

**BOARD MEETING AGENDA
SPECIAL MEETING OF THE BOARD OF DIRECTORS OF
CITRUS HEIGHTS WATER DISTRICT FINANCING CORPORATION
AUGUST 16, 2023 beginning at 6:30 PM**



**DISTRICT ADMINISTRATIVE OFFICE
6230 SYLVAN ROAD, CITRUS HEIGHTS, CA**

PHONE CALL IN: (253) 205-0468

PHONE MEETING ID: 830 6604 0898

COMPUTER AUDIO/LIVE MEETING PRESENTATIONS: <https://us06web.zoom.us/j/83066040898>

In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the General Manager at (916) 725-6873. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Members of the public may attend the meeting in person at the District headquarters or remotely through the phone number and link above.

Materials related to an agenda item for an open session of a regular meeting of the Citrus Heights Water District are posted on the Citrus Heights Water District website at www.chwd.org.

CALL TO ORDER:

Upon request, agenda items may be moved to accommodate those in attendance wishing to address that item. Please inform the Secretary.

ROLL CALL OF DIRECTORS:

VISITORS:

PUBLIC COMMENT:

The Public shall have the opportunity to directly address the Board on any item of interest to the public before or during the Board's consideration of that item pursuant to Government Code Section 54954.3. Public comment on items of interest within the jurisdiction of the Board is welcome. The Presiding Officer will limit comments to three (3) minutes per speaker.

(A) Action Item

(D) Discussion Item

(I) Information Item

CONSENT CALENDAR: (A)

All items under the Consent Calendar are considered to be routine and will be approved by one motion. There will be no separate discussion of these items unless a member of the Board, Audience, or Staff request a specific item be removed for separate discussion/action before the motion to approve the Consent Calendar.

CC-1. Minutes of the Annual Meeting of the Citrus Heights Water District Financing Corporation– June 21, 2023 (A)

Recommendation:

Approve the minutes from the June 21, 2023 Citrus Heights Water District Financing Corporation Meeting.

PRESENTATION:

P-1. Status of the San Juan Water District / CHWD Revenue Refunding Bonds Series 2012A (A)

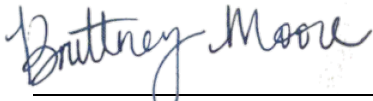
Recommendation:

1. Approve the draft Annual Report for the SJWD/CHWD Revenue Refunding Bonds, Series 2012A.
2. Authorize Staff to file the Annual Report as required to the MSRB.

ADJOURNMENT:

CERTIFICATION:

I do hereby certify that this agenda was posted in a location accessible to the public at 6230 SYLVAN ROAD, CITRUS HEIGHTS, CA 95610 at least 24 hours prior to the special meeting in accordance with Government Code Section 54954.2.



Brittney Moore, Chief Board Clerk

Dated: August 10, 2023

CITRUS HEIGHTS WATER DISTRICT FINANCING CORPORATION
BOARD OF DIRECTORS MEETING MINUTES
June 21, 2023

The Annual Meeting of the Board of Directors of the Citrus Heights Water District Financing Corporation was called to order at 7:57 p.m. by President Riehle and roll was called. Present were:

Raymond A. Riehle, President
David C. Wheaton, Vice President
Caryl F. Sheehan, Director

Staff:

Annie Liu, Director of Administrative Services
Brittney Moore, Administrative Services Manager/Chief Board Clerk
Josh Nelson, Assistant General Counsel
Melissa Pieri, Director of Engineering/ District Engineer
Rebecca Scott, Director of Operations
Kayleigh Shepard, Management Analyst
Hilary Straus, General Manager

VISITORS:

None.

PUBLIC COMMENT:

None.

CONSENT CALENDAR:

President Riehle asked for consideration and/or approval of the consent calendar.

CC-1a. Minutes of the Annual Meeting of the Citrus Heights Water District Financing Corporation – June 15, 2022 (A)

CC-1b. Minutes of the Annual Meeting of the Citrus Heights Water District Financing Corporation – December 21, 2022 (A)

Recommendation:

Approve the minutes from the June 15, 2022 Citrus Heights Water District Financing Corporation meeting and the minutes from the December 21, 2022 Citrus Heights Water District Financing Corporation meeting.

CC-2. Confirmation/Appointment of CHWD Financing Corporation Officers (A)

Recommendation:

Consider confirmation and appointment of Citrus Heights Water District Financing Corporation Officers.

| | | |
|--------------------------|-------------------|-----------------------------|
| President | Raymond A. Riehle | Reconfirm as President |
| Vice President | David C. Wheaton | Reconfirm as Vice President |
| Director | Caryl F. Sheehan | Reconfirm as Director |
| | | |
| Chief Financial Officer* | Annie Liu | Confirm as CFO |
| Secretary | Hilary M. Straus | Reconfirm as Secretary |

* Recommended appointment is for whomever occupies the Director of Finance and Administrative Services or Director of Administrative Services position with the District.

ACTION:

Vice President Wheaton moved and Director Sheehan seconded a motion to approve the consent calendar.

The motion carried 3-0 with all Directors voting yes.

PRESENTATION:

None.

BUSINESS:

None.

ADJOURNMENT:

There being no other business to come before the Board, the meeting was adjourned at 7:59 p.m.

APPROVED:

Brittney C. Moore
Chief Board Clerk
Citrus Heights Water District

Raymond A. Riehle, President
Board of Directors
Citrus Heights Water District

CITRUS HEIGHTS WATER DISTRICT FINANCING CORPORATION

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS OF THE CHWD FINANCING CORPORATION AUGUST 16, 2023 MEETING

SUBJECT : STATUS OF THE SAN JUAN WATER DISTRICT/ CITRUS HEIGHTS WATER DISTRICT REVENUE REFUNDING BONDS, SERIES 2012A

STATUS : Information / Discussion Item

REPORT DATE : August 16, 2023

PREPARED BY : Annie Liu, Director of Administrative Services

OBJECTIVE:

1. Approve the draft Annual Report for the Citrus Heights Water District (CHWD) Revenue Refunding Certificates of Participation, Series 2012A and other information related to debt financing by the District.
2. Authorize Staff to file Annual Report as required to the federal self-regulated organization, Municipal Securities Rulemaking Board (MSRB).

BACKGROUND AND ANALYSIS:

The Citrus Heights Water District Financing Corporation (the Corporation) was formed in July 2000 for the purpose of issuing the \$7.9 million in Certificates of Participation (COPs) for the financing of water meter installations and well improvements. Section 3.5 of the Bylaws for the Corporation requires that an annual meeting be held each year. The purpose of this meeting is to review information or developments related to the COP financing and to fulfill a legal requirement for California non-profit corporations.

Included with Directors' agenda packets is a draft of the Continuing Disclosure Annual Report for the Revenue and Revenue Refunding Bonds (Attachment 1). This report is a requirement of the District's debt issuance and is generally required for all publicly-traded securities. It is filed with the Electronic Municipal Market Access (EMMA) data service of the MSRB, where these reports are made available to the public. The Annual Report shows the status of CHWD's debt, and other financial and operating information about the District as of December 31, 2022. Total outstanding debt for the District as of that date was \$1,420,000.

2012 Revenue Refunding Bonds

CHWD originally issued Revenue Refunding Bonds in 2003 under the authority of the San Juan Suburban Water District (SJWD) Financing Corporation and not under the authority of the CHWD Financing Corporation. However, staff has typically reported on the status of the SJWD/CHWD debt issuance at the time of the CHWD Financing Corporation Annual Meeting.

CHWD participated with SJWD in a refunding of the 2003 Series debt that was completed in May 2012. The new debt issuance is identified as the SJWD/CHWD Refunding Revenue Bonds, Series 2012A. This refunding resulted in a savings to SJWD and CHWD over the remaining life of their respective debt. The principal amount outstanding on the Series 2012A bonds as of December 31, 2022 was \$1,420,000. CHWD's annual principal and interest payments on the Series 2012A debt ranges from \$168,400 to

\$174,088 annually over the remaining life of the debt through its retirement in 2033 with an approximately outstanding balance of \$1.71 million including principal and interests.

In the 4th quarter of 2021 SJWD refunded its 2012 Bonds, detaching the CHWD bonds from their bond issuance. At the November 2021 Board meeting, staff provided an update advising that due to the amount outstanding on the bond and the cost of issuance, the District would be best served by bundling a refunding of the 2012 Bonds with the potential need to fund capital projects in the near future, assuming market and debt borrowing conditions are favorable.

Payments on the SJWD/CHWD debt issuance are paid semiannually by CHWD.

RECOMMENDATIONS:

1. Approve the draft Annual Report for the SJWD/CHWD Revenue Refunding Bonds, Series 2012A.
2. Authorize Staff to file the Annual Report as required to the MSRB.

ATTACHMENTS:

1. Draft of 2022 Continuing Disclosure Annual Report
 2. Series 2012A Revenue Refunding Bonds Debt Service Schedule – pg. 9 of the Official Statement, dated: April 26, 2012, prepared by Citigroup.
-

ATTACHMENT 1

2022 Continuing Disclosure Annual Report (Draft)

CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2022

**SAN JUAN WATER DISTRICT
REFUNDING REVENUE BONDS
(SAN JUAN AND CITRUS HEIGHTS PROJECT)
SERIES 2012A**



**CITRUS HEIGHTS WATER DISTRICT
6230 SYLVAN ROAD
CITRUS HEIGHTS, CALIFORNIA 95610**

**SAN JUAN WATER DISTRICT
REVENUE REFUNDING BONDS
(SAN JUAN AND CITRUS HEIGHTS PROJECTS)
SERIES 2012A**

MATURITY DATE
(February 1)

CUSIP*

| | |
|------|------------|
| 2023 | 798326 AL8 |
| 2025 | 798326 AN4 |
| 2033 | 798326 AM6 |

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INTRODUCTION

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated August 10, 2023 (the “Annual Report”) has been prepared to satisfy the obligations of the Citrus Heights Water District (the “District”).

Definitions

Unless otherwise required, the following are the defined terms for this Annual Report.

2012 Bonds. 2012 Bonds means the San Juan Water District Revenue Refunding Bonds (San Juan and Citrus Heights Project) Series 2012A, issued on May 16, 2012.

2012 Disclosure Certificate. 2012 Disclosure Certificate means that certain Amended and Restated Continuing Disclosure Certificate, dated May 16, 2012, executed by the District in connection with the issuance of the 2012 Bonds.

Debt Obligation. Debt Obligation means the 2012 Bonds.

Disclosure Document. Disclosure Document means the 2012 Disclosure Certificate.

EMMA. EMMA means the Electronic Municipal Market Access, a service of the Municipal Securities Rulemaking Board.

Fiscal Year. Fiscal Year means the period beginning on January 1 of each year and ending on the last day of December of such year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Official Statements. Official Statements means that certain Official Statement, dated April 26, 2012 with regards to the 2012 Bonds.

Rule. Rule means Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

San Juan. San Juan means the San Juan Water District.

Delivery of the Annual Report

The District has agreed under the Disclosure Document to provide certain annual financial information and operating data and notices of significant events. These covenants have been made in order to assist the underwriters of the Debt Obligation in complying with the Rule. As provided in Section 3 of the Disclosure Document, this Annual Report is being prepared for publication with EMMA for the benefit of the owners of the Debt Obligation and the underwriter. Capitalized terms used in the Disclosure Certificate, which are not otherwise defined herein, shall have the respective meaning specified in the Official Statement.

The following is information as required under Section 4 of the Disclosure Document.

AUDITED FINANCIAL STATEMENTS

The audited financial statements of the District for the Fiscal Year ending December 31, 2022 are attached hereto as Appendix A.

PRINCIPAL AMOUNTS OUTSTANDING

2012 Bonds

As of the date of this Annual Report, the outstanding principal amount of the 2012 Installment Purchase Agreement attributable to the District in connection with the 2012 Bonds is \$1,315,000. As of Fiscal Year ended 2022, the outstanding principal amount of the 2012 Installment Purchase Agreement attributable to the District in connection with the 2012 Bonds is \$1,420,000.

RESERVE FUND REQUIREMENTS

2012 Bonds

Pursuant to the 2012 Bonds Indenture, there is no debt service reserve fund.

FINANCIAL INFORMATION AND OPERATING DATA

Water Deliveries

The following table summarizes water deliveries in acre feet for the last Fiscal Year.

CITRUS HEIGHTS WATER DISTRICT WATER DELIVERIES (in acre feet) Fiscal Year 2022

| <i>Treated Water Deliveries</i> | <i>Groundwater Deliveries</i> | <i>Total Water Deliveries</i> |
|---------------------------------|-------------------------------|-------------------------------|
| 7,968 | 3,598 | 11,566 |

Source: Citrus Heights Water District.

Service Connections

The following table represents a summary of average service connections to the Water System for the last Fiscal Year.

CITRUS HEIGHTS WATER DISTRICT SERVICE CONNECTIONS Fiscal Year 2022

| <i>Service Connections</i> | <i>Percent Increase/(Decrease)</i> |
|----------------------------|------------------------------------|
| 20,305 | 0.51% |

Source: Citrus Heights Water District.

Water Sales Revenues

The following table shows annual water sales revenues of the District for the last Fiscal Year.

CITRUS HEIGHTS WATER DISTRICT WATER SALES REVENUES

| <i>Fiscal Year Ending December 31</i> | <i>Sales Revenues</i> | <i>Percent Increase/(Decrease)</i> |
|---------------------------------------|-----------------------|------------------------------------|
| 2022 | \$18,934,457 | 14.20% |

Source: Citrus Heights Water District.

Water System Rates and Charges

The table below lists the annual water system rates and the percentage rate increases approved by the Board of Directors of the District for the last two completed Fiscal Years for single family residences.

CITRUS HEIGHTS WATER DISTRICT WATER SYSTEM RATES AND CHARGES – SINGLE FAMILY RESIDENCES

| <i>Fiscal Year Ending December 31</i> | <i>Annual Rate</i> | <i>Percent Increase</i> |
|---|--------------------|-------------------------|
| 2022 | \$833.58 | 3.30% |
| 2021 | \$806.94 | 0% |

Source: Citrus Heights Water District. 1" meter bi-monthly service charge with 20 units/month of water consumption.

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Operating Results and Debt Service Coverage

The following table is a summary of operating results for the most recently completed fiscal year. These results have been derived from the District's Financial Statements but exclude certain non-cash items and include certain other adjustments.

CITRUS HEIGHTS WATER DISTRICT OPERATING RESULTS FISCAL YEAR ENDED DECEMBER 31, 2021

| | |
|--|----------------------|
| Revenues | |
| Water Sales | \$ 18,934,457 |
| Capacity Fees, Other Fees and Charges | 499,297 |
| Interest Earnings ⁽¹⁾ | 241,077 |
| Miscellaneous ⁽²⁾ | 47,610 |
| Total Revenues | <u>\$ 19,722,441</u> |
| Operation and Maintenance Expenses | |
| Water Purchases | \$ 2,785,929 |
| Pumping & Well Maintenance | 996,949 |
| Transmission & Distribution | 2,637,991 |
| Administrative & General and Conservation ⁽³⁾ | 5,338,877 |
| Total Operation and Maintenance Expenses | <u>\$ 11,759,746</u> |
| Net Revenues | \$ 7,962,695 |
| Rate Stabilization (RS) Reserve | \$ 0 |
| Net Revenues & RS Reserve | <u>\$ 7,962,695</u> |
| Parity Debt Service | |
| 2012 Installment Purchase Agreement | 171,838 |
| Total Parity Debt Service | <u>\$ 171,838</u> |
| Total Debt Service Coverage | 46.34 |
| Citrus Heights Revenues Available for other Purposes | <u>\$ 7,790,857</u> |

(1) Fiscal Year 2022 excludes unrealized loss on investment in the amount of \$272,074.

(2) Includes groundwater transfers and sales revenue.

(3) Excludes certain non-cash items related to pension and OPEB expenses.

Source: Citrus Heights Water District

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CERTAIN DISCLAIMERS

The information contained in this Annual Report expresses only the views of the applicable party. An explanation of the significance of any such information may be obtained from the applicable party; provided, however, that no information provided by any party is incorporated in this Annual Report. The District undertakes no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the District provides information in this Annual Report, the District is not obligated to present or update information in future Annual Reports. Investors are advised to refer to the applicable Official Statement for the Debt Obligations for information concerning the initial issuance of and security for the Debt Obligations.

By providing the information in this Annual Report, the District does not imply or represent (a) that all information provided in this Annual Report is material to investors' decisions regarding investment in the Debt Obligations, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statements, (c) that no changes, circumstances or events have occurred since the date of this Annual Report (other than as contained herein), or (d) that no other information exists which may have a bearing on the District's financial condition, the security for the Debt Obligations or an investor's decision to buy, sell or hold the Debt Obligations.

The information set forth in this Annual Report or incorporated in this Annual Report has been furnished by the District and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Annual Report which involves estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Annual Report or incorporated in this Annual Report are subject to change without notice and the delivery of this Annual Report will not, under any circumstances, create any implication that there has been no change in the affairs of the District. The District is relying upon and has not independently confirmed or verified the accuracy or completeness of information provided by others or other information incorporated by reference therein.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the District. Historical results presented herein may not be indicative of future operating results.

CONCLUSION

The information set forth in this Annual Report has been obtained from sources believed by the District to be reliable and is fairly presented.

CITRUS HEIGHTS WATER DISTRICT

Hilary M. Straus
General Manager

APPENDIX A

**AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2021**



**CITRUS
HEIGHTS
WATER
DISTRICT**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year ending December 31, 2022



Sylvan Ranch Community Garden Initiative promoting water efficient garden practices.

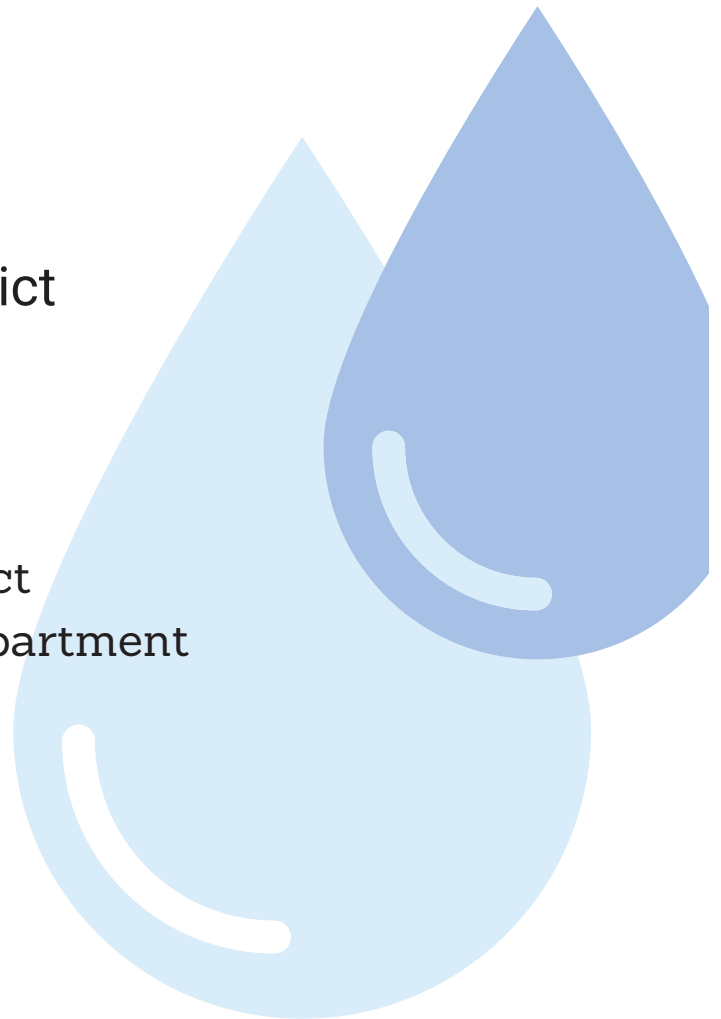
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ending December 31, 2022

Citrus Heights Water District
Citrus Heights, CA

Prepared by :
Citrus Heights Water District
Administrative Services Department

6230 Sylvan Road
Citrus Heights, CA 95610
www.chwd.org



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CITRUS HEIGHTS WATER DISTRICT

Annual Comprehensive Financial Report Years Ended December 31, 2022 and 2021

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CITRUS HEIGHTS WATER DISTRICT
Annual Comprehensive Financial Report
Years Ended December 31, 2022 and 2021

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INTRODUCTORY SECTION

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July 31, 2023

Honorable Members of the Board of Directors:

We are pleased to present the Citrus Heights Water District's ("District" or "CHWD") sixth Annual Comprehensive Financial Report ("ACFR") for the fiscal year ending December 31, 2022. 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 ACFR 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. District Management is responsible for 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 Lance, Soll & Lunghard, LLP (LSL), 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, 2022 are free of material misstatements. 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, 2022, were fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

GAAP requires 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.

Profile of Citrus Heights Water District

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

The 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. Since 2020, CHWD Board elections are "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. In 2022 The District was staffed by 36 full-time equivalent employees assigned to three departments: Administrative Services, Engineering, and Operations. 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 designee.

Water Supply

In 2022, the District purchased 68.9% of its water from San Juan Water District (SJWD) and delivered it to more than 20,000 residential and commercial service connections. Additionally, the District maintains six groundwater wells and approximately 253 miles of pipeline. CHWD has delivered 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. GAAP requires 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 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 adopts a budget prior to each 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 ACFR. As part of the budget process, a Financial Model is updated annually to analyze revenue and expenses along with capital improvements. Also, beginning in FY2018, 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. This accelerated payoff will result in savings to the District's customers versus 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 Investment Policy are safety, liquidity, and then yield. During 2022, funds have been 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 – During 2022, the District has 10 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 LSL conducted the audit of CHWD's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

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 largely built out; therefore, the District does not anticipate a significant growth in revenue based upon significant 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 does not receive tax revenue, operating revenues consist primarily of water sales and bi-monthly service charges. Water use has stayed relatively consistent with the decrease in usage from state-wide drought mandates enacted in 2013. The District expects consumption to continue decreasing in the next few years. This drop in demand created a gap between the amount of water customers were projected to use, and the amount they used, and contributed to the need for a new rate study and Financial Model rebuild.

CHWD and its wholesale water supplier, San Juan Water District (SJWD), 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 will see a cost increase from its wholesale water supplier in 2024 from proposed changes to the rate methodology and issuing debt for the lifecycle replacement of the liner of the Hinkle Reservoir, which serves CHWD and neighboring agencies.

As of January 1, 2023, CHWD charges a uniform commodity rate of \$1.43 per unit of water and a bi-monthly fixed charge of \$94.69 for a 1-inch water meter. The average CHWD customer water rate bill remains below the regional Sacramento average cost at 6.43%. The District continues to repair and replace aging infrastructure throughout its system. In 2022, the Operations Department completed 373 service replacements and replaced 90 linear feet of water mains. The Engineering Department also completed the design, installation, and inspection of 3,750 linear feet of water mains ranging in size from 6-inch to 18-inch, 13 valves and 2 water services.

Capital projects scheduled for 2023 total \$8.2 million and include design and commencement of construction of the District's seventh well. In the last few years, the District has secured approximately \$3.1 million for the construction of the District's next two wells.

Long-Term Financial Planning

Citrus Heights Water District utilizes several 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 an annual 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, completing 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 District analyzes 10-year financial projections to assist with long term operational and capital planning, and funding, including Prop 218 rates and wheeling rates.
- **Annual Budget** – A key component of financial planning is the budget, which is prepared, reviewed and adopted annually. During the 2nd and 3rd quarter each year, District Finance staff prepares a draft budget, based upon an analysis of the Financial Planning Model and 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, along with a consortium of 11 agencies, completed 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. Currently, the District is working with the Regional Water Authority to develop a potential regional purchasing program to achieve economies of scale when purchasing meters or other parts and materials.

Awards and Acknowledgements

Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Citrus Heights Water District for its ACFR for the fiscal year ending December 31, 2021. This was the fourth consecutive year that the District achieved this prestigious award. To be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized ACFR. The report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period. CHWD believes that this ACFR 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 the staff from Regional Government Services (RGS), CHWD's staff, including support from the various departmental directors, managers, and supervisors. RGS and CHWD staff's dedicated efforts, professionalism, and contributions to CHWD's ACFR is greatly appreciated. We would also like to thank the CHWD Board of Directors for their continued support in planning and implementing the District's fiscal policies.

Respectfully submitted,



Hilary M. Straus
General Manager/Secretary



Annie Y. Liu
Director of Administrative Services/
Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

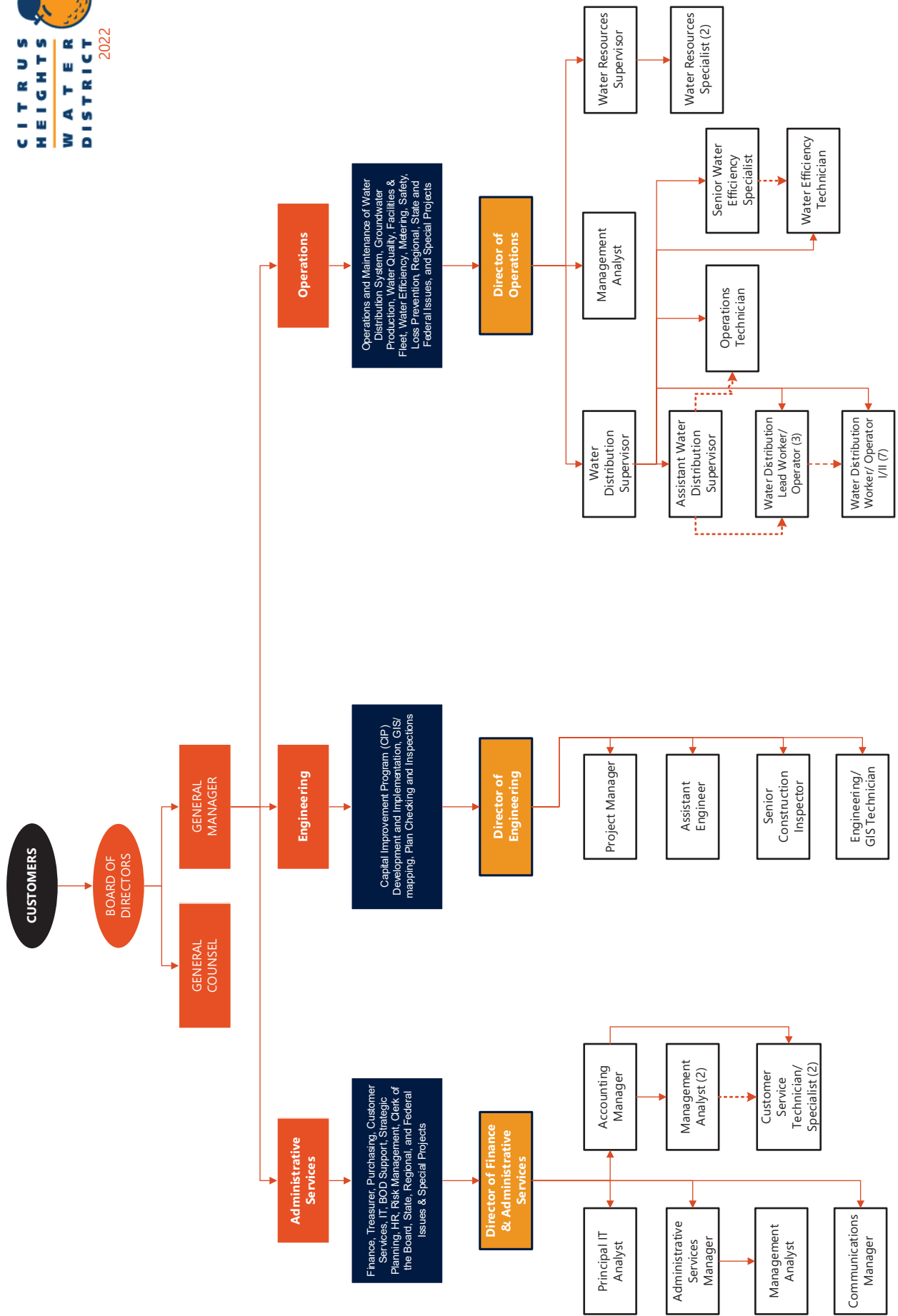
**Citrus Heights Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

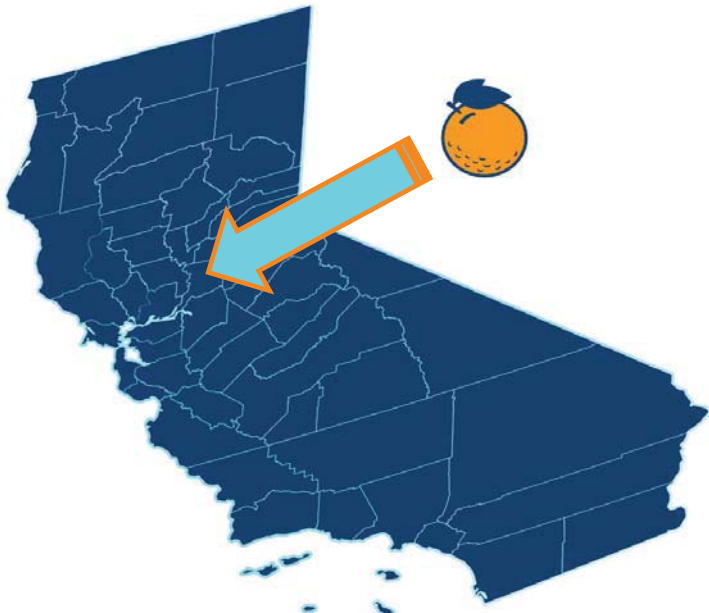
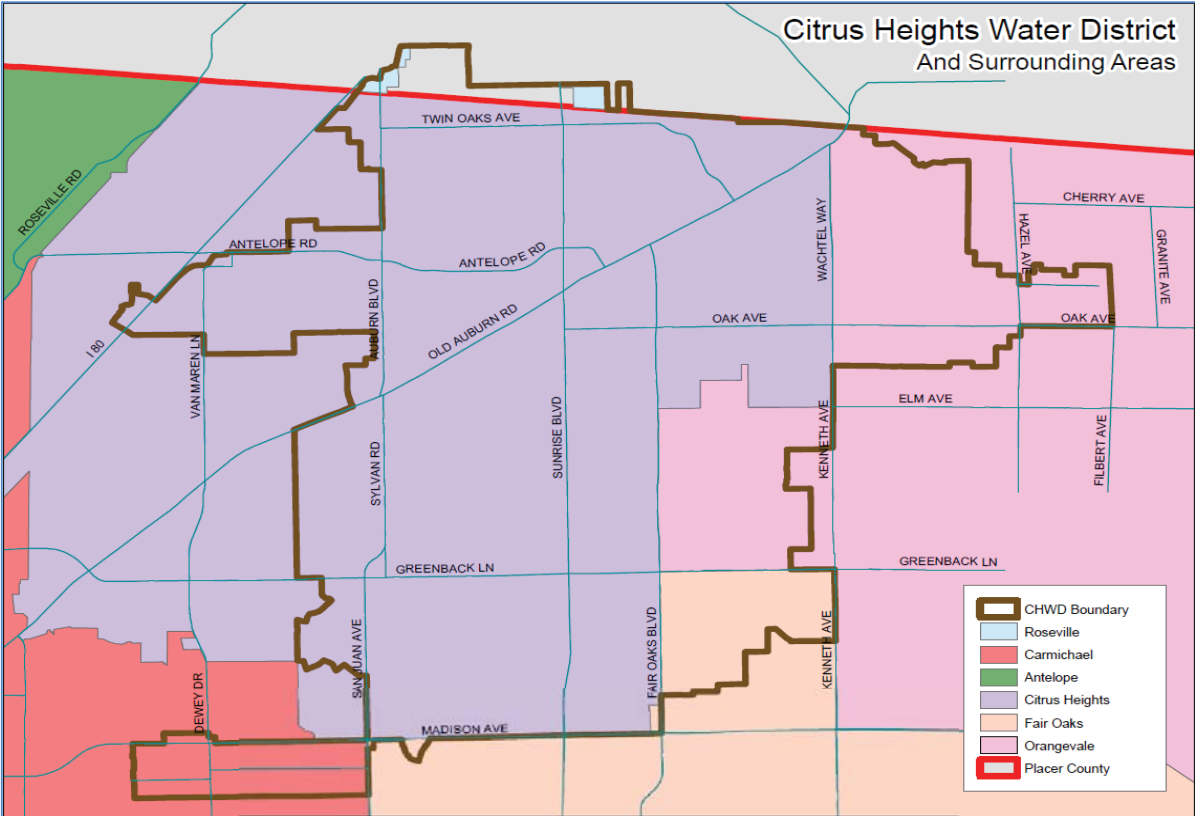
Christopher P. Morrill

Executive Director/CEO



CITRUS HEIGHTS WATER DISTRICT

Service Area Map with Cities Served



CITRUS HEIGHTS WATER DISTRICT

Board of Directors and Principal Officers

Board of Directors

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

Executive Staff

| | |
|---|------------------|
| General Manager | Hilary M. Straus |
| Director of Engineering | Melissa Pieri |
| Director of Finance and Administrative Services | Annie Liu |
| Director of Operations | Rebecca Scott |

Appointed Officers

| | |
|--------------------|------------------|
| Secretary | Hilary M. Straus |
| Treasurer | Annie Liu |
| Assessor Collector | Annie Liu |



FINANCIAL SECTION

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Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Citrus Heights Water District (the "District") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Citrus Heights Water District (the District) as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore



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

is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Responsibilities

Required Supplementary Information

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



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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Loughard, LLP

Sacramento, California
July 31, 2023

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Management's Discussion and Analysis



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CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022 and 2021

The following Management's Discussion and Analysis (MD&A) provides users of the Citrus Heights Water District (District) an analytical overview of the District's financial position for the fiscal years ended December 31, 2022, and 2021. The readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the introductory section, financial statements, and related notes, which follow this section.

Financial Highlights

- ❖ The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of year 2022 by \$87,133,775. About 75 percent of the District's net position, \$64,942,772, is composed of the capital assets of the District – the water transmission and distribution system, water production facilities, land, buildings, and equipment. Unrestricted net position totaled \$22,191,003, up from \$18,723,042 at the end of year 2021. This increase is mainly the result of the District's operating revenues exceeding the operating expenditure. The major factors in addition to the service charges that help the District to produce surplus this year are the Board's enacted a new water main replacement charge, effective January 2022, to fund the water main improvements, and allocation of 2022 groundwater substitution transfer proceeds, received from San Juan Water District.
- ❖ Capital improvement spending in the year 2022 slightly decreased by \$141,500 as compared with 2021. This decrease was anticipated based on the District's long-term capital improvement projects plan. Capital improvements capitalized in 2022 and 2021 amounted to \$3.5 and \$3.6 million, respectively.
- ❖ The District's operating revenues for 2022 were \$19,433,754, which is 11% higher than the prior year of \$17,517,961. The major factors contributed to this higher revenue are the Board's enacted a new water main replacement charge, and allocation of 2022 groundwater substitution transfer proceeds. About 97 percent of 2022 operating revenues, \$18,934,457, came from water sales to customers.
- ❖ The District's total net long-term liabilities at the end of 2022, including the 2012 Revenue Refunding bonds, pension liability, liability for other postemployment benefits (OPEB), and compensated absences is \$9,060,929. GASB Statement No. 68 required the recording of pension liability amounting to \$5,730,638. GASB Statement No. 75 required the recording of OPEB liability in the amount of \$1,529,657. Liabilities from Bond debt decreased by \$100,000 due to paying off the principal amount during 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position, statement of revenues, expenses, and changes in net position including the notes to financial statements and required supplementary information.

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.

CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022 and 2021

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 on December 31, 2022, 2021, and 2020:

| | FY 2022 | FY 2021 | FY 2020 | % Increase (Decrease) | |
|----------------------------------|----------------------|----------------------|----------------------|--------------------------|---------------|
| | | | | FY 2022 | FY 2021 |
| | | | | vs FY 2021 | vs FY 2020 |
| Current assets | \$ 28,593,899 | \$ 25,303,085 | \$ 22,371,449 | 13.0% | 13.1% |
| Capital assets, net | 66,523,058 | 64,504,097 | 61,322,653 | 3.1% | 5.2% |
| Total Assets | 95,116,957 | 89,807,182 | 83,694,102 | 5.9% | 7.3% |
| Deferred Outflows | 3,056,673 | 1,464,785 | 1,480,824 | 108.7% | -1.1% |
| Current liabilities | 1,495,019 | 1,660,601 | 1,526,560 | -10.0% | 8.8% |
| Non-current liabilities | 9,060,929 | 5,814,856 | 8,213,325 | 55.8% | -29.2% |
| Total Liabilities | 10,555,948 | 7,475,457 | 9,739,885 | 41.2% | -23.2% |
| Deferred Inflows | 483,907 | 2,250,974 | 254,032 | -78.5% | 786.1% |
| Net Position | | | | | |
| Net investment in capital assets | 64,942,772 | 62,822,494 | 59,531,355 | 3.4% | 5.5% |
| Unrestricted | 22,191,003 | 18,723,042 | 15,649,654 | 18.5% | 19.6% |
| Total Net Position | \$ 87,133,775 | \$ 81,545,536 | \$ 75,181,009 | 6.9% | 8.5% |

The total net position of the District increased from \$75.2 million in 2020 to \$81.5 million in 2021, and increased to \$87.1 million in 2022. The District's total assets increased by \$5.6 million, or 6.9%, in 2022 compared to 2021, and \$6.4 million, or 8.5%, in 2021 compared to 2020.

Deferred outflows increased by 109% from \$1.5 million in 2021 to \$3.1 million in 2022, due to changes in actuarial assumptions and the CalPERS recognized increased net pension liability over the measurement period. The most recent actuarial experience study used to update the assumptions, including for salary increase, mortality, and retirement rates.

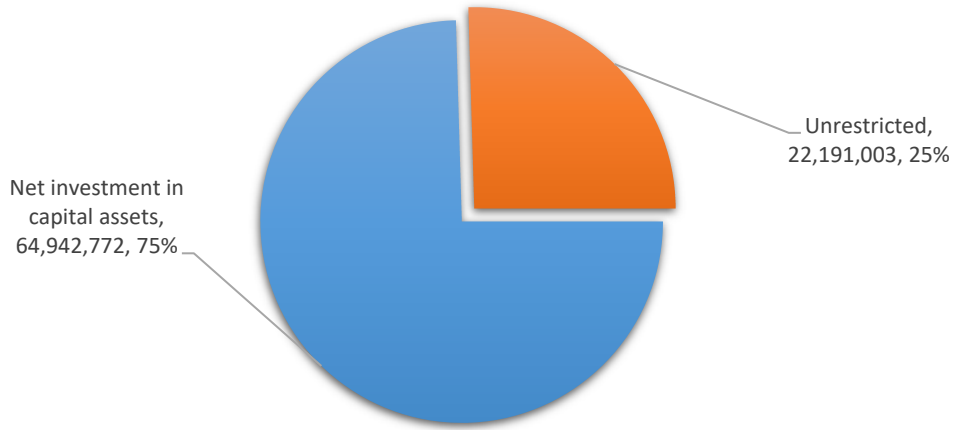
In 2022, the total liabilities increased \$3.08 million, or 41.2%, compared to 2021 as a result of CalPERS' funded status has dropped, increasing the net pension liability; total non-current liabilities increased by \$3.2 million, or 55.8%, compared to 2021 mainly due to the increased in net pension liability, details can be reviewed in Note 8 of the accompanying Notes to Financial Statements.

Deferred inflows decreased by \$1.8 million, or (78.5%) because of changes in actuarial assumptions including return on pension plan investments affecting the calculation of the pension liability.

CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022 and 2021

The increase in net position over the three-year period totals \$11.9 million or 15.9% and is the result of the combination of net income and capital contributions.

Net Position



CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022 and 2021

Changes in Net Position

The following table summarizes the changes in net position for the fiscal years ended December 31, 2022, 2021, and 2020:

| | 2022 | 2021 | 2020 | % Increase (Decrease) | |
|--|----------------------|----------------------|----------------------|--------------------------|--------------------------|
| | | | | FY 2021 vs FY 2022 | FY 2020 vs FY 2021 |
| Operating Revenues: | | | | | |
| Water sales | \$ 18,934,457 | \$ 16,579,945 | \$ 16,908,986 | 14.2% | -1.9% |
| Connection fees | 49,685 | 427,859 | 290,182 | -88.4% | 47.4% |
| Other fees | 449,612 | 510,156 | 2,004,589 | -11.9% | -74.6% |
| Total Operating Revenues | 19,433,754 | 17,517,961 | 19,203,757 | 10.9% | -8.8% |
| Operating Expenses: | | | | | |
| Customer service admin/general | 4,481,946 | 4,044,426 | 4,999,639 | 10.8% | -19.1% |
| Water purchases | 2,785,929 | 2,798,201 | 2,917,535 | -0.4% | -4.1% |
| Transmission and distribution | 2,637,991 | 2,350,969 | 2,490,474 | 12.2% | -5.6% |
| Pumping & well maintenance | 996,949 | 1,047,987 | 826,804 | -4.9% | 26.8% |
| Water efficiency (conservation) | 696,635 | 753,058 | 553,068 | -7.5% | 36.2% |
| Depreciation & amortization | 2,594,333 | 2,485,902 | 2,469,339 | 4.4% | 0.7% |
| Total Operating Expenses | 14,193,783 | 13,480,543 | 14,256,859 | 5.3% | -5.4% |
| Operating income | 5,239,971 | 4,037,418 | 4,946,898 | 29.8% | -18.4% |
| Nonoperating Revenues (Expenses): | | | | | |
| Investment income | (30,997) | (343) | 116,981 | 8937.0% | -100.3% |
| Miscellaneous income | 47,610 | 42,759 | 42,989 | 11.3% | -0.5% |
| Interest expense | (69,691) | (74,734) | (95,741) | -6.7% | -21.9% |
| Gain (loss) on disposal of capital assets | (39,333) | (115,032) | (73,310) | -65.8% | 56.9% |
| Total Nonoperating Revenues (Expenses) | (92,411) | (147,350) | (9,081) | -37.3% | 1522.6% |
| Net Income before Capital Contributions | 5,147,560 | 3,890,068 | 4,937,817 | 32.3% | -21.2% |
| Capital Contributions | | | | | |
| Contributed Assets | 440,679 | 2,474,459 | 290,182 | -82.2% | 752.7% |
| Total Capital Contributions | 440,679 | 2,474,459 | 290,182 | -82.2% | 752.7% |
| Change in Net Position | 5,588,239 | 6,364,527 | 5,227,999 | -12.2% | 21.7% |
| Net position, beginning of year | 81,545,536 | 75,181,009 | 69,953,010 | 8.5% | 7.5% |
| Net Position, End of Year | \$ 87,133,775 | \$ 81,545,536 | \$ 75,181,009 | 6.9% | 8.5% |

Net position increased \$5.6 million, or 6.9 percent from the prior year. Operating revenue exceeded operating expenses by \$5.2 million, which accounts for most of the increase in net position, and these funds were expended for the construction of capital improvements or set aside for that purpose. The receipt of \$440,679 in donated assets from private developer additions to the District's water distribution system accounted for about 7.9 percent of the increase in net position.

CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022 and 2021

Total operating revenues increased in 2022 by \$1.9 million or 10.9 percent from 2021.

The factors contributed to this increase are the net result of Board's enacted a new water main replacement charge to fund the water main improvements that amounted to \$1.2 million, an allocation of 2022 groundwater substitution transfer proceeds of \$889,694, received from San Juan Water District; and a decreased of \$378,175 connection fees. The total nonoperating revenues slightly decreased compared to the prior year. The change is mostly the net result of the interest income, \$203,886 and a decrease of \$234,883.18 in the value of investments due to increasing interest rates, and a decrease of \$75,699 in the loss of capital assets disposal.

In 2022, the operating expenses increased by \$713,240, or 5.3% from 2021, primarily due to increased salaries and wages, and increased pension expense due to CalPERS recognized increased net pension liability over the measurement period. Total nonoperating expenses decreased by \$80,742 or 42.5% in 2022 to \$109,024 from \$189,766 in 2021 because of disposing assets that caused a lower loss on disposal of capital assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, 2020 and 2019, the District's investment in capital assets, net of related debt, were \$64,942,772, \$62,822,494, and \$59,531,355, 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 \$3.5 million additions to the District's capital assets in 2022, the \$3.6 million additions in 2021, and the \$3.8 million additions in 2020. Several private development projects resulted in the addition of \$440,679 in donated capital assets in 2022, \$2.5 million in 2021 and \$290,182 in 2020.

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 2012 Revenue Refunding bonds. Through scheduled debt service payments, principal on its collective debt was reduced by \$113,370 during 2022, by \$108,370 during 2021, and by \$664,457 during 2020. The District's total debt from its bond issuances now stands at \$1.5 million.

Total compensated absences (long-term liability and current liability combined) are composed of leave hours earned by employees that are payable upon termination or retirement. The current compensated absence liability is \$199,578 and the non-current compensated absence liability is \$358,623 for a total of \$558,201 at the end of 2022. During 2021 current compensated absence liability was \$268,373 and the non-current compensated absence liability was \$191,514 for a total of \$459,887 at the end of 2021. Between 2021 and 2022 the current compensated absence liability increased by \$167,109 and the non-current compensated absence liability decreased by \$68,795 for a net overall increase of \$98,314. This overall increase is mainly due to seniority and low employee turnover, resulting in higher rates of leave balances and increased pay rates.

The net liability for other post-employment benefits (OPEB) decreased by \$198,019 in 2022, as a result of the annual cost of these benefits exceeding the amounts paid for premiums, and changes in actuarial assumptions. Additional information on the District's changes in net OPEB liability can be found in Note 9, Post – Employment Health Care Benefits, of the notes to the basic financial statements.

CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022 and 2021

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

The District continued to exercise fiscal restraint in spending for District operations. However, the adopted 2023 budget projected an overall increase of \$572,884 or 4% for the operations and maintenance expenses. The 2023 budget includes:

- ❖ Maintaining the current level of services and programs for District customers.
- ❖ Funding the implementation of strategic planning items and special projects identified by the Board as priorities for 2023.
- ❖ Addition of two new Full Time Equivalent Employees: A Senior Accountant position and a Senior/Associate Civil Engineer position.
- ❖ \$1.8 million transfer to reserves for prefunding the Project 2030 Water Mains Replacement Project., and \$4.5 million for operations and maintenance, including many Strategic Planning and Special Project items, such as organizational development, District policy review/updates, completion of the easement project, and providing content for the District's WaterSmart classes.

A 2023 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.

Total capital improvement expenditures budgeted for FY2023 are \$8.2 million compared with \$8.7 million in FY2022. This amount includes \$3.9 million in carry-over projects from prior years, and \$4.3 million in new projects for FY2023. The 2023 key projects include participate in the Hinkle Reservoir Cover Replacement, complete construction of Well Site #7, complete Water Main Replacement and Installation, Continue Project 2030 Implementation Plan, installation of new fire hydrants, as well as replacements and upgrades.

A 2023 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 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 2003 (refunded as Revenue Refunding Bonds in 2012). The annual debt service for the 2012 Revenue Refunding Bonds is budgeted at \$105,000 for FY2023.

Focus on Long-Range Planning

CHWD has a long-standing tradition of planning and managing its long-term capital and operational needs and accompanying financial planning. CHWD's focus on long-range planning is exemplified by its water main master planning, 1999 Master Plan that focused on water main replacement, Project 2030-Water Main Replacement Program; Water Meter Replacement Study and Consortium-based Meter Replacement Asset Management Program; maintaining a 10-year financial forecast as a driver for annual budgeting; and the use of Strategic Planning, focusing on three-year goals and one-year objectives as a driver for annual budgeting.

Implementation of an Annual Budget Based on a 10-Years Budget Forecast

Given the significant capital and asset management-related one-time and ongoing expenses projected, CHWD has developed and maintained a 10-year budget forecast or Financial Model. The Financial Model is updated regularly with actual revenues and expenses, and serves as a key policy, operational capital and financial planning tools as the District considers policy, operational, capital and budget options.

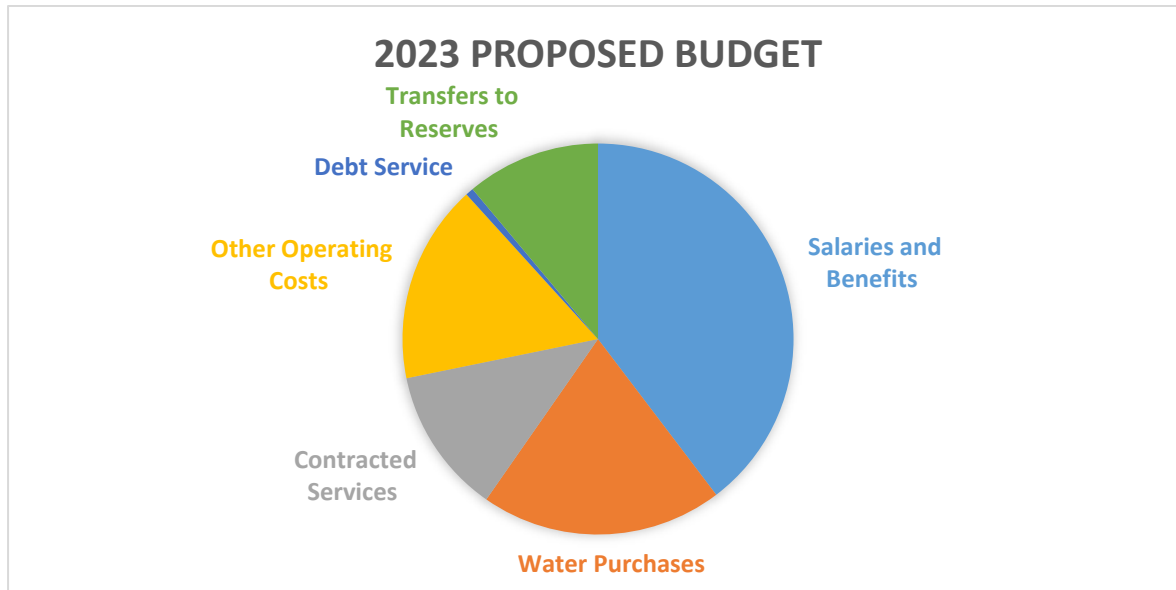
CITRUS HEIGHTS WATER DISTRICT
 Management's Discussion and Analysis
 For the Fiscal Year Ended December 31, 2022 and 2021

Reserve Policies and Special Funding

Each year, CHWD endeavors to transfer a portion of net revenue to both designated and undesignated reserves. Placing ratepayer dollars in reserves ensures that CHWD can smooth-out its expenses and minimize its use of debt financing, which can add significant expense, delay, complication, and result in a loss of local control to CHWD as it implements its Capital Improvement Program.

CITRUS HEIGHTS WATER DISTRICT ADOPTED BUDGET

| | 2021 Actual | 2022 Projected | 2023 Adopted |
|--|-------------------|-------------------|-------------------|
| Revenues | | | |
| Water Sales | \$ 16,646,215 | 17,068,793 | 16,874,307 |
| Connection and Other Fees | 858,807 | 539,704 | 700,000 |
| Project 2030 Designated Charge | - | 1,374,099 | 1,374,099 |
| Grant Revenue | - | - | 1,607,000 |
| Investment and Other Income | 51,586 | 170,000 | 400,000 |
| Total Revenues | 17,556,609 | 19,152,596 | 20,955,406 |
| Expenses | | | |
| Salaries and Benefits | 5,059,291 | 5,427,557 | 6,345,892 |
| Water Purchases | 3,846,188 | 3,708,902 | 3,200,000 |
| Contracted Services | 1,625,125 | 1,877,257 | 1,934,596 |
| Other Operating Costs | 1,694,159 | 1,896,021 | 2,633,870 |
| Debt Service | 95,000 | 100,000 | 105,000 |
| Transfers to Reserves | - | 1,374,099 | 1,774,099 |
| Total Expenses and Transfers | 12,319,763 | 14,383,836 | 15,993,457 |
| Operating Income before Capital Outlay | 5,236,845 | 4,768,760 | 4,961,949 |
| Capital Outlay | \$ 3,242,910 | 2,536,268 | 8,225,699 |



CITRUS HEIGHTS WATER DISTRICT
 Management's Discussion and Analysis
 For the Fiscal Year Ended December 31, 2022 and 2021

CITRUS HEIGHTS WATER DISTRICT ADOPTED CAPITAL PROJECTS BUDGET

| Project Number | Description | 2022 Adopted Budget | 2023 Adopted Budget | 2023 Project Budget Amendment Request |
|--------------------------------------|---|---------------------|---------------------|---------------------------------------|
| C15-104B | Document Management System | \$ 154,639 | \$ 127,639 | \$ - |
| C15-109 | Blossom Hill Way 6" x 10" Interconnection w/ RV | 27,777 | - | - |
| C15-110 | Crestmont Avenue 6" Interconnection w/ RV | 24,888 | - | - |
| C16-134 | Auburn Blvd - Rusch Park to Placer County Line | 299,143 | 407,370 | 250,000 |
| C17-104 | Groundwater Well Property Acquisition (# 7, 8, 9 & 10) | 81,187 | 10,851 | - |
| C19-108 | 6230 Sylvan Road - East Wall | 233,252 | 233,252 | - |
| C20-101 | Fair Oaks Boulevard | 425,137 | 425,137 | - |
| C20-107 | Water Supply Project Design and Construction of Well | 3,225,500 | 3,045,500 | 840,000 |
| C20-108 | Pre-Architectural Study Corporation Yard/Master Plan | 98,324 | 98,324 | - |
| C20-109 | Plans, Specifications, & Estimate for Preferred Alt - Corp Yard | 400,000 | - | - |
| C21-040 | Other City Partnership Opportunities | 73,051 | 112,551 | - |
| C21-041 | Other Misc Infrastructure Projects | 112,551 | 115,464 | - |
| C21-102 | Old Auburn Road | 86,459 | - | - |
| C21-104 | Mesa Verde High School | 672,209 | - | - |
| C21-105 | Madison Aveue & Dewey Drive | 79,654 | - | - |
| C22-003 | Annual Fleet and Field Operations Equipment | 100,000 | - | - |
| C22-004 | Annual Technology Hardware and Software | 55,000 | - | - |
| C22-005 | Annual Facilities Improvements | 100,000 | - | - |
| C22-010 | Annual Water Main Pipeline Replacements (small) | 50,000 | - | - |
| C22-011 | Annual Valve Replacements | 75,000 | - | - |
| C22-012 | Annual Water Service Connections | 825,000 | - | - |
| C22-013 | Annual Water Meter Replacements | 100,000 | - | - |
| C22-014 | Annual Fire Hydrants - Repl, Upgrades, Infill, New | 125,000 | - | - |
| C22-020 | Annual Groundwater Well Improvements | 150,000 | - | - |
| C22-040 | Other City Partnership Opportunities | 100,000 | - | - |
| C22-041 | Other Misc Infrastructure Projects | 100,000 | - | - |
| C21-103 | Pratt Avenue | 490,064 | - | - |
| C22-101 | Carriage Dr | 427,104 | - | - |
| Encumbered Projects Total | | 8,690,939 | 3,917,699 | 1,090,000 |
| C23-003 | Annual Fleet and Field Operations Equipment | - | 425,000 | - |
| C23-004 | Annual Technology Hardware and Software | - | 55,000 | - |
| C23-005 | Annual Facilities Improvements | - | 103,000 | - |
| C23-010 | Annual Water Main Pipeline Replacements (small) | - | 50,000 | - |
| C23-011 | Annual Valve Replacements | - | 115,000 | - |
| C23-012 | Annual Water Service Connections | - | 1,075,000 | - |
| C23-013 | Annual Water Meter Replacements | - | 120,000 | - |
| C23-014 | Annual Fire Hydrants - Repl, Upgrades, Infill, New | - | 175,000 | - |
| C23-020 | Annual Groundwater Well Improvements | - | 200,000 | - |
| C23-040 | Other City Partnership Opportunities | - | 100,000 | - |
| C23-041 | Other Misc Infrastructure Projects | - | 100,000 | - |
| 2023 New Annual Capital Total | | - | 2,518,000 | - |
| C23-xxx | Highland Well | - | - | - |
| C23-104 | Patton Avenue 8-inch, Pardal Ct, Alondra Ct, Perdez Ct 6-inch | - | 1,010,000 | - |
| C23-105 | Reno Lane 8-inch | - | 705,000 | - |
| C23-xxx | Admiral & Anchor 8-inch | - | 75,000 | - |
| 2023 New Projects Total | | - | 1,790,000 | - |
| Totals | | 8,690,939 | \$8,225,699 | \$1,090,000 |

| | |
|--|--------------------|
| Previously-Approved Projects Carried Over from 2022: | 2,827,699 |
| Prior Years Project Amendment: | 1,090,000 |
| New Capital Projects Request for 2023: | 4,308,000 |
| Total 2023 Capital Improvements Budget: | \$8,225,699 |



Basic Financial Statements

CITRUS HEIGHTS WATER DISTRICT

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| Assets: | | |
| Current: | | |
| Cash and investments (Note 2) | \$ 23,855,881 | \$ 21,676,526 |
| Accounts receivable, net | 3,523,017 | 2,627,271 |
| Due from other governments | - | 946 |
| Accrued interest receivable | 81,304 | 4,934 |
| Inventories | 546,237 | 439,389 |
| Prepaid expenses and other deposits | 587,460 | 554,019 |
| Total Current Assets | <u>28,593,899</u> | <u>25,303,085</u> |
| Noncurrent: | | |
| Non-depreciable capital assets (Note 3) | 3,590,398 | 2,439,395 |
| Depreciable capital assets, net (Note 3) | 62,932,660 | 62,064,702 |
| Total Noncurrent Assets | <u>66,523,058</u> | <u>64,504,097</u> |
| Total Assets | <u>95,116,957</u> | <u>89,807,182</u> |
| Deferred Outflows of Resources: | | |
| Pension related (Noted 8) | 2,553,774 | 910,520 |
| OPEB related (Note 9) | 502,899 | 554,265 |
| Total Deferred Outflows of Resources | <u>3,056,673</u> | <u>1,464,785</u> |
| Liabilities: | | |
| Current: | | |
| Accounts payable | 617,796 | 697,665 |
| Retentions payable | 13,378 | 17,995 |
| Accrued payroll | 153,332 | 168,988 |
| Accrued interest payable | 31,441 | 34,178 |
| Deposits payable | 374,494 | 373,402 |
| Compensated absences (Note 7) | 199,578 | 268,373 |
| Long-term debt (Note 4) | 105,000 | 100,000 |
| Total Current Liabilities | <u>1,495,019</u> | <u>1,660,601</u> |
| Noncurrent: | | |
| Compensated absences (Note 7) | 358,623 | 191,514 |
| Long-term debt (Note 4) | 1,442,011 | 1,560,381 |
| Net pension liability (Note 8) | 5,730,637 | 2,335,284 |
| Net OPEB liability (Note 9) | 1,529,658 | 1,727,677 |
| Total Noncurrent Liabilities | <u>9,060,929</u> | <u>5,814,856</u> |
| Total Liabilities | <u>10,555,948</u> | <u>7,475,457</u> |
| Deferred Inflows of Resources: | | |
| Deferred amount from refunding debt | 19,897 | 21,222 |
| Pension related (Note 8) | 301,018 | 2,189,017 |
| OPEB related (Note 9) | 162,992 | 40,735 |
| Total Deferred Inflows of Resources | <u>483,907</u> | <u>2,250,974</u> |
| Net Position: | | |
| Net investment in capital assets | 64,942,772 | 62,822,494 |
| Unrestricted | 22,191,003 | 18,723,042 |
| Total Net Position | <u>\$ 87,133,775</u> | <u>\$ 81,545,536</u> |

CITRUS HEIGHTS WATER DISTRICT

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|--------------------------|
| Operating Revenues: | | |
| Water sales | \$ 18,934,457 | \$ 16,579,945 |
| Connection and other fees | 499,297 | 938,016 |
| Total Operating Revenues | <u>19,433,754</u> | <u>17,517,961</u> |
| Operating Expenses: | | |
| Customer service, administration and general | 4,481,946 | 4,044,426 |
| Water purchases | 2,785,929 | 2,798,201 |
| Transmission and distribution | 2,637,991 | 2,350,969 |
| Pumping and well maintenance | 996,949 | 1,047,987 |
| Conservation | 696,635 | 753,058 |
| Depreciation and amortization | 2,594,333 | 2,485,902 |
| Total Operating Expenses | <u>14,193,783</u> | <u>13,480,543</u> |
| Operating Income (Loss) | <u>5,239,971</u> | <u>4,037,418</u> |
| Nonoperating Revenues (Expenses): | | |
| Investment income | (30,997) | (343) |
| Miscellaneous income | 47,610 | 42,759 |
| Interest expense | (69,691) | (74,734) |
| Gain (loss) on disposal of capital assets | (39,333) | (115,032) |
| Total Nonoperating Revenues (Expenses) | <u>(92,411)</u> | <u>(147,350)</u> |
| Income (Loss) Before Capital Contributions | 5,147,560 | 3,890,068 |
| Contributions | <u>440,679</u> | <u>2,474,459</u> |
| Changes in Net Position | 5,588,239 | 6,364,527 |
| Net Position: | | |
| Beginning of Fiscal Year | <u>81,545,536</u> | <u>75,181,009</u> |
| End of Fiscal Year | <u>\$ 87,133,775</u> | <u>81,545,536</u> |

CITRUS HEIGHTS WATER DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities: | | |
| Cash receipts from customers | \$ 18,534,483 | \$ 17,889,180 |
| Cash paid to suppliers for goods and services | (11,122,027) | (10,256,602) |
| Cash paid to employees for services | (774,273) | (994,418) |
| Receipts from miscellaneous non operating income | 34,551 | 57,489 |
| Net Cash Provided (Used) by Operating Activities | <u>6,672,734</u> | <u>6,695,649</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (4,546,315) | (3,337,342) |
| Cash receipts from sales of capital assets | 332,731 | - |
| Principal payments on long-term debt | (100,000) | (95,000) |
| Interest payments on long-term debt | (72,428) | (77,635) |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>(4,386,012)</u> | <u>(3,509,977)</u> |
| Cash Flows from Investing Activities: | | |
| Interest earnings | (107,367) | 9,916 |
| Net Cash Provided (Used) by Investing Activities | <u>(107,367)</u> | <u>9,916</u> |
| Net Cash Flows | 2,179,355 | 3,195,588 |
| Cash, beginning of year | <u>21,676,526</u> | <u>18,480,938</u> |
| Cash, end of year | <u>\$ 23,855,881</u> | <u>\$ 21,676,526</u> |

CITRUS HEIGHTS WATER DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ 5,239,971 | \$ 4,037,418 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,594,333 | 2,485,902 |
| Miscellaneous income | 34,551 | 57,489 |
| Change in assets and liabilities: | | |
| (Increase) decrease in assets and deferred outflows of resources: | | |
| Accounts Receivable | (894,800) | 378,842 |
| Inventory | (106,848) | (9,868) |
| Prepaid expenses and other assets | (33,441) | (115,281) |
| Increase (decrease) in liabilities and deferred inflows of resources: | | |
| Accounts payable | (79,869) | 109,623 |
| Accrued payroll | (15,656) | (28,407) |
| Deposits payable | 1,092 | 30,107 |
| Retentions payable | (4,617) | (37,223) |
| Compensated absences | 98,314 | 10,789 |
| Net pension liability and related deferred inflows and outflows | (135,900) | (186,516) |
| Net OPEB liability and related deferred inflows and outflows | (24,396) | (37,226) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 6,672,734</u> | <u>\$ 6,695,649</u> |
| Supplemental Disclosure of Non-Cash Activities | | |
| Receipt of contributed assets | \$ 440,679 | \$ 2,474,459 |
| Amortization of bond premiums | 13,370 | 13,370 |
| Amortization of deferred charges on refundings | 1,325 | 1,325 |

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Note to the Basic Financial Statements



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CITRUS HEIGHTS WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 over 20,000 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 net investment in capital assets, 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.

CITRUS HEIGHTS WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

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.

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 (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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:

| <u>Description</u> | <u>Useful Life</u> |
|-----------------------------|--------------------|
| 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 to \$2,595,658 and \$2,487,227 for the years ended December 31, 2022 and 2021, 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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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 assets 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.

Note 2: Cash and Investments

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

| | <u>2022</u> | <u>2021</u> |
|----------------------------|----------------------|----------------------|
| Cash and investments | \$ 23,855,881 | \$ 21,676,526 |
| Total cash and investments | <u>\$ 23,855,881</u> | <u>\$ 21,676,526</u> |

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

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Cash on Hand | \$ 850 | \$ 850 |
| Deposits with financial institutions | 8,957,102 | 6,646,281 |
| Total cash | <u>8,957,952</u> | <u>6,647,131</u> |
| Investments in Local Agency Investment Fund (LAIF) | 14,347,103 | 14,485,373 |
| Money Market Mutual Funds | 550,826 | 544,022 |
| Total investments | <u>14,897,929</u> | <u>15,029,395</u> |
| Total cash and investments | <u>\$ 23,855,881</u> | <u>\$ 21,676,526</u> |

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, 2022, the District's permissible investments included the following instruments:

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 2: Cash Investments (Continued)

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio* | Maximum Investment 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' Acceptance | 180 Days | 40% | 30% |
| Commercial Paper | 270 Days | 40% | 10% |
| Negotiable Certificates of Deposit | 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

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 Maturity | Maximum Percentage of Portfolio | Maximum Investment 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' Acceptance | 1 Year | None | None |
| Commercial Paper | None | None | None |
| Negotiable Certificates of Deposit | 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 |

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 2: Cash Investments (Continued)

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.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31, 2022:

| | <u>Total</u> |
|--|----------------------|
| Investments Measured at Amortized Cost: | |
| Money Market Mutual Fund | \$ 550,826 |
| Cash in banks and on hand | 8,957,952 |
| Total Cash and Investments | 9,508,778 |
| Investments not subject to Fair Value Hierarchy | |
| California Local Agency Investment Fund (LAIF) | 14,347,103 |
| Total Cash and Investments | \$ 23,855,881 |

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31, 2021:

| | <u>Total</u> |
|--|----------------------|
| Investments Measured at Amortized Cost: | |
| Money Market Mutual Fund | \$ 544,022 |
| Cash in banks and on hand | 6,647,131 |
| Total Cash and Investments | 7,191,153 |
| Investments not subject to Fair Value Hierarchy | |
| California Local Agency Investment Fund (LAIF) | 14,485,373 |
| Total Cash and Investments | \$ 21,676,526 |

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, 2022.

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 2: Cash Investments (Continued)

| | Minimum Legal Rating | Not Rated | Total |
|------|-------------------------|----------------------|----------------------|
| LAIF | N/A | \$ 14,347,103 | \$ 14,347,103 |
| | | <u>\$ 14,347,103</u> | <u>\$ 14,347,103</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, 2021.

| | Minimum Legal Rating | Not Rated | Total |
|------|-------------------------|----------------------|----------------------|
| LAIF | N/A | \$ 14,485,373 | \$ 14,485,373 |
| | | <u>\$ 14,485,373</u> | <u>\$ 14,485,373</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.

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, 2022 and 2021, these investments matured in an average of 340 and 165 days, respectively.

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 3: Capital Assets

Capital asset activity for the years ended December 31, 2022 and 2021 are as follows:

| | Balance December 31, 2021 | Additions | Deletions | Transfers | Balance December 31, 2022 |
|---|------------------------------|---------------------|---------------------|--------------------|------------------------------|
| Business-Type Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,937,372 | \$ 371,725 | \$ - | \$ - | \$ 2,309,097 |
| Right of ways | 26,080 | - | - | - | 26,080 |
| Construction in Progress | 475,943 | 4,174,590 | (304,609) | (3,090,703) | 1,255,221 |
| Total capital assets not being depreciated | <u>2,439,395</u> | <u>4,546,315</u> | <u>(304,609)</u> | <u>(3,090,703)</u> | <u>3,590,398</u> |
| Capital assets being depreciated: | | | | | |
| Improvements | 1,275,136 | - | - | - | 1,275,136 |
| Pipelines and infrastructure | 67,102,515 | - | (196,451) | 3,000,746 | 69,906,810 |
| Equipment and machinery | 4,713,953 | - | - | 89,957 | 4,803,910 |
| Buildings and improvements | 4,281,371 | - | - | - | 4,281,371 |
| Well improvements | 7,947,746 | - | - | - | 7,947,746 |
| Donated Pipelines | 21,196,367 | 440,679 | - | - | 21,637,046 |
| Total capital assets, being depreciated | <u>106,517,088</u> | <u>440,679</u> | <u>(196,451)</u> | <u>3,090,703</u> | <u>109,852,019</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements | (130,137) | (31,265) | - | - | (161,402) |
| Pipelines and infrastructure | (25,798,990) | (1,577,333) | 128,996 | - | (27,247,327) |
| Equipment and machinery | (3,253,782) | (272,832) | - | - | (3,526,614) |
| Buildings and improvements | (1,241,969) | (102,792) | - | - | (1,344,761) |
| Well improvements | (2,389,218) | (198,320) | - | - | (2,587,538) |
| Donated Pipelines | (11,638,290) | (413,427) | - | - | (12,051,717) |
| Total accumulated depreciation | <u>(44,452,386)</u> | <u>(2,595,969)</u> | <u>128,996</u> | <u>-</u> | <u>(46,919,359)</u> |
| Total capital assets being depreciated, net | <u>62,064,702</u> | <u>(2,155,290)</u> | <u>(67,455)</u> | <u>3,090,703</u> | <u>62,932,660</u> |
| Capital assets, net | <u>\$ 64,504,097</u> | <u>\$ 2,391,025</u> | <u>\$ (372,064)</u> | <u>\$ -</u> | <u>\$ 66,523,058</u> |
| | | | | | |
| | Balance December 31, 2020 | Additions | Deletions | Transfers | Balance December 31, 2021 |
| Business-Type Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,128,223 | \$ - | \$ - | \$ 809,149 | \$ 1,937,372 |
| Right of ways | 26,080 | - | - | - | 26,080 |
| Construction in Progress | 742,551 | 3,337,342 | - | (3,603,950) | 475,943 |
| Total capital assets not being depreciated | <u>1,896,854</u> | <u>3,337,342</u> | <u>-</u> | <u>(2,794,801)</u> | <u>2,439,395</u> |
| Capital assets being depreciated: | | | | | |
| Improvements | 1,275,136 | - | - | - | 1,275,136 |
| Pipelines and infrastructure | 65,477,900 | - | (644,298) | 2,268,913 | 67,102,515 |
| Equipment and machinery | 4,527,488 | - | (76,368) | 262,833 | 4,713,953 |
| Buildings and improvements | 4,087,644 | - | - | 193,727 | 4,281,371 |
| Well improvements | 7,878,418 | - | - | 69,328 | 7,947,746 |
| Donated pipelines | 18,789,254 | 2,474,459 | (67,346) | - | 21,196,367 |
| Total capital assets, being depreciated | <u>102,035,840</u> | <u>2,474,459</u> | <u>(788,012)</u> | <u>2,794,801</u> | <u>106,517,088</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements | (98,872) | (31,265) | - | - | (130,137) |
| Pipelines and infrastructure | (24,786,780) | (1,535,715) | 523,505 | - | (25,798,990) |
| Equipment and machinery | (3,069,124) | (258,864) | 74,206 | - | (3,253,782) |
| Buildings and improvements | (1,142,601) | (99,368) | - | - | (1,241,969) |
| Well improvements | (2,192,486) | (196,732) | - | - | (2,389,218) |
| Donated pipelines | (11,320,178) | (365,283) | 47,171 | - | (11,638,290) |
| Total accumulated depreciation | <u>(42,610,041)</u> | <u>(2,487,227)</u> | <u>644,882</u> | <u>-</u> | <u>(44,452,386)</u> |
| Total capital assets being depreciated, net | <u>59,425,799</u> | <u>(12,768)</u> | <u>(143,130)</u> | <u>2,794,801</u> | <u>62,064,702</u> |
| Capital assets, net | <u>\$ 61,322,653</u> | <u>\$ 3,324,574</u> | <u>\$ (143,130)</u> | <u>\$ -</u> | <u>\$ 64,504,097</u> |

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 3: Capital Assets (Continued)

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:

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, 2022 and 2021 was as follows:

| | Balance December 31, 2021 | Additions | Retirements | Balance December 31, 2022 | Current Portion |
|------------------------------|------------------------------|-------------|-------------------|------------------------------|-------------------|
| 2012 Revenue Refunding Bonds | | | | | |
| 3-5.25%, due 2-1-33 | \$ 1,520,000 | \$ - | \$ 100,000 | \$ 1,420,000 | \$ 105,000 |
| Less: Unamortized premium | 140,381 | - | 13,370 | 127,011 | - |
| Total Long-Term Liabilities | <u>\$ 1,660,381</u> | <u>\$ -</u> | <u>\$ 113,370</u> | <u>\$ 1,547,011</u> | <u>\$ 105,000</u> |

| | Balance December 31, 2020 | Additions | Retirements | Balance December 31, 2021 | Current Portion |
|------------------------------|------------------------------|-------------|-------------------|------------------------------|-------------------|
| 2012 Revenue Refunding Bonds | | | | | |
| 3-5.25%, due 2-1-33 | \$ 1,615,000 | \$ - | \$ 95,000 | \$ 1,520,000 | \$ 100,000 |
| Less: Unamortized premium | 153,751 | - | 13,370 | 140,381 | - |
| Total Long-Term Liabilities | <u>\$ 1,768,751</u> | <u>\$ -</u> | <u>\$ 108,370</u> | <u>\$ 1,660,381</u> | <u>\$ 100,000</u> |

The annual requirements to amortize the outstanding debt as of December 31, 2022 are as follows:

| Fiscal Year Ending December 31, | 2012 Revenue Refunding Bonds | | |
|------------------------------------|------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2023 | \$ 105,000 | \$ 69,338 | \$ 174,338 |
| 2024 | 110,000 | 64,088 | 174,088 |
| 2025 | 110,000 | 60,788 | 170,788 |
| 2026 | 115,000 | 57,488 | 172,488 |
| 2027 | 120,000 | 54,188 | 174,188 |
| 2028-2032 | 545,000 | 190,575 | 735,575 |
| 2033 | 315,000 | 24,935 | 339,935 |
| Total | <u>\$ 1,420,000</u> | <u>\$ 521,400</u> | <u>\$ 1,941,400</u> |

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 4: Long-Term Liabilities (Continued)

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 \$1,941,400 and \$2,061,550 at December 31, 2022 and 2021, respectively.

Total principal and interest paid on all debt payable from net revenues was \$172,635 and \$172,428 and the total water system net revenues were \$5,694,031 and \$5,479,567 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the District's net revenues were 3,302% and 3,174% 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, 2022.

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, 2022 and 2021.

Note 6: Net Position

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.

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 6: Net Position (Continued)

Designated for debt services reserve represents amounts set aside for use in maintaining debt coverage ratios in accordance with bond covenants or other agreements or requirements associated with the issuance of debt by the District.

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.

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.

Designated for water main replacement reserve represents amounts set aside for evaluating, planning, designing, constructing, replacing or rehabilitating capital facilities to benefit District customers.

Designated for water efficiency reserve represents amounts set aside for use in a water supply shortage, water supply interruption, Federal/State/Regional/Local mandates, or other programmatic needs.

Note 7: Compensated Absences

The following is a summary of changes in the District's compensated absences for the year ended December 31, 2022 and 2021:

| | December 31, 2021 | Additions | Reductions | December 31, 2022 | Current Portion |
|----------|-------------------|------------|------------|-------------------|-----------------|
| District | \$ 459,887 | \$ 167,109 | \$ 68,795 | \$ 558,201 | \$ 199,578 |
| Total | \$ 459,887 | \$ 167,109 | \$ 68,795 | \$ 558,201 | \$ 199,578 |

| | December 31, 2020 | Additions | Reductions | December 31, 2021 | Current Portion |
|----------|-------------------|------------|------------|-------------------|-----------------|
| District | \$ 449,098 | \$ 223,137 | \$ 212,348 | \$ 459,887 | \$ 268,373 |
| Total | \$ 449,098 | \$ 223,137 | \$ 212,348 | \$ 459,887 | \$ 268,373 |

Note 8: 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

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8: Defined Benefit Pension Plan (Continued)

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).

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, 2022:

| | Deferred Outflows of Resources | Liability/ Proportionate Share of Net Pension | Deferred Inflows of Resources |
|---------------|-----------------------------------|---|----------------------------------|
| Miscellaneous | \$ 2,553,774 | \$ 5,730,637 | \$ (301,018) |

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.

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8: Defined Benefit Pension Plan (Continued)

The Plans' provisions and benefits in effect at December 31, 2022, are summarized as follows:

| | Miscellaneous Tier 1 | Miscellaneous Tier 2 | Miscellaneous PEPRA |
|---|---------------------------------|---------------------------------|--------------------------------|
| | Prior to January 1, 2013 | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | January 1, 2013 | January 1, 2013 | January 1, 2013 |
| 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 | 10.0% | 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 \$464,478 in fiscal year 2022.

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, 2022, the District's contributions to the Plan were as follows:

| | Miscellaneous | | |
|--------------------------|---------------|------------|-----------|
| | Tier 1 | Tier 2 | PEPRA |
| Contributions - employer | \$ 269,143 | \$ 280,315 | \$ 72,348 |

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

As of December 31, 2022, the District reported \$5,730,637 in net pension liabilities for its proportionate shares of the net pension liability of the Plan.

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8: Defined Benefit Pension Plan (Continued)

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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2021 and 2022 was as follows:

| | |
|------------------------------|------------------------|
| | <u>Miscellaneous</u> |
| Proportion - June 30, 2021 | 0.04318% |
| Proportion - June 30, 2022 | <u>0.49610%</u> |
| Change - Increase (Decrease) | <u><u>0.45292%</u></u> |

For the year ended December 31, 2022, the District recognized pension expense of \$510,900. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 621,806 | \$ - |
| Differences between actual and expected experience | 115,082 | (77,077) |
| Changes in assumptions | 587,223 | - |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 179,963 | (223,941) |
| Net differences between projected and actual earnings on plan investments | <u>1,049,700</u> | <u>-</u> |
| Total | <u><u>\$ 2,553,774</u></u> | <u><u>\$ (301,018)</u></u> |

The \$621,806 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended December 31,</u> | <u>Annual Amortization</u> |
|------------------------------------|--------------------------------|
| 2023 | \$ (408,843) |
| 2024 | (372,499) |
| 2025 | (207,577) |
| 2026 | (642,031) |

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8: 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 | 5.90% |
| Net Pension Liability | \$ 5,563,530 |
| Current Discount Rate | 6.90% |
| Net Pension Liability/(Asset) | \$ 5,730,637 |
| 1% Increase | 7.90% |
| Net Pension Liability/(Asset) | \$ 2,948,166 |

Actuarial Assumptions – For the measurement period ended June 30, 2022, the total pension liabilities were determined by rolling forward the June 30, 2021 total pension liability based on the following actuarial methods and assumptions:

| | <u>Miscellaneous</u> |
|----------------------------------|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Amortization | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.15% (1) |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies |
| Mortality | Derived using CalPers Membership Data 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 MO 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate for the 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

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8: Defined Benefit Pension Plan (Continued)

determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

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 rounded 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the expected real rate of return by asset class.

| Asset Class ¹ | New Strategic Allocation | Real Return Years 1 - 10(a) ² |
|--------------------------|-----------------------------|---|
| Global Equity | 42.00% | 8.38% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Real Estate | 5.00% | 0.50% |
| Investment Grade | | |
| Corporates | 10.00% | 0.16% |
| High Yield | 5.00% | 0.23% |
| Emerging Market Debt | 5.00% | 0.25% |
| Private Debt | 5.00% | 0.36% |
| Real Assets | 15.00% | 0.32% |
| Leverage | -5.00% | -0.59% |

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

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 9: 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.

Benefits Provided – The following is a summary of Plan benefits by employee group as of December 31, 2021:

| Hired before January 31, 2019 | | | |
|-------------------------------|---|--|---|
| | Retired from District between June 3, 1992 and March 19, 1996 | Retired from District after March 19, 1996 | Hired After January 30, 2019 |
| 20+ Years of Service | Health insurance provided to employee at District expense | Maximum monthly reimbursement of \$359.00 to retiree, spouse/dependents. | |
| 25+ Years of Service | Health insurance provided to retiree, and spouse/dependents at the time of retirement. 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 \$403.00 to retiree, spouse/dependents. | Employees hired after January 30, 2019 are not eligible to receive any benefit under the OPEB plan. |
| 30+ Years of Service | Health, dental, vision insurance provided at District expense for retiree. Health and dental insurance provided at District expense for spouse/dependents at time of retirement. | Maximum monthly reimbursement of \$450.00 to retiree, spouse/dependents. | |

For the year ended December 31, 2022, the District’s contributions to the OPEB Plan were \$145,837.

Employees Covered by Benefit Terms – Membership in the OPEB Plan consisted of the following at the census date of December 31, 2020:

| | |
|--|-----------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 20 |
| Inactive Employees Entitled to but not yet Receiving Benefits | 0 |
| Active Employees | 26 |
| Total | <u>46</u> |

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 9: 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2020 to determine the total OPEB liability as of December 31, 2021, based on the following actuarial methods and assumptions:

| | Actuarial Assumptions |
|------------------------|------------------------------------|
| Valuation Date | December 31, 2020 |
| Measurement Date | December 31, 2021 |
| Actuarial Cost Method | Entry - Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 5.87% |
| Inflation | 2.30% |
| Payroll Growth | 2.80% |
| Healthcare Trend | 7.0%, trending down to 4.10% |
| 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, 2020 valuation were based on the results of a December 31, 2020 actuarial experience study for the period January 1, 2021 to December 31, 2021.

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 Allocation | Long Term Expected Real Rate of Return Year |
|---------------|-------------------|--|
| Global Equity | 40.00% | 8.14% |
| Fixed Income | 43.00% | 3.40% |
| TIPS | 5.00% | 2.40% |
| Commodities | 4.00% | 5.71% |
| REITs | 8.00% | 6.90% |
| Total | 100.00% | |

Discount Rate – The discount rate used to measure the total OPEB liability was 5.87%. 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

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 9: Post – Employment Health Care Benefits (Continued)

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.

c. Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows:

| | Increase (Decrease) | | Net OPEB Liability/(Asset) (a) - (b) |
|--|-----------------------------|------------------------------------|--|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | |
| Balance at December 31, 2021 (measurement date December 31, 2020) | \$ 2,076,585 | \$ 348,908 | \$ 1,727,677 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 50,011 | - | 50,011 |
| Interest on the total OPEB liability | 114,224 | - | 114,224 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | (1,948) | - | (1,948) |
| Changes in assumptions | (130,213) | - | (130,213) |
| Contributions from the employer* | - | 189,734 | (189,734) |
| Net investment income | - | 40,575 | (40,575) |
| Administrative Expenses | - | (216) | 216 |
| Benefit payments and refunds | (46,036) | (46,036) | - |
| Other changes | - | - | - |
| Net changes | (13,962) | 184,057 | (198,019) |
| Balance at December 31, 2022 (measurement date December 31, 2021) | \$ 2,062,623 | \$ 532,965 | \$ 1,529,658 |

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 (4.87%) or 1- percentage-point higher (6.87%) than the current discount rate:

| Plan’s Net OPEB Liability | | |
|-------------------------------|----------------------------------|----------------------------|
| Discount Rate - 1% (4.87%) | Current Discount Rate (5.87%) | Discount Rate1% (6.87%) |
| \$ 1,890,522 | \$ 1,529,658 | \$ 1,240,468 |

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 Trend Rate -1% | Health Care Cost Trend Rates | Health Care Cost Trend Rate +1% |
| \$ 1,196,920 | \$ 1,529,658 | \$ 1,955,220 |

CITRUS HEIGHTS WATER DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 9: Post – Employment Health Care Benefits (Continued)

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

For the year ended December 31, 2022, the District recognized OPEB expense of \$165,265. At December 31, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 23,930 | \$ (15,024) |
| Changes of assumptions | 289,303 | (114,394) |
| Net difference between projected and actual earnings on OPEB plan investments | - | (33,574) |
| Employer contributions made subsequent to the measurement date | 189,666 | - |
| Total | <u>\$ 502,899</u> | <u>\$ (162,992)</u> |

\$189,666 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as pension expense as follows:

| Year Ended December 31: | Annual Amortization |
|----------------------------|------------------------|
| 2023 | \$ 22,612 |
| 2024 | 22,126 |
| 2025 | 24,962 |
| 2026 | 29,418 |
| 2027 | 33,173 |
| Thereafter | 17,950 |

e. Payable to the OPEB Plan

At December 31, 2022, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2022.

Note 10: 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 no capital project commitments as of December 31, 2022 and 2021.

Note 11: Economic Dependency

During 2022 and 2021, the District purchased 68.90% and 67.35%, respectively, of its water supply from the San Juan Water District (SJWD). Total purchases for the year ended December 31, 2022 and 2021 was \$2,783,319 and \$2,796,248, 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 (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 12: 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:

| <u>Type of Coverage (Deductible)</u> | <u>ACWA/JPIA</u> | <u>Deductible</u> |
|---|------------------|-------------------|
| General and Auto Liability (Includes Public Officials Liability) | \$5,000,000 | None |
| Property Damage* | 100,000 | \$2,500-5,000 |
| 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/JPIA through the commercial insurance policy

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Required Supplementary Information



CITRUS HEIGHTS WATER DISTRICT

**COST SHARING MULTIPLE-EMPLOYER PLAN
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AS OF DECEMBER 31, FOR THE LAST TEN YEARS (1)**

| <i>Measurement Date</i> | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> |
|--|------------------|------------------|------------------|------------------|
| Plan Proportion of the Net Pension Liability | 0.05398% | 0.12216% | 0.11962% | 0.11866% |
| Plan Proportionate Share of the Net Pension Liability | \$ 3,358,940 | \$ 3,351,422 | \$ 4,155,588 | \$ 4,677,711 |
| Plan Covered Payroll | \$ 2,279,406 | \$ 2,289,027 | \$ 2,270,540 | \$ 2,606,536 |
| Plan Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll | 147.36% | 146.41% | 183.02% | 179.46% |
| The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability | 80.43% | 78.40% | 74.06% | 73.31% |

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes to the assumptions.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

(2) CalPERS information is provided based on a June 30 fiscal year-end.

| <u>6/30/2018</u> | <u>6/30/2019</u> | <u>6/30/2020</u> | <u>6/30/2021</u> | <u>6/30/2022</u> |
|------------------|------------------|------------------|------------------|------------------|
| 0.11673% | 0.04500% | 0.04483% | 0.04318% | 0.49610% |
| \$ 4,399,273 | \$ 4,611,042 | \$ 4,877,315 | \$ 2,335,284 | \$ 5,730,637 |
| \$ 2,941,557 | \$ 3,442,952 | \$ 3,399,842 | \$ 3,513,707 | \$ 3,473,459 |
| 149.56% | 133.93% | 143.46% | 66.46% | 164.98% |
| 75.26% | 75.26% | 75.10% | 88.29% | 76.90% |

| | 2019 | 2020 | 2021 | 2022 |
|----|-----------|--------------|--------------|--------------|
| \$ | 663,989 | \$ 716,803 | \$ 754,362 | \$ 762,686 |
| | (663,989) | (716,803) | (754,362) | (762,686) |
| \$ | - | \$ - | \$ - | \$ - |
| \$ | 3,537,549 | \$ 3,466,168 | \$ 3,362,270 | \$ 3,473,459 |
| | 18.77% | 20.68% | 22.44% | 21.96% |

CITRUS HEIGHTS WATER DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF DECEMBER 31, FOR THE LAST TEN YEARS (1)**

| Measurement Date | 12/31/2017 | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2021 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ 25,905 | \$ 26,682 | \$ 37,106 | \$ 47,435 | \$ 50,011 |
| Interest on the total OPEB liability | 83,640 | 87,918 | 96,977 | 102,103 | 114,224 |
| Change in benefit terms | - | - | - | (572) | - |
| Differences between expected and actual experiences | - | 41,338 | (17,427) | (1,841) | (1,948) |
| Changes in assumptions | - | 23,239 | - | 364,838 | (130,213) |
| Benefit payments | (41,228) | (42,527) | (46,768) | (43,184) | (46,036) |
| Net change in total OPEB liability | 68,317 | 136,650 | 69,888 | 468,779 | (13,962) |
| Total OPEB liability - beginning | 1,332,951 | 1,401,268 | 1,537,918 | 1,607,806 | 2,076,585 |
| Total OPEB liability - ending (a) | 1,401,268 | 1,537,918 | 1,607,806 | 2,076,585 | 2,062,623 |
| Plan Fiduciary Net Position | | | | | |
| Contribution - employer | 41,228 | 122,527 | 128,540 | 145,837 | 189,734 |
| Net investment income | - | (1,658) | 24,089 | 39,073 | 40,575 |
| Benefit payments | (41,228) | (42,527) | (46,768) | (43,184) | (46,036) |
| Other miscellaneous income/(expense) | - | - | - | 23,195 | - |
| Administrative expense | - | (6) | (83) | (127) | (216) |
| Net change in plan fiduciary net position | - | 78,336 | 105,778 | 164,794 | 184,057 |
| Plan fiduciary net position - beginning | - | - | 78,336 | 184,114 | 348,908 |
| Plan fiduciary net position - ending (b) | - | 78,336 | 184,114 | 348,908 | 532,965 |
| Net OPEB Liability - ending (a) - (b) | \$ 1,401,268 | \$ 1,459,582 | \$ 1,423,692 | \$ 1,727,677 | \$ 1,529,658 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 5.09% | 11.45% | 16.80% | 25.84% |
| Covered Payroll | \$ 2,915,351 | \$ 3,278,242 | \$ 3,658,217 | \$ 3,677,546 | \$ 3,689,171 |
| Net OPEB liability as a percentage of covered-employee payroll | 48.07% | 44.52% | 38.92% | 46.98% | 41.46% |

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

CITRUS HEIGHTS WATER DISTRICT

**SCHEDULE OF OPEB CONTRIBUTIONS
AS OF DECEMBER 31, FOR THE LAST TEN YEARS (1)**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------------|-----------------|------------------|--------------------|------------------|
| Actuarially Determined Contribution | \$ 122,000 | \$ 130,652 | \$ 170,121 | \$ 158,425 | \$ 189,666 |
| Contribution in Relation to the Actuarially Determined Contributions | (122,527) | (128,530) | (146,814) | (189,734) | (140,592) |
| Contribution Deficiency (Excess) | <u>\$ (527)</u> | <u>\$ 2,122</u> | <u>\$ 23,307</u> | <u>\$ (31,309)</u> | <u>\$ 49,074</u> |
| Covered Payroll | \$ 3,278,242 | \$ 3,658,217 | \$ 3,677,546 | \$ 3,689,171 | \$ 3,946,896 |
| Contributions as a percentage of covered-employee payroll | 3.74% | 3.51% | 3.99% | 5.14% | 3.56% |

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

| | December 31, 2016 | December 31, 2018 | December 31, 2020 | December 31, 2022 |
|------------------------|---|---|--|--|
| Valuation Date | December 31, 2016 | December 31, 2018 | December 31, 2020 | December 31, 2022 |
| Actuarial Cost Method | Entry Age Normal, Level Percentage of Payroll | Entry Age Normal, Level Percentage of Payroll | Entry Age Normal, Level Percentage of Payroll | Entry Age Normal, Level Percentage of Payroll |
| Amortization Method | Level percent of pay | Level percent of pay | Level percent of pay | Level percent of pay |
| Amortization Period | 19-year fixed period for 2019 | 18-year fixed period for 2020 | 22 years | 22 years |
| Asset Valuation Method | n/a | n/a | n/a | n/a |
| Discount Rate | 6.25% | 6.25% | 5.43% | 5.87% |
| General Inflation | 2.75% annually | 2.75% annually | 2.50% annually | 2.30% |
| Medical Trend | 7.0% for 2018, decreasing to an ultimate rate of 5.0% in 2022 | 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 | 7.0% for 2021, decreasing to an ultimate rate of 4.04% in 2077 | 7.0% for 2021, decreasing to an ultimate rate of 4.01% in 2077 |
| Mortality | CalPERS 1997-2011 experience study | CalPERS 1997-2015 experience study | CalPERS 1997-2015 experience study | CalPERS 1997-2015 experience study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-16 | Mortality projected fully generational with Scale MP-18 | Mortality projected generational with Scale MP-18 | Mortality projected fully generational with Scale MP-18 |

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STATISTICAL SECTION

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CITRUS HEIGHTS WATER DISTRICT

Statistical Section

Table of Contents

This section of the Citrus Heights Water District's (District) annual comprehensive 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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These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

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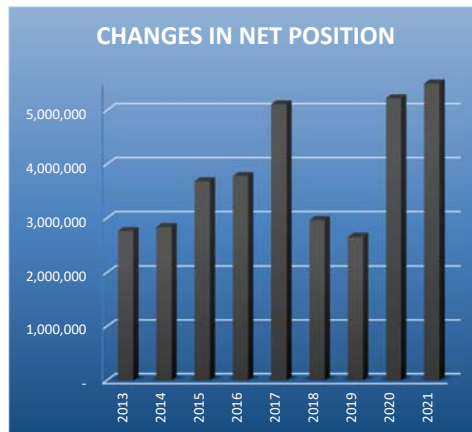
Financial Trends



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

Last Ten Fiscal Years
 Schedule 1

| | 2013 | 2014 | 2015 | 2016 |
|--|----------------------|-------------------|-------------------|-------------------|
| Changes in net position: | | | | |
| Operating revenues (see Schedule 2) | \$ 11,358,086 | 11,331,301 | 10,884,550 | 12,325,057 |
| Operating expenses (see Schedule 3) | (6,598,323) | (6,358,613) | (6,023,057) | (7,043,963) |
| Depreciation and amortization | (1,898,303) | (2,003,488) | (2,098,944) | (2,203,170) |
| Operating income(loss) | 2,861,460 | 2,969,200 | 2,762,549 | 3,077,924 |
| Non-operating revenues(expenses) | | | | |
| Investment income | 24,586 | 15,547 | 19,093 | 38,313 |
| Miscellaneous income | 13,616 | 12,716 | 28,606 | 68,203 |
| Groundwater transfers and sales | - | - | - | - |
| Interest expense | (206,480) | (195,210) | (173,462) | (155,214) |
| (Loss) gain on disposal of capital assets | 1,595 | (30,669) | 4,834 | (137,567) |
| Total non-operating revenues(expenses), net | (166,683) | (197,616) | (120,929) | (186,265) |
| Net income before capital contributions | 2,694,777 | 2,771,584 | 2,641,620 | 2,891,659 |
| Capital Contributions | | | | |
| Grant Revenues | 3,178 | 10,310 | 610,431 | 715 |
| Capital contributions | 70,657 | 59,248 | 438,567 | 896,688 |
| Changes in net position | \$ 2,768,612 | 2,841,142 | 3,690,618 | 3,789,062 |
| Net position by component: | | | | |
| Prior Year adjustment | \$ - | - | (3,728,767) | - |
| Net investment in capital assets | 42,108,244 | 45,931,665 | 50,895,005 | 51,801,433 |
| Restricted | 536,973 | 536,963 | 533,350 | 533,796 |
| Unrestricted | 10,414,469 | 9,432,200 | 4,434,324 | 7,316,512 |
| Total net position | \$ 53,059,686 | 55,900,828 | 52,133,912 | 59,651,741 |

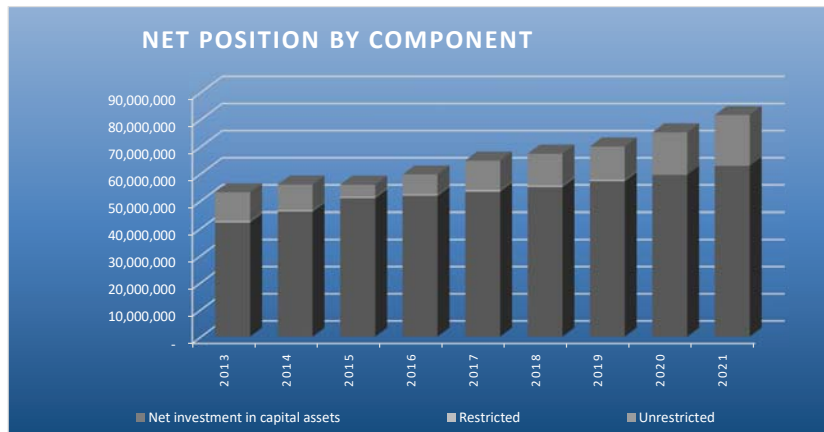


Source: District Administrative Services Department

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

Last Ten Fiscal Years
Schedule 1 (Continued)

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| | | | | | | Changes in net position: |
| \$ 14,043,049 | 14,375,044 | 15,340,476 | 19,203,757 | 17,517,961 | 19,433,754 | Operating revenues (see Schedule 2) |
| (7,534,381) | (9,531,439) | (11,230,314) | (11,787,520) | (10,994,641) | (11,599,450) | Operating expenses (see Schedule 3) |
| (2,345,281) | (2,388,634) | (2,435,900) | (2,469,339) | (2,485,902) | (2,594,333) | Depreciation and amortization |
| <u>4,163,387</u> | <u>2,454,971</u> | <u>1,674,262</u> | <u>4,946,898</u> | <u>4,037,418</u> | <u>5,239,971</u> | Operating income(loss) |
| 63,531 | 159,437 | 214,962 | 116,981 | (343) | (30,997) | Non-operating revenues(expenses) |
| 77,074 | 107,546 | 69,322 | 42,989 | 42,759 | 47,610 | Investment income |
| 1,058,793 | 347,583 | 38,316 | - | - | - | Miscellaneous income |
| (145,911) | (147,540) | (124,346) | (95,741) | (74,734) | (69,691) | Groundwater transfers and sales |
| (155,343) | (164,842) | (105,755) | (73,310) | (115,032) | (39,333) | Interest expense |
| 898,144 | 302,184 | 92,499 | (9,081) | (147,350) | (92,411) | (Loss) gain on disposal of capital assets |
| <u>5,061,531</u> | <u>2,757,155</u> | <u>1,766,761</u> | <u>4,937,817</u> | <u>3,890,068</u> | <u>5,147,560</u> | Total non-operating revenues(expenses), net |
| | | | | | | Net income before capital contributions |
| - | - | - | - | - | - | Capital Contributions |
| 55,813 | 213,121 | 898,084 | 290,182 | 2,474,459 | 440,679 | Grant Revenues |
| | | | | | | Capital contributions |
| <u>5,117,344</u> | <u>2,970,276</u> | <u>2,664,845</u> | <u>5,227,999</u> | <u>6,364,527</u> | <u>5,588,239</u> | Changes in net position |
| | | | | | | Net position by component: |
| - | - | - | - | - | - | Prior Year adjustment |
| 53,350,420 | 55,029,058 | 57,193,152 | 59,531,355 | 62,822,494 | 64,942,772 | Net investment in capital assets |
| 535,733 | 541,475 | 542,660 | - | - | - | Restricted |
| 10,882,932 | 11,717,632 | 12,217,198 | 15,649,654 | 18,723,042 | 22,191,003 | Unrestricted |
| <u>64,769,085</u> | <u>67,288,165</u> | <u>69,953,010</u> | <u>75,181,009</u> | <u>81,545,536</u> | <u>87,133,775</u> | Total net position |



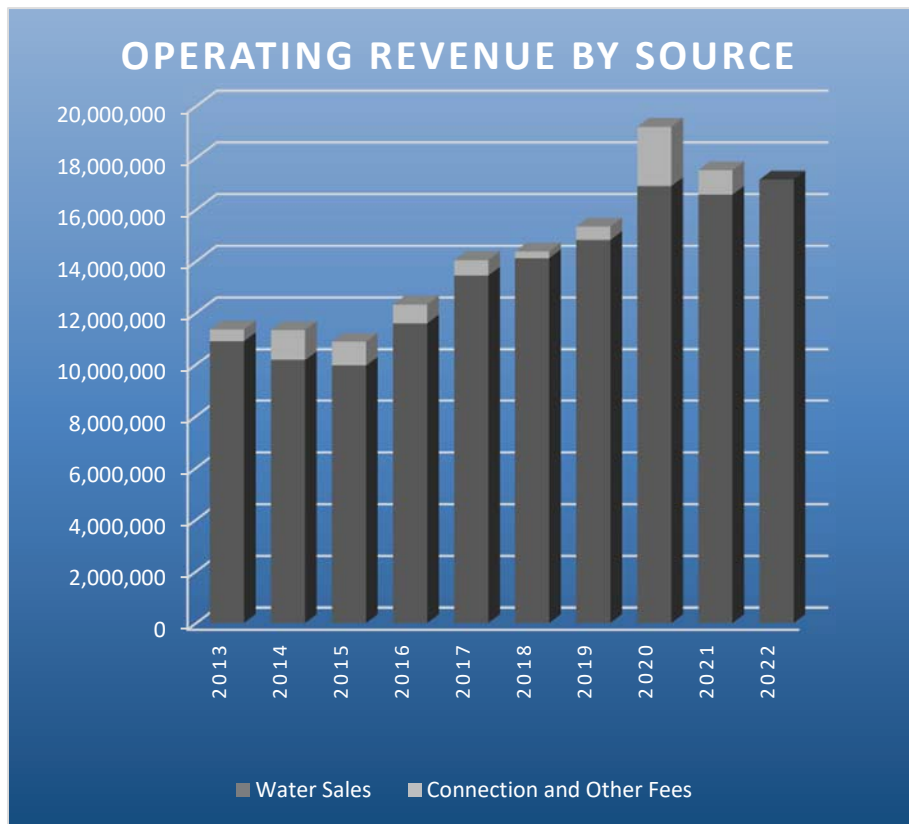
CITRUS HEIGHTS WATER DISTRICT

Operating Revenue By Source

Last Ten Fiscal Years

Schedule 2

| Fiscal Year | Water Sales | Connection and Other | Total Operating |
|-------------|-------------|----------------------|-----------------|
| 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 |
| 2020 | 16,908,986 | 2,294,771 | 19,203,757 |
| 2021 | 16,579,945 | 938,016 | 17,517,961 |
| 2022 | 17,157,092 | 1,587,314 | 18,744,406 |

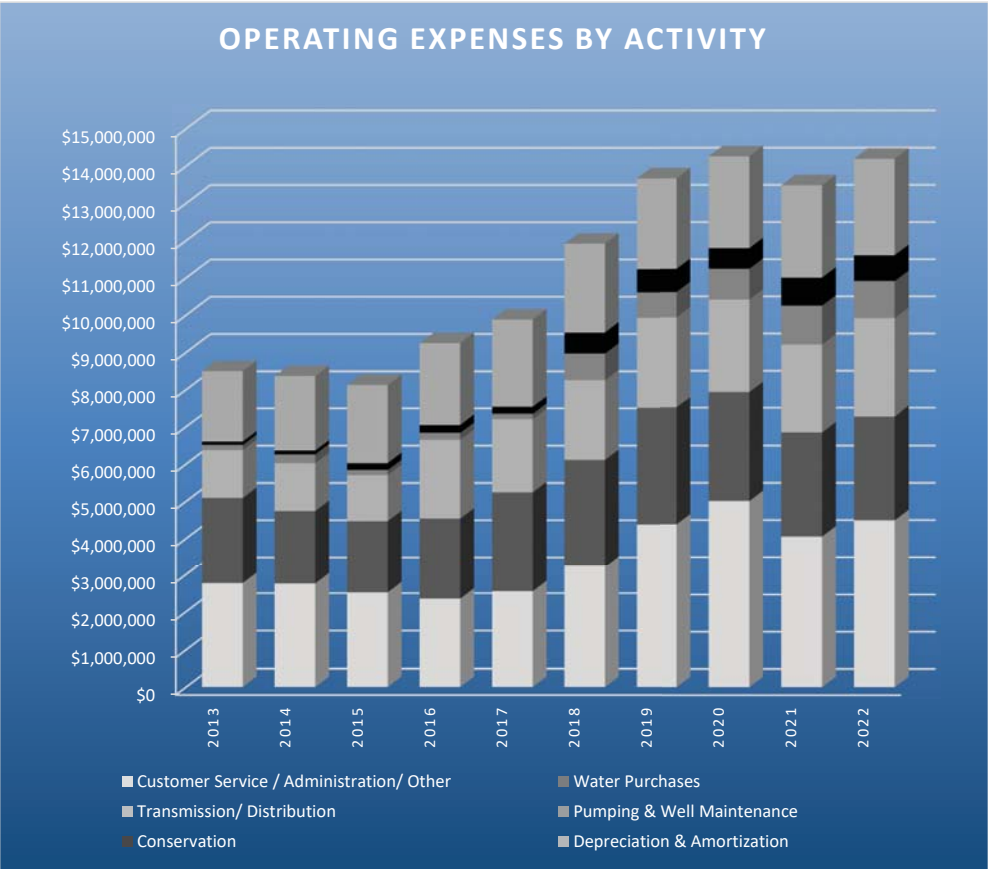


Source: District Administrative Services Department

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 |
|-------------|--|-----------------|----------------------------|----------------------------|--------------|-----------------------------|--------------------------|
| 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 |
| 2020 | 4,999,639 | 2,917,535 | 2,490,474 | 826,804 | 553,068 | 2,469,339 | 14,256,859 |
| 2021 | 4,044,426 | 2,798,201 | 2,350,969 | 1,047,987 | 753,058 | 2,485,902 | 13,480,543 |
| 2022 | 4,481,946 | 2,785,929 | 2,637,991 | 996,949 | 696,635 | 2,594,333 | 14,193,783 |



Source: District Administrative Services Department

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Revenue Capacity

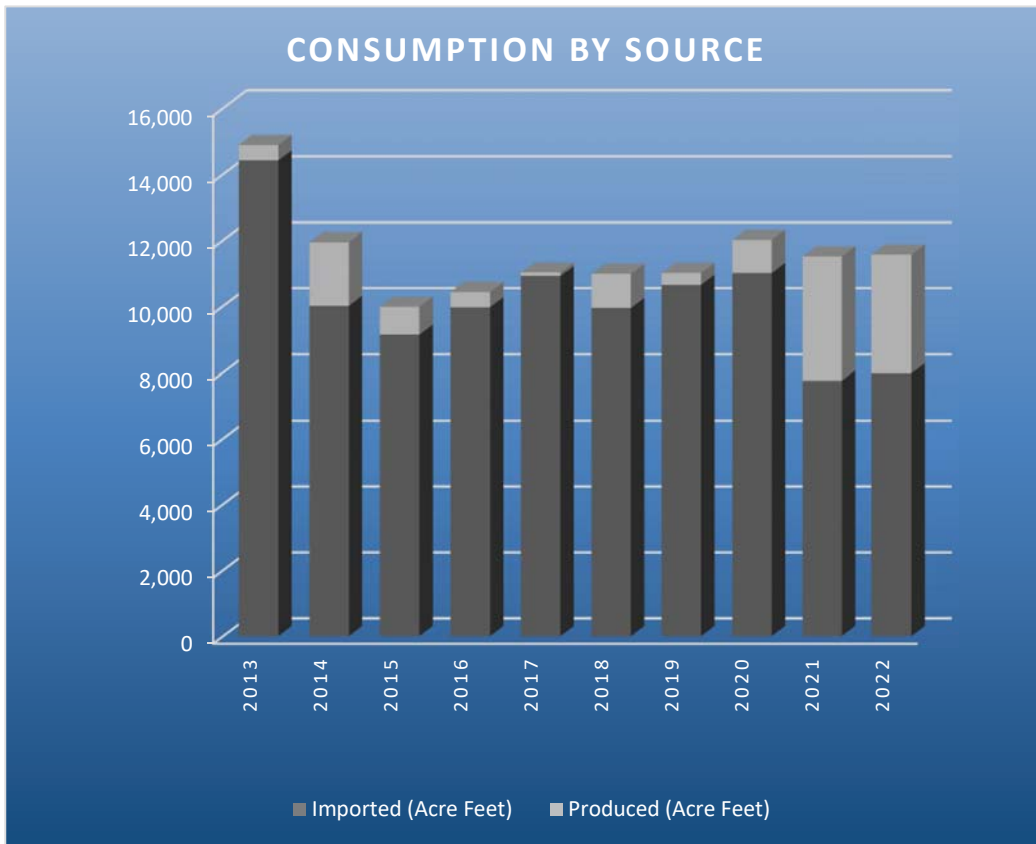


CITRUS HEIGHTS WATER DISTRICT

Revenue Base

Last Ten Fiscal Years Schedule 4

| Fiscal Year | Consumption (Acre Feet) | Water Supply | | % Water Imported |
|-------------|-------------------------|----------------------|----------------------|------------------|
| | | Imported (Acre Feet) | Produced (Acre Feet) | |
| 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% |
| 2020 | 12,003.53 | 11,001.81 | 1,001.72 | 91.65% |
| 2021 | 11,505.25 | 7,749.12 | 3,756.13 | 67.35% |
| 2022 | 11,565.65 | 7,968.36 | 3,597.29 | 68.90% |



Source: District Operations Department

CITRUS HEIGHTS WATER DISTRICT

Water Rates

Last Ten Fiscal Years

Schedule 5

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Flat Rate Accounts (Bimonthly) ⁽¹⁾ | | | | | | | | | | |
| Single Dwelling | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Duplex Dwelling (per duplex side) | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Condominium Dwelling | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Apartments/Mobile Homes | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Irrigation Rate | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Metered Accounts ⁽²⁾ | | | | | | | | | | |
| Consumption (per unit ccf) | | | | | | | | | | |
| Tier 1 | \$ 0.6954 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Tier 2 | 0.8182 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Tier 3 | 0.8961 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Per Unit CCF (No tiers) | n/a | 0.7440 | 0.7663 | 0.8735 | \$ 0.9871 | \$ 1.0167 | \$ 1.0674 | \$ 1.1800 | \$ 1.1800 | \$ 1.1900 |
| Service Charge (bimonthly) | | | | | | | | | | |
| Commercial/Domestic 3/4" | \$ 35.93 | \$ 35.82 | \$ 36.89 | \$ 42.05 | \$ 47.52 | \$ 48.94 | \$ 51.38 | \$ 57.54 | \$ 57.54 | \$ 56.08 |
| Commercial/Domestic 1" | 51.54 | 54.50 | 56.13 | 63.98 | 72.30 | 74.46 | 78.18 | 87.29 | 87.29 | 91.33 |
| Commercial/Domestic 1-1/2" | 89.91 | 66.95 | 68.95 | 78.60 | 88.82 | 91.48 | 96.05 | 136.86 | 136.86 | 150.08 |
| Commercial/Domestic 2" | 136.49 | 129.20 | 133.07 | 151.69 | 171.41 | 176.55 | 185.37 | 196.35 | 196.35 | 220.58 |
| Commercial/Domestic 3" | 243.90 | 203.91 | 210.02 | 239.42 | 270.54 | 278.65 | 292.58 | 384.74 | 384.74 | 443.82 |
| Commercial/Domestic 4" | 397.46 | 403.13 | 415.22 | 473.35 | 534.89 | 550.93 | 578.47 | 662.36 | 662.36 | 773.14 |
| Irrigation 3/4" | 17.96 | 35.82 | 36.89 | 42.05 | 47.52 | 48.94 | 51.38 | 57.54 | 57.54 | 56.08 |
| Irrigation 1" | 25.77 | 54.50 | 56.13 | 63.98 | 72.30 | 74.46 | 78.18 | 87.29 | 87.29 | 91.33 |
| Irrigation 1-1/2" | 44.95 | 66.95 | 68.95 | 78.60 | 88.82 | 91.48 | 96.05 | 136.86 | 136.86 | 150.08 |
| Irrigation 2" | 68.24 | 129.20 | 133.07 | 151.69 | 171.41 | 176.55 | 185.37 | 196.35 | 196.35 | 220.58 |
| Irrigation 3" | 121.95 | 203.91 | 210.02 | 239.42 | 270.54 | 278.65 | 292.58 | 384.74 | 384.74 | 443.82 |
| Irrigation 4" | 198.73 | 403.13 | 415.22 | 473.35 | 534.89 | 550.93 | 578.47 | 662.36 | 662.36 | 773.14 |

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:

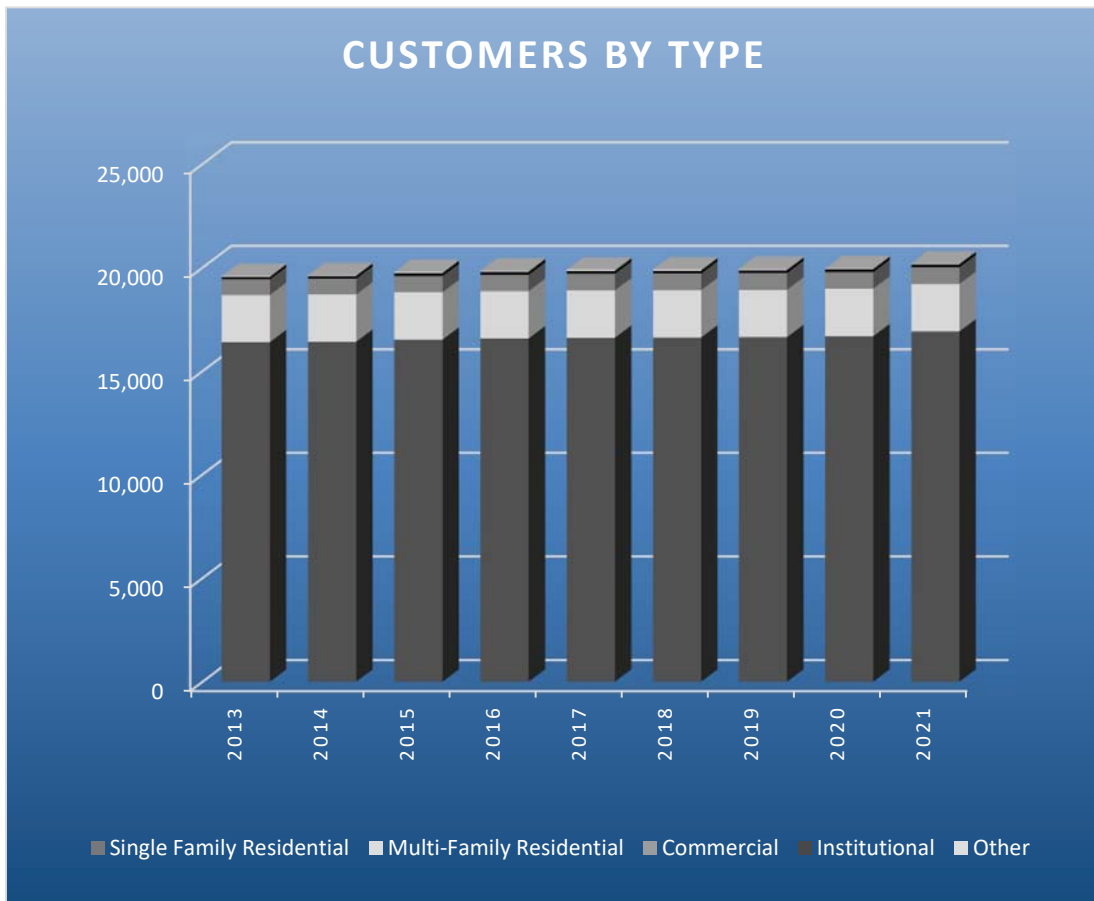
District Administrative Services Department

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 |
|-------------|---------------------------|--------------------------|------------|---------------|-------|--------|
| 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 |
| 2020 | 16,691 | 2,288 | 809 | 132 | 38 | 19,958 |
| 2021 | 16,922 | 2,289 | 812 | 133 | 45 | 20,201 |
| 2022 | 16,978 | 2,289 | 807 | 133 | 44 | 20,251 |



Source: District Administrative Services Department
District Water Efficiency Department

CITRUS HEIGHTS WATER DISTRICT

Principal Customers

Current Fiscal Year and Nine Years Ago Schedule 7

| Customer | 2022 | |
|---|-------------------------|------------------------|
| | Billed Units (ccf's) | Percentage of Total |
| San Juan Unified School Distri | 112,859 | 2.40% |
| Sunrise Recreation Park Dist | 77,623 | 1.65% |
| JMK Investments | 73,952 | 1.57% |
| JRK Investors | 51,117 | 1.09% |
| Mt Vernon Memorial Park | 45,073 | 0.96% |
| Conference Claimants Endowment | 29,154 | 0.62% |
| Wedgewood Commons Apts LLC | 26,216 | 0.56% |
| Salishan Apartments | 25,166 | 0.54% |
| Knaggs Meadows LLC | 25,140 | 0.54% |
| Greenback Manor | 21,913 | 0.47% |
| Total Billed Units: Principal customers | 488,213 | 10.39% |
| Total Billed Units | 4,696,817 | 100.00% |

| Customer | 2013 | |
|---|-------------------------|------------------------|
| | Billed Units (ccf's) | Percentage of Total |
| San Juan Unified School District | 123,462 | 2.02% |
| Sunrise Recreation Park Dist | 90,650 | 1.49% |
| JMK Investments | 80,262 | 1.32% |
| JRK Investors | 67,255 | 1.10% |
| Conference Claimants Endowment | 39,728 | 0.65% |
| Mt Vernon Memorial Park | 36,618 | 0.60% |
| City of Citrus Heights | 34,940 | 0.57% |
| Salishan Apartments | 33,047 | 0.54% |
| Big Oak Investments | 30,134 | 0.49% |
| Vertus Properties Inc | 27,235 | 0.45% |
| Total Billed Units: Principal customers | 563,331 | 9.24% |
| Total Billed Units | 6,099,109 | 100.00% |

Source:

District Administrative Services Department

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Debt Capacity



CITRUS HEIGHTS WATER DISTRICT

Ratios of Outstanding Debt by Type

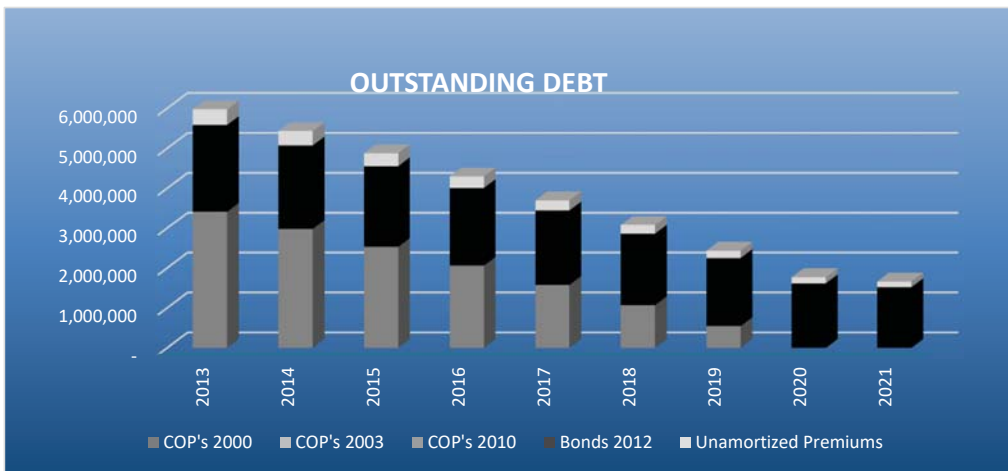
Last Ten Fiscal Years

Schedule 8

| Fiscal Year | Certificates of Participation 2000 ⁽¹⁾ | Certificates of Participation 2003 ⁽²⁾ | Certificates of Participation 2010 ⁽³⁾ | Refunding Revenue Bonds 2012 ⁽⁴⁾ | Unamortized Premiums | Total | | |
|-------------|---|---|---|---|----------------------|------------|-----------------------------------|--|
| | | | | | | Total Debt | No. of Connections ⁽⁵⁾ | Debt Per Capita (Rounded) ⁽⁵⁾ |
| 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 |
| 2020 | - | - | - | 1,615,000 | 153,751 | 1,768,751 | 19,958 | 89 |
| 2021 | - | - | - | 1,520,000 | 140,381 | 1,660,381 | 20,201 | 82 |
| 2022 | - | - | - | 1,420,000 | 127,011 | 1,547,011 | 20,251 | 76 |

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

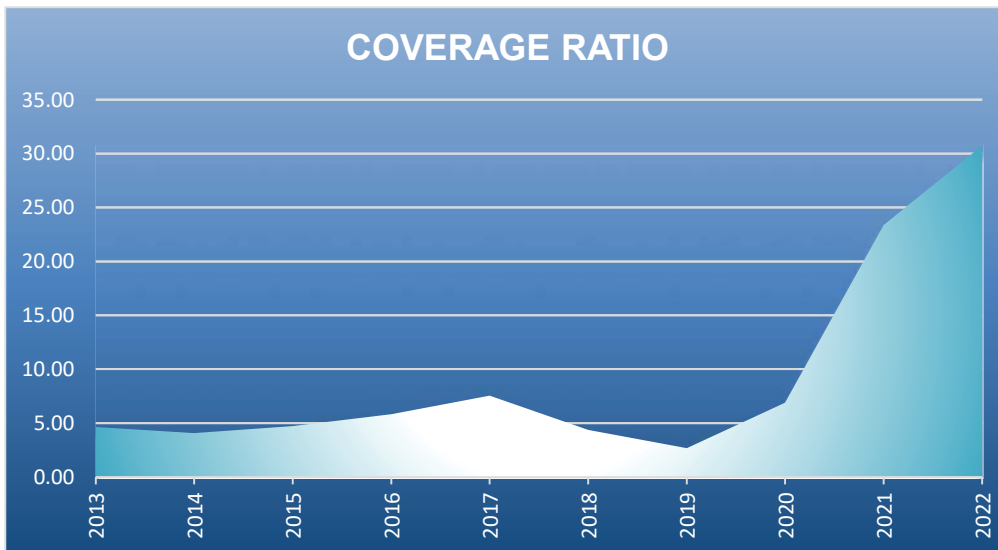
CITRUS HEIGHTS WATER DISTRICT

Debt Coverage

Last Ten Fiscal Years

Schedule 9

| Fiscal Year | Net Revenues | Operating Expenses | Net Available Revenues | Debt Service | | | Coverage Ratio |
|-------------|---------------|--------------------|------------------------|--------------|------------|------------|----------------|
| | | | | Principal | Interest | Total | |
| 2013 | \$ 11,397,883 | \$ (8,496,626) | \$ 2,901,257 | \$ 420,000 | \$ 206,480 | \$ 626,480 | 4.63 |
| 2014 | 11,328,895 | (8,362,101) | 2,966,794 | 530,000 | 195,210 | 725,210 | 4.09 |
| 2015 | 11,357,402 | (8,122,001) | 3,235,401 | 510,000 | 173,462 | 683,462 | 4.73 |
| 2016 | 13,190,694 | (9,247,133) | 3,943,561 | 520,000 | 155,214 | 675,214 | 5.84 |
| 2017 | 15,087,104 | (9,879,662) | 5,207,442 | 545,000 | 145,911 | 690,911 | 7.54 |
| 2018 | 15,037,889 | (11,920,073) | 3,117,816 | 565,000 | 147,540 | 712,540 | 4.38 |
| 2019 | 15,557,321 | (13,666,214) | 1,891,107 | 585,000 | 124,346 | 709,346 | 2.67 |
| 2020 | 19,290,417 | (14,256,859) | 5,033,558 | 635,000 | 95,741 | 730,741 | 6.89 |
| 2021 | 17,445,345 | (13,480,543) | 3,964,802 | 95,000 | 74,734 | 169,734 | 23.36 |
| 2022 | 19,411,034 | (14,193,783) | 5,217,251 | 100,000 | 69,691 | 169,691 | 30.75 |



Source: District Administrative Services Department

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Demographic and Economic Information



CITRUS HEIGHTS WATER DISTRICT

Demographics and Economic Statistics

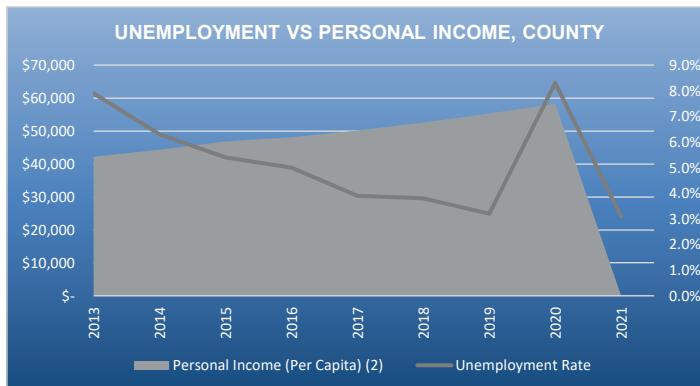
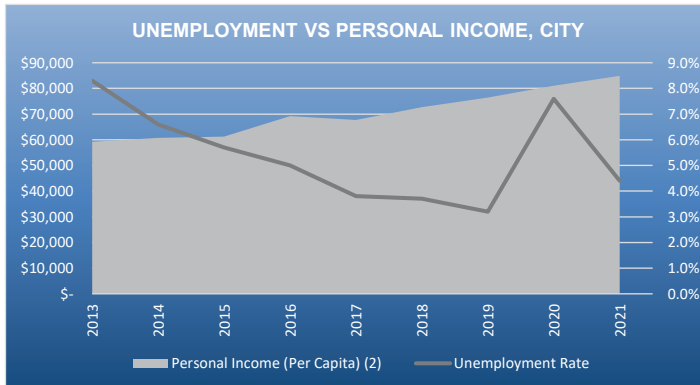
Last Ten Calendar Years
Schedule 10

| Fiscal Year | Total Number of Connections | City of Citrus Heights ⁽¹⁾ | | | | County of Sacramento ⁽¹⁾ | | | |
|-------------|-----------------------------|---------------------------------------|-------------------|---|---|-------------------------------------|-------------------|---|---|
| | | Population ⁽³⁾ | Unemployment Rate | Personal Income (thousands of dollars) ⁽²⁾ | Personal Income (Per Capita) ⁽²⁾ | Population ⁽³⁾ | Unemployment Rate | Personal Income (thousands of dollars) ⁽²⁾ | Personal Income (Per Capita) ⁽²⁾ |
| 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 | 87,796 | 3.2% | 6,710,775 | 76,436 | 1,552,058 | 3.2% | 85,775,621 | 55,266 |
| 2020 | 19,958 | 87,583 | 7.6% | 7,102,719 | 81,097 | 1,559,146 | 8.3% | 90,908,707 | 58,307 |
| 2021 | 20,201 | 87,404 | 4.4% | n/a | 84,907 | 1,588,106 | 3.1% | n/a | n/a |
| 2022 | 20,251 | 87,708 | 3.8% | n/a | n/a | 1,584,169 | 3.5% | 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 2021.

(3) Population data is not yet available for Fiscal Year 2021.



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

CITRUS HEIGHTS WATER DISTRICT

Principal Employers ⁽¹⁾

Current Fiscal Year and Nine Years Ago
Schedule 12

| 2022 | | | |
|----------------------------------|----------------|------|--------------------------|
| Employer | Employees | Rank | Percentage of Employment |
| State of California | 82,894 | 1 | 11.59% |
| UC Davis Health | 16,075 | 2 | 2.25% |
| County of Sacramento | 12,760 | 3 | 1.78% |
| Kaiser Permanente | 12,301 | 4 | 1.72% |
| United States Government | 10,698 | 5 | 1.50% |
| Sutter Health | 9,595 | 6 | 1.34% |
| Dignity Health | 7,488 | 7 | 1.05% |
| Intel Corporation | 5,300 | 8 | 0.74% |
| San Juan Unified School District | 5,126 | 9 | 0.72% |
| Raley's | 2,980 | 10 | 0.42% |
| <u>Total</u> | <u>165,217</u> | | <u>23.11%</u> |
| Total County Employment | 715,102 | | 100.00% |

| 2014 ⁽²⁾ | | | |
|---|----------------|------|--------------------------|
| Employer | Employees | Rank | Percentage of Employment |
| State of California | 72,220 | 1 | 10.10% |
| County of Sacramento | 10,700 | 2 | 1.50% |
| United States Government | 9,906 | 3 | 1.39% |
| UC Davis Health | 9,905 | 4 | 1.39% |
| Sutter Health | 7,352 | 5 | 1.03% |
| Dignity Health | 6,212 | 6 | 0.87% |
| Intel Corporation | 6,000 | 7 | 0.84% |
| Kaiser Permanente | 5,421 | 8 | 0.76% |
| Elk Grove Unified School District | 5,410 | 9 | 0.76% |
| Sacramento City Unified School District | 4,200 | 10 | 0.59% |
| <u>Total</u> | <u>137,326</u> | | <u>19.21%</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

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Operating Information



CITRUS HEIGHTS WATER DISTRICT

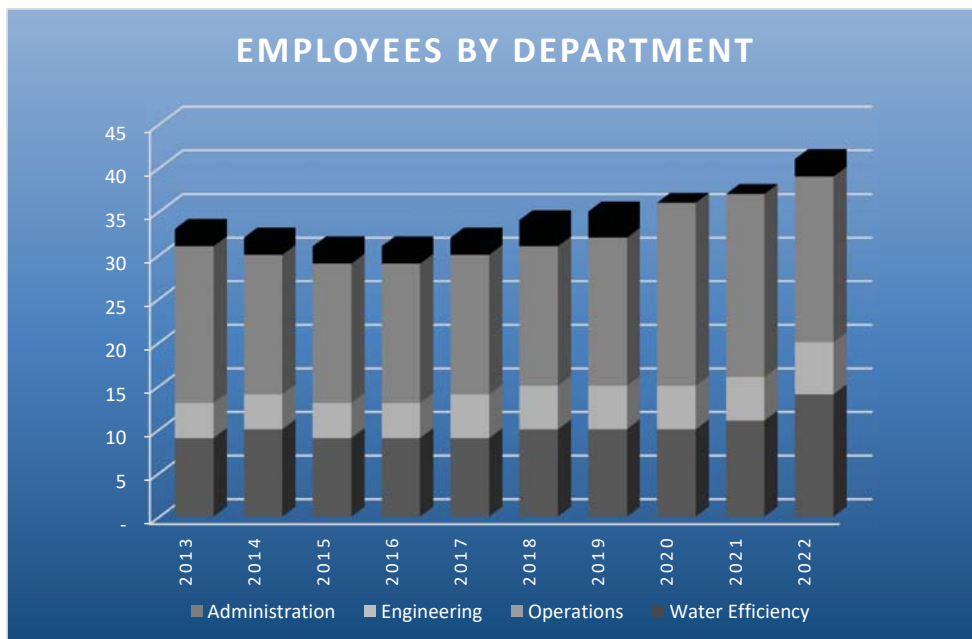
District Employees by Department

Last Ten Fiscal Years
Schedule 11

| Department | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Administration | 9 | 10 | 9 | 9 | 9 | 10 | 10 | 10 | 11 | 14 |
| Engineering | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 6 |
| Operations | 18 | 16 | 16 | 16 | 16 | 16 | 17 | 21 | 21 | 19 |
| Water Efficiency | 2 | 2 | 2 | 2 | 2 | 3 | 3 | - | - | 2 |
| Total | 33 | 32 | 31 | 31 | 32 | 34 | 35 | 36 | 37 | 41 |

Notes:

(1) The Water Efficiency department was reorganized as part of the Operations department in 2020.



Source: District Administrative Services Department

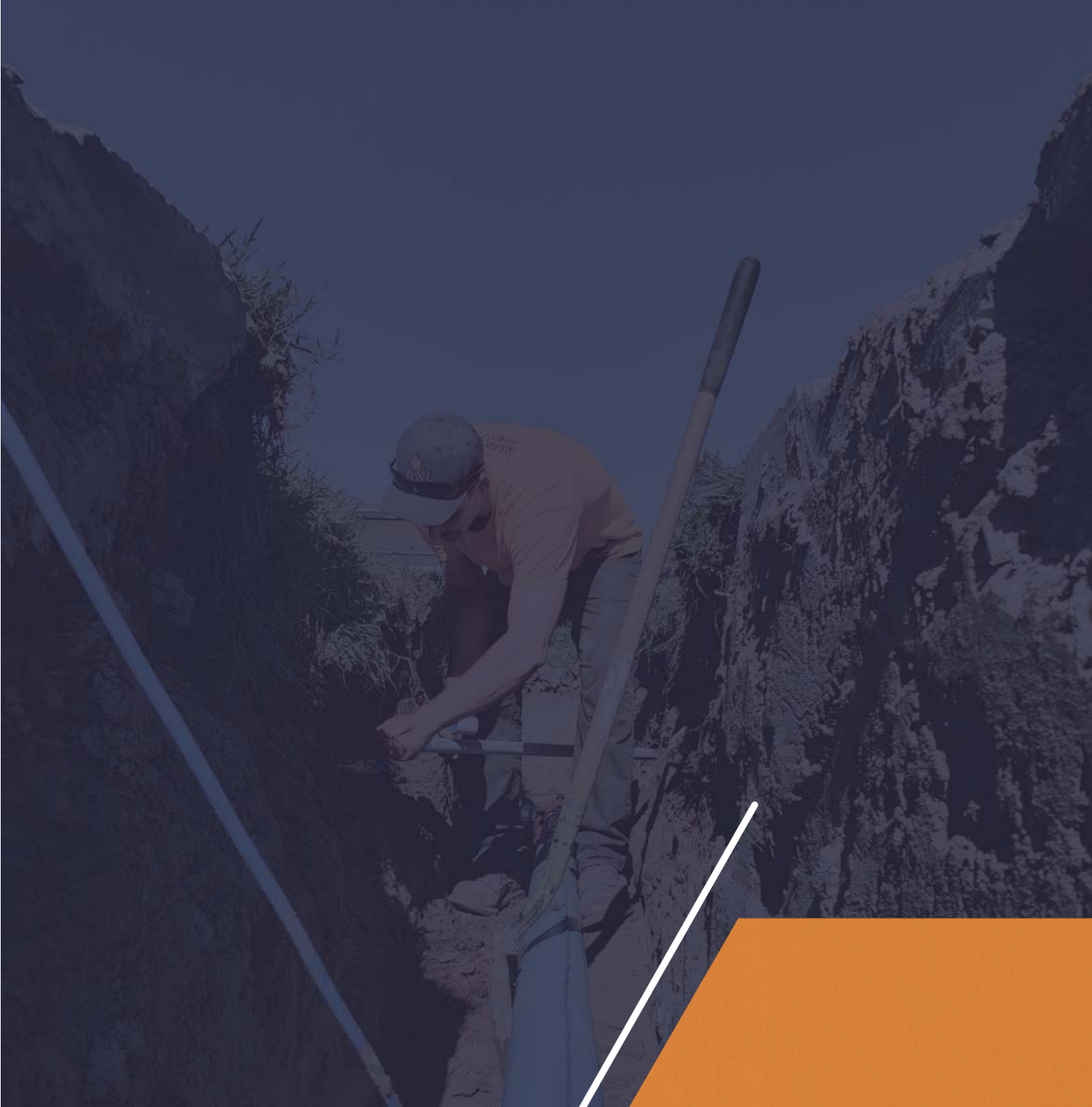
CITRUS HEIGHTS WATER DISTRICT

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 |
|-------------|-------------------|---------------------------------|---------------|-------|--------|----------|
| 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 |
| 2020 | 19,958 | 12,003.53 | 251.97 | 6 | 20,060 | 2,373 |
| 2021 | 20,201 | 11,505.25 | 252.57 | 6 | 20,282 | 2,367 |
| 2022 | 20,251 | 11,565.65 | 253.74 | 6 | 20,300 | 2,170 |

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



Citrus Heights Water District

6230 Sylvan Road

Citrus Heights, CA 95610

916.725.6873

www.chwd.org

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ATTACHMENT 2

**Series 2012A Revenue Refunding Bonds
Debt Service Schedule**

CITRUS HEIGHTS WATER DISTRICT PAYMENT SCHEDULE

Set forth below is a schedule of Citrus Heights Installment Payments and other Citrus Heights Contract payments for the period ending February 1 in each of the years indicated:

| <i>Citrus Heights Installment Payment</i> | | | | | |
|---|-----------------------|-----------------------|-----------------------|---|--------------------------------------|
| <i>February 1</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> | <i>Citrus Heights Contracts⁽¹⁾</i> | <i>Total Citrus Heights Payments</i> |
| 2013 | \$ 105,000.00 | \$ 70,718.23 | \$ 175,718.23 | \$ 573,400.00 | \$ 749,118.23 |
| 2014 | 75,000.00 | 98,787.50 | 173,787.50 | 570,000.00 | 743,787.50 |
| 2015 | 70,000.00 | 97,287.50 | 167,287.50 | 567,250.00 | 734,537.50 |
| 2016 | 75,000.00 | 95,187.50 | 170,187.50 | 569,200.00 | 739,387.50 |
| 2017 | 80,000.00 | 92,937.50 | 172,937.50 | 571,200.00 | 744,137.50 |
| 2018 | 80,000.00 | 89,737.50 | 169,737.50 | 567,400.00 | 737,137.50 |
| 2019 | 85,000.00 | 86,137.50 | 171,137.50 | 568,000.00 | 739,137.50 |
| 2020 | 90,000.00 | 83,587.50 | 173,587.50 | 567,800.00 | 741,387.50 |
| 2021 | 95,000.00 | 79,087.50 | 174,087.50 | 566,800.00 | 740,887.50 |
| 2022 | 100,000.00 | 74,337.50 | 174,337.50 | - | 174,337.50 |
| 2023 | 105,000.00 | 69,337.50 | 174,337.50 | - | 174,337.50 |
| 2024 | 110,000.00 | 64,087.50 | 174,087.50 | - | 174,087.50 |
| 2025 | 110,000.00 | 60,787.50 | 170,787.50 | - | 170,787.50 |
| 2026 | 115,000.00 | 57,487.50 | 172,487.50 | - | 172,487.50 |
| 2027 | 120,000.00 | 51,450.00 | 171,450.00 | - | 171,450.00 |
| 2028 | 130,000.00 | 45,150.00 | 175,150.00 | - | 175,150.00 |
| 2029 | 130,000.00 | 38,325.00 | 168,325.00 | - | 168,325.00 |
| 2030 | 140,000.00 | 31,500.00 | 171,500.00 | - | 171,500.00 |
| 2031 | 145,000.00 | 24,150.00 | 169,150.00 | - | 169,150.00 |
| 2032 | 155,000.00 | 16,537.50 | 171,537.50 | - | 171,537.50 |
| 2033 | 160,000.00 | 8,400.00 | 168,400.00 | - | 168,400.00 |
| TOTAL | <u>\$2,275,000.00</u> | <u>\$1,335,018.23</u> | <u>\$3,610,018.23</u> | <u>\$ 5,121,050.00</u> | <u>\$8,731,068.23</u> |

⁽¹⁾ Reflects payments under the 2010 Installment Purchase Agreement. See the caption "CITRUS HEIGHTS FINANCIAL INFORMATION—Outstanding Revenue Obligations."

Source: Fieldman, Rolapp & Associates.

SECURITY FOR THE 2012 BONDS

Limited Obligations Payable From Revenues

General. The District is obligated to make payments of principal of and interest on the 2012 Bonds solely from Revenues under the Indenture. The term "Revenues" is defined in the Indenture to mean the District Installment Payments, the Citrus Heights Installment Payments and the investment earnings thereon. NOTWITHSTANDING ANYTHING IN THE INDENTURE OR THE 2012 BONDS, THE TRUSTEE IS NOT REQUIRED TO APPLY ANY MONEYS OTHER THAN THE REVENUES, THE MONEYS IN THE REVENUE FUND DESCRIBED IN THE INDENTURE AND OTHER MONEYS PLEDGED UNDER THE INDENTURE FOR ANY OF THE PURPOSES IN THE INDENTURE MENTIONED, WHETHER FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2012 BONDS OR FOR ANY OTHER PURPOSE OF THE INDENTURE. The Corporation has assigned to the Trustee for the benefit of the Owners of the 2012 Bonds substantially all of its rights, title and interest in the District Installment Purchase Agreement and the Citrus Heights Installment Purchase Agreement, including its right to receive District Installment Payments and Citrus Heights Installment Payments and its right to enforce payment by the District under the District Installment Purchase Agreement and payment by Citrus Heights under the Citrus Heights Installment Purchase Agreement.

All of the Revenues, all amounts held in the Revenue Fund described in the Indenture and any other amounts (including proceeds of the sale of the 2012 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) have been irrevocably pledged to secure the payment of the principal of