in 2020, with an overall increase of 4.8% percent compared with the 2019 Operating Budget. This budget includes:

- ❖ Maintaining the current level of services and programs for District customers;
- ❖ \$2.0 million in Professional Services, including many Strategic Planning and Special Project items, including the Project 2030 Study, Water Meter Replacement Program, ASR Study, organizational development, District policy review/updates, review of easements, annexations, website redesign and water supply agreement.
- ❖ \$482,187 increase in Salary and Benefits, which includes: Accelerated payoffs of the CalPERS pension Unfunded Actuarial Liability (UAL) and the OPEB UAL; 11% increase in the CalPERS employer contribution rate (due to factors such as the lowering of the assumed rate of return on CalPERS' portfolio); 4.5%, for merit and cost of living adjustments; and, 0.8% increase is attributable to the addition of the proposed Water Distribution Operator position.
- ❖ Designated Reserve transfers include: \$1,000,000 transfer to the Water Supply Reserve based upon projected revenue in order to begin setting aside funds for the anticipated future construction of new wells for the District, and \$200,000 transfer to the Water Meter Replacement Reserves for accrual of funds toward Meter Replacements at the end of their useful life, projected to start in 2025.

A 2019 Operating Budget Summary is included at the conclusion of this Management's Discussion and Analysis to provide an overview of the District's operating budget.

The District plans to rebuild its financial reserves to a level that supports a higher level of capital investment from reserves. Total capital improvement expenditures budgeted for

**CITRUS HEIGHTS WATER DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2019 and 2018

FY2020 are about \$5.7 million compared with \$4.3 million in FY2019. This amount includes about \$2.6 million in carry-over projects from prior years, and about \$3.1 million in new projects for FY2020. Installation of new fire hydrants, as well as replacements and upgrades for \$160,000, six water main replacement or installation projects, scheduled to start design, will be undertaken in 2020 with construction targeted for 2021, as well as six projects scheduled to start construction at a total cost of \$2.1 million. Operations equipment replacements and new equipment purchases totaling \$380,000 are planned for 2020.

A 2020 Capital Improvement Budget Summary is included at the conclusion of this Management's Discussion and Analysis to provide an overview of the District's capital improvement budget.

A significant but declining portion of the District's budget continues to be the repayment of long-term debt financing in the form of Certificates of Participation originally issued in 2000 (refunded in 2010) and Certificates of Participation originally issued in 2003 (refunded as Revenue Refunding Bonds in 2012). The annual debt service for these two issuances is budgeted at \$635,000 for FY2020.

The District's Board of Directors levied a water rate increase designed to achieve an overall increase in water rate revenues of 3 percent for 2019. The District has implemented a detailed cost-of-service and financial plan study to determine the increase, taking into consideration the statewide water mandates, capital improvement program, and water meter reserves. The increase in revenues resulting from the FY2020 water rates will provide additional revenue to offset rising operating costs and the increasing costs of reinvestment in the District's aging water transmission and distribution infrastructure.

The District anticipates the need to consider future annual water rate increases to fund replacement of portions of the District's 250 miles of underground water mains, and to pay the continually-rising operating costs of the District, while maintaining financial reserves to comply with debt covenants and to provide funds for emergencies or catastrophic losses. However, water rates for years beyond FY2021 have not been adopted by the Board of Directors. District Staff worked with Raftelis Financial Consultants to create and implement a new financial plan, which was completed and presented to the Board in 2019.

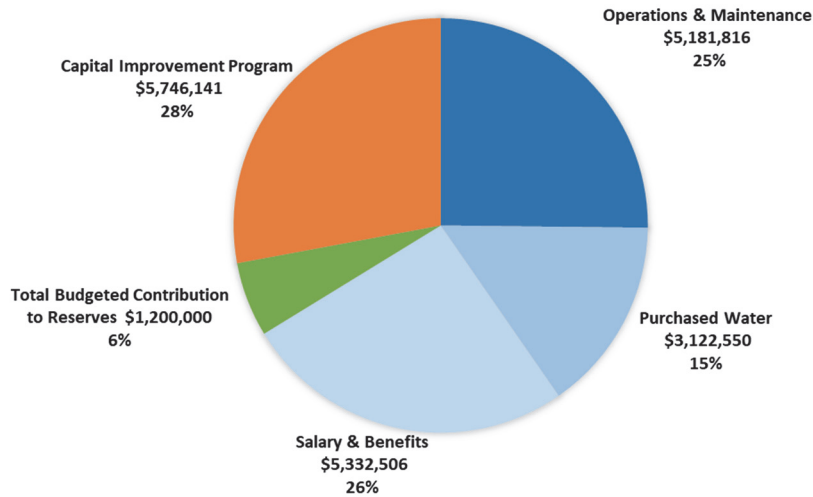


**CITRUS HEIGHTS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2019 and 2018**

**CITRUS HEIGHTS WATER DISTRICT ADOPTED BUDGET**

|   | 2017 Actual  | 2018 Actual   | 2019 Adopted Budget | 2019 Projected | 2020 Adopted Budget |
|---|--------------|---------------|---------------------|----------------|---------------------|
| <b>Operating &amp; Maintenance Budget</b>                       |              |               |                     |                |                     |
| Operations & Maintenance  | \$ 1,978,192 | \$ 3,061,429  | \$ 4,776,093        | \$ 3,418,265   | \$ 5,181,816        |
| Purchased Water   | \$ 2,190,061 | \$ 2,872,679  | \$ 3,444,647        | \$ 3,200,000   | \$ 3,122,550        |
| Salary & Benefits   | \$ 3,071,341 | \$ 4,327,336  | \$ 4,850,319        | \$ 4,831,703   | \$ 5,332,506        |
| Total Expense   | \$ 7,239,594 | \$ 10,261,444 | \$ 13,071,059       | \$ 11,449,967  | \$ 13,636,872       |
| <b>Contribution to Reserves Budget</b>                          |              |               |                     |                |                     |
| Total Budgeted Contribution to Reserves                         | \$ 575,000   | \$ 1,760,000  | \$ 666,000          | \$ 666,000     | \$ 1,200,000        |
| <b>Capital Improvement Program Budget</b>                       |              |               |                     |                |                     |
| Capital Improvement Program Budget (Funded through CIP Reserve) | \$ 2,090,087 | \$ 3,419,838  | \$ 6,204,462        | \$ 3,613,998   | \$ 5,746,141        |

**2020 PROPOSED BUDGET**



**CITRUS HEIGHTS WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2019 and 2018**

**CITRUS HEIGHTS WATER DISTRICT ADOPTED CAPITAL PROJECTS BUDGET**

| Project Number                                    | Description   | 2019 Adopted Budget | Project Expenses Prior Years | 2019 Projected Expense | 2020 Proposed Expense | Adopted Project Budget through 2020 | 2020 Project Budget Amendment Request |
|---|---|---------------------|------------------------------|------------------------|-----------------------|-------------------------------------|---------------------------------------|
| C15-104B  | Document Management System                                      | 250,000             | 5,361                        |                        | 239,278               | 250,000                             | -                                     |
| C15-109   | Blossom Hill Way 6" x 10" Interconnection w/ RV                 | 27,777              |                              | -                      | 27,777                | 27,777                              | -                                     |
| C15-110   | Crestmont Avenue 6" Interconnection w/ RV                       | 24,288              |                              |                        | 24,288                | 24,288                              | -                                     |
| C16-134   | Auburn Blvd - Rusch Park to Placer County Line                  | 10,000              | 609                          |                        | 9,391                 | 10,000                              | -                                     |
| C17-102   | Michigan Dr - Sunrise to West                                   | 285,022             | 12,963                       | 38,039                 | 346,895               | 397,897                             | 112,875                               |
| C17-104   | Groundwater Well Property Acquisition (# 7, 8, 9 & 10)          | 890,000             | 208,136                      | 530,030                | 151,834               | 890,000                             | -                                     |
| C18-103   | Cologne Way   | 220,471             | 267                          | 44,461                 | 222,341               | 267,069                             | 46,598                                |
| C19-003   | Annual Fleet Improvements/Replacements                          | 295,000             |                              | 50,000                 | 245,000               | 295,000                             | -                                     |
| C19-101   | Robie Way 8" Main Replacement Project                           | 26,846              |                              | 26,846                 | 314,536               | 341,382                             | 314,536                               |
| C19-104   | Admiral Avenue Water Main Replacement                           | 30,310              |                              | 30,310                 | 261,129               | 291,439                             | 261,129                               |
| C19-105   | Whyte Avenue and Langley Avenue Water Main Replacement          | 83,235              |                              | 83,235                 | 659,420               | 742,655                             | 659,420                               |
| C19-106   | Wells Avenue 8-inch (San Juan to Wells)                         | 22,460              |                              | 22,460                 |                       | 22,460                              | -                                     |
| C19-107   | Rowan Way 8" & 6" Water Main at Grady Drive                     | 28,419              |                              | 28,419                 | 90,676                | 119,095                             | 90,676                                |
| C19-108   | 6230 Sylvan Road - East Wall                                    | 250,000             |                              | 5,000                  | 45,000                | 50,000                              | (200,000)                             |
| C18-106   | Groundwater Well #7 - Design & Construction                     |                     |                              | -                      | -                     | -                                   | -                                     |
| <b>Encumbered Projects Total</b>                  |   | <b>2,443,828</b>    | <b>227,336</b>               | <b>858,800</b>         | <b>2,637,565</b>      | <b>3,729,062</b>                    | <b>1,285,234</b>                      |
| C20-003   | Annual Fleet and Field Operations Equipment                     | 295,000             |                              | 295,000                | 380,000               | 380,000                             |                                       |
| C20-004   | Annual Technology Hardware and Software                         | 10,000              |                              | 10,000                 | 55,000                | 55,000                              |                                       |
| C20-005   | Annual Facilities Improvements                                  | 140,000             |                              | 140,000                | 100,000               | 100,000                             |                                       |
| C20-010   | Annual Water Main Pipeline Replacements (small)                 | 66,843              |                              | 66,843                 | 70,000                | 70,000                              |                                       |
| C20-011   | Annual Valve Replacements                                       | 148,540             |                              | 80,000                 | 100,000               | 100,000                             |                                       |
| C20-012   | Annual Water Service Connections                                | 957,700             |                              | 800,000                | 850,000               | 850,000                             |                                       |
| C20-013   | Annual Water Meter Replacements                                 | 129,086             |                              | 129,086                | 100,000               | 100,000                             |                                       |
| C20-014   | Annual Fire Hydrants - Repl, Upgrades, Infill, New              | 159,150             |                              | 120,000                | 160,000               | 160,000                             |                                       |
| C20-020   | Annual Groundwater Well Improvements                            | 175,000             |                              | 120,000                | 150,000               | 150,000                             |                                       |
| C20-040   | Other City Partnership Opportunities                            | 100,000             |                              | 100,000                | 150,000               | 150,000                             |                                       |
| C20-041   | Other Misc Infrastructure Projects                              | 50,000              |                              | 50,000                 | 110,000               | 110,000                             |                                       |
| <b>2020 New Annual Capital Total <sup>1</sup></b> |   | <b>2,231,319</b>    | <b>-</b>                     | <b>1,910,929</b>       | <b>2,225,000</b>      | <b>2,225,000</b>                    | <b>-</b>                              |
| C20-101   | Fair Oaks Boulevard   |                     |                              |                        | 56,439                | 56,439                              |                                       |
| C20-102   | Langley Avenue and Chance Drive                                 |                     |                              |                        | 67,019                | 67,019                              |                                       |
| C20   | Marsala Court   |                     |                              |                        | 7,482                 | 7,482                               |                                       |
| C20   | Skycrest School   |                     |                              |                        | 13,765                | 13,765                              |                                       |
| C20   | Walnut Drive  |                     |                              |                        | 17,133                | 17,133                              |                                       |
| C20   | Wisconsin Drive   |                     |                              |                        | 33,238                | 33,238                              |                                       |
| WS20-1  | Water Supply Project Design and Construction of Well            |                     |                              |                        | 563,500               | 563,500                             |                                       |
| C20   | Pre-Architectural Study Corporation Yard/Master Plan            |                     |                              |                        | 100,000               | 100,000                             |                                       |
| C20   | Plans, Specifications, & Estimate for Preferred Alt - Corp Yard |                     |                              |                        | 25,000                | 25,000                              |                                       |
| <b>2020 New Projects Total Budget</b>             |   | <b>-</b>            | <b>-</b>                     | <b>-</b>               | <b>883,576</b>        | <b>883,576</b>                      | <b>-</b>                              |
| <b>Totals</b>                                     |   | <b>4,675,147</b>    |                              | <b>858,800</b>         | <b>5,746,141</b>      | <b>6,837,638</b>                    | <b>1,285,234</b>                      |

| Summary   | Total Budget        |
|---|---------------------|
| Prior Years Carry-Over Capital Project Total      | 2,443,828           |
| <b>Plus:</b>                                      |                     |
| Prior Years Projects Amendment Approval/(Savings) | 1,285,234           |
| 2020 New Annual Capital Project Total             | 2,225,000           |
| 2020 New Capital Project Total                    | 883,576             |
| 2020 Capital Project Total Budget Request         | 4,393,810           |
| <b>Total CIP Budget</b>                           | <b>\$ 6,837,638</b> |

<sup>1</sup> Prior Year Annual Projects are included for comparison purposes only as Annual Projects are completed on an annual basis



**C I T R U S**  
**H E I G H T S**  

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**W A T E R**  
**D I S T R I C T**

# Basic Financial Statements

CITRUS HEIGHTS WATER DISTRICT  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                     |
| Cash and investments (Note 2)  | \$14,461,764        | \$13,050,305        |
| Restricted - cash and investments (Note 2)                               | 542,660             | 541,475             |
| Accounts receivable, net   | 2,701,846           | 2,374,296           |
| Due from other governments   | 199,973             | 398,292             |
| Accrued interest receivable  | 41,599              | 42,558              |
| Inventory  | 341,180             | 284,027             |
| Prepaid expenses and other deposits                                      | 512,742             | 459,116             |
| Total current assets   | 18,801,764          | 17,150,069          |
| <b>NON-CURRENT ASSETS</b>  |                     |                     |
| Non-depreciable capital assets (Note 3)                                  | 1,577,867           | 1,408,284           |
| Depreciable capital assets, net (Note 3)                                 | 58,062,577          | 56,701,159          |
| Total non-current assets   | 59,640,444          | 58,109,443          |
| <b>TOTAL ASSETS</b>  | <b>78,442,208</b>   | <b>75,259,512</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                     |                     |
| Deferred amount from refunding debt                                      | 9,788               | 22,839              |
| Pension related (Note 7)   | 1,915,695           | 2,529,491           |
| OPEB related (Note 8)  | 188,276             | 122,527             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                              | <b>2,113,759</b>    | <b>2,674,857</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   | <b>\$80,555,967</b> | <b>\$77,934,369</b> |
| <b>LIABILITIES</b>   |                     |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                     |
| Accounts payable   | \$697,792           | \$568,947           |
| Retentions payable   | 37,883              | -                   |
| Accrued payroll  | 116,071             | 92,439              |
| Accrued interest payable   | 46,342              | 52,344              |
| Deposits payable   | 395,166             | 384,835             |
| Compensated absences (Note 4)  | 367,594             | 263,556             |
| Long-term debt (Note 4)  | 635,000             | 610,000             |
| Total current liabilities  | 2,295,848           | 1,972,121           |
| <b>NON-CURRENT LIABILITIES</b>   |                     |                     |
| Compensated absences (Note 4)  | 77,057              | 199,533             |
| Long-term debt (Note 4)  | 1,798,208           | 2,468,027           |
| Net pension liability (Note 7)   | 4,611,042           | 4,399,273           |
| Net OPEB liability (Note 8)  | 1,459,582           | 1,401,268           |
| Total non-current liabilities  | 7,945,889           | 8,468,101           |
| <b>TOTAL LIABILITIES</b>   | <b>10,241,737</b>   | <b>10,440,222</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                     |                     |
| Deferred amount from refunding debt                                      | 23,872              | 25,197              |
| Pension related (Note 7)   | 337,348             | 180,785             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                               | <b>361,220</b>      | <b>205,982</b>      |
| <b>NET POSITION (Note 6)</b>   |                     |                     |
| Net investment in capital assets   | 57,193,152          | 55,029,058          |
| Restricted for debt service  | 542,660             | 541,475             |
| Unrestricted   | 12,217,198          | 11,717,632          |
| <b>TOTAL NET POSITION</b>  | <b>69,953,010</b>   | <b>67,288,165</b>   |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> | <b>\$80,555,967</b> | <b>\$77,934,369</b> |

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | <u>2019</u>                | <u>2018</u>                |
|---|----------------------------|----------------------------|
| OPERATING REVENUES                                    |                            |                            |
| Water sales   | \$14,823,207               | \$14,119,865               |
| Connection and other fees                             | <u>517,269</u>             | <u>255,179</u>             |
| Total operating revenues                              | <u>15,340,476</u>          | <u>14,375,044</u>          |
| OPERATING EXPENSES                                    |                            |                            |
| Customer service, administration and general          | 4,371,420                  | 3,228,919                  |
| Water purchases                                       | 3,131,903                  | 2,878,799                  |
| Transmission and distribution                         | 2,425,827                  | 2,142,451                  |
| Pumping and well maintenance                          | 683,432                    | 717,562                    |
| Conservation  | 617,732                    | 563,708                    |
| Depreciation and amortization                         | <u>2,435,900</u>           | <u>2,388,634</u>           |
| Total operating expenses                              | <u>13,666,214</u>          | <u>11,920,073</u>          |
| OPERATING INCOME                                      | <u>1,674,262</u>           | <u>2,454,971</u>           |
| NONOPERATING REVENUES (EXPENSES)                      |                            |                            |
| Investment income                                     | 214,962                    | 159,437                    |
| Miscellaneous income                                  | 69,322                     | 107,546                    |
| Groundwater transfers and sales                       | 38,316                     | 347,583                    |
| Interest expense                                      | (124,346)                  | (147,540)                  |
| (Loss) gain on disposal of capital assets             | <u>(105,755)</u>           | <u>(164,842)</u>           |
| Total nonoperating revenues (expenses)                | <u>92,499</u>              | <u>302,184</u>             |
| Net income (loss) before capital contributions        | <u>1,766,761</u>           | <u>2,757,155</u>           |
| CAPITAL CONTRIBUTIONS                                 |                            |                            |
| Capital contributions                                 | <u>898,084</u>             | <u>213,121</u>             |
| Total capital contributions                           | <u>898,084</u>             | <u>213,121</u>             |
| CHANGES IN NET POSITION                               | 2,664,845                  | 2,970,276                  |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED (NOTE 6) | <u>67,288,165</u>          | <u>64,317,889</u>          |
| NET POSITION, END OF YEAR                             | <u><u>\$69,953,010</u></u> | <u><u>\$67,288,165</u></u> |

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | 2019                       | 2018                       |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                      |                            |                            |
| Cash receipts from customers  | \$15,050,809               | \$14,356,677               |
| Cash paid to suppliers for goods and services                             | (7,881,654)                | (6,712,978)                |
| Cash paid to employees for services                                       | (2,129,372)                | (3,082,301)                |
| Cash Flows from Operating Activities                                      | <u>5,039,783</u>           | <u>4,561,398</u>           |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES                           |                            |                            |
| Receipts from miscellaneous non operating income                          | 69,322                     | 107,546                    |
| Receipts from groundwater transfers and sales                             | 38,316                     | 347,583                    |
| Cash Flows from Noncapital Financing Activities                           | <u>107,638</u>             | <u>455,129</u>             |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES                  |                            |                            |
| Acquisition and construction of capital assets                            | (3,174,572)                | (3,410,898)                |
| Principal payments on long-term debt                                      | (644,819)                  | (619,820)                  |
| Interest payments on long-term debt                                       | (130,348)                  | (148,183)                  |
| Cash Flows (used for) Capital and Related Financing Activities            | <u>(3,949,739)</u>         | <u>(4,178,901)</u>         |
| CASH FLOWS FROM INVESTING ACTIVITIES                                      |                            |                            |
| Interest earnings   | 214,962                    | 159,437                    |
| Cash Flows from Investing Activities                                      | <u>214,962</u>             | <u>159,437</u>             |
| NET CASH FLOWS  | 1,412,644                  | 997,063                    |
| Cash, beginning of year   | <u>13,591,780</u>          | <u>12,594,717</u>          |
| Cash, end of year   | <u><u>\$15,004,424</u></u> | <u><u>\$13,591,780</u></u> |
| Reconciliation of cash and cash equivalents to statement of net position: |                            |                            |
| Cash and cash equivalents   | \$14,461,764               | \$13,050,305               |
| Restricted - cash and cash equivalents                                    | 542,660                    | 541,475                    |
| Total cash and cash equivalents   | <u><u>\$15,004,424</u></u> | <u><u>\$13,591,780</u></u> |

(Continued)

CITRUS HEIGHTS WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| RECONCILIATION OF NET INCOME FROM OPERATIONS TO<br>NET CASH PROVIDED BY OPERATING ACTIVITIES: | <u>2019</u>        | <u>2018</u>        |
|---|--------------------|--------------------|
| Net income from operations  | \$1,674,262        | \$2,454,971        |
| Adjustments to reconcile operating income to net cash provided by operating activities:       |                    |                    |
| Depreciation and amortization   | 2,435,900          | 2,388,634          |
| Change in assets and liabilities:   |                    |                    |
| (Increase) decrease in assets and deferred outflows of resources:                             |                    |                    |
| Accounts receivable   | (327,550)          | 58,246             |
| Inventory   | (57,153)           | (48,560)           |
| Prepaid expenses and other assets   | 145,652            | 86,131             |
| Deferred amount from refunding of debt  | 13,051             | 13,050             |
| Increase (decrease) in liabilities and deferred inflows of resources:                         |                    |                    |
| Accounts payable  | 128,845            | (101,383)          |
| Accrued payroll   | 23,632             | 26,963             |
| Deposits payable  | 10,331             | 10,535             |
| Retentions payable  | 37,883             | (76,613)           |
| Compensated absences  | (18,438)           | 84,750             |
| Deferred amount from refunding of debt  | (1,325)            | (1,325)            |
| Net pension liability and related deferred inflows and outflows                               | 982,128            | (321,019)          |
| Total OPEB liability and related deferred inflows and outflows                                | <u>(7,435)</u>     | <u>(12,982)</u>    |
| Net cash provided by operating activities   | <u>\$5,039,783</u> | <u>\$4,561,398</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES  |                    |                    |
| Receipt of contributed assets   | <u>\$898,084</u>   | <u>\$213,121</u>   |

See accompanying notes to financial statements



## Notes to the Basic Financial Statements

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The District was established on October 25, 1920 as an irrigation district under Division 11 of the Act of Legislature of the State of California. The District constructs and maintains waterworks and supplies domestic water in an area of approximately 12 square miles to about 19,900 connections in Sacramento and Placer counties with an estimated population of 66,000. The District is governed by a Board of Directors consisting of three directors elected by residents of the District. The accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

The District has created the Citrus Heights Water District Financing Corporation (the Corporation) to provide assistance to the District in the issuance of debt. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the District and its sole purpose is to provide financing to the District under the debt issuance documents of the District. Debt issued by the Corporation is reflected as debt of the District in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

Basis of Presentation – Fund Accounting: The basic financial statements of the Citrus Heights Water District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. The more significant of the District's accounting policies are described below.

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is 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 (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. When such funds are received they are recorded as unearned revenue until earned. Earned but unbilled water services are accrued as revenue.

Water lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District, and the estimated costs are capitalized as donated pipelines.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include bank deposits and restricted and unrestricted investments in money market mutual funds and LAIF.

Restricted Assets: Certain proceeds of the District's long-term debt are classified as restricted investments on the balance sheet because their use is limited by applicable debt covenants.

Investments: Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventory: Inventory consists primarily of materials used in the construction and maintenance of the water distribution facilities and is valued on a first-in, first-out basis.

Prepays: Prepays consist primarily of insurance, maintenance agreements and other prepaid assets.

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets, works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the asset construction. Depreciation is calculated using the straight-line method over the following estimated useful lives:

| Description                 | Useful<br>Life |
|-----------------------------|----------------|
| Pipeline and infrastructure | 20 - 40 years  |
| Equipment and machinery     | 5 - 10 years   |
| Buildings                   | 15 - 40 years  |
| Well improvements           | 40 years       |
| Donated pipelines           | 40 years       |
| Improvements                | 40 years       |

Depreciation expense aggregated \$2,415,482 and \$2,369,215 for the years ended December 31, 2019 and 2018, respectively, and is included with depreciation and amortization expense.

Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than \$5,000 for tangible personal property and \$15,000 for infrastructure, building or improvements. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Bond Premiums and Bond Issuance Costs: Bond premiums are deferred and amortized over the lives of the bonds. Long-term liabilities are reported net of the applicable bond premiums. Bond issuance costs are recognized as an expense in the period incurred.

Deferred Amount from Refunding Debt: The difference between the reacquisition price of refunded debt and the net carrying amount of the previously outstanding debt is deferred and reported as either a deferred outflow or deferred inflow on the balance sheet. These amounts are amortized over the shorter of the term of the old debt or the new debt.

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

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Compensated Absences: The District's policy allows employees to accumulate earned but unused annual leave, management leave and compensatory time-off which will be paid to employees upon separation from service to the District. The cost of annual leave, management leave and compensatory time-off is recognized in the period earned.

Upon death while employed by the District or retirement from the District, employees are paid one-third of their accumulated sick leave time. This amount is also recognized in the period earned.

**A. New Pronouncements**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended December 31, 2019:

GASB Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for the District's fiscal year ending December 31, 2019. The District has elected to early adopt the provisions of Statement No. 84 by retroactively restating financial statements for the year ending December 31, 2018. As a result, the previously reported Fiduciary Fund for Other Post-Employment Benefit Trust Fund is no longer reported as part of the District's financial statements.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of December 31 are classified in the accompanying financial statements as follows:

|                                 | 2019                | 2018                |
|---------------------------------|---------------------|---------------------|
| Cash and investments            | \$14,461,764        | \$13,050,305        |
| Restricted cash and investments | 542,660             | 541,475             |
| Total cash and investments      | <u>\$15,004,424</u> | <u>\$13,591,780</u> |

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Cash and investments as of December 31 consisted of the following:

|  | 2019         | 2018         |
|--|--------------|--------------|
| Cash on hand                                       | \$850        | \$850        |
| Deposits with financial institutions               | 8,067,088    | 6,829,104    |
| Total cash   | 8,067,938    | 6,829,954    |
| Investments in Local Agency Investment Fund (LAIF) | 6,393,826    | 6,220,351    |
| Held by fiscal agent:                              |              |              |
| Money market mutual fund                           | 542,660      | 541,475      |
| Total investments                                  | 6,936,486    | 6,761,826    |
| Total cash and investments                         | \$15,004,424 | \$13,591,780 |

Investment Policy: California statutes authorize districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. During the year ended December 31, 2019, the District's permissible investments included the following instruments:

| Authorized Investment Type          | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio* | Maximum<br>Investment<br>In One Issuer |
|-------------------------------------|---------------------|--|--|
| Local Agency Investment Program     | 5 years             | None                                   | None                                   |
| U.S. Treasury Obligations           | 5 years             | None                                   | None                                   |
| U.S. Agency Securities              | 5 years             | None                                   | None                                   |
| State of California Obligations     | 5 years             | None                                   | None                                   |
| Bankers Acceptances                 | 180 days            | 40%                                    | 30%                                    |
| Commercial Paper                    | 270 days            | 40%                                    | 10%                                    |
| Negotiable Certificates of Deposits | 5 years             | 30%                                    | None                                   |
| Medium Term Corporate Notes         | 5 years             | 30%                                    | None                                   |
| Money Market Mutual Funds           | N/A                 | 20%                                    | 10%                                    |
| Mortgage Pass-through Securities    | 5 years             | 20%                                    | No Limit                               |
| LAIF                                | N/A                 | None                                   | No Limit                               |
| Passbook Deposits                   | 45 days             | None                                   | None                                   |
| Supranationals                      | 5 years             | 30%                                    | None                                   |

\* Excluding amounts held by the bond trustee that are not subject to California Government Code restrictions

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The District complied with the provisions of the California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, the institutions in which deposits were made, and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The Certificates of Participation debt agreements contain certain provisions that address interest rate risk and credit risk, but not concentration of credit risk.

| Authorized Investment Type          | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|-------------------------------------|---------------------|---------------------------------------|--|
| Local Agency Investment Program     | None                | None                                  | None                                   |
| U.S. Treasury Obligations           | None                | None                                  | None                                   |
| U.S. Agency Securities              | None                | None                                  | None                                   |
| Bankers Acceptances                 | 1 year              | None                                  | None                                   |
| Commercial Paper                    | None                | None                                  | None                                   |
| Negotiable Certificates of Deposits | None                | None                                  | None                                   |
| Investment Agreements               | None                | None                                  | None                                   |
| Repurchase Agreements               | None                | None                                  | None                                   |
| Money Market Mutual Funds           | N/A                 | None                                  | None                                   |
| LAIF                                | N/A                 | None                                  | None                                   |

Fair Value Hierarchy: The District 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.

|  |
|--|
| <p style="text-align: center;"><b>CITRUS HEIGHTS WATER DISTRICT</b><br/> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b><br/> <b>For the Years Ended December 31, 2019 and 2018</b></p> |
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|   |
|---|
| <p><b>NOTE 2 – CASH AND INVESTMENTS (Continued)</b></p> |
|---|

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31, 2019:

|  | Level 1          | Total                      |
|--|------------------|----------------------------|
| <i><b>Investments by Fair Value Level:</b></i>                           |                  |                            |
| Money Market Mutual Fund   | \$542,660        | \$542,660                  |
| Total Investments  | <u>\$542,660</u> | <u>542,660</u>             |
| <i><b>Investments Measured at Amortized Cost:</b></i>                    |                  |                            |
| Money Market Mutual Fund   |                  | <u>542,971</u>             |
| <i><b>Cash in banks and on hand</b></i>                                  |                  | <u>7,524,967</u>           |
| <i><b>Total Cash and Investments subject to Fair Value Hierarchy</b></i> |                  | <u>8,610,598</u>           |
| <i><b>Investments not subject to Fair Value Hierarchy</b></i>            |                  |                            |
| California Local Agency Investment Fund (LAIF)                           |                  | <u>6,393,826</u>           |
| Total Cash and Investments   |                  | <u><u>\$15,004,424</u></u> |

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31, 2018:

|  | Level 1          | Total                      |
|--|------------------|----------------------------|
| <i><b>Investments by Fair Value Level:</b></i>                           |                  |                            |
| Money Market Mutual Fund   | \$541,475        | \$541,475                  |
| Total Investments  | <u>\$541,475</u> | <u>541,475</u>             |
| <i><b>Investments Measured at Amortized Cost:</b></i>                    |                  |                            |
| Money Market Mutual Fund   |                  | <u>535,431</u>             |
| <i><b>Cash in banks and on hand</b></i>                                  |                  | <u>6,294,523</u>           |
| <i><b>Total Cash and Investments subject to Fair Value Hierarchy</b></i> |                  | <u>7,371,429</u>           |
| <i><b>Investments not subject to Fair Value Hierarchy</b></i>            |                  |                            |
| California Local Agency Investment Fund (LAIF)                           |                  | <u>6,220,351</u>           |
| Total Cash and Investments   |                  | <u><u>\$13,591,780</u></u> |



**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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. One of the ways the District 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 maturity, evenly over time, as necessary to provide the cash flow and liquidity needed for operations. All of the District's investments mature in 12 months or less.

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type for the year ended December 31, 2019.

|                           | Minimum<br>Legal<br>Rating | Ratings as<br>of Year End<br>AAAm | Not Rated          | Total              |
|---------------------------|----------------------------|-----------------------------------|--------------------|--------------------|
| LAIF                      | N/A                        |                                   | \$6,393,826        | \$6,393,826        |
| Held by bond trustee:     |                            |                                   |                    |                    |
| Money market mutual funds | AAAm                       | \$542,660                         |                    | 542,660            |
|                           |                            | <u>\$542,660</u>                  | <u>\$6,393,826</u> | <u>\$6,936,486</u> |

The following is a summary of the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type for the year ended December 31, 2018.

|                           | Minimum<br>Legal<br>Rating | Ratings as<br>of Year End<br>AAAm | Not Rated          | Total              |
|---------------------------|----------------------------|-----------------------------------|--------------------|--------------------|
| LAIF                      | N/A                        |                                   | \$6,220,351        | \$6,220,351        |
| Held by bond trustee:     |                            |                                   |                    |                    |
| Money market mutual funds | AAAm                       | \$541,475                         |                    | 541,475            |
|                           |                            | <u>\$541,475</u>                  | <u>\$6,220,351</u> | <u>\$6,761,826</u> |

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 5% of total investments, with the exception of U.S. Treasury obligations, U.S. Agency Securities, and LAIF. There are no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total District investments.

**CITRUS HEIGHTS WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the District's cash on deposit. All of the District's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the District's name.

Investment in LAIF: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At December 31, 2019 and 2018, respectively, these investments matured in an average of 226 and 192 days.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2019 and 2018 are as follows:

|   | Balance<br>December 31, 2018 | Additions   | Retirements | Transfers     | Balance<br>December 31, 2019 |
|---|------------------------------|-------------|-------------|---------------|------------------------------|
| Capital assets not being depreciated:       |                              |             |             |               |                              |
| Land  | \$955,683                    |             |             |               | \$955,683                    |
| Right of ways                               | 26,080                       |             |             |               | 26,080                       |
| Construction in progress                    | 426,521                      | \$3,180,405 | (\$31,538)  | (\$2,979,284) | 596,104                      |
| Total capital assets not being depreciated  | 1,408,284                    | 3,180,405   | (31,538)    | (2,979,284)   | 1,577,867                    |
| Capital assets being depreciated:           |                              |             |             |               |                              |
| Improvements                                | 1,079,743                    |             |             | 165,319       | 1,245,062                    |
| Pipelines and infrastructure                | 60,794,063                   |             | (260,814)   | 2,435,921     | 62,969,170                   |
| Equipment and machinery                     | 3,642,871                    | 23,380      | (65,400)    | 270,654       | 3,871,505                    |
| Buildings and improvements                  | 3,889,125                    |             |             | 43,262        | 3,932,387                    |
| Well improvements                           | 7,814,290                    |             |             | 64,128        | 7,878,418                    |
| Donated pipelines                           | 17,649,248                   | 898,084     | (38,816)    |               | 18,508,516                   |
| Total capital assets being depreciated      | 94,869,340                   | 921,464     | (365,030)   | 2,979,284     | 98,405,058                   |
| Less accumulated depreciation for:          |                              |             |             |               |                              |
| Improvements                                | (41,572)                     | (26,724)    |             |               | (68,296)                     |
| Pipelines and infrastructure                | (22,013,708)                 | (1,526,895) | 171,956     |               | (23,368,647)                 |
| Equipment and machinery                     | (2,796,118)                  | (172,232)   | 53,547      |               | (2,914,803)                  |
| Buildings and improvements                  | (952,486)                    | (94,400)    |             |               | (1,046,886)                  |
| Well improvements                           | (1,800,782)                  | (195,117)   |             |               | (1,995,899)                  |
| Donated pipelines                           | (10,563,515)                 | (408,806)   | 24,371      |               | (10,947,950)                 |
| Total accumulated depreciation              | (38,168,181)                 | (2,424,174) | 249,874     |               | (40,342,481)                 |
| Total capital assets being depreciated, net | 56,701,159                   | (1,502,710) | (115,156)   | 2,979,284     | 58,062,577                   |
| Capital Assets, net                         | \$58,109,443                 | \$1,677,695 | (\$146,694) |               | \$59,640,444                 |

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 3 – CAPITAL ASSETS (Continued)**

|   | Balance<br>December 31, 2017 | Additions   | Retirements | Transfers     | Balance<br>December 31, 2018 |
|---|------------------------------|-------------|-------------|---------------|------------------------------|
| Capital assets not being depreciated:       |                              |             |             |               |                              |
| Land  | \$955,683                    |             |             |               | \$955,683                    |
| Right of ways                               | 26,080                       |             |             |               | 26,080                       |
| Construction in progress                    | 1,854,420                    | \$3,478,694 | (\$73,905)  | (\$4,832,688) | 426,521                      |
| Total capital assets not being depreciated  | 2,836,183                    | 3,478,694   | (73,905)    | (4,832,688)   | 1,408,284                    |
| Capital assets being depreciated:           |                              |             |             |               |                              |
| Improvements                                | 55,847                       |             |             | 1,023,896     | 1,079,743                    |
| Pipelines and infrastructure                | 58,878,496                   |             | (343,087)   | 2,258,654     | 60,794,063                   |
| Equipment and machinery                     | 3,413,942                    |             |             | 228,929       | 3,642,871                    |
| Buildings and improvements                  | 2,777,938                    |             |             | 1,111,187     | 3,889,125                    |
| Well improvements                           | 7,604,268                    |             |             | 210,022       | 7,814,290                    |
| Donated pipelines                           | 17,436,126                   | 213,122     |             |               | 17,649,248                   |
| Total capital assets being depreciated      | 90,166,617                   | 213,122     | (343,087)   | 4,832,688     | 94,869,340                   |
| Less accumulated depreciation for:          |                              |             |             |               |                              |
| Improvements                                | (38,657)                     | (2,915)     |             |               | (41,572)                     |
| Pipelines and infrastructure                | (20,708,602)                 | (1,470,040) | 164,934     |               | (22,013,708)                 |
| Equipment and machinery                     | (2,610,470)                  | (185,648)   |             |               | (2,796,118)                  |
| Buildings and improvements                  | (882,115)                    | (70,371)    |             |               | (952,486)                    |
| Well improvements                           | (1,610,611)                  | (190,171)   |             |               | (1,800,782)                  |
| Donated pipelines                           | (10,113,445)                 | (450,070)   |             |               | (10,563,515)                 |
| Total accumulated depreciation              | (35,963,900)                 | (2,369,215) | 164,934     |               | (38,168,181)                 |
| Total capital assets being depreciated, net | 54,202,717                   | (2,156,093) | (\$178,153) | 4,832,688     | 56,701,159                   |
| Capital Assets, net                         | \$57,038,900                 | \$1,322,601 | (\$252,058) |               | \$58,109,443                 |

**Capacity Entitlements:** From 1993 through 1998, the District participated with four other water agencies in a cooperative transmission pipeline project for the construction of additional transmission pipeline facilities. The District's share of these pipeline costs totaled \$5,636,711. The Capacity Entitlements asset represents the capacity rights the District has purchased in the cooperative transmission pipeline project owned by San Juan Water District. The asset is being amortized over the pipeline's estimated useful life of forty years.

**NOTE 4 – LONG-TERM LIABILITIES**

Long-term liabilities consist of the following:

**2010 Certificates of Participation:** In 2010, the District issued \$5,155,000 of Revenue Certificates of Participation (Certificates) with an interest rate of 4.00%. These 2010 Certificates were issued to retire the 2000 Certificates of Participation, which were issued to finance certain capital improvements to the District's water system. The District is required to collect rates and charges from its water system that will be sufficient to yield net revenues equal to 110% of debt service payments on any future debt issued, and to deposit the net revenues in a revenue fund pledged for such future debt service payments. Annual principal payments, ranging from \$450,000 to \$545,000 are due on September 28 through September 28, 2020 and semi-annual interest payments, ranging from \$10,900 to \$59,600 are due on March 28 and September 28 through September 28, 2020.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 4 – LONG-TERM LIABILITIES (Continued)**

2012 Revenue Refunding Bonds: In April 2012, the District issued \$2,275,000 of Revenue Refunding Bonds with interest rates ranging from 3.00% to 5.25%. These 2012 Revenue Refunding Bonds were issued to retire the 2003 Certificates of Participation, which were issued to finance the cost of certain capital improvements to the District's water system. The District is required to collect rates and charges from its water system that will be sufficient to yield net revenues equal to 110% of debt service payments on any future debt issued, and to deposit the net revenues in a revenue fund pledged for such future debt service payments. Annual principal payments, ranging from \$70,000 to \$160,000 are due on February 1 through February 1, 2033, and semi-annual interest payments, ranging from \$4,200 to \$48,600 are due on February 1 and August 1, through February 1, 2033.

The activity of the District's long-term liabilities during the years ended December 31, 2019 and 2018 was as follows:

|   | Balance<br>December 31, 2018       | Additions | Retirements   | Balance<br>December 31, 2019 | Current<br>Portion |
|---|------------------------------------|-----------|---------------|------------------------------|--------------------|
| 2010 Certificates of Participation<br>4%, due 9/28/20 | \$1,070,000                        |           | (\$525,000)   | \$545,000                    | \$545,000          |
| 2012 Revenue Refunding Bonds<br>3-5.25%, due 2/1/33   | 1,790,000                          |           | (85,000)      | 1,705,000                    | 90,000             |
| Less: Unamortized premiums                            | 218,027                            |           | (34,819)      | 183,208                      |                    |
|   | 3,078,027                          |           | (644,819)     | 2,433,208                    | 635,000            |
| Net pension liability                                 | 4,399,273                          | \$211,769 |               | 4,611,042                    |                    |
| Net OPEB liability                                    | 1,401,268                          | 100,841   | (42,527)      | 1,459,582                    |                    |
| Compensated absences                                  | 463,089                            | 372,613   | (391,051)     | 444,651                      | 367,594            |
| Total Long-Term Liabilities                           | \$9,341,657                        | \$685,223 | (\$1,078,397) | \$8,948,483                  | \$1,002,594        |
|   | December 31, 2017<br>(as restated) | Additions | Retirements   | Balance<br>December 31, 2018 | Current<br>Portion |
| 2010 Certificates of Participation<br>4%, due 9/28/20 | \$1,575,000                        |           | (\$505,000)   | \$1,070,000                  | \$525,000          |
| 2012 Revenue Refunding Bonds<br>3-5.25%, due 2/1/33   | 1,870,000                          |           | (80,000)      | 1,790,000                    | 85,000             |
| Less: Unamortized premiums                            | 252,847                            |           | (34,820)      | 218,027                      |                    |
|   | 3,697,847                          |           | (619,820)     | 3,078,027                    | 610,000            |
| Net pension liability                                 | 4,155,588                          | \$243,685 |               | 4,399,273                    |                    |
| Net OPEB liability                                    | 1,332,951                          | 189,545   | (121,228)     | 1,401,268                    |                    |
| Compensated absences                                  | 378,339                            | 339,346   | (254,596)     | 463,089                      | 263,556            |
| Total Long-Term Liabilities                           | \$9,564,725                        | \$772,576 | (\$995,644)   | \$9,341,657                  | \$873,556          |

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 4 – LONG-TERM LIABILITIES (Continued)**

The annual requirements to amortize the outstanding debt as of December 31, 2019 are as follows:

| Fiscal Year Ending<br>December 31, | 2010 Certificates of Participation |                 |                  | 2012 Revenue Refunding Bonds |                  |                    |
|------------------------------------|------------------------------------|-----------------|------------------|------------------------------|------------------|--------------------|
|                                    | Principal                          | Interest        | Total            | Principal                    | Interest         | Total              |
| 2020                               | \$545,000                          | \$21,800        | \$566,800        | \$90,000                     | \$83,588         | \$173,588          |
| 2021                               |                                    |                 |                  | 95,000                       | 79,088           | 174,088            |
| 2022                               |                                    |                 |                  | 100,000                      | 74,338           | 174,338            |
| 2023                               |                                    |                 |                  | 105,000                      | 69,338           | 174,338            |
| 2024                               |                                    |                 |                  | 110,000                      | 64,088           | 174,088            |
| 2025-2029                          |                                    |                 |                  | 605,000                      | 253,200          | 858,200            |
| 2030-2033                          |                                    |                 |                  | 600,000                      | 8,400            | 608,400            |
| Total                              | <u>\$545,000</u>                   | <u>\$21,800</u> | <u>\$566,800</u> | <u>\$1,705,000</u>           | <u>\$632,038</u> | <u>\$2,337,038</u> |

Pledged Revenue: The District pledged future water system revenues, net of specified expenses, to repay the 2012 Revenue Refunding Bonds in an original amount of \$2,275,000. Proceeds of the Revenue Refunding Bonds were used to refund the 2003 Certificates of Participation to finance capital improvements to the District's water system. The Revenue Refunding Bonds are payable solely from water customer net revenues, and are payable through February, 2033. Annual principal and interest payments on the Bonds are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Revenue Refunding Bonds was \$2,409,225 and \$2,580,363 at December 31, 2019 and 2018, respectively.

The District pledged future water system revenues, net of specified expenses, to repay the 2010 Certificates of Participation in the original amount of \$5,155,000. Proceeds of the Certificates of Participation funded the acquisition and construction of certain facilities, as indicated above. The Certificates of Participation are payable solely from water customer net revenues and are payable through September 2020. Annual principal and interest payments on the Certificates of Participation are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Certificates of Participation was \$566,800 and \$1,134,600 at December 31, 2019 and 2018, respectively.

Total principal and interest paid on all debt payable from net revenues was \$738,938 and \$737,738 and the total water system net revenues were \$3,817,978 and \$4,958,578 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the District's net revenues were 517% and 672% of debt service payments, respectively.

Events of Default: The 2012 Revenue Refunding Bonds from direct borrowings related to business-type activities, contain events of default that declare the principal of all of the 2012 bonds then outstanding and the interest accrued thereon to be due and payable immediately as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the District to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the District; or if any court or competent jurisdiction shall assume custody or control of the District. There were no such events occurred during the fiscal year ending December 31, 2019.

**CITRUS HEIGHTS WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018**

**NOTE 4 – LONG-TERM LIABILITIES (Continued)**

The 2010 Certificates of Participation's bond covenants contain events of default that declare the entire principal amount of the unpaid Series 2010 Installment Payments and the accrued interest thereon to be due and payable immediately as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the District to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the District; or if any court or competent jurisdiction shall assume custody or control of the District. There were no such events occurred during the fiscal year ending December 31, 2019.

**NOTE 5 – ARBITRAGE REBATE LIABILITY**

Section 148(f) of the Internal Revenue Code requires issuers of tax-exempt state and local bonds to remit to the federal government amounts equal to (a) the excess of the actual amounts earned on all "Nonpurpose Investments" allocable to "Gross Proceeds" of an issue of municipal obligations less the amount that would have been earned if the investments bore a rate equal to the amount that would have been earned if the investments bore a rate equal to the yield on the issue, plus (b) all income attributable to the excess. Issuers must make rebate payments at least once every five years and upon final retirement or redemption of the bonds. There was no arbitrage liability at December 31, 2019 and 2018.

**NOTE 6 – NET POSITION**

Restrictions: Restricted net position consist of constraints placed on net asset use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2019 and 2018 consisted of the debt service reserve on the 2010 Certificates of Participation. The restrictions represent debt service and other reserves required by the related debt covenants.

Designations: Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

The designations are for the following:

Designated for rate stabilization represents the amount to be used to ensure financial and customer rate stability in responding to certain conditions.

Designated for operating reserve is maintained for operating funds collected in advance for the following year, accrued leave reserve, self-insurance reserve, unanticipated operating expenses, unanticipated economic shortfall, and unallocated funds.

Designated for depreciation reserve represents amounts set aside to replace or rehabilitate capital facilities at the end of their useful life.

Designated for capital improvement reserve represents amounts set aside for use in evaluating and constructing new capital facilities to benefit existing District customers. This reserve had a negative balance in past years due to large capital expenditures, including the meter retrofit program and well construction.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 6 – NET POSITION (Continued)**

Designated for fleet equipment reserve represents amounts set aside to replace fleet equipment at the end of its useful life.

Designated for employment-related benefits reserve represents amounts set aside to pay the costs of employment-related benefits for existing and retired District employees.

Designated for water meter replacement reserve represents amounts set aside for use in evaluating, designing, and replacing or rehabilitating capital facilities pertaining to water meters to benefit existing District customers.

Designated for water supply reserve represents amounts set aside for evaluating, acquiring, and constructing capital facilities related to water supply, such as groundwater production wells, aquifer storage and recovery wells, surface water projects, recycled/reclaimed water projects, and land and right-of-way acquisition.

Net Position Restatements: Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended December 31, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the District to make prior period adjustments. As a result, the beginning net position at January 1, 2018 of the Business-Type Activities was restated and reduced by \$451,196. See Note 8.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

For purposes of measuring the net pension liability and deferred outflows/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 CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Information about the Pension Plans**

Plan Description and Summary of Balances by Plan – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous (all other) Employee Pension Rate Plan. The District's Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors one rate plan (miscellaneous).



**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)**

Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Below is a summary of the deferred outflows of resources, net pension liabilities, and deferred inflows of resources by Plan for the year ended December 31, 2019:

|               | Deferred<br>Outflows<br>of Resources | Net Pension<br>Liability/<br>Proportionate<br>Share of Net<br>Pension Liability | Deferred<br>Inflows<br>of Resources |
|---------------|--------------------------------------|---|-------------------------------------|
| Miscellaneous | \$1,915,695                          | \$4,611,042   | (\$337,348)                         |

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plans' provisions and benefits in effect at December 31, 2019, are summarized as follows:

|   | Miscellaneous<br>Tier 1<br>Prior to<br>January 1, 2013 | Miscellaneous<br>Tier 2<br>Prior to<br>January 1, 2013 | Miscellaneous<br>PEPRA<br>On or after<br>January 1, 2013 |
|---|--|--|--|
| Hire date   |  |  |  |
| Benefit formula                                   | 2.0% @ 55  | 2.0% @ 55  | 2.0% @ 62  |
| Benefit vesting schedule                          | 5 years service  | 5 years service  | 5 years service  |
| Benefit payments                                  | monthly for life                                       | monthly for life                                       | monthly for life   |
| Retirement age                                    | 50 - 63  | 50 - 63  | 52 - 67  |
| Monthly benefits, as a % of eligible compensation | 1.43% to 2.42%   | 1.43% to 2.42%   | 1.0% to 2.5%   |
| Required employee contribution rates              | 6.9%   | 6.9%   | 6.8%   |
| Required employer contribution rates              | 10.2%  | 9.7%   | 7.0%   |

Beginning in fiscal year 2017, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was \$361,091 in fiscal year 2019.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)**

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended December 31, 2019, the District’s contributions to the Plan were as follows:

|                          | Miscellaneous |           |          |
|--------------------------|---------------|-----------|----------|
|                          | Tier I        | Tier II   | PEPRA    |
| Contributions - employer | \$510,975     | \$110,029 | \$42,985 |

***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of December 31, 2019 the District reported \$4,611,042 in net pension liabilities for its proportionate shares of the net pension liability of the Plan.

The District’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 June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

|                              | Miscellaneous |
|------------------------------|---------------|
| Proportion - June 30, 2018   | 0.11673%      |
| Proportion - June 30, 2019   | 0.11515%      |
| Change - Increase (Decrease) | -0.00158%     |

|   |
|---|
| <p align="center"><b>CITRUS HEIGHTS WATER DISTRICT</b><br/> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b><br/> <b>For the Years Ended December 31, 2019 and 2018</b></p> |
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|---|
| <p><b>NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)</b></p> |
|---|

For the year ended December 31, 2019, the District recognized pension expense of \$982,128. At December 31, 2019, the District 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 |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date   | \$530,157                         |                                  |
| Differences between actual and expected experience   | 320,256                           | (\$24,813)                       |
| Changes in assumptions   | 219,876                           | (77,944)                         |
| Change in employer's proportion and differences between<br>the employer's contributions and the employer's<br>proportionate share of contributions | 845,406                           | (153,976)                        |
| Net differences between projected and actual earnings<br>on plan investments   |                                   | (80,615)                         |
| Total  | <u>\$1,915,695</u>                | <u>(\$337,348)</u>               |

The \$530,157 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended<br>December 31 | Annual<br>Amortization |
|---------------------------|------------------------|
| 2020                      | \$821,463              |
| 2021                      | 216,252                |
| 2022                      | (5,815)                |
| 2023                      | 16,290                 |

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                               | <u>Miscellaneous</u> |
|-------------------------------|----------------------|
| 1% Decrease                   | 6.15%                |
| Net Pension Liability         | \$7,457,153          |
| Current Discount Rate         | 7.15%                |
| Net Pension Liability/(Asset) | \$4,611,042          |
| 1% Increase                   | 8.15%                |
| Net Pension Liability/(Asset) | \$2,261,778          |

Actuarial Assumptions – For the measurement period ended June 30, 2019, the total pension liabilities were determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 and June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

|                                  | <u>Miscellaneous</u>  |
|----------------------------------|---|
| Valuation Date                   | June 30, 2018   |
| Measurement Date                 | June 30, 2019   |
| Actuarial Cost Method            | Entry-Age Normal Cost Method  |
| Actuarial Assumptions:           |   |
| Discount Rate                    | 7.15%   |
| Inflation                        | 2.50%   |
| Projected Salary Increase        | Varies by Entry Age and Service   |
| Investment Rate of Return        | 7.15% (1)   |
| Post Retirement Benefit Increase | Contract COLA up to 2.0% until<br>Purchasing Power Protection Allowance<br>Floor on Purchasing Power applies, 2.50%<br>thereafter |
| Mortality                        | Derived using CalPers Membership Data<br>for all Funds (2)  |

(1) Net of pension plan investment and administrative expenses, including inflation.

(2) The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS December 2017 experience study report available on CalPERS’ website.

**CITRUS HEIGHTS WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)**

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2019 measurement date was net of administrative expenses. The discount rate of 7.15% used for the June 30, 2018 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2018 measurement date were the same as those used for the June 30, 2019 measurement date.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class (a)     | Current<br>Target<br>Allocation | Real Return<br>Years 1 - 10(b) | Real Return<br>Years 11+(c) |
|---------------------|---------------------------------|--------------------------------|-----------------------------|
| Global Equity       | 50.0%                           | 4.80%                          | 5.98%                       |
| Global Fixed Income | 28.0%                           | 1.00%                          | 2.62%                       |
| Inflation Sensitive | 0.0%                            | 0.77%                          | 1.81%                       |
| Private Equity      | 8.0%                            | 6.30%                          | 7.23%                       |
| Real Estate         | 13.0%                           | 3.75%                          | 4.93%                       |
| Liquidity           | 1.0%                            | 0.00%                          | -0.92%                      |
| Total               | <u>100%</u>                     |                                |                             |

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities;  
Liquidity is included in Short-Term Investments; Inflation Assets are included in  
both Global Equity Securities and Global Debt Securities.

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS**

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

Plan Description – The District provides post-employment healthcare benefits for certain groups of employees that retire from the District, under the Retiree Healthcare Plan (OPEB Plan), an agent multiple-employer plan administered by the District. The OPEB Plan provides benefits for all permanent, full-time employees of the District. The OPEB Plan's assets are held in trust with the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer Section 115 trust fund plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions are established through District policy and may be amended through action of the District's Board of Directors. In order to qualify for participation in the OPEB Plan, employees must meet three conditions: (1) completion of 20 years of service with the District; (2) retirement from the District and (3) employed with the District by January 30, 2019.

**CITRUS HEIGHTS WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018**

**NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Benefits Provided – The following is a summary of Plan benefits by employee group as of December 31, 2019:

|                             | <i>Hired before January 31, 2019</i>  |  | <i>Hired After January 30, 2019</i>   |
|-----------------------------|---|--|---|
|                             | <i>Retired from District between June 3, 1992 and March 19, 1996</i>  | <i>Retired from District after March 19, 1996</i>                        |   |
| <i>20+ Years of Service</i> | Health insurance provided to employee at District expense   | Maximum monthly reimbursement of \$350.00 to retiree, spouse/dependents. | Employees hired after January 30, 2019 are not eligible to receive any benefit under the OPEB plan. |
| <i>25+ Years of Service</i> | Health insurance provided to retiree, and spouse/dependents at the time of retirement.<br>If no spouse/dependents, or if retiree does not wish to cover spouse/ dependents, retiree may select benefit of 30+ years of service. | Maximum monthly reimbursement of \$393.00 to retiree, spouse/dependents. |   |
| <i>30+ Years of Service</i> | Health, dental, vision insurance provided at District expense for retiree.<br><br>Health and dental insurance provided at District expense for spouse/dependents at time of   | Maximum monthly reimbursement of \$439.00 to retiree, spouse/dependents. |   |

For the year ended December 31, 2019, the District's contributions to the OPEB Plan were \$128,530.

Employees Covered by Benefit Terms – Membership in the OPEB Plan consisted of the following at the measurement date of December 31, 2018:

|  |    |
|--|----|
| Active plan members  | 34 |
| Inactive employees or beneficiaries currently receiving benefit payments | 11 |
| Inactive employees entitled to but not yet receiving benefit payments    | 1  |
| Total  | 46 |

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**B. Net OPEB Liability**

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2018 to determine the total OPEB liability as of December 31, 2018, based on the following actuarial methods and assumptions:

|                        | Actuarial Assumptions                                    |
|------------------------|--|
| Valuation Date         | December 31, 2018  |
| Measurement Date       | December 31, 2018  |
| Actuarial Cost Method  | Entry Age Normal, Level Percentage of Payroll            |
| Actuarial Assumptions: |  |
| Discount Rate          | 6.25%  |
| Inflation              | 2.75%  |
| Payroll Growth         | 3.0%   |
| Healthcare Trend Rate  | 7.5% for 2020, decreasing to an ultimate rate of 4.0% in |
| Mortality Rate         | CalPERS 1997-2015 Experience Study                       |

The underlying mortality assumptions were based on the CalPERS 1997-2015 Experience Study, and all other actuarial assumptions used in the December 31, 2018 valuation were based on the results of a December 31, 2018 actuarial experience study for the period January 1, 2018 to December 31, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class   | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|---------------|----------------------|--|
| Global Equity | 40.0%                | 4.82%  |
| Fixed Income  | 43.0%                | 1.47%  |
| TIPS          | 5.0%                 | 1.29%  |
| Commodities   | 4.0%                 | 0.84%  |
| REITs         | 8.0%                 | 3.76%  |
| Total         | <u>100.0%</u>        |  |

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**C. Changes in Net OPEB Liability**

The changes in the net OPEB liability are as follows:

|  | Increase (Decrease)            |                                       |  |
|--|--------------------------------|---------------------------------------|--|
|  | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability/(Asset)<br>(a) - (b) |
| Balance at December 31, 2018 (12/31/17 Measurement Date) | \$1,401,268                    |                                       | \$1,401,268                                |
| Changes Recognized for the Measurement Period:           |                                |                                       |  |
| Service Cost   | 26,682                         |                                       | 26,682                                     |
| Interest on the total OPEB liability                     | 87,918                         |                                       | 87,918                                     |
| Changes in benefit terms                                 |                                |                                       | -  |
| Difference between expected and actual experience        | 41,338                         |                                       | 41,338                                     |
| Changes of assumptions                                   | 23,239                         |                                       | 23,239                                     |
| Contributions from the employer*                         |                                | \$122,527                             | (122,527)                                  |
| Net investment income                                    |                                | (1,658)                               | 1,658                                      |
| Administrative expenses                                  |                                | (6)                                   | 6  |
| Benefit payments and refunds                             | (42,527)                       | (42,527)                              | -  |
| Net Changes  | 136,650                        | 78,336                                | 58,314                                     |
| Balance at December 31, 2019 (12/31/18 Measurement Date) | \$1,537,918                    | \$78,336                              | \$1,459,582                                |

**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 District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate:

| Plan's Net OPEB Liability     |                                  |                              |
|-------------------------------|----------------------------------|------------------------------|
| Discount Rate -1%<br>(5.25 %) | Current Discount<br>Rate (6.25%) | Discount Rate +1%<br>(7.25%) |
| \$1,727,779                   | \$1,459,582                      | \$1,245,564                  |

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% to 4.0%) or 1-percentage-point higher (8.0% to 6.0%) than the current healthcare cost trend rates:

| Plan's Net OPEB Liability           |                                 |                                     |
|-------------------------------------|---------------------------------|-------------------------------------|
| Health Care Cost<br>Trend Rates -1% | Health Care Cost<br>Trend Rates | Health Care Cost<br>Trend Rates +1% |
| \$1,449,714                         | \$1,459,582                     | \$1,468,921                         |

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

***E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended December 31, 2019, the District recognized OPEB expense of \$121,095. At December 31, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                          | \$36,987                          |                                  |
| Changes in assumptions  | 20,793                            |                                  |
| Net difference between projected and actual earnings<br>on plan investments | 1,966                             |                                  |
| Employer contributions made subsequent to the<br>measurement date           | 128,530                           |                                  |
| Total   | <u>\$188,276</u>                  |                                  |

\$128,530 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. The District did not have any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that must be recognized as future OPEB expense.

***F. Payable to the OPEB Plan***

At December 31, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2019.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

Various claims have been filed against the District. In the opinion of the District's management and legal counsel, the claims will not have a material impact on the basic financial statements.

The District has capital project commitments as of December 31, 2019 and 2018 totaling \$596,105 and \$426,521, respectively, related to construction work.

**NOTE 10 – ECONOMIC DEPENDENCY**

During 2019 and 2018, the District purchased 96.74% and 90.52%, respectively, of its water supply from the San Juan Water District (SJWD). Total purchases for the year ended December 31, 2019 and 2018 was \$3,131,903 and \$2,878,799, respectively. In addition, the District owns water transmission capacity entitlements through the cooperative transmission pipeline project owned and operated by SJWD.

**CITRUS HEIGHTS WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2018**

**NOTE 11 – INSURANCE**

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

| Type of Coverage (Deductible)                                       | ACWA/ JPIA  | Deductible       |
|---|-------------|------------------|
| General and Auto Liability<br>(Includes Public Officials Liability) | \$5,000,000 | None             |
| Property Damage *   | 100,000     | \$2,500 - 50,000 |
| Crime   | 100,000     | 1,000            |
| Workers Compensation Liability                                      | 2,000,000   | None             |
| Employers Liability   | 2,000,000   | None             |

\* The District has additional \$500,000,000 in property damage coverage via ACWA/JAPIA through the commercial insurance.

**NOTE 12 – SUBSEQUENT EVENT**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be reasonably estimated at this time.

## Required Supplementary Information

|   |
|---|
| <p align="center"><b>CITRUS HEIGHTS WATER DISTRICT</b><br/> <b>REQUIRED SUPPLEMENTAL INFORMATION</b><br/> <b>For the Years Ended December 31, 2019 and 2018</b></p> |
|---|

Citrus Heights Water District, a Cost-Sharing Defined Pension Plan  
As of fiscal year ending December 31, 2019  
**Schedule of the Plan's Proportionate Share of the Net Pension Liability and  
Related Ratios as of the Measurement Date\*\***  
**Last 10 Years\***

|  | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> | <u>6/30/2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Plan's Proportion of the Net Pension Liability/Asset   | 0.05398%         | 0.12216%         | 0.11962%         | 0.11866%         | 0.11673%         | 0.11515%         |
| Plan's Proportionate Share of the Net Pension Liability/(Asset)  | \$3,358,940      | \$3,351,422      | \$4,155,588      | \$4,677,711      | \$4,399,273      | \$4,611,042      |
| Plan's Covered Payroll   | \$2,279,406      | \$2,289,027      | \$2,270,540      | \$2,606,536      | \$2,941,557      | \$3,442,952      |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll | 147.36%          | 146.41%          | 183.02%          | 179.46%          | 149.56%          | 133.93%          |
| Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability                           | 77.44%           | 79.89%           | 75.87%           | 75.39%           | 77.69%           | 77.73%           |

\* Fiscal year 2015 was the 1st year of implementation.

\*\* Calpers provides the information based on a June 30 fiscal year end.

|   |
|---|
| <p align="center"><b>CITRUS HEIGHTS WATER DISTRICT</b><br/> <b>REQUIRED SUPPLEMENTAL INFORMATION</b><br/> <b>For the Years Ended December 31, 2019 and 2018</b></p> |
|---|

Citrus Heights Water District, a Cost-Sharing Defined Pension Plan  
As of fiscal year ending December 31, 2019  
**SCHEDULE OF CONTRIBUTIONS**  
**Last 10 Years\***

|   | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      | <u>2018</u>      | <u>2019</u>      |
|---|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution                                   | \$ 468,974       | \$ 347,181       | \$ 572,724       | \$ 700,242       | \$ 663,989       |
| Contributions in relation to the actuarially determined contributions | <u>(468,974)</u> | <u>(347,181)</u> | <u>(572,724)</u> | <u>(700,242)</u> | <u>(663,989)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| <br>Covered payroll   | <br>\$ 2,129,887 | <br>\$ 2,362,614 | <br>\$ 2,667,190 | <br>\$ 3,046,586 | <br>\$ 3,537,549 |
| <br>Contributions as a percentage of covered-employee payroll         | <br>22.02%       | <br>14.69%       | <br>21.47%       | <br>22.98%       | <br>18.77%       |

\* Fiscal year 2015 was the 1st year of implementation.

|   |
|---|
| <p align="center"><b>CITRUS HEIGHTS WATER DISTRICT</b><br/> <b>REQUIRED SUPPLEMENTAL INFORMATION</b><br/> <b>For the Years Ended December 31, 2019 and 2018</b></p> |
|---|

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
Agent Multiple Employer Plan  
Last 10 years\*

| <b>Measurement Date</b>  | <b>12/31/17</b>     | <b>12/31/18</b>     |
|--|---------------------|---------------------|
| <b>Total OPEB Liability</b>                                    |                     |                     |
| Service Cost   | \$ 25,905           | \$ 26,682           |
| Interest   | 83,640              | 87,918              |
| Differences between expected and actual experience             |                     | 41,338              |
| Changes in assumptions   |                     | 23,239              |
| Changes in benefits  | (41,228)            | (42,527)            |
| <b>Net change in total OPEB liability</b>                      | <b>68,317</b>       | <b>136,650</b>      |
| <b>Total OPEB liability - beginning</b>                        | <b>1,332,951</b>    | <b>1,401,268</b>    |
| <b>Total OPEB liability - ending (a)</b>                       | <b>\$ 1,401,268</b> | <b>\$ 1,537,918</b> |
| <b>Total Plan Fiduciary Net Position</b>                       |                     |                     |
| Contributions - employer                                       | \$ 41,228           | \$ 122,527          |
| Contributions - employee                                       |                     |                     |
| Net investment income  |                     | (1,658)             |
| Benefit payments   | (41,228)            | (42,527)            |
| Administrative expenses  |                     | (6)                 |
| Other changes  |                     |                     |
| <b>Net change in plan Fiduciary Net Position</b>               | <b>-</b>            | <b>78,336</b>       |
| <b>Plan Fiduciary Net Position - beginning</b>                 | <b>-</b>            | <b>-</b>            |
| <b>Plan Fiduciary Net Position - ending (b)</b>                | <b>\$ -</b>         | <b>\$ 78,336</b>    |
| <b>Plan net OPEB liability (a)-(b)</b>                         | <b>\$ 1,401,268</b> | <b>\$ 1,459,582</b> |
| Covered-employee payroll                                       | \$ 3,278,242        | \$ 3,658,217        |
| Net OPEB liability as a percentage of covered-employee payroll | 42.74%              | 39.90%              |

**Notes to schedule:**

\* - Fiscal year 2018 was the first year of implementation.

|   |
|---|
| <p align="center"><b>CITRUS HEIGHTS WATER DISTRICT</b><br/> <b>REQUIRED SUPPLEMENTAL INFORMATION</b><br/> <b>For the Years Ended December 31, 2019 and 2018</b></p> |
|---|

**SCHEDULE OF CONTRIBUTIONS**

Agent Multiple Employer Plan  
Last Ten Fiscal Years\*

| <b>Fiscal Year Ended December 31,</b>                                    | <b>2018</b>  | <b>2019</b>  |
|--|--------------|--------------|
| Actuarially determined contribution                                      | \$ 122,000   | \$ 130,652   |
| Contributions in relation to<br>the actuarially determined contributions | 122,527      | 128,530      |
| Contribution deficiency (excess)   | \$ (527)     | \$ 2,122     |
| Covered-employee payroll   | \$ 3,278,242 | \$ 3,658,217 |
| Contributions as a percentage of<br>covered-employee payroll             | 3.74%        | 3.51%        |

**Notes to Schedule**

Methods and assumptions used to determine contribution rates:

|                        |   |
|------------------------|---|
| Valuation Date         | December 31, 2016   |
| Actuarial Cost Method  | Entry Age Normal,<br>Level Percentage of                            |
| Amortization Method    | Level percent of pay  |
| Amortization Period    | 19-year fixed period for<br>2019                                    |
| Asset Valuation Method | n/a   |
| Discount Rate          | 6.25%   |
| General Inflation      | 2.75% annually  |
| Medical Trend          | 7.0% for 2018,<br>decreasing to an ultimate<br>rate of 5.0% in 2022 |
| Mortality              | CalPERS 1997-2011<br>experience study                               |
| Mortality Improvement  | Mortality projected fully<br>generational with Scale<br>MP-16       |

\* - Fiscal year 2018 was the first year of implementation.



# Statistical Section



# CITRUS HEIGHTS WATER DISTRICT

## Statistical Section

### Table of Contents

This section of the Citrus Heights Water District's (District) 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.

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## Financial Trends



**C I T R U S**  
**H E I G H T S**  

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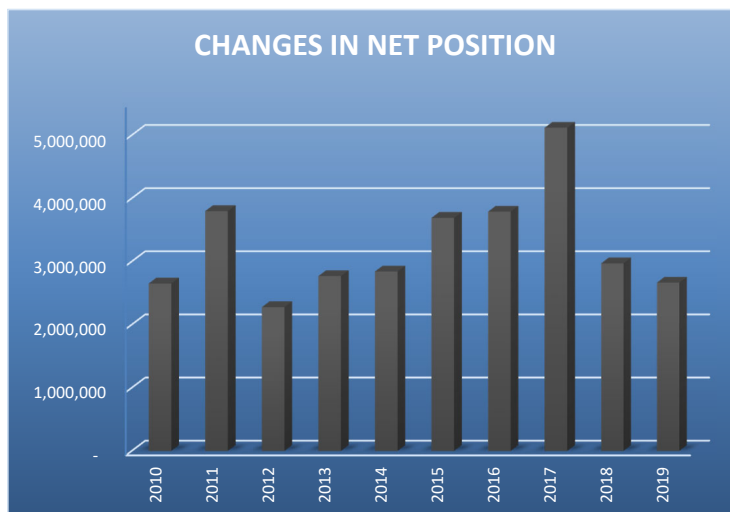
**W A T E R**  
**D I S T R I C T**

# CITRUS HEIGHTS WATER DISTRICT

## Changes in Net Position and Net Position by Component

Last Ten Fiscal Years  
Schedule 1

|  | 2010                 | 2011              | 2012              | 2013              | 2014              |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Changes in net position:</b>                    |                      |                   |                   |                   |                   |
| Operating revenues (see Schedule 2)                | \$ 10,132,776        | 10,227,212        | 10,693,408        | 11,358,086        | 11,331,301        |
| Operating expenses (see Schedule 3)                | (5,963,714)          | (5,776,273)       | (6,504,014)       | (6,598,323)       | (6,358,613)       |
| Depreciation and amortization                      | (1,708,730)          | (1,801,434)       | (1,778,195)       | (1,898,303)       | (2,003,488)       |
| <b>Operating income(loss)</b>                      | <b>2,460,332</b>     | <b>2,649,505</b>  | <b>2,411,199</b>  | <b>2,861,460</b>  | <b>2,969,200</b>  |
| <b>Non-operating revenues(expenses)</b>            |                      |                   |                   |                   |                   |
| Investment income                                  | 29,612               | 28,618            | 24,067            | 24,586            | 15,547            |
| Miscellaneous income                               | 41,470               | 1,155,861         | 16,127            | 13,616            | 12,716            |
| Groundwater transfers and sales                    | -                    | -                 | -                 | -                 | -                 |
| Interest expense                                   | (370,035)            | (257,183)         | (243,737)         | (206,480)         | (195,210)         |
| (Loss) gain on disposal of capital assets          | (22,187)             | (30,516)          | (31,125)          | 1,595             | (30,669)          |
| <b>Total non-operating revenues(expenses), net</b> | <b>(321,140)</b>     | <b>896,780</b>    | <b>(234,668)</b>  | <b>(166,683)</b>  | <b>(197,616)</b>  |
| <b>Net income before capital contributions</b>     | <b>2,139,192</b>     | <b>3,546,285</b>  | <b>2,176,531</b>  | <b>2,694,777</b>  | <b>2,771,584</b>  |
| <b>Capital Contributions</b>                       |                      |                   |                   |                   |                   |
| Grant Revenues                                     | 32,884               | 22,699            | 3,126             | 3,178             | 10,310            |
| Capital contributions                              | 478,747              | 228,952           | 96,445            | 70,657            | 59,248            |
| <b>Changes in net position</b>                     | <b>\$ 2,650,823</b>  | <b>3,797,936</b>  | <b>2,276,102</b>  | <b>2,768,612</b>  | <b>2,841,142</b>  |
| <b>Net position by component:</b>                  |                      |                   |                   |                   |                   |
| Prior Year adjustment                              | \$ -                 | -                 | -                 | \$ -              | \$ -              |
| Net investment in capital assets                   | 36,381,139           | 38,151,330        | 40,384,388        | 42,108,244        | 45,931,665        |
| Restricted   | 741,188              | 731,706           | 536,967           | 536,973           | 536,963           |
| Unrestricted                                       | 7,094,709            | 9,131,936         | 9,765,994         | 10,414,469        | 9,432,200         |
| <b>Total net position</b>                          | <b>\$ 44,217,036</b> | <b>48,014,972</b> | <b>50,687,349</b> | <b>53,059,686</b> | <b>55,900,828</b> |

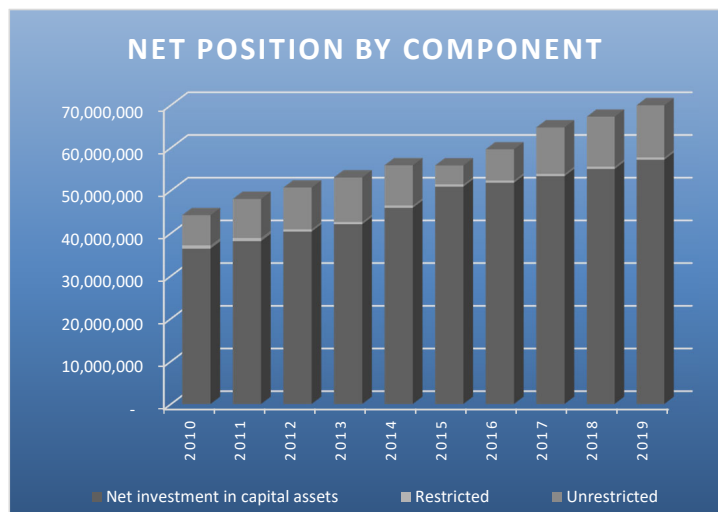


Source: District Administrative Services Department

**CITRUS HEIGHTS WATER DISTRICT**  
Changes in Net Position and Net Position by Component

Last Ten Fiscal Years  
Schedule 1 (Continued)

| 2015          | 2016        | 2017        | 2018        | 2019         |  |
|---------------|-------------|-------------|-------------|--------------|--|
|               |             |             |             |              | <b>Changes in net position:</b>                    |
| \$ 10,884,550 | 12,325,057  | 14,043,049  | 14,375,044  | 15,340,476   | Operating revenues (see Schedule 2)                |
| (6,023,057)   | (7,043,963) | (7,534,381) | (9,531,439) | (11,230,314) | Operating expenses (see Schedule 3)                |
| (2,098,944)   | (2,203,170) | (2,345,281) | (2,388,634) | (2,435,900)  | Depreciation and amortization                      |
| 2,762,549     | 3,077,924   | 4,163,387   | 2,454,971   | 1,674,262    | <b>Operating income(loss)</b>                      |
| 19,093        | 38,313      | 63,531      | 159,437     | 214,962      | <b>Non-operating revenues(expenses)</b>            |
| 28,606        | 68,203      | 77,074      | 107,546     | 69,322       | Investment income                                  |
| -             | -           | 1,058,793   | 347,583     | 38,316       | Miscellaneous income                               |
| (173,462)     | (155,214)   | (145,911)   | (147,540)   | (124,346)    | Groundwater transfers and sales                    |
| 4,834         | (137,567)   | (155,343)   | (164,842)   | (105,755)    | Interest expense                                   |
| (120,929)     | (186,265)   | 898,144     | 302,184     | 92,499       | (Loss) gain on disposal of capital assets          |
| 2,641,620     | 2,891,659   | 5,061,531   | 2,757,155   | 1,766,761    | <b>Total non-operating revenues(expenses), net</b> |
|               |             |             |             |              | <b>Net income before capital contributions</b>     |
| 610,431       | 715         | -           | -           | -            | <b>Capital Contributions</b>                       |
| 438,567       | 896,688     | 55,813      | 213,121     | 898,084      | Grant Revenues                                     |
|               |             |             |             |              | Capital contributions                              |
| \$ 3,690,618  | 3,789,062   | 5,117,344   | 2,970,276   | 2,664,845    | <b>Changes in net position</b>                     |
|               |             |             |             |              | <b>Net position by component:</b>                  |
| (3,728,767)   | -           | -           | -           | -            | Prior Year adjustment                              |
| 50,895,005    | 51,801,433  | 53,350,420  | 55,029,058  | 57,193,152   | Net investment in capital assets                   |
| 533,350       | 533,796     | 535,733     | 541,475     | 542,660      | Restricted   |
| 4,434,324     | 7,316,512   | 10,882,932  | 11,717,632  | 12,217,198   | Unrestricted                                       |
| \$ 52,133,912 | 59,651,741  | 64,769,085  | 67,288,165  | 69,953,010   | <b>Total net position</b>                          |



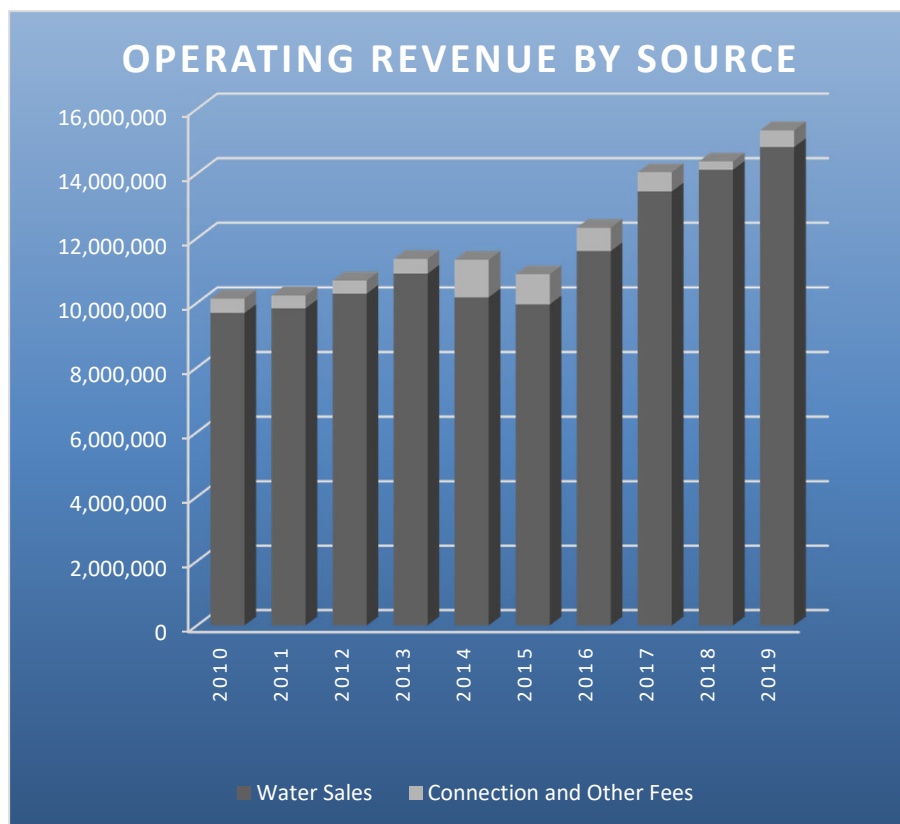
# CITRUS HEIGHTS WATER DISTRICT

## Operating Revenue By Source

Last Ten Fiscal Years

Schedule 2

| Fiscal Year | Water Sales  | Connection and Other | Total Operating |
|-------------|--------------|----------------------|-----------------|
| 2010        | \$ 9,687,869 | \$ 444,907           | \$ 10,132,776   |
| 2011        | 9,833,125    | 394,087              | 10,227,212      |
| 2012        | 10,285,029   | 408,379              | 10,693,408      |
| 2013        | 10,905,197   | 452,889              | 11,358,086      |
| 2014        | 10,171,473   | 1,159,828            | 11,331,301      |
| 2015        | 9,953,864    | 930,686              | 10,884,550      |
| 2016        | 11,602,622   | 722,435              | 12,325,057      |
| 2017        | 13,448,691   | 594,358              | 14,043,049      |
| 2018        | 14,119,865   | 255,179              | 14,375,044      |
| 2019        | 14,823,207   | 517,269              | 15,340,476      |



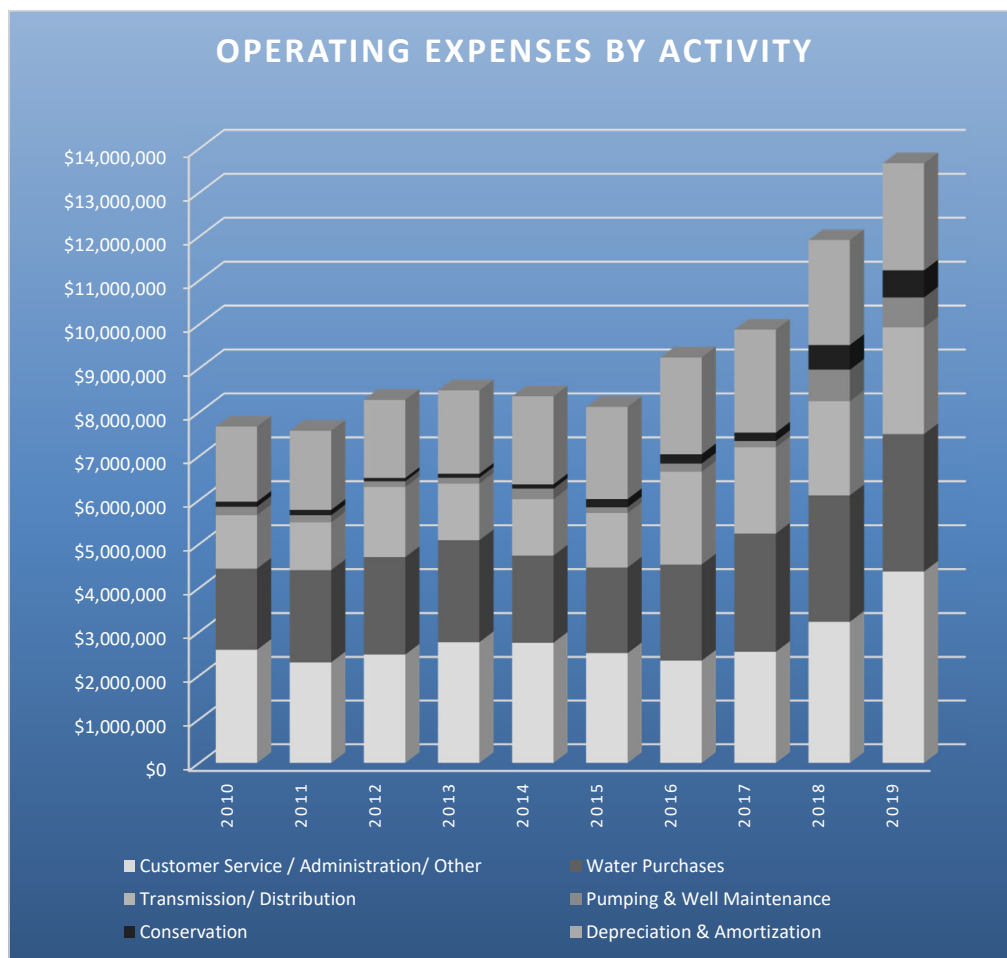
**Source:** District Administrative Services Department

## CITRUS HEIGHTS WATER DISTRICT

### Operating Expenses by Activity

Last Ten Fiscal Years  
Schedule 3

| Fiscal Year | Customer Service / Administration / Other | Water Purchases | Transmission/ Distribution | Pumping & Well Maintenance | Conservation | Depreciation & Amortization | Total Operating Expenses |
|-------------|---|-----------------|----------------------------|----------------------------|--------------|-----------------------------|--------------------------|
| 2010        | \$ 2,591,029                              | \$ 1,849,440    | \$ 1,215,954               | \$ 192,540                 | \$ 114,751   | \$ 1,708,730                | \$ 7,672,444             |
| 2011        | 2,302,582                                 | 2,102,734       | 1,086,422                  | 162,835                    | 121,700      | 1,801,434                   | 7,577,707                |
| 2012        | 2,481,956                                 | 2,219,550       | 1,597,456                  | 130,129                    | 74,923       | 1,778,195                   | 8,282,209                |
| 2013        | 2,763,786                                 | 2,322,002       | 1,289,768                  | 133,950                    | 88,817       | 1,898,303                   | 8,496,626                |
| 2014        | 2,752,172                                 | 1,984,921       | 1,282,941                  | 239,344                    | 99,235       | 2,003,488                   | 8,362,101                |
| 2015        | 2,514,087                                 | 1,950,627       | 1,239,387                  | 132,842                    | 186,114      | 2,098,944                   | 8,122,001                |
| 2016        | 2,342,957                                 | 2,190,061       | 2,114,019                  | 184,776                    | 212,150      | 2,203,170                   | 9,247,133                |
| 2017        | 2,543,736                                 | 2,692,482       | 1,963,750                  | 145,077                    | 189,336      | 2,345,281                   | 9,879,662                |
| 2018        | 3,228,919                                 | 2,878,799       | 2,142,451                  | 717,562                    | 563,708      | 2,388,634                   | 11,920,073               |
| 2019        | 4,371,420                                 | 3,131,903       | 2,425,827                  | 683,432                    | 617,732      | 2,435,900                   | 13,666,214               |



**Source:** District Administrative Services Department



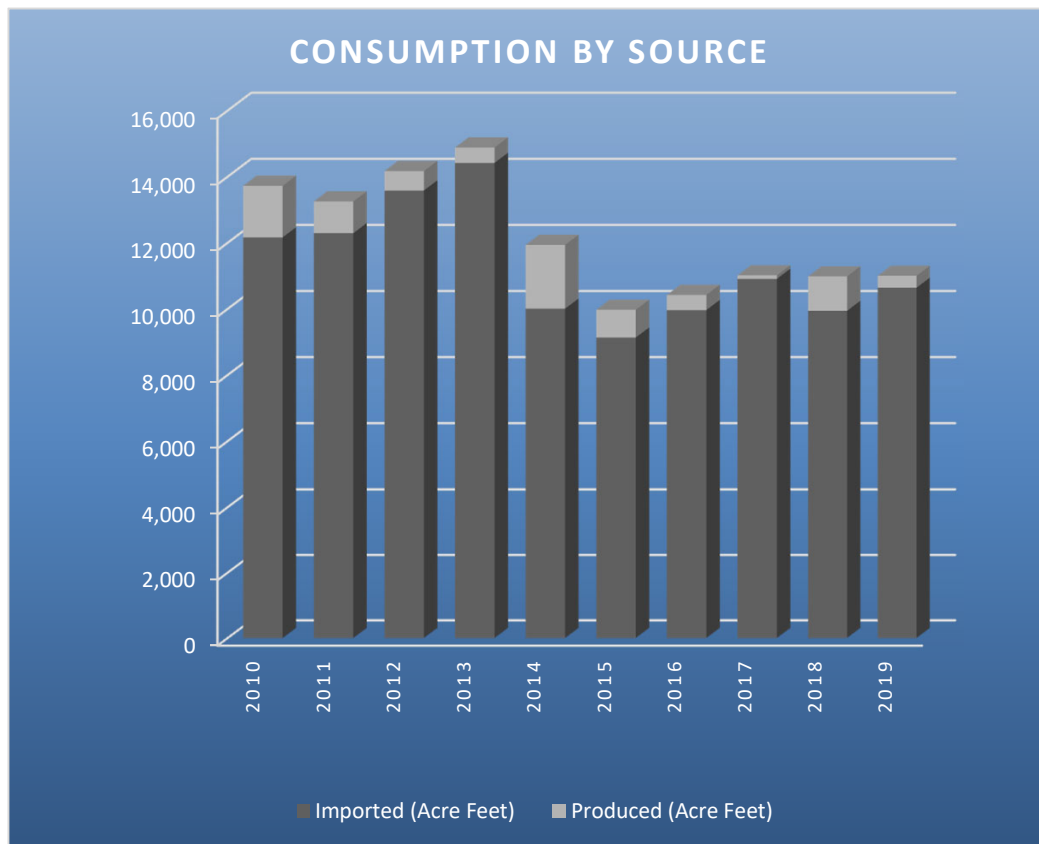
# Revenue Capacity

# CITRUS HEIGHTS WATER DISTRICT

## Revenue Base

### Last Ten Fiscal Years Schedule 4

| Fiscal Year | Consumption (Acre Feet) | Water Supply         |                      | % Water Imported |
|-------------|-------------------------|----------------------|----------------------|------------------|
|             |                         | Imported (Acre Feet) | Produced (Acre Feet) |                  |
| 2010        | 13,725.35               | 12,165.46            | 1,559.89             | 88.63%           |
| 2011        | 13,252.18               | 12,289.80            | 962.38               | 92.74%           |
| 2012        | 14,169.76               | 13,583.02            | 586.74               | 95.86%           |
| 2013        | 14,881.54               | 14,416.21            | 465.33               | 96.87%           |
| 2014        | 11,937.24               | 10,007.61            | 1,929.63             | 83.84%           |
| 2015        | 9,973.47                | 9,132.60             | 840.87               | 91.57%           |
| 2016        | 10,422.44               | 9,964.89             | 457.55               | 95.61%           |
| 2017        | 11,014.52               | 10,909.88            | 104.64               | 99.05%           |
| 2018        | 10,981.66               | 9,940.53             | 1,041.13             | 90.52%           |
| 2019        | 11,001.23               | 10,642.14            | 359.09               | 96.74%           |



**Source:** District Operations Department

# CITRUS HEIGHTS WATER DISTRICT

## Water Rates

Last Ten Fiscal Years

Schedule 5

|  | 2010      | 2011      | 2012      | 2013      | 2014     | 2015      | 2016      | 2017      | 2018      | 2019      |
|--|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|
| <b>Flat Rate Accounts (Bimonthly) <sup>(1)</sup></b> |           |           |           |           |          |           |           |           |           |           |
| Single Dwelling                                      | \$ 87.75  | \$ 89.51  | \$ 89.51  | n/a       | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Duplex Dwelling (per duplex side)                    | 74.29     | 75.78     | 75.78     | n/a       | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Condominium Dwelling                                 | 74.29     | 75.78     | 75.78     | n/a       | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Apartments/Mobile Homes                              | 74.29     | 75.78     | 75.78     | n/a       | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Irrigation Rate                                      | 112.27    | 117.88    | 117.88    | n/a       | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| <b>Metered Accounts <sup>(2)</sup></b>               |           |           |           |           |          |           |           |           |           |           |
| <b>Consumption (per unit ccf)</b>                    |           |           |           |           |          |           |           |           |           |           |
| Tier 1   | \$ 0.6369 | \$ 0.6751 | \$ 0.6751 | \$ 0.6954 | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Tier 2   | 0.7494    | 0.7944    | 0.7944    | 0.8182    | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Tier 3   | 0.8208    | 0.8700    | 0.8700    | 0.8961    | n/a      | n/a       | n/a       | n/a       | n/a       | n/a       |
| Per Unit CCF (No tiers)                              | n/a       | n/a       | n/a       | n/a       | 0.7440   | \$ 0.7663 | \$ 0.8735 | \$ 0.9871 | \$ 1.0167 | \$ 1.0674 |
| <b>Service Charge (bimonthly)</b>                    |           |           |           |           |          |           |           |           |           |           |
| Commercial/Domestic 3/4"                             | \$ 34.88  | \$ 34.88  | \$ 34.88  | \$ 35.93  | \$ 35.82 | \$ 36.89  | \$ 42.05  | \$ 47.52  | \$ 48.94  | \$ 51.38  |
| Commercial/Domestic 1"                               | 50.04     | 50.04     | 50.04     | 51.54     | 54.50    | 56.13     | 63.98     | 72.30     | 74.46     | 78.18     |
| Commercial/Domestic 1-1/2"                           | 87.29     | 87.29     | 87.29     | 89.91     | 66.95    | 68.95     | 78.60     | 88.82     | 91.48     | 96.05     |
| Commercial/Domestic 2"                               | 132.51    | 132.51    | 132.51    | 136.49    | 129.20   | 133.07    | 151.69    | 171.41    | 176.55    | 185.37    |
| Commercial/Domestic 3"                               | 236.80    | 236.80    | 236.80    | 243.90    | 203.91   | 210.02    | 239.42    | 270.54    | 278.65    | 292.58    |
| Commercial/Domestic 4"                               | 385.88    | 385.88    | 385.88    | 397.46    | 403.13   | 415.22    | 473.35    | 534.89    | 550.93    | 578.47    |
| Irrigation 3/4"                                      | 17.44     | 17.44     | 17.44     | 17.96     | 35.82    | 36.89     | 42.05     | 47.52     | 48.94     | 51.38     |
| Irrigation 1"  | 25.02     | 25.02     | 25.02     | 25.77     | 54.50    | 56.13     | 63.98     | 72.30     | 74.46     | 78.18     |
| Irrigation 1-1/2"                                    | 43.64     | 43.64     | 43.64     | 44.95     | 66.95    | 68.95     | 78.60     | 88.82     | 91.48     | 96.05     |
| Irrigation 2"  | 66.25     | 66.25     | 66.25     | 68.24     | 129.20   | 133.07    | 151.69    | 171.41    | 176.55    | 185.37    |
| Irrigation 3"  | 118.40    | 118.40    | 118.40    | 121.95    | 203.91   | 210.02    | 239.42    | 270.54    | 278.65    | 292.58    |
| Irrigation 4"  | 192.94    | 192.94    | 192.94    | 198.73    | 403.13   | 415.22    | 473.35    | 534.89    | 550.93    | 578.47    |

### Notes:

(1) The District completed the migration of Flat-Rate customers to meters in Fiscal Year 2012, and the Flat-Rate was eliminated for Fiscal Year 2013.

(2) The District abolished its tiered consumption charge beginning in 2014.

### Source:

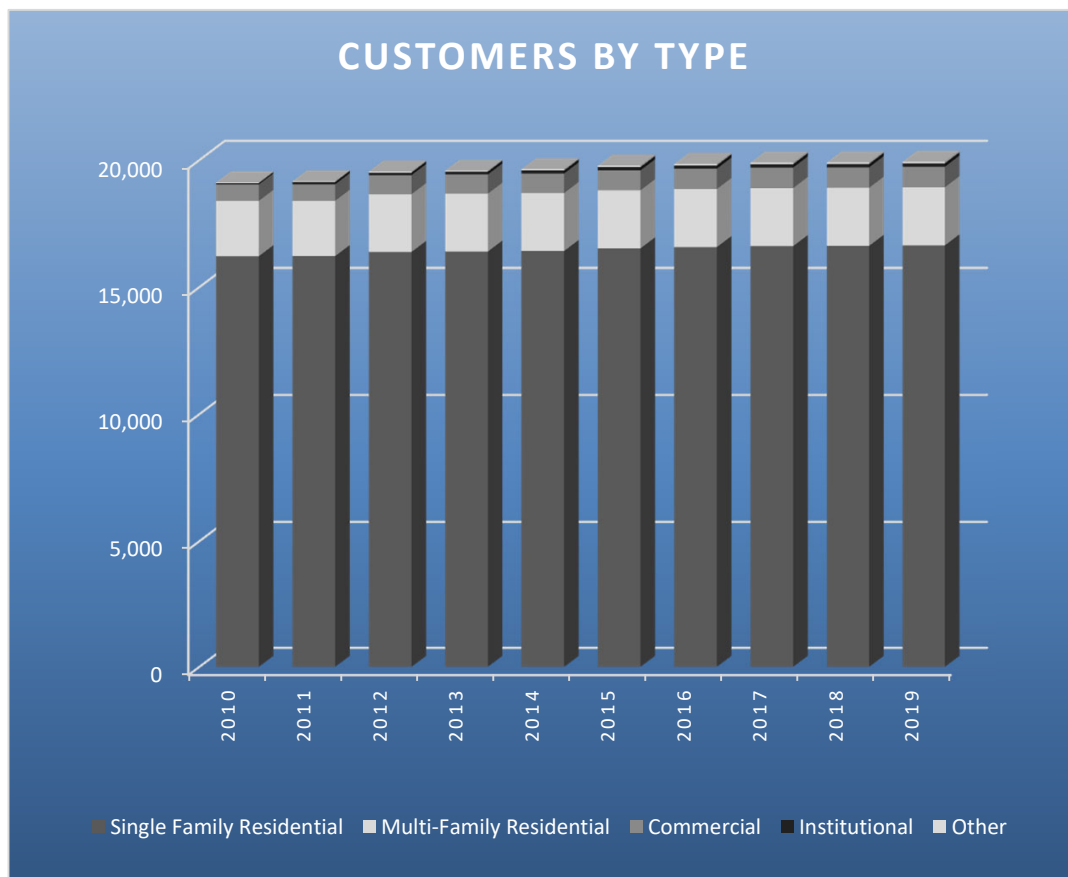
District Administrative Services Department

## CITRUS HEIGHTS WATER DISTRICT

### Customers by Type

Last Ten Fiscal Years  
Schedule 6

| Fiscal Year | Single Family Residential | Multi-Family Residential | Commercial | Institutional | Other | Total  |
|-------------|---------------------------|--------------------------|------------|---------------|-------|--------|
| 2010        | 16,219                    | 2,176                    | 648        | 51            | 37    | 19,131 |
| 2011        | 16,223                    | 2,176                    | 647        | 95            | 32    | 19,173 |
| 2012        | 16,385                    | 2,272                    | 751        | 101           | 43    | 19,552 |
| 2013        | 16,402                    | 2,275                    | 758        | 111           | 45    | 19,591 |
| 2014        | 16,425                    | 2,280                    | 771        | 118           | 51    | 19,645 |
| 2015        | 16,527                    | 2,285                    | 785        | 130           | 58    | 19,785 |
| 2016        | 16,576                    | 2,283                    | 802        | 131           | 59    | 19,851 |
| 2017        | 16,615                    | 2,284                    | 807        | 132           | 64    | 19,902 |
| 2018        | 16,627                    | 2,284                    | 807        | 132           | 61    | 19,911 |
| 2019        | 16,645                    | 2,286                    | 810        | 132           | 64    | 19,937 |



**Source:** District Administrative Services Department  
District Water Efficiency Department

# CITRUS HEIGHTS WATER DISTRICT

## Principal Customers

### Current Fiscal Year and Ten Years Ago Schedule 7

| Customer                                | 2019                    |                        |
|---|-------------------------|------------------------|
|   | Billed<br>Units (ccf's) | Percentage<br>of Total |
| San Juan Unified School District        | 106,381                 | 2.22%                  |
| JMK Investments                         | 76,798                  | 1.60%                  |
| Sunrise Recreation Park District        | 74,252                  | 1.55%                  |
| JRK Investors                           | 54,097                  | 1.13%                  |
| Mount Vernon Memorial Park              | 35,751                  | 0.75%                  |
| City of Citrus Heights                  | 33,440                  | 0.70%                  |
| Conference Claimants Endowment          | 29,417                  | 0.61%                  |
| Wedgewood Commons Apts LLC              | 25,666                  | 0.54%                  |
| Salishan Apartments                     | 23,457                  | 0.54%                  |
| Knaggs Meadows LLC                      | 22,584                  | 0.51%                  |
| Total Billed Units: Principal customers | 481,843                 | 10.15%                 |
| Total Billed Units                      | 4,792,463               | 100.00%                |

| Customer                                | 2010                    |                        |
|---|-------------------------|------------------------|
|   | Billed<br>Units (ccf's) | Percentage<br>of Total |
| San Juan Unified School District        | 93,373                  | 1.69%                  |
| JMK Investments                         | 82,942                  | 1.50%                  |
| Sunrise Recreation Park District        | 58,873                  | 1.06%                  |
| JRK Investors                           | 52,236                  | 0.94%                  |
| Conference Claimants Endowment          | 40,682                  | 0.73%                  |
| Salishan Apartments                     | 34,213                  | 0.62%                  |
| Mount Vernon Memorial Park              | 32,813                  | 0.59%                  |
| Pacific Capital Investments             | 29,237                  | 0.53%                  |
| City of Citrus Heights                  | 27,109                  | 0.49%                  |
| Wedgewood Commons Apts LLC              | 26,410                  | 0.48%                  |
| Total Billed Units: Principal customers | 477,888                 | 8.63%                  |
| Total Billed Units                      | 5,537,562               | 100.00%                |

**Source:**

District Administrative Services Department

# Debt Capacity

## CITRUS HEIGHTS WATER DISTRICT

### Ratios of Outstanding Debt by Type

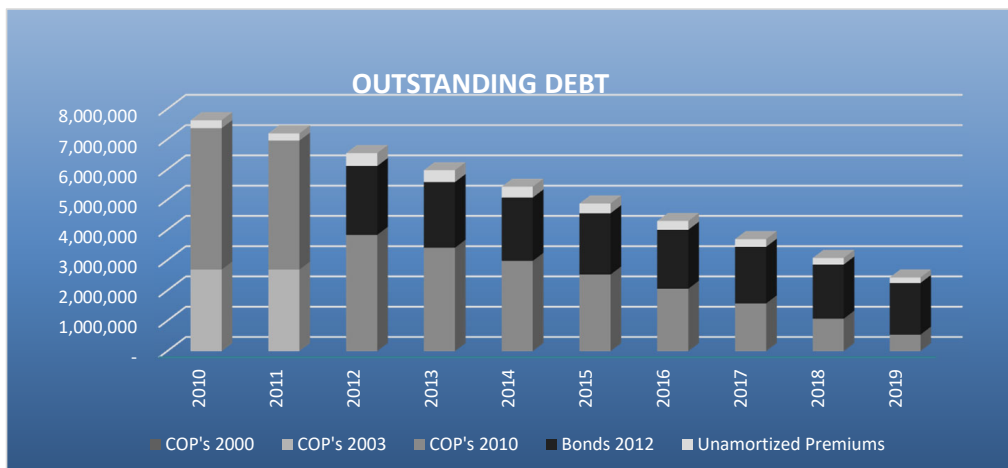
#### Last Ten Fiscal Years

#### Schedule 8

| Fiscal Year | Certificates of Participation 2000 <sup>(1)</sup> | Certificates of Participation 2003 <sup>(2)</sup> | Certificates of Participation 2010 <sup>(3)</sup> | Refunding Revenue Bonds 2012 <sup>(4)</sup> | Unamortized Premiums | Total       |                                   | Debt Per Capita (Rounded) <sup>(5)</sup> |
|-------------|---|---|---|---|----------------------|-------------|-----------------------------------|--|
|             |   |   |   |   |                      | Total Debt  | No. of Connections <sup>(5)</sup> |  |
| 2010        | \$ -  | \$ 2,695,000                                      | \$ 4,670,000                                      | \$ -  | \$ 261,835           | \$7,626,835 | 19,131                            | \$399                                    |
| 2011        | -   | 2,695,000   | 4,260,000   | -   | 238,041              | 7,193,041   | 19,173                            | \$375                                    |
| 2012        | -   | -   | 3,840,000   | 2,275,000                                   | 426,944              | 6,541,944   | 19,552                            | \$335                                    |
| 2013        | -   | -   | 3,415,000   | 2,170,000                                   | 392,125              | 5,977,125   | 19,591                            | \$305                                    |
| 2014        | -   | -   | 2,980,000   | 2,095,000                                   | 357,305              | 5,432,305   | 19,645                            | \$277                                    |
| 2015        | -   | -   | 2,530,000   | 2,025,000                                   | 322,486              | 4,877,486   | 19,785                            | \$247                                    |
| 2016        | -   | -   | 2,060,000   | 1,950,000                                   | 287,666              | 4,297,666   | 19,851                            | \$216                                    |
| 2017        | -   | -   | 1,575,000   | 1,870,000                                   | 252,847              | 3,697,847   | 19,902                            | \$186                                    |
| 2018        | -   | -   | 1,070,000   | 1,790,000                                   | 218,027              | 3,078,027   | 19,911                            | \$155                                    |
| 2019        | -   | -   | 545,000   | 1,705,000                                   | 183,208              | 2,433,208   | 19,937                            | \$122                                    |

#### Notes:

- (1) In October 2000, the District issued \$7,900,000 of Certificates of Participation, Series 2000 to finance the cost of capital improvement projects.
- (2) In December 2003, the District issued \$2,915,000 of Certificates of Participation, Series 2003 to finance the cost of capital improvement projects.
- (3) In September 2010, the District issued \$5,155,000 of Revenue Certificates of Participation, Series 2010 to retire the outstanding 2000 Certificates of Participation.
- (4) In April 2012, the District issued \$2,275,000 of Revenue Refunding Bonds, Series 2012 to retire the outstanding 2003 Certificates of Participation.



Source: District Administrative Services Department

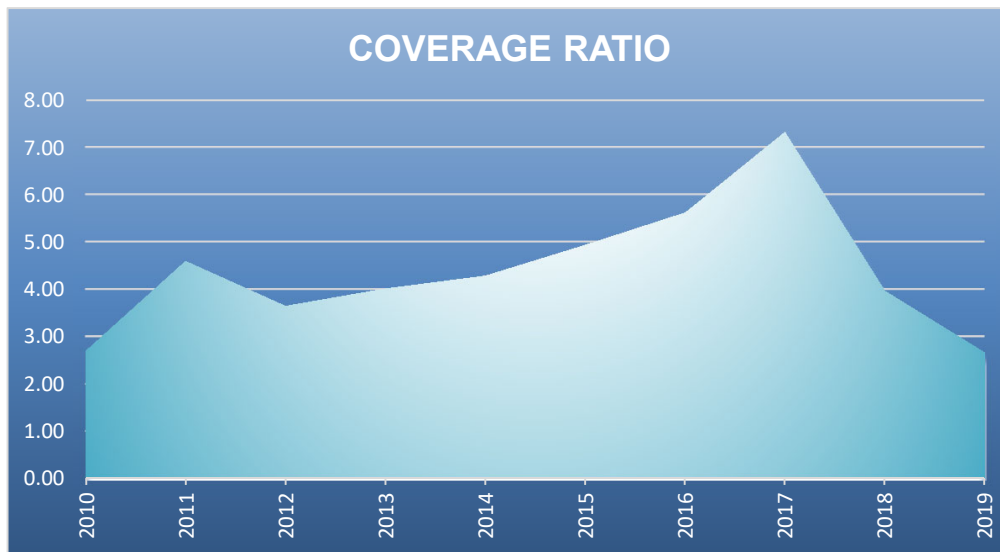
# CITRUS HEIGHTS WATER DISTRICT

## Debt Coverage

Last Ten Fiscal Years

Schedule 9

| Fiscal Year | Net Revenues  | Operating Expenses | Net Available Revenues | Debt Service |            |            | Coverage Ratio |
|-------------|---------------|--------------------|------------------------|--------------|------------|------------|----------------|
|             |               |                    |                        | Principal    | Interest   | Total      |                |
| 2010        | \$ 10,181,671 | \$ (7,672,444)     | \$ 2,509,227           | \$ 560,000   | \$ 370,035 | \$ 930,035 | 2.70           |
| 2011        | 11,381,175    | (7,577,707)        | 3,803,468              | 570,000      | 257,183    | 827,183    | 4.60           |
| 2012        | 10,702,477    | (8,282,209)        | 2,420,268              | 420,000      | 243,737    | 663,737    | 3.65           |
| 2013        | 11,457,270    | (8,496,626)        | 2,960,644              | 530,000      | 206,480    | 736,480    | 4.02           |
| 2014        | 11,388,143    | (8,362,101)        | 3,026,042              | 510,000      | 195,210    | 705,210    | 4.29           |
| 2015        | 11,547,514    | (8,122,001)        | 3,425,513              | 520,000      | 173,462    | 693,462    | 4.94           |
| 2016        | 13,190,694    | (9,247,133)        | 3,943,561              | 545,000      | 155,214    | 700,214    | 5.63           |
| 2017        | 15,087,104    | (9,879,662)        | 5,207,442              | 565,000      | 145,911    | 710,911    | 7.33           |
| 2018        | 14,824,768    | (11,920,073)       | 2,904,695              | 585,000      | 147,540    | 732,540    | 3.97           |
| 2019        | 15,557,321    | (13,666,214)       | 1,891,107              | 585,000      | 124,346    | 709,346    | 2.67           |



**Source:** District Administrative Services Department



## Demographic and Economic Information

## CITRUS HEIGHTS WATER DISTRICT

### Demographics and Economic Statistics

Last Ten Calendar Years

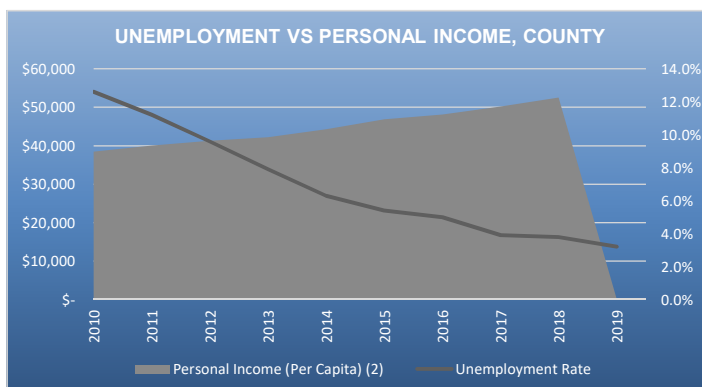
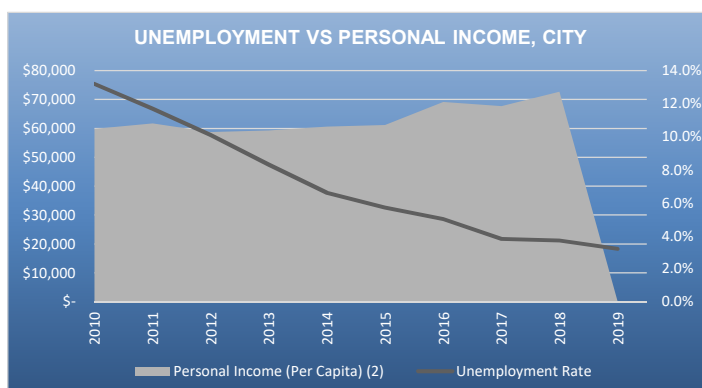
Schedule 10

| Fiscal Year | Total Number of Connections | City of Citrus Heights <sup>(1)</sup> |                   |   |   | County of Sacramento <sup>(1)</sup> |                   |   |   |
|-------------|-----------------------------|---------------------------------------|-------------------|---|---|-------------------------------------|-------------------|---|---|
|             |                             | Population <sup>(3)</sup>             | Unemployment Rate | Personal Income (thousands of dollars) <sup>(2)</sup> | Personal Income (Per Capita) <sup>(2)</sup> | Population                          | Unemployment Rate | Personal Income (thousands of dollars) <sup>(2)</sup> | Personal Income (Per Capita) <sup>(2)</sup> |
| 2010        | 19,131                      | 83,365                                | 13.2%             | \$4,994,897   | \$59,916                                    | 1,422,018                           | 12.6%             | \$54,666,004  | \$38,443                                    |
| 2011        | 19,173                      | 83,903                                | 11.7%             | 5,178,325   | 61,718                                      | 1,435,002                           | 11.2%             | 57,498,308  | 40,068                                      |
| 2012        | 19,552                      | 84,489                                | 10.1%             | 4,961,701   | 58,726                                      | 1,447,236                           | 9.6%              | 59,775,785  | 41,303                                      |
| 2013        | 19,591                      | 85,123                                | 8.3%              | 5,044,729   | 59,264                                      | 1,460,023                           | 7.9%              | 61,654,690  | 42,229                                      |
| 2014        | 19,645                      | 85,891                                | 6.6%              | 5,212,811   | 60,691                                      | 1,478,137                           | 6.3%              | 65,486,553  | 44,303                                      |
| 2015        | 19,785                      | 86,759                                | 5.7%              | 5,308,263   | 61,184                                      | 1,496,644                           | 5.4%              | 70,110,138  | 46,845                                      |
| 2016        | 19,851                      | 87,380                                | 5.0%              | 6,043,288   | 69,161                                      | 1,514,460                           | 5.0%              | 72,878,458  | 48,122                                      |
| 2017        | 19,902                      | 87,931                                | 3.8%              | 5,952,753   | 67,698                                      | 1,530,615                           | 3.9%              | 76,832,120  | 50,197                                      |
| 2018        | 19,911                      | 87,910                                | 3.7%              | 6,388,859   | 72,675                                      | 1,540,975                           | 3.8%              | 80,969,087  | 52,544                                      |
| 2019        | 19,937                      | n/a                                   | 3.2%              | n/a   | n/a   | 1,552,058                           | 3.2%              | n/a   | n/a   |

**Notes:** (1) Demographic and economic statistics are provided for the City of Citrus Heights (City) and the County of Sacramento (County) because these statistics are not separately available for the District's service area. As the District is primarily comprised of some areas of the City, and unincorporated areas of the County, the District believes that data from the City and the County is representative of the conditions and experience of the District.

(2) Personal income and per capita personal income is not yet available for Fiscal Year 2019.

(3) Population data for the City is not yet available for Fiscal Year 2019.



**Sources:** U.S. Bureau of Economic Analysis  
U.S. Bureau of Labor Statistics  
U.S. Census Bureau

# CITRUS HEIGHTS WATER DISTRICT

Principal Employers <sup>(1)</sup>

Current Fiscal Year and Ten Years Ago  
Schedule 12

| 2019                              |                |      |                          |
|-----------------------------------|----------------|------|--------------------------|
| Employer                          | Employees      | Rank | Percentage of Employment |
| State of California               | 76,131         | 1    | 10.65%                   |
| UC Davis Health                   | 12,674         | 2    | 1.58%                    |
| Kaiser Permanente                 | 11,404         | 4    | 1.77%                    |
| County of Sacramento              | 11,330         | 3    | 1.60%                    |
| United States Government          | 10,227         | 5    | 1.43%                    |
| Sutter Health                     | 8,809          | 6    | 1.23%                    |
| Dignity Health                    | 7,000          | 7    | 0.98%                    |
| Elk Grove Unified School District | 6,381          | 8    | 0.87%                    |
| Intel Corporation                 | 6,200          | 9    | 0.74%                    |
| San Juan Unified School District  | 5,289          | 10   | 0.89%                    |
| <u>Total</u>                      | <u>155,445</u> |      | <u>21.76%</u>            |
| Total County Employment           | 714,835        |      | 100.00%                  |

| 2013 <sup>(2)</sup>               |                |      |                          |
|-----------------------------------|----------------|------|--------------------------|
| Employer                          | Employees      | Rank | Percentage of Employment |
| State of California               | 69,469         | 1    | 10.31%                   |
| County of Sacramento              | 10,634         | 2    | 1.58%                    |
| Kaiser Permanente                 | 5,696          | 8    | 0.85%                    |
| UC Davis Health                   | 9,985          | 3    | 1.48%                    |
| United States Government          | 5,750          | 7    | 0.85%                    |
| Sutter Health                     | 6,507          | 4    | 0.97%                    |
| Dignity Health                    | 5,756          | 6    | 0.85%                    |
| Intel Corporation                 | 6,000          | 5    | 0.89%                    |
| Elk Grove Unified School District | 5,535          | 9    | 0.82%                    |
| San Juan Unified School District  | 4,700          | 10   | 0.70%                    |
| <u>Total</u>                      | <u>130,032</u> |      | <u>19.29%</u>            |
| Total County Employment           | 673,727        |      | 100.00%                  |

## Notes:

(1) Data is not separately available for the District's service area. As the District serves an area comprising, in large part, the City of Citrus Heights, and unincorporated areas of the County of Sacramento, information for the County of Sacramento has been presented.

(2) Data is not available for the years prior to 2013.

## Source:

Sacramento Business Journal  
U.S. Bureau of Labor Statistics

## Operating Information

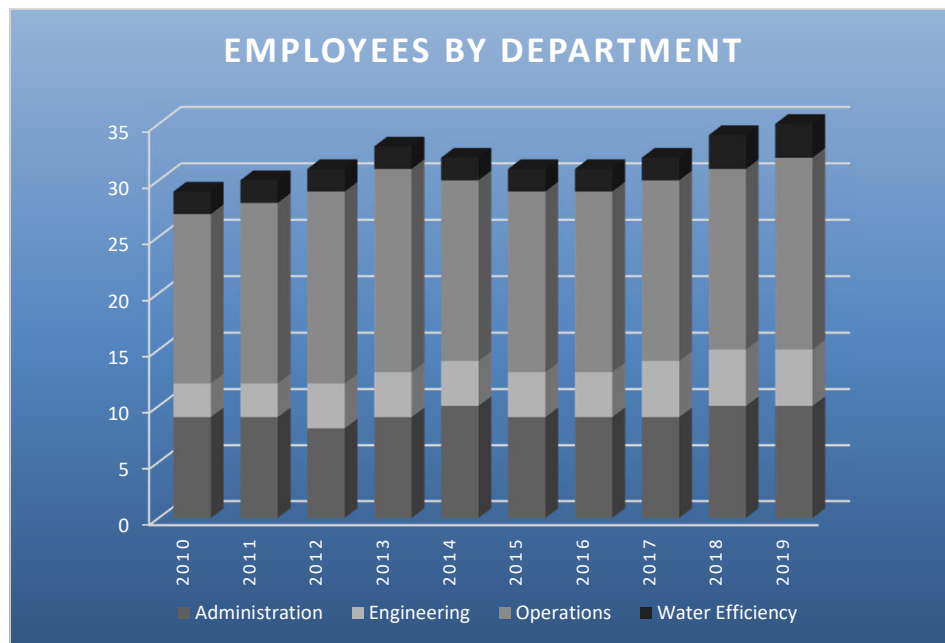
## CITRUS HEIGHTS WATER DISTRICT

### District Employees by Department

Last Ten Fiscal Years

Schedule 11

| Department       | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------|------|------|------|------|------|------|------|------|------|------|
| Administration   | 9    | 9    | 8    | 9    | 10   | 9    | 9    | 9    | 10   | 10   |
| Engineering      | 3    | 3    | 4    | 4    | 4    | 4    | 4    | 5    | 5    | 5    |
| Operations       | 15   | 16   | 17   | 18   | 16   | 16   | 16   | 16   | 16   | 17   |
| Water Efficiency | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 3    | 3    |
| Total            | 29   | 30   | 31   | 33   | 32   | 31   | 31   | 32   | 34   | 35   |



**Source:** District Administrative Services Department

## CITRUS HEIGHTS WATER DISTRICT

### Other Operating and Capacity Indicators

Last Ten Fiscal Years

Schedule 13

| Fiscal Year | Total Connections | Total Annual Demand (Acre Feet) | Pipeline (mi) | Wells | Meters | Hydrants |
|-------------|-------------------|---------------------------------|---------------|-------|--------|----------|
| 2010        | 19,131            | 13,725.35                       | 239.09        | 4     | 19,358 | 1,959    |
| 2011        | 19,173            | 13,252.18                       | 239.72        | 4     | 19,419 | 1,980    |
| 2012        | 19,552            | 14,169.76                       | 240.87        | 4     | 19,457 | 1,996    |
| 2013        | 19,591            | 14,881.54                       | 242.51        | 4     | 19,488 | 2,037    |
| 2014        | 19,645            | 11,937.24                       | 243.80        | 4     | 19,538 | 2,062    |
| 2015        | 19,785            | 9,973.47                        | 245.56        | 4     | 19,594 | 2,087    |
| 2016        | 19,851            | 10,422.44                       | 248.19        | 5     | 19,789 | 2,133    |
| 2017        | 19,902            | 11,014.52                       | 249.31        | 6     | 19,912 | 2,160    |
| 2018        | 19,911            | 10,981.66                       | 249.97        | 6     | 20,007 | 2,181    |
| 2019        | 19,937            | 11,001.23                       | 250.26        | 6     | 20,043 | 2,368    |

**Source:** District Administrative Services Department  
District Engineering Department  
District Water Efficiency Department



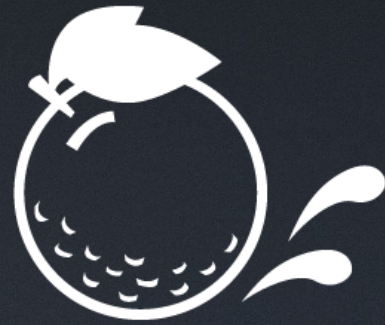
**C I T R U S**  
**H E I G H T S**  

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**W A T E R**  
**D I S T R I C T**







**CITRUS  
HEIGHTS**  

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**WATER  
DISTRICT**

6230 Sylvan Road

Citrus Heights, CA 95610

916.725.6873

[www.chwd.org](http://www.chwd.org)