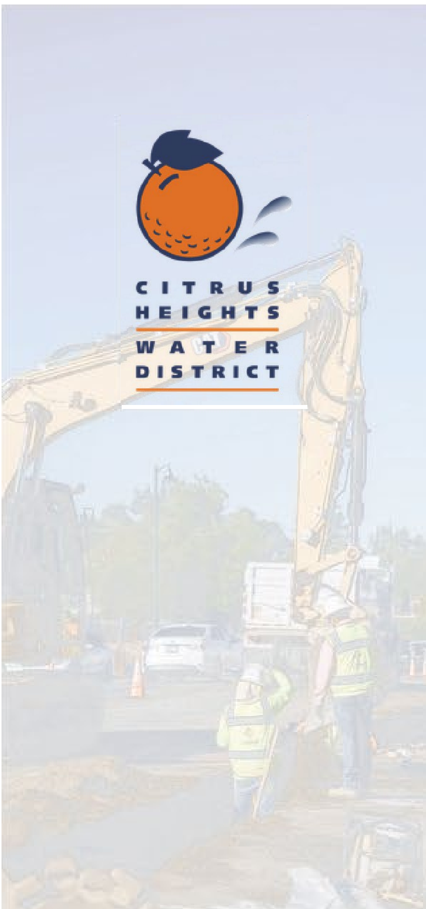

CITRUS HEIGHTS WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITRUS HEIGHTS WATER DISTRICT
CITRUS HEIGHTS, CALIFORNIA

Prepared by
Citrus Heights Water District
Administrative Services Department

FISCAL YEARS ENDING
DECEMBER 31, 2025 AND 2024

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INTRODUCTORY SECTION

May 28, 2026

Honorable Members of the Board of Directors and Citizens of the City of Citrus Heights:

We are pleased to present the Citrus Heights Water District's ("District" or "CHWD") nineth Annual Comprehensive Financial Report ("ACFR") for the fiscal years ending December 31, 2025 and 2024. This report has been prepared by District staff in accordance with Generally Accepted Accounting Principles ("GAAP") and audited in conformity with generally accepted auditing standards by an independent firm of certified public accountants.

The ACFR presents an overview of the District's financial condition, outlines the services it provides, and highlights capital improvement projects and current initiatives reflected in the Basic Financial Statements. Additional financial and demographic trend data can be found in the statistical section at the end of the report.

District management is responsible for the accuracy, completeness, and fairness of the information presented, including all disclosures. To the best of our knowledge and belief, the information and data included in this report is accurate in all material respects and is presented in a manner that fairly reflects the District's financial position and operations. All necessary disclosures have been included to support the Board's understanding of the District's financial condition.

The District's financial statements were audited by LSL, LLP (LSL), an independent certified public accounting firm. The purpose of the audit is to provide reasonable assurance that the District's financial statements for the fiscal year ended December 31, 2025, are free from material misstatement. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; evaluating the accounting principles used and significant estimates made by management; and assessing the overall presentation of the financial statements. Based on the audit, the independent auditors concluded that there was a reasonable basis for issuing an unmodified opinion that the District's financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP). The Independent Auditors' Report appears as the first component of the financial section of this report.

In accordance with GAAP, management is required to provide a narrative introduction, overview, and analysis of the financial statements in the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is intended to supplement the MD&A and should be read in conjunction with it. The MD&A follows the Independent Auditors' Report.

Profile of Citrus Heights Water District

Established in 1920 as the Citrus Heights Irrigation District, the District initially encompassed slightly more than 4.7 square miles and provided service to approximately 225 agricultural properties/farms. At present, CHWD serves water to an estimated population of 87,000 within approximately 13-square-mile miles.

The District achieves its mission through a dedicated and skilled workforce empowered to conduct its business with a strong commitment to customer needs and well-being. Employees consistently perform their duties with the District's mission in mind: "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 under the laws of the State of California. It is governed by a three-member Board of Directors, each elected to four-year terms by voters residing within the District's service area. Since 2020, Board elections have been conducted "By-District," meaning only voters living within a Board member's respective district may vote for that seat.

As of 2025, CHWD employs approximately 40 full-time equivalent staff across four departments: Administrative Services, Public Affairs, Engineering, and Operations. The General Manager and District General Counsel are appointed by and report directly to the Board of Directors, while all other employees report to the General Manager or their designee.

Water Supply

In 2025, approximately 96 % of the District's water supply was purchased from the San Juan Water District (SJWD) and distributed to over 20,000 residential and commercial service connections. The District also maintains six groundwater wells and approximately 253 miles of pipeline infrastructure. Groundwater has been part of CHWD's supply portfolio since 1943.

Accounting and Budget Structure

CHWD operates as an enterprise fund with a fiscal year running from January 1 through December 31. Under GAAP, local governments are required to use proprietary-type funds, including enterprise funds, to account for business-type activities similar to those conducted in the private sector. Enterprise funds are intended for operations that are financed primarily through user charges. Consistent with this framework, CHWD's operations are fully funded through customer charges for water service and groundwater basin management.

CHWD management is responsible for establishing and maintaining an internal control framework designed to safeguard District assets from loss, theft, or misuse. This framework also ensures that reliable accounting data is collected and maintained to support the preparation of financial statements in accordance with GAAP. The District's internal controls are designed to provide reasonable assurance that these objectives are achieved. Reasonable assurance recognizes that the cost of a control should not outweigh its expected benefits, and that management must apply judgment and estimates in evaluating those costs and benefits.

CHWD's Board adopts an annual budget prior to the start of each fiscal year. The budget establishes the framework for financial reporting and operational oversight, supports accountability for enterprise operations and capital improvement projects, and authorizes planned expenditures. The budget is prepared using the accrual basis of accounting and aligns with the presentation format used in CHWD's ACFR.

As part of the annual budget process, CHWD updates its long-term Financial Model to evaluate projected revenues, operating expenses, and capital improvement needs. In addition, beginning in FY2018, the Board approved an accelerated repayment strategy for the District's unfunded actuarial liabilities, reducing amortization periods to 20 years for other post-employment benefits (OPEB) and 15 years for pension liabilities. This accelerated funding approach is expected to reduce long-term costs and generate savings for CHWD customers compared with the prior, longer amortization schedules.

Financial Policies

CHWD's financial policies establish the framework for the District's financial management and guide both operational and long-term strategic decision-making. These policies promote transparency and accountability by enabling the Board of Directors and community stakeholders to evaluate how effectively the District manages its financial resources and responsibilities. The policies are reviewed annually and updated as needed to reflect minor procedural revisions or significant changes in financial priorities as directed by the Board of Directors.

- Investment Policy – The Board has adopted an Investment Policy that complies with state law, CHWD ordinances and resolutions, and prudent investment management standards, including the "prudent person" rule. The primary objectives of the policy are, in order of priority, safety, liquidity, and yield. The investment policy is reviewed and readopted annually. Since 2022, District funds have been invested in a variety of authorized securities consistent with the Investment Policy, including participation in the California Asset Management Program (CAMP) and the State of California's Local Agency Investment Fund (LAIF).

- Reserve Policies – As of 2025, the District maintains 10 reserve accounts supported by formal reserve policies designed to sustain ongoing operations and fund capital improvement programs. These reserves are designated for the maintenance, repair, replacement, and improvement of water system infrastructure. Maintaining adequate reserve levels, together with sound financial policies, provides the District with the flexibility to respond to unexpected expenditures and 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 LSL conducted the District's annual audit, and its unmodified Independent Auditors' Report is included in the Financial Section of this report.

Risk Management

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

Economic Condition, Outlook and Major Initiatives

CHWD is primarily in a residential community, with some commercial enterprises within its boundaries. Because the District's service area is largely built out, significant revenue growth from new development is not anticipated. Instead, the District projects modest but steady revenue growth of approximately 0.5% annually, driven by small infill residential and commercial projects within existing District boundaries.

CHWD operates as an enterprise fund, meaning the full cost of delivering water service and protecting groundwater resources is supported by customer rates and fees rather than tax revenue. As a result, the District's operating revenues are derived primarily from water sales and bi-monthly service charges.

Although overall water demand has remained relatively stable over time, usage declined significantly following the statewide drought mandates implemented in 2013. Since then, consumption has continued to trend downward, resulting in an overall reduction of approximately 27% between 2013 and 2023. While water usage experienced a modest increase in 2024, it declined again in 2025. This sustained reduction in demand created a disconnect between projected and actual water sales, underscoring the need for a new rate study and a comprehensive rebuild of the District's financial model.

CHWD and its wholesale water supplier, San Juan Water District (SJWD), continue to adapt operations in response to evolving regulatory requirements. The ongoing and anticipated impacts of these regulations — including increased operational and compliance costs — remain a significant challenge for the District. In addition, CHWD is expected to experience further increases in wholesale water costs in 2026, as outlined in SJWD's Wholesale Water Rate Study Report issued in January 2024.

As of January 1, 2026, CHWD's water rates include a uniform commodity charge of $1.38 per unit of water and a monthly fixed charge of $72.63 for a 1-inch water meter. The average CHWD customer bill remains below the regional Sacramento average.

The District continues to invest in maintaining and improving its aging infrastructure systemwide. In 2025, Operations crews completed 387 service repairs and replacements, replaced 34 water valves, and installed or replaced 22 fire hydrants and 255 water meters. The team also conducted 41 irrigation audits and installed 16 smart controllers to support water efficiency efforts. In addition, the Engineering Department completed the design, installation, and inspection of 2,879 linear feet of water mains ranging from 6 to 18 inches in diameter, along with 24 valves and 90 water services.

Annual Capital Projects include ongoing infrastructure replacements such as water mains, water services, and fire hydrants, as well as fleet vehicle replacements due to maintenance needs or obsolescence. Capital projects scheduled for 2025 total $18.3 million, including approximately $8.2 million for the completion of construction on the District's seventh groundwater well (Well #7) and the design and construction of its eighth groundwater well (Well #8). Over the past several years, the District has secured approximately $6.6 million in grant funding to support construction of these two new wells. However, due to delays in the grant reimbursement process, the District had received only a limited portion of the funding as of December 31, 2025, with $4.5 million remaining in grant receivables.

The Facility Modernization and Expansion (FME) Capital Project began in 2024, continued through 2025, and is expected to remain ongoing. As of year-end 2025, project spending totaled $2.54 million.

Long-Term Financial Planning

Citrus Heights Water District utilizes several planning strategies when considering long-term financial forecasts.

- **Strategic Plan** – Strategic planning establishes a long-term vision and clear mission that guide an organization's direction, priorities, and commitments. Since 2016, CHWD has conducted an annual strategic planning workshop that brings together the Board of Directors, management, and at-large customers to review the District's mission and core values and translate them into actionable priorities through the Annual Work Program.

  The Annual Work Program outlines three-year goals and one-year objectives that reflect the District's commitment to water-use efficiency, responsible water supply management, completion of capital improvement projects, and continuous organizational improvement. Together, the Strategic Plan and Annual Work Program serve as the foundation for the District's priority-based budgeting process.

- **Project 2030 Water Main Replacement Plan** – Identified through the strategic planning process, this initiative serves as a key strategy for engaging customers in long-term water main replacement planning and funding efforts. The plan is designed to educate customers on the challenges and opportunities associated with maintaining a reliable water system, highlight current actions being taken to ensure water supply reliability, and prepare the community for the replacement of aging infrastructure.

- **Capital Improvement Plan** – The Strategic Plan provides the foundation for the Capital Improvement Plan, which outlines project schedules and projected costs for production and water supply facilities identified in the 1999 Facilities Master Plan. The Capital Improvement Plan serves as both a ten-year forecast and a long-term capital reinvestment strategy. The District is currently in the final stages of completing an updated water system and facilities master plan.

- **10-Year Financial Planning Model** – The District develops and evaluates 10-year financial projections to support long-term operational and capital planning, funding strategies, and rate-setting analyses, including Prop 218 and wheeling rates.

- **Annual Budget** – The annual budget is a foundational component of the District's financial planning process. Each year during the second and third quarters, District Finance staff develop a draft budget based on analysis from the Financial Planning Model and revenue and expenditure requests submitted by CHWD departments. The proposed budget is then presented to the Board of Directors for review and adoption prior to the start of the next fiscal year. The annual budget includes projected revenues, operating expenditures, and capital expenditures, and is developed using a priority-based budgeting approach.

- **Water Meter Replacement Program**– As CHWD's first generation of meters reaches the end of its service life, the District partnered with a consortium of 11 agencies to complete a Meter Replacement Program Study. The study evaluated collaboration opportunities and developed both short- and long-term strategies to help each agency efficiently manage future meter replacements. Building on this effort, the District is now working with the Regional Water Authority to explore a regional purchasing program aimed at achieving economies of scale in the procurement of meters, parts, and related materials.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Citrus Heights Water District a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2024. This marks the eighth consecutive year the District has received this prestigious recognition.

The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. To earn this award, a governmental agency must publish an ACFR that is well organized, easy to read, and fully compliant with generally accepted accounting principles (GAAP) and all 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 made possible through the collaborative efforts of the District's Finance staff, with valuable support from departmental directors, managers, and supervisors throughout CHWD. We sincerely appreciate the dedication, professionalism, and contributions of all CHWD staff involved in the preparation of the Annual Comprehensive Financial Report (ACFR). Special recognition is extended to Accounting Manager Ben Strange and Senior Accountant Megan Selling for their exceptional commitment and tireless efforts in preparing this report. We also thank the CHWD Board of Directors for its continued guidance and support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

Hilary M. Straus	Annie Y. Liu
General Manager/Secretary	Director of Administrative Services/ Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

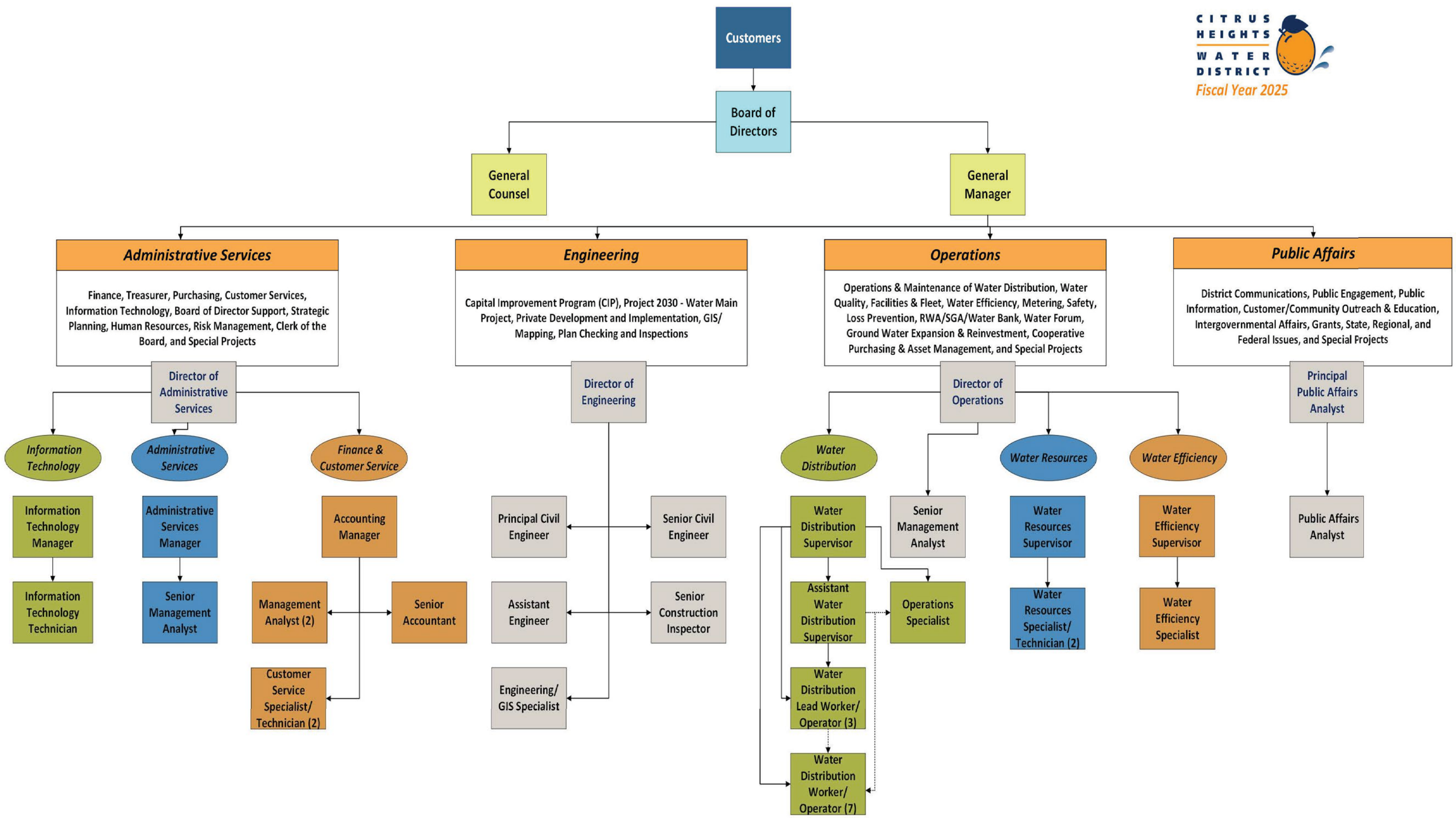
Citrus Heights Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

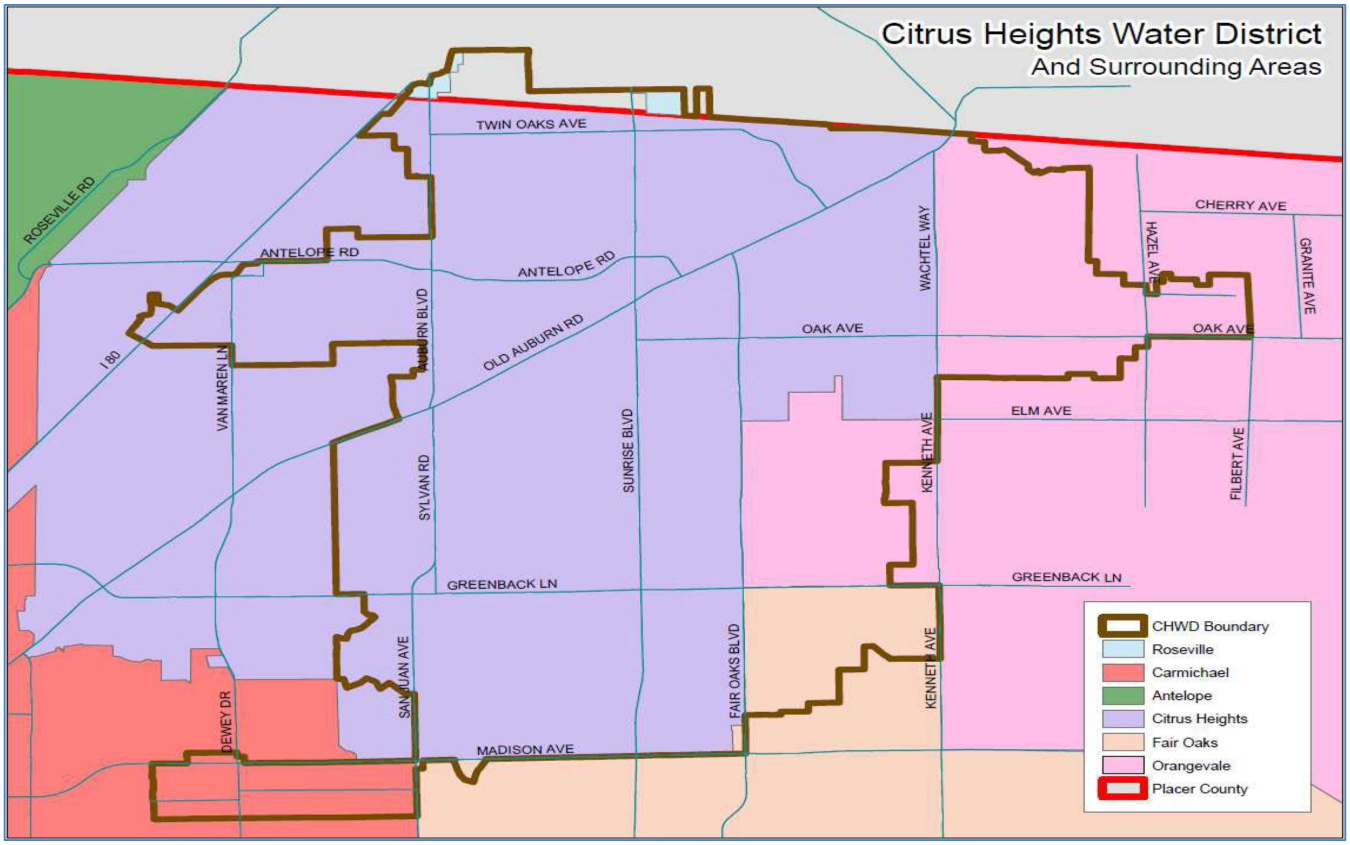
Christopher P. Morrill

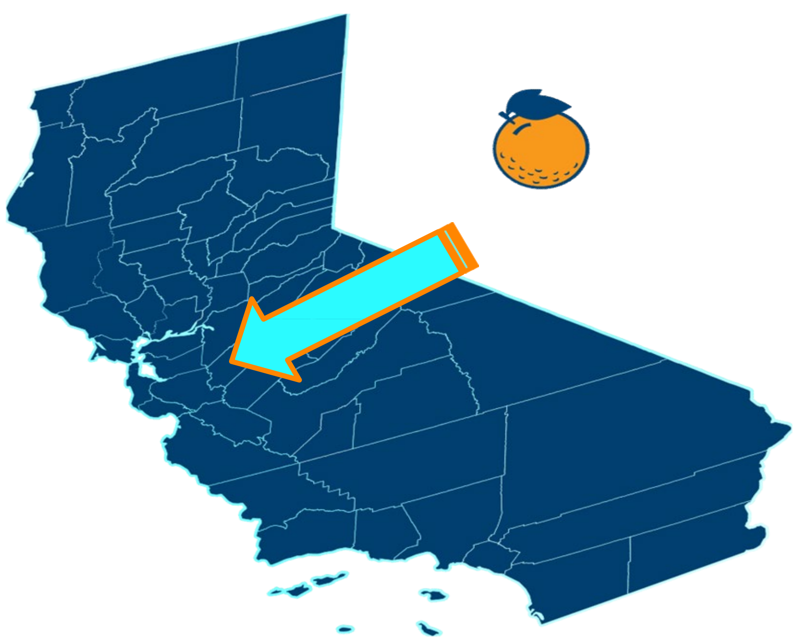
Executive Director/CEO



CITRUS HEIGHTS WATER DISTRICT
Fiscal Year 2025
Customers
Board of Directors
General Counsel
General Manager
Administrative Services
Finance, Treasurer, Purchasing, Customer Services, Information Technology, Board of Director Support, Strategic Planning, Human Resources, Risk Management, Clerk of the Board, and Special Projects
Engineering
Capital Improvement Program (CIP), Project 2030 - Water Main Project, Private Development and Implementation, GIS/ Mapping, Plan Checking and Inspections
Operations
Operations & Maintenance of Water Distribution, Water Quality, Facilities & Fleet, Water Efficiency, Metering, Safety, Loss Prevention, RWA/SGA/Water Bank, Water Forum, Ground Water Expansion & Reinvestment, Cooperative Purchasing & Asset Management, and Special Projects
Public Affairs
District Communications, Public Engagement, Public Information, Customer/Community Outreach & Education, Intergovernmental Affairs, Grants, State, Regional, and Federal Issues, and Special Projects
Director of Administrative Services
Information Technology
Administrative Services
Finance & Customer Service
Information Technology Manager
Information Technology Technician
Administrative Services Manager
Senior Management Analyst
Accounting Manager
Management Analyst (2)
Senior Accountant
Customer Service Specialist/ Technician (2)
Director of Engineering
Principal Civil Engineer
Senior Civil Engineer
Assistant Engineer
Senior Construction Inspector
Engineering/ GIS Specialist
Director of Operations
Water Distribution
Water Distribution Supervisor
Assistant Water Distribution Supervisor
Water Distribution Lead Worker/ Operator (3)
Water Distribution Worker/ Operator (7)
Senior Management Analyst
Operations Specialist
Water Resources
Water Resources Supervisor
Water Resources Specialist/ Technician (2)
Water Efficiency
Water Efficiency Supervisor
Water Efficiency Specialist
Principal Public Affairs Analyst
Public Affairs Analyst

Service Area Map with Cities Served





Board of Directors and Principal Officers

Board of Directors

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

Executive Staff

General Manager	Hilary M. Straus
Director of Engineering	Melissa Pieri
Director of Finance and Administrative Services	Annie Liu
Director of Operations	Todd Jordan

Appointed Officers

Secretary	Hilary M. Straus
Treasurer	Annie Liu
Assessor Collector	Ben Strange

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FINANCIAL SECTION

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INDEPENDENT AUDITORS’ REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of 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, 2025, and 2024, 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 respective financial position of the District, as of December 31, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts 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 generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, 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.

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 postemployment 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 and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, 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.

LSL, LLP

Sacramento, California
May 28, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ending December 31, 2025

The following Management's Discussion and Analysis (MD&A) provides an analytical overview of the Citrus Heights Water District's (District) financial position and operating results for the fiscal year ended December 31, 2025. Readers are encouraged to consider the information presented in conjunction with the accompanying financial statements, related notes, and additional information included in the introductory section of this report.

FINANCIAL HIGHLIGHTS

❖ At the close of fiscal year 2025, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $111,505,468. Approximately 67 percent of the District's net position, or $75,165,231, is invested in capital assets, including the water transmission 23and distribution system, water production facilities, land, buildings, and equipment.

  Unrestricted net position increased to $36,340,237 from $31,830,873 at the end of fiscal year 2024. This increase was primarily attributable to the continued implementation of the main water replacement charge, which supports water main infrastructure improvements, as well as a significant rise in interest income. Additionally, the District recognized $4,545,958 in reimbursement grant revenue during 2025. However, due to delays in reimbursement processing, only $61,215, or approximately 1.4 percent, had been received as of year-end 2025.

❖ Capital improvement spending in 2025 increased by $5,432,747 compared to 2024, primarily due to continued progress on the two-well construction project and starting of the Facilities Modernization & Expansion project.

❖ The District's operating revenues for 2025 totaled $28,566,269, representing an increase of 27.9% from $22,334,518 in 2024. This growth was primarily driven by higher water rates and increased water consumption during 2025. In addition, the District recognized $4,545,958 in reimbursement grant revenue during the year.

  In 2025, water sales to customers accounted for 78% of total operating revenues, or $23,592,163. While water sales revenue increased in 2025, grant reimbursements represented approximately 15% of total operating revenues for the year.

❖ At the end of 2025, the District's total net long-term liabilities were $8,097,965, including the 2012 Revenue Refunding Bonds, pension liability, SBITA liability, other postemployment benefits (OPEB) liability, and compensated absences. In accordance with GASB Statement No. 68, the District recorded a pension liability of $5,125,787. GASB Statement No. 75 required the recognition of an OPEB liability of $1,374,476. Bond-related debt decreased by $123,370 during 2025 as a result of continued principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the District's basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the accompanying Notes to the Basic Financial Statements. Supplementary information is also provided to support further analysis and understanding of the District's financial condition and operations.

Together, these financial statements present both short-term and long-term information about the District's overall financial health. The Notes to the financial statements provide additional detail and explanation of the data presented in the statements. Required supplementary information, while not part of the basic financial statements, is included in accordance with Governmental Accounting Standards Board (GASB) requirements to provide additional operational, economic, and historical context.

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities, using the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. Depreciation expense is reported in the Statement of Revenues, Expenses, and Changes in Net

Position. All assets and liabilities associated with District operations are included in the Statement of Net Position, which presents the District's financial position on a full-accrual, historical cost basis and provides information regarding the nature and amount of resources and obligations at fiscal year-end.

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Net Position / Balance Sheet

The following table summarizes assets, deferred outflows, liabilities, deferred inflows, and net position on December 31, 2025, 2024, and 2023:

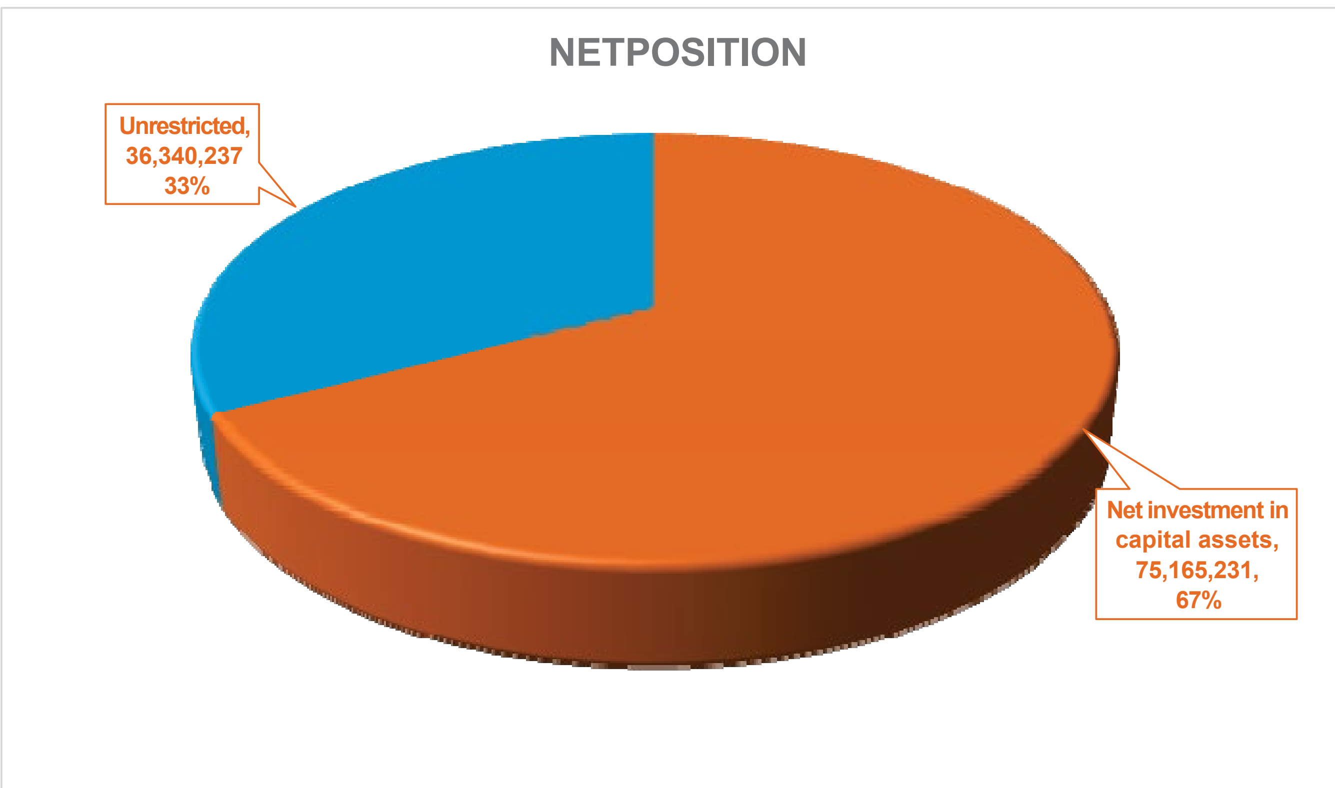
				% Increase (Decrease)	
	FY 2025	**FY 2024**	**FY 2023**	**FY 2024 vs FY 2025**	**FY 2023 vs FY 2024**
Current assets	$ 44,144,372	$ 39,167,650	$ 34,242,135	12.7%	14.4%
Capital assets, net	76,606,409	69,491,913	67,806,524	10.2%	2.5%
Total Assets	**120,750,781**	**108,659,563**	**102,048,659**	**11.1%**	**6.5%**
Deferred Outflows	**2,014,262**	**2,327,611**	**3,044,829**	**-13.5%**	**-23.6%**
Current liabilities	2,071,918	1,568,386	1,638,707	32.1%	-4.3%
Non-current liabilities	8,097,965	9,001,315	9,230,514	-10.0%	-2.5%
Total Liabilities	**10,169,883**	**10,569,701**	**10,869,221**	**-3.8%**	**-2.8%**
Deferred Inflows	**1,089,692**	**460,785**	**857,276**	**136.5%**	**-46.3%**
Net Position					
Net investment in capital assets	75,165,231	68,136,232	66,242,874	10.3%	2.9%
Unrestricted	36,340,237	31,820,456	27,124,117	14.2%	17.3%
Total Net Position	**$ 111,505,468**	**$ 99,956,688**	**$ 93,366,991**	**11.6%**	**7.1%**

The District's total net position increased steadily over the three-year period, rising from $93.37 million in 2023 to $99.96 million in 2024, and reaching $111.51 million in 2025. Total assets also continued to grow, increasing by $6.61 million, or 6.5%, in 2024 compared to 2023, and by $12.10 million, or 10.2%, in 2025 compared to 2024.

Deferred outflows decreased by approximately $0.31 million, while deferred inflows increased by approximately $0.63 million in 2025 compared to 2024. These changes were primarily driven by updates to actuarial assumptions, including changes in the expected return on pension plan investments, which affected the calculation of the pension liability.

In 2025, total liabilities decreased by $0.40 million, or 3.8%, compared to 2024, representing only a modest change. Non-current liabilities declined by approximately $0.90 million, or 10%, from the prior year. Overall, liability levels over the past three years have remained relatively stable, especially when compared to the more significant fluctuations observed in 2021 and 2022.

Over the three-year period, net position increased by $18.14 million, or 19.4%, driven by a combination of net income growth and increased capital contributions.



Changes in Net Position

Net position increased by $11.55 million, or 11.6%, compared with the prior year. Operating revenues exceeded operating expenses by $9.57 million, accounting for 82.9% of the increase in net position. In addition, nonoperating investment income contributed $1.76 million, representing approximately 15.3% of the overall increase in net position.

Total operating revenues increased by $6.23 million, or 27.9%, in 2025 compared with 2024. The majority of the increase was attributable to the recognition of $4.55 million in accrued grant revenues. Operating revenues also benefited from an approximately $1.97 million increase in water sales, primarily driven by higher water rates and increased water consumption. Nonoperating investment income continued to positively impact the growth in net position in 2025, increasing by approximately $0.5 million compared with 2024. The increase was primarily attributable to the performance of long-term investments, including unrealized earnings accrued prior to maturity.

In 2025, operating expenses increased by $1.96 million, or 11.5%, from the prior year. The increase was largely attributable to higher personnel costs, a 5% increase in purchased water costs from San Juan Water District, and additional professional support services associated with ongoing planning and preparation efforts for Project 2030. The District also experienced increased costs for parts and materials as construction and infrastructure-related expenses continued to rise.

The following table summarizes the changes in net position for the fiscal years ended December 31, 2025, 2024, and 2023:

				% Increase (Decrease)	
	2025	**2024**	**2023**	**FY 2024 vs FY 2025**	**FY 2023 vs FY 2024**
Operating Revenues:					
Water Sales	$ 23,592,163	$ 21,621,835	$ 19,915,090	9.1%	8.6%
Connection and Other Fees	428,148	712,683	216,934	597.9%	228.5%
Grant Revenues	4,545,958				
Total Operating Revenues	**28,566,269**	**22,334,518**	**20,132,024**	**27.9%**	**10.9%**
Operating Expenses:					
Customer service admin/general	6,792,723	6,248,835	5,706,961	8.7%	9.5%
Water purchases	3,116,737	2,982,507	2,858,841	4.5%	4.3%
Transmission and distribution	4,478,595	3,896,342	2,796,502	14.9%	39.3%
Pumping & well maintenance	1,080,808	742,415	842,529	45.6%	-11.9%
Water efficiency (conservation)	663,088	487,975	697,684	35.9%	-30.1%
Depreciation & amortization	2,865,696	2,676,870	2,668,321	7.1%	0.3%
Total Operating Expenses	**18,997,647**	**17,034,944**	**15,570,838**	**11.5%**	**9.4%**
Operating income	**9,568,622**	**5,299,574**	**4,561,186**	**80.6%**	**16.2%**
Nonoperating Revenues (Expenses)					
Investment Income	1,761,275	1,260,199	1,438,634	39.8%	-12.4%
Miscellaneous income	32,866	3,273	19,395	904.2%	-83.1%
Interest Expense	(43,712)	(39,106)	(50,767)	11.8%	-23.0%
Gain (loss) on disposal of capital assets	18,903	2,603	21,674	626.2%	-88.0%
Total Nonoperating Revenues (Expenses)	**1,769,332**	**1,226,969**	**1,428,936**	**44.2%**	**-14.1%**
Net Income before Capital Contributions	**11,337,954**	**6,526,543**	**5,990,122**	**73.7%**	**9.0%**
Capital Contributions					
Contributed Assets	210,826	63,154	243,443	233.8%	-74.1%
Total Capital Contributions	**210,826**	**63,154**	**243,443**	**233.8%**	**-74.1%**
Change in Net Position	11,548,780	6,589,697	6,233,564	75.3%	5.7%
Net position, beginning of year	99,956,688	93,366,991	87,133,426	7.1%	7.2%
Net Position, End of Year	**$ 111,505,468**	**$ 99,956,688**	**$ 93,366,991**	**11.6%**	**7.1%**

Capital Assets

As of December 31, 2025, 2024 and 2023, the District's investment in capital assets, net of related debt, was $75.16 million, $68.14 million, and $66.24 million, respectively. This includes 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.

Capital asset additions increased to $10.41 million in 2025. While the ongoing replacement of aging pipelines and water service connections throughout the District's system continued to account for a significant portion of these additions, the majority of the increase was driven by continued progress on the two-well construction project and the initiation of the Facilities Modernization & Expansion project.

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

Debt Administration

The District continues to meet its debt obligations related to the 2012 Revenue Refunding Bonds. Through scheduled debt service payments, principal outstanding was reduced by $110,000 during 2025 and by $105,000 during 2024. As of year-end 2025, total outstanding bond debt was approximately $1.10 million. Additional information regarding the District's debt obligations is provided in Note 5, Long Term Liabilities, in the notes to the basic financial statements.

Subscription liabilities were first recognized in 2023 following implementation of GASB 96. An initial subscription liability of $106,700 was recorded at that time. As of December 31, 2024, the District's total subscription liability had increased to $229,453.

Total compensated absences, including both current and long-term portions, represent earned leave payable to employees upon termination or retirement. At the end of 2025, this liability totaled approximately $0.58 million, remaining relatively consistent with prior years.

The District's net other post-employment benefits (OPEB) liability increased by $106,341 in 2025 compared to 2024, primarily due to differences between expected and actual cost experience, as well as changes in actuarial assumptions. Additional information regarding changes in the District's net OPEB liability is provided in Note 9, Postemployment Health Care Benefits, in the notes to the basic financial statements.

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

Focus on Long-Range Planning

CHWD has a long-standing commitment to proactively planning for and managing its long-term capital, operational, and financial needs. This emphasis on long-range planning is demonstrated through initiatives such as its water main master planning efforts; the 1999 Master Plan focused on water main replacement; the Project 2030 Water Main Replacement Program; the Water Meter Replacement Study and consortium-based Meter Replacement Asset Management Program; the maintenance of a rolling 10-year financial forecast to guide annual budgeting; and the use of Strategic Planning—with three-year goals and one-year objectives—to align organizational priorities with the annual budget process.

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

Given the significant one-time and ongoing capital and asset management expenditures anticipated, CHWD has developed and maintains a 10-year financial forecast model. Updated regularly with actual revenue and expenditure data, the Financial Model serves as a key tool for policy development, operational and capital planning, and long-term financial decision-making as the District evaluates budgetary, operational, and capital investment options.

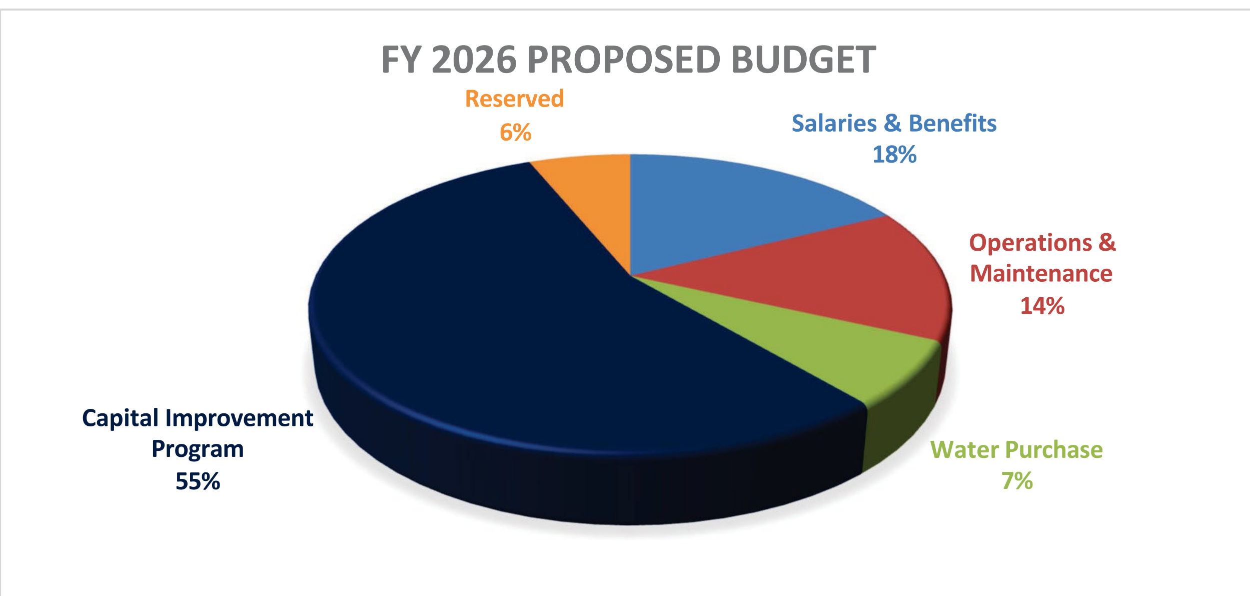
Reserve Policies and Special Funding

Each year, CHWD aims to allocate a portion of its net revenue to both designated and undesignated reserves. Maintaining reserve funds helps stabilize expenses, minimize reliance on debt financing, and preserve financial flexibility. By taking a proactive approach to reserves, CHWD is better positioned to efficiently implement its Capital Improvement Program.

2026 Adopted Budget

The District continued to exercise fiscal discipline in managing operational expenditures. The adopted FY2026 budget reflects an overall increase of $1.56 million, or 8.0%, in operations and maintenance expenses. Key components of the FY2026 budget include:

- ❖ Maintaining current service levels and programs for District customers.
- ❖ Updating the Water Master Plan, which was last revised in 1999.
- ❖ Funding strategic planning initiatives and special projects identified by the Board as priorities for 2026.
- ❖ Expanding work efforts and related costs associated with preparation of the Project 2030 Water Main Replacement Plan.
- ❖ Strengthening reserves, including an additional $0.50 million transfer to the Water Supply Reserve to support the District's long-term water supply investments.



A FY2026 Operating Budget Summary is included below to provide an overview of the District's operating budget.

CITRUS HEIGHTS WATER DISTRICT 2026 ADOPTED BUDGET

		2024 Actual		2025 Estimated		2026 Adopted
Revenues						
Water Sales	$	18,583,311	$	21,787,740	$	23,138,948
Connection and Other Fees		236,324		434,953		443,469
Project 2030 Dedicated Charge		1,331,779		2,142,903		2,260,833
Grant Revenue		-		4,500,000		1,500,000
Other Resources		-		-		13,000,000
Investment and Other Income		279,098		1,100,000		1,000,000
Total Revenues		**20,430,512**		**29,965,596**		**41,343,250**
Expenses						
Salaries and Benefits		6,395,696		6,828,041		8,220,715
Water Purchases		2,845,767		3,127,035		3,283,400
Other Operating & Maintence Costs		3,603,266		4,387,971		6,749,687
Debt Service		61,786		174,338		170,788
Transfers to Reserves		1,731,779		2,400,000		2,900,000
Total Expenses		**14,638,294**		**16,917,385**		**21,324,590**
Operating Income before Capital Outlay		5,792,218		13,048,211		20,018,660
Capital Outlay		2,288,321		12,123,966		25,843,756

Total capital improvement expenditures budgeted for FY2026 are $25.84 million, compared with $18.34 million in FY2025. This total includes $5.77 million in carryover projects from prior years. Major capital investments planned for FY2026 include:

- Approximately $5.13 million to complete construction of the District's two wells.
- Approximately $6.46 million for ongoing Water Main Projects and annual operations-related capital improvement projects.
- Approximately $12.98 million for continued implementation of Project 2030, the District's Facilities Modernization and Expansion (FME) initiative, will continue through 2026 and 2027.

The District has been awarded $6.64 million in State and Federal grant funding to support construction of the two wells and recognized $4.56 million in grant reimbursement revenue during the fiscal year. Although opportunities for non-ratepayer funding remain limited, the District continues to actively pursue outside funding sources whenever feasible.

A FY2026 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.

CITRUS HEIGHTS WATER DISTRICT
Management's Discussion and Analysis
For the Year Ending December 31, 2025

CITRUS HEIGHTS WATER DISTRICT ADOPTED CAPITAL PROJECTS BUDGET

Project Title	2025 Revised Budget	2025 Carried Budget to 2026	Additional in 2026 Requested Budget	2026 Requested Budget
Auburn Blvd-Rusch Park Placer	664,989	250,000		250,000
Well #7 Design & Construction (Ella)	4,283,277	500,000		500,000
SACOG AC Overlay Phase 1	55,000			
Well #8 Highland Well	4,101,787	2,901,787	2,229,213	5,131,000
Fleet & Field Operations Eqpm	106,834			
Annual Water Main Pipeline Rep	31,500			
Water Service Connections	407,000			
Minnesota Drive	500,000			
Fair Oaks Blvd at Leafcrest Wy	400,000			
Menke Way	103,000	103,000		103,000
Annual Facilities Improvements	112,000	112,000		112,000
Annual Water Main Pipeline Rep	53,000	33,000		33,000
Annual Valve Replacements	135,000	50,000		50,000
Annual Water Service Connections	1,510,000	500,000		500,000
Annual Water Meter Replacement	130,000			
Annual Fire Hydrants Repl, Upg	175,000	50,000		50,000
Annual Groundwater Wel Improve	200,000	50,000		50,000
Annual Other City Partnerships	100,000			
Misc Infrastructure Projects	100,000			
Greenback Lane from Birdcage to Burich	900,000	770,000	400,000	1,170,000
Greenback - Sunrise Blvd to Bi	100,000	45,000	833,000	878,000
Donnawood	100,000	48,000	457,000	505,000
Facilities Modernization & Expansion Project (6230 Sylvan Road)	50,000		3,000,000	3,000,000
ERP System	500,000	350,000		350,000
SCADA Upgrade	120,000		120,000	120,000
Facilities Modernization & Expansion Project (7803 Madison Ave)	2,950,000		9,982,756	9,982,756
Sayonara Drive	451,000	6,000		6,000
Total Ongoing Projects	**$ 18,339,387**	**$ 5,768,787**	**$ 17,021,969**	**$ 22,790,756**
Annual Fleet & Field Operations Equipment			150,000	150,000
Annual Technology Hardware & Software			100,000	100,000
Annual Facilities Improvements			50,000	50,000
Annual Water Main Pipeline Replacement (Small)			53,000	53,000
Annual Valve Replacements			135,000	135,000
Annual Water Service connections			1,510,000	1,510,000
Annual Water Meter Replacement			130,000	130,000
Annual Fire Hydrants - Repl, Upgrades, Lnfill, New			175,000	175,000
Annual Groundwater well Improvements			200,000	200,000
Other City Partnerships			100,000	100,000
Misc Infrastructure Projects			100,000	100,000
Total New Annual Projects	**$ -**	**$ -**	**$ 2,703,000**	**$ 2,703,000**
Dove and Be Lazy Court			350,000	350,000
Total New Projects	**$ -**	**$ -**	**$ 350,000**	**$ 350,000**
FY 2026 Totals	**$ 18,339,387**	**$ 5,768,787**	**$ 20,074,969**	**$ 25,843,756**

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BASIC FINANCIAL STATEMENTS

	2025	2024
Assets:		
Current assets:		
Cash and investments (Note 2)	$ 33,622,570	$ 33,780,703
Receivables:		
Accounts receivable, net	4,023,148	3,566,811
Accrued interest receivable	386,393	281,188
Grants Receivable	4,484,002	-
Inventories	784,336	803,134
Prepaid expenses and other deposits	843,923	735,814
Total Current Assets	**44,144,372**	**39,167,650**
Noncurrent:		
Non-depreciable/amortizable capital assets (Note 3)	11,391,033	7,122,794
Depreciable/amortizable capital assets, net (Note 3)	65,215,376	62,369,119
Total Noncurrent Assets	**76,606,409**	**69,491,913**
Total Assets	**120,750,781**	**108,659,563**
Deferred Outflows of Resources:		
Pension related (Noted 9)	1,530,838	1,918,709
OPEB related (Note 10)	483,424	408,902
Total Deferred Outflows of Resources	**2,014,262**	**2,327,611**
Liabilities:		
Current:		
Accounts payable	907,600	576,761
Retentions payable	171,841	-
Accrued payroll	113,182	234,701
Accrued interest payable	29,609	28,057
Deposits payable	434,071	431,877
Due to other governments	-	740
Compensated absences (Note 8)	203,618	174,273
Long-term debt (Note 5)	211,997	121,977
Total Current Liabilities	**2,071,918**	**1,568,386**
Noncurrent:		
Compensated absences (Note 8)	377,132	385,316
Long-term debt (Note 5)	1,220,570	1,269,911
Net pension liability (Note 9)	5,125,787	6,077,953
Net OPEB liability (Note 10)	1,374,476	1,268,135
Total Noncurrent Liabilities	**8,097,965**	**9,001,315**
Total Liabilities	**10,169,883**	**10,569,701**
Deferred Inflows of Resources:		
Deferred amount from refunding debt	8,611	9,936
Pension related (Note 9)	762,180	73,188
OPEB related (Note 10)	318,901	377,661
Total Deferred Inflows of Resources	**1,089,692**	**460,785**
Net Position:		
Net investment in capital assets	74,993,390	68,090,089
Unrestricted	36,512,078	31,866,599
Total Net Position	**$ 111,505,468**	**$ 99,956,688**

See Notes to Financial Statements.

	2025	2024
Operating Revenues:		
Water sales	$ 23,592,163	$ 21,621,835
Connection and other fees	4,974,106	712,683
Total Operating Revenues	**28,566,269**	**22,334,518**
Operating Expenses:		
Customer service, administration and general	6,792,723	6,248,835
Water purchases	3,116,737	2,982,507
Transmission and distribution	4,478,595	3,896,342
Pumping and well maintenance	1,069,921	742,415
Conservation	663,088	487,975
Depreciation and amortization	2,876,583	2,676,870
Total Operating Expenses	**18,997,647**	**17,034,944**
Operating Income (Loss)	9,568,622	5,299,574
Nonoperating Revenues (Expenses):		
Investment income	1,761,275	1,260,199
Miscellaneous income	32,866	3,273
Interest expense	(43,712)	(39,106)
Gain (loss) on disposal of capital assets	18,903	2,603
Total Nonoperating Revenues (Expenses)	**1,769,332**	**1,226,969**
Income (Loss) Before Capital Contributions	11,337,954	6,526,543
Contributions	210,826	63,154
Changes in Net Position	11,548,780	6,589,697
Net Position:		
Beginning of Fiscal Year	99,956,688	93,366,991
End of Fiscal Year	**$ 111,505,468**	**$ 99,956,688**

	2025	2024
Cash Flows from Operating Activities		
Cash receipts from customers	$ 23,660,250	$ 22,126,256
Cash paid to suppliers for goods and services	(15,216,448)	(14,255,386)
Cash paid to employees for services	(665,690)	(276,286)
Receipts from miscellaneous operating and non operating income	-	4,013
Net Cash Provided by (Used for) Operating Activities	**7,778,112**	**7,598,597**
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(9,352,919)	(4,326,123)
Cash receipts from sales of capital assets	18,903	10,539
Principal payments on long-term debt	(201,444)	(129,375)
Interest payments on long-term debt	(56,855)	(54,091)
Net Cash Provided by (Used for) Capital Financing Activities	**(9,592,315)**	**(4,499,050)**
Cash Flows from Investing Activities:		
Interest earnings	1,656,070	1,246,106
Net Cash Provided by (Used for) Investing Activities	**1,656,070**	**1,246,106**
Net Cash Flows	(158,133)	4,345,653
Cash and cash equivalents-beginning	33,780,703	29,435,050
Cash and cash equivalents-ending	**$ 33,622,570**	**$ 33,780,703**

	2025	2024
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities		
Operating income (loss)	$ 9,568,622	$ 5,299,574
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization expense	2,876,583	2,676,870
(Increase) decrease in accounts receivable	(456,337)	(272,065)
(Increase) decrease in grants receivable	(4,484,742)	-
(Increase) decrease in inventory	18,799	(136,792)
(Increase) decrease in prepaid expenses and other assets	(108,109)	(156,910)
Increase (decrease) in accounts payable	330,838	(90,845)
Increase (decrease) in accrued payroll	(121,519)	27,326
Increase (decrease) in deposits payable	2,194	63,803
Increase (decrease) in compensated absences	21,161	(79,273)
Increase (decrease) in net pension liability	124,697	193,921
Increase (decrease) in net OPEB liability	(26,941)	69,715
Net Cash Provided by (Used for) Operating Activities	**$ 7,778,112**	**$ 7,598,597**
Supplemental Disclosure of Non-Cash Activities		
Receipt of contributed assets	$ 210,826	$ 63,154
Acquisition of right-to-use assets through subscription and leasing arrangements	306,417	12,942
Proceeds from issuance of subscription and leasing arrangements	234,280	11,977
Amortization of bond premiums	1,325	8,636
Amortization of deferred charges on refundings	14,695	13,371

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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 87,000. 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.

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.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets, works o f 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 and amortization are calculated using the straight-line method over the following estimated useful lives:

Description	Useful Life
Pipeline and infrastructure	20-40 years
Equipment and machinery	5-10 years
Subscriptions	10 years
Right-to-use leased equipment	5-10 years
Buildings	15-40 years
Well improvements	40 years
Donated pipelines	40 years
Improvements	40 years

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortization expense aggregated to $2,876,583 and $2,676,870 for the years ended December 31, 2025 and 2024, 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.

<u>Subscription-Based Information Technology Arrangements:</u>

The District is a subscriber for a noncancellable subscription of information technology services. The District recognizes subscription liability and an intangible right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of $5,000 or more.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the District is reasonably certain to exercise.

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

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

<u>Bond Premiums and Bond Issuance Costs</u>: 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.

<u>Deferred Amount from Refunding Debt</u>: 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.

<u>Deferred Outflows</u>: 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.

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.

New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for the fiscal year ended December 30, 2025:

1. *GASB Statement No. 101, Compensated Absences*

The requirements of this Statement will improve financial reporting by implementing a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Establishing the unified model will result in consistent application to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This Statement will also result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

2. *GASB Statement No. 102, Certain Risk Disclosures*

The GASB issued Statement No. 102, "Certain Risk Disclosures" in December 2023. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints that are essential to their analyses for making decisions or assessing accountability. The implementation of this Statement does not have an impact on the County's financial statements for the fiscal year ended December 31, 2025.

NOTE 2: CASH AND INVESTMENTS

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

	2025	2024
Cash and investments	$ 33,622,570	$ 33,780,703

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

	2025	2024
Cash on Hand	$ 850	$ 850
Deposits with financial institutions	2,792,454	4,432,414
Investments	30,829,266	29,347,439
Total cash and investments	$ 33,622,570	$ 33,780,703

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2025, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Securities of the U.S. Government	5 Years	100%	100%
Registered State Warrants, Treasury Notes, or Bonds of the State of California or other states in the United States	5 Years	25%	10%
Bonds, Notes, Warrants, or Other Evidences of Indebtedness of any Local Agency within the State of California	5 Years	25%	10%
Securities of U.S. Government Agencies and Instruments	5 Years	100%	35%
Commercial Paper	270 Days	25%	5%
Corporate or Medium-Term Notes	5 Years	30%	5%
Bonds of Supranationals (IBRD, IFC, IADB)	5 Years	30%	5%
Mortgage pass-Through and Asset-Backed Securities	5 Years	20%	5%
Non-Negotiable Certificates of Deposit	1 Year	10%	5%
Negotiable Certificates of Deposit	1 Year	10%	5%
Money Marktet Mutual Funds	2(A) 7 Eligible	20%	20%
LAIF	N/A	Max Permitted by State Treasurer	Max Permitted by State Treasurer
Collateralized Bank Deposits	N/A	100%	50%
Bankers' Acceptances	180 Days	25%	5%
Joint Powers Authority Pool	N/A	N/A	N/A

* 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

NOTE 2: CASH AND 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, 2025:

	Total
Investments Measured at Amortized Cost:	
Cash on Hand	$ 850
Deposits with financial institutions	2,792,454
Money Market Mutual Fund	854,393
Cash in banks and on hand	3,647,697
Investments held at Fair Value	
U.S. Treasury obligations	8,787,732
U.S. agency securities	8,592,644
Asset backed securities	168,466
Commercial paper	2,628,782
Municipal investments	1,338,159
Non-US government securities	2,190,528
Currency	2,182
Investments not subject to Fair Value Hierarchy	
California Local Agency Investment Fund (LAIF)	58,441
California Asset Management Program (CAMP)	6,207,939
Total Cash and Investments	**$ 33,622,570**

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31, 2024:

	Total
Investments Measured at Amortized Cost:	
Cash on Hand	$ 850
Deposits with financial institutions	4,432,414
Money Market Mutual Fund	223,281
Cash in banks and on hand	4,656,545
Investments held at Fair Value	
U.S. Treasury obligations	6,563,873
U.S. agency securities	9,076,355
Asset backed securities	1,308,201
Commercial paper	2,753,014
Municipal investments	1,286,504
Non-US government securities	2,136,096
Currency	428
Investments not subject to Fair Value Hierarchy	
California Local Agency Investment Fund (LAIF)	55,918
California Asset Management Program (CAMP)	5,943,769
Total Cash and Investments	**$ 33,780,703**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to maturity, evenly over time, as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity for fiscal year ended December 31, 2025:

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months
U.S. Treasury obligations	$ 8,787,732	$ 350,101	$ 5,359,021	$ 3,078,610
U.S. agency securities	8,592,644	3,259,930	3,283,094	2,049,620
Asset backed securities	168,466	-	168,466	-
Commercial paper	2,628,782	703,997	1,465,453	459,332
Municipal investments	1,338,159	143,251	1,194,908	-
Money market mutual funds	854,393	854,393	-	-
Non-US government securities	2,190,528	-	1,225,633	964,895
Currency	2,182	2,182	-	-
Local Agency Investment Fund	58,441	58,441	-	-
California Asset Management Program	6,207,939	6,207,939	-	-
Total	$ 30,829,266	$ 11,580,234	$ 12,696,575	$ 6,552,457

The following is a summary of the District's investments by maturity as of December 31, 2024:

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months
U.S. Treasury obligations	$ 6,563,873	$ 1,094,812	$ 2,292,911	$ 3,176,150
U.S. agency securities	9,076,355	1,947,883	5,090,614	2,037,858
Asset backed securities	1,308,201	598,918	508,381	200,902
Commercial paper	2,753,014	704,982	1,601,790	446,242
Municipal investments	1,286,504	-	1,108,446	178,058
Money market mutual funds	223,281	223,281	-	-
Non-US government securities	2,136,096	-	-	2,136,096
Currency	428	428	-	-
Local Agency Investment Fund	55,918	55,918	-	-
California Asset Management Program	5,943,769	5,943,769	-	-
Total	$ 29,347,439	$ 10,569,991	$ 10,602,142	$ 8,175,306

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2025.

			Moody's Rating as of Fiscal Year End			
Investment Type	Total	Minimum Legal Rating	Aaa	Aa	A	Exempt or Not Rated
U.S. Treasury obligations	$ 8,787,732	N/A	$ -	$ 8,787,732	$ -	$ -
U.S. agency securities	8,592,643	N/A	-	8,592,643	-	-
Asset backed securities	168,466	A	168,466	-	-	-
Commercial paper	2,628,782	A	-	1,562,053	1,066,729	-
Municipal investments	1,338,160	Aa	-	579,938	-	758,222
Money market mutual funds	854,393	Aaa	854,393	-	-	-
Non-US government securities	2,190,528	N/A	-	-	-	2,190,528
Currency	2,182	N/A	-	-	-	2,182
Local Agency Investment Fund	58,441	N/A	-	-	-	58,441
California Asset Management Program	6,207,939	N/A	-	-	-	6,207,939
Total	$ 30,829,266		$ 1,022,859	$ 19,522,366	$ 1,066,729	$ 9,217,312

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, 2024.

			Moody's Rating as of Fiscal Year End			
Investment Type	Total	Minimum Legal Rating	Aaa	Aa	A	Exempt or Not Rated
U.S. Treasury obligations	$ 6,563,873	N/A	$ -	$ -	$ -	$ 6,563,873
U.S. agency securities	9,076,355	N/A	-	-	-	9,076,355
Asset backed securities	1,308,201	A	1,308,201	-	-	-
Commercial paper	2,753,014	A	251,358	551,133	1,144,391	806,132
Municipal investments	1,286,504	Aa	496,904	603,306	186,294	-
Money market mutual funds	223,281	Aaa	223,281	-	-	-
Non-US government securities	2,136,096	N/A	-	-	-	2,136,096
Currency	428	N/A	-	-	-	428
Local Agency Investment Fund	55,918	N/A	-	-	-	55,918
California Asset Management Program	5,943,769	N/A	-	-	-	5,943,769
Total	$ 29,347,439		$ 2,279,744	$ 1,154,439	$ 1,330,685	$ 24,582,571

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2025 and 2024, these investments matured in an average of 244 and 217 days, respectively.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2025 and 2024 are as follows:

	Balance December 31, 2024	Additions	Deletions	Transfers	Balance December 31, 2025
Business-Type Activities:					
Capital assets not being depreciated:					
Land	$ 2,309,097	$ -	$ -	$ -	$ 2,309,097
Right of ways	26,080	-	-	-	26,080
Construction in Progress	4,787,617	10,148,075	(654,254)	(5,225,582)	9,055,856
Total capital assets not being depreciated/amortized	7,122,794	10,148,075	(654,254)	(5,225,582)	11,391,033
Capital assets being depreciated/amortized:					
Improvements	1,493,024	-	-	93,012	1,586,036
Pipelines and infrastructure	72,864,658	239,363	(280,225)	4,623,525	77,447,321
Equipment and machinery	5,550,094	-	(109,862)	316,476	5,756,708
Buildings and improvements	4,281,371	-	-	21,180	4,302,551
Well improvements	8,062,746	-	-	171,389	8,234,135
Donated Pipelines	21,834,152	-	-	-	21,834,152
Subscription	119,642	253,306	-	-	372,948
Leases	-	53,111	(19,722)	-	33,389
Total capital assets, being depreciated/amortized	114,205,687	545,780	(409,809)	5,225,582	119,567,240
Less accumulated depreciation/amortization for:					
Improvements	(226,960)	(36,905)	-	-	(263,865)
Pipelines and infrastructure	(30,417,839)	(1,700,835)	231,703	-	(31,886,971)
Equipment and machinery	(3,777,289)	(320,187)	109,862	-	(3,987,614)
Buildings and improvements	(1,549,918)	(102,591)	-	-	(1,652,509)
Well improvements	(2,987,293)	(201,552)	-	-	(3,188,845)
Donated Pipelines	(12,841,543)	(404,465)	-	-	(13,246,008)
Subscription	(35,726)	(78,364)	-	-	(114,090)
Leases	-	(31,684)	19,722	-	(11,962)
Total accumulated depreciation/amortization	(51,836,568)	(2,876,583)	361,287	-	(54,351,864)
Total capital assets being depreciated/amortized, net	62,369,119	(2,330,803)	(48,522)	5,225,582	65,215,376
Capital assets, net	$ 69,491,913	$ 7,817,272	$ (702,776)	$ -	$ 76,606,409

	Balance December 31, 2023	Additions	Deletions	Transfers	Balance December 31, 2024
Business-Type Activities:					
Capital assets not being depreciated:					
Land	$ 2,309,097	$ -	$ -	$ -	$ 2,309,097
Right of ways	26,080	-	-	-	26,080
Construction in Progress	2,555,476	4,248,543		(2,016,402)	4,787,617
Total capital assets not being depreciated	4,890,653	4,248,543	-	(2,016,402)	7,122,794
Capital assets being depreciated:					
Improvements	1,378,114	114,910	-	-	1,493,024
Pipelines and infrastructure	71,654,756		(14,345)	1,224,247	72,864,658
Equipment and machinery	4,929,201	6,743	(178,005)	792,155	5,550,094
Buildings and improvements	4,281,371	-	-	-	4,281,371
Well improvements	8,062,746	-	-	-	8,062,746
Donated Pipelines	21,834,152		-	-	21,834,152
Subscriptions	106,700	12,942	-	-	119,642
Total capital assets, being depreciated	112,247,040	134,595	(192,350)	2,016,402	114,205,687
Less accumulated depreciation for:					
Improvements	(192,881)	(34,079)	-	-	(226,960)
Pipelines and infrastructure	(28,756,998)	(1,671,249)	10,408	-	(30,417,839)
Equipment and machinery	(3,700,835)	(237,517)	161,063	-	(3,777,289)
Buildings and improvements	(1,447,340)	(102,578)	-	-	(1,549,918)
Well improvements	(2,786,098)	(201,195)	-	-	(2,987,293)
Donated Pipelines	(12,425,825)	(415,718)	-	-	(12,841,543)
Subscriptions	(21,192)	(14,534)	-	-	(35,726)
Total accumulated depreciation	(49,331,169)	(2,676,870)	171,471	-	(51,836,568)
Total capital assets being depreciated, net	62,915,871	(2,542,275)	(20,879)	2,016,402	62,369,119
Capital assets, net	$ 67,806,524	$ 1,706,268	$ (20,879)	$ -	$ 69,491,913

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: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. Leases Payable

As of December 31, 2025, the District had three active leases. The leases have payments that range from $2,425 to $4,198 and interest rates that range from 0.4760% to 3.0590%. As of December 31, 2025, the total combined value of the lease liability is $21,213. The combined value of the right to use asset, as of December 31, 2025 of $33,389 with accumulated amortization of $11,962 is included within the Lease Class activities table found below. The leases had no Variable Payments and no Other Payments, not included in the Lease Liability, within the Fiscal Year.

Amount of right-to-use lease asset by lease type for the years ended December 31, 2025 and 2024:

Lease Type	Amount of Leased Capital Assets	2025 Accumulated Amortization	2024 Accumulated Amortization
Equipment lease	$ 33,389	$ 11,962	$ -

Right-to-use lease principal and interest requirements to maturity:

Fiscal Year Ending December 31,	Principal	Interest
2026	$ 6,650	$ 542
2027	4,003	390
2028	4,127	265
2029	4,256	137
2030	2,177	19
Total	$ 21,213	$ 1,353

B. Subscription-Based Information Technology Arrangements

As of December 31, 2025 and 2024, the District had two active subscriptions. The subscription has payments that range from $13,575 to $77,869 and interest rates that range from 1.0850% to 1.0850%. As of December 31, 2025 and 2024, the total combined value of the subscription liability is $229,453 and $86,617, respectively. The combined value of the right to use asset, as of December 31, 2025 and 2024 of $372,948 and $119,642, respectively with accumulated amortization of $114,090 and $35,726 respectively is included within the Subscription Class activities table found below. The subscriptions had no Variable Payments and no Other Payments, not included in the Subscription Liability, within the Fiscal Year.

NOTE 4: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

Amount of subscription asset by subscription type for the years ended December 31, 2025 and 2024:

Subscription Type	Amount of SBITA Capital Assets	2025 Accumulated Amortization	2024 Accumulated Amortization
Software as a service	$ 372,948	$ 114,090	$ 35,726

Subscription principal and interest requirements to maturity:

Fiscal Year Ending December 31,	Subscription Principal	Subscription Interest
2026	$ 90,347	$ 4,397
2027	94,368	3,574
2028	29,587	1,654
2029	15,151	422
Total	$ 229,453	$ 10,047

NOTE 5: 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.

Changes in the District's long-term liabilities during the years ended December 31, 2025 and 2024 was as follows:

	Balance December 31, 2024	Additions	Retirements	Balance December 31, 2025	Current Portion
2012 Revenue Refunding Bonds					
3-5.25% due 2-1-33	$ 1,205,000	-	$ 110,000	$ 1,095,000	$ 115,000
Unamortized premium on 2012 Bonds	100,271	-	13,370	86,901	-
Subscription	86,617	234,280	91,444	229,453	90,347
Leases	-	30,572	9,359	21,213	6,650
Total Long-Term Liabilities	$ 1,391,888	$ 264,852	$ 224,173	$ 1,432,567	$ 211,997

	Balance December 31, 2023	Additions	Retirements	Balance December 31, 2024	Current Portion
2012 Revenue Refunding Bonds					
3-5.25% due 2-1-33	$ 1,315,000	-	$ 110,000	$ 1,205,000	$ 110,000
Unamortized premium on 2012 Bonds	113,641	-	13,370	100,271	-
Subscription *	85,379	11,977	10,739	86,617	11,977
Total Long-Term Liabilities	$ 1,514,020	$ 11,977	$ 134,109	$ 1,391,888	$ 121,977

*Implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize the outstanding debt related to the 2012 Revenue Refunding Bonds as of December 31, 2025 are as follows:

Fiscal Year Ending December 31,	2012 Revenue Refunding Bonds Principal	Interest	Total
2026	$ 115,000	$ 57,488	$ 172,488
2027	120,000	54,188	174,188
2028	130,000	45,150	175,150
2029	130,000	38,325	168,325
2030	140,000	31,500	171,500
2031-2033	460,000	49,087	509,087
Total	$ 1,095,000	$ 275,738	$ 1,370,738

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 $1,370,738 and $1,541,526 at December 31, 2025 and 2024, respectively.

Total principal and interest paid on all debt payable from net revenues was $168,407 and $174,088 and the total water system net revenues were $8,196,828 and $7,605,419 for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the District's net revenues were 4,867% and 5,600% 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 ended December 31, 2025.

NOTE 6: 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, 2025 and 2024.

NOTE 7: 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.

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 8: COMPENSATED ABSENCES

The following is a summary of changes in the District's compensated absences for the year ended December 31, 2025 and 2024:

	December 31, 2024	Net Change	December 31, 2025	Current Portion
District Total	$ 559,589	$ 21,161	$ 580,750	$ 203,618

	December 31, 2023	Net Change	December 31, 2024	Current Portion
District Total	$ 638,863	$ (79,274)	$ 559,589	$ 174,273

NOTE 9: DEFINED BENEFIT PENSION PLAN

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

A. General Information about the Pension Plans

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

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, 2025 and 2024:

As of December 31, 2025	Deferred Outflows of Resources	Net Pension Liability/ Propotionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	$ 1,530,838	$ 5,125,787	$ 762,180

As of December 31, 2024	Deferred Outflows of Resources	Net Pension Liability/ Propotionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	$ 1,918,709	$ 6,077,953	$ 73,188

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The Plans' provisions and benefits in effect at December 31, 2025, are summarized as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013	Prior to January 1, 2013	On or after 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%	7.8%
Required employer contribution rates	12.5%	11.9%	7.9%

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 $726,576 in fiscal year 2025.

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, 2025 and 2024 the District's contributions to the Plan were as follows:

	Miscellaneous		
As of December 31, 2025	Tier 1	Tier 2	PEPRA
Contributions - employer	$ 541,914	$ 8,335	$ 2,797

	Miscellaneous		
As of December 31, 2024	Tier 1	Tier 2	PEPRA
Contributions - employer	$ 524,378	$ 8,065	$ 2,706

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of December 31, 2025, the District reported $5,125,787 in net pension liabilities for its proportionate shares of the net pension liability of the Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2025, 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, 2024 rolled forward to June 30, 2025 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, 2025 and 2024 was as follows:

As of December 31, 2025	Miscellaneous
Proportion - June 30, 2024	0.05012%
Proportion - June 30, 2025	0.05011%
Change - Increase (Decrease)	-0.00001%

As of December 31, 2024	Miscellaneous
Proportion - June 30, 2023	0.04963%
Proportion - June 30, 2024	0.05012%
Change - Increase (Decrease)	0.00049%

For the year ended December 31, 2025 and 2024, the District recognized pension expense of $994,820 and $277,926, respectively. At December 31, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

As of December 31, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 870,123	$ -
Differences between actual and expected experience	614,192	-
Changes in assumptions	-	-
Changes in employer's proportion and differences between	16,642	34,096
the employer's contributions and the employer's proportionate share of contributions	29,881	34,508
Net differences between projected and actual earnings on plan investments		693,576
Total	$ 1,530,838	$ 762,180

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of December 31, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 770,256	$ -
Differences between actual and expected experience	525,495	20,504
Changes in assumptions	156,216	-
Changes in employer's proportion and differences between	70,360	-
the employer's contributions and the employer's proportionate share of contributions	46,482	52,684
Net differences between projected and actual earnings on plan investments	349,900	-
Total	$ 1,918,709	$ 73,188

The $870,123 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal year ended December 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 636,373
2027	(154,597)
2028	(318,474)
2029	(264,767)
2030	-
Thereafter	-
Total	$ (101,465)

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:

For December 31, 2025	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$ 9,108,813
Current Discount Rate	6.90%
Net Pension Liability/(Asset)	$ 5,125,787
1% Increase	7.90%
Net Pension Liability/(Asset)	$ 1,847,799

For December 31, 2024	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$ 9,837,787
Current Discount Rate	6.90%
Net Pension Liability/(Asset)	$ 6,077,953
1% Increase	7.90%
Net Pension Liability/(Asset)	$ 2,983,056

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – For the measurement period ended June 30, 2025, the total pension liabilities were determined by rolling forward the June 30, 2024 total pension liability based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
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
Mortality(1)	Derived using CalPers Membership Data for all Funds
The above actuarial assumptions were based upon the following experience study periods:	2025
Investment Rate of Return	6.90%
Post Retirement Benefit Increase	Contract COLA up to 2.00% until PPPA(2) floor on purchasing power applies

[1] CalPERS developed the mortality table used based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale MP–2021. For more details on this table, please refer to the 2025 experience study report.
[2] Purchasing Power Protection Allowance (PPPA) is a benefit designed to restore the original purchasing power of CalPERS retirees to a predetermined limit.

All other actuarial assumptions used in the June 30, 2024 valuation were based on the results of a December 2025 actuarial experience study. 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 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 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Assumed Asset Allocation	Real Return [1, 2]
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021 Asset Liability Management study.

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

NOTE 10: POSTEMPLOYMENT HEALTH CARE BENEFITS

A. General Information about the District's Other Postemployment 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, 2025:

	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 $430.00 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 $481.00 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 $539.00 to retiree, spouse/dependents.	

NOTE 10: POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

For the year ended December 31, 2025, the District's contributions to the OPEB Plan were $170,524.

Employees Covered by Benefit Terms – Membership in the OPEB Plan consisted of the following at the census date of December 31, 2024:

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Employees	20
Total	33

B. Net OPEB Liability

Actuarial Methods and Assumptions **–** The District's net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2024 to determine the total OPEB liability as of December 31, 2025, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	December 31, 2024
Measurement Date	December 31, 2024
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.08%
Inflation	2.30%
Payroll Growth	2.80%
Healthcare Trend	7.90%, trending down to 4.04%
Mortality Rate	CalPers OPEB Assumption Model, dated November 17, 2021

The underlying mortality assumptions were based on the CalPERS OPEB Assumption Model, dated November 17, 2021, and all other actuarial assumptions used in the December 31, 2024 valuation were based on the results of a December 31, 2024 actuarial experience study for the period January 1, 2024 to December 31, 2024.

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	49.00%	6.90%
Fixed Income	23.00%	4.10%
TIPS	5.00%	3.90%
Commodities	3.00%	4.60%
REITs	20.00%	6.30%
Total	100.00%	

NOTE 10: POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB liability was 6.08%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows :

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at December 31, 2024	$ 1,905,612	$ 637,477	$ 1,268,135
Changes Recognized for the Measurement Period:			
Service Cost	43,431	-	43,431
Interest on the total OPEB liability	112,836	-	112,836
Changes in benefit terms	-	-	-
Difference between expected and actual experience	85,168	-	85,168
Changes in assumptions	79,628	-	79,628
Contributions from the employer*	-	170,524	(170,524)
Net investment income	-	44,509	(44,509)
Administrative Expenses	-	(311)	311
Benefit payments and refunds	(53,572)	(53,572)	-
Other changes	-	-	-
Net changes	267,491	161,150	106,341
Balance at December 31, 2025	$ 2,173,103	$ 798,627	$ 1,374,476

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at December 31, 2023	$ 1,809,212	$ 570,891	$ 1,238,321
Changes Recognized for the Measurement Period:			
Service Cost	42,248	-	42,248
Interest on the total OPEB liability	107,097	-	107,097
Changes in benefit terms	-	-	-
Difference between expected and actual experience	1,027	-	1,027
Changes in assumptions	-	-	-
Contributions from the employer*	-	53,972	(53,972)
Net investment income	-	66,878	(66,878)
Administrative Expenses	-	(292)	292
Benefit payments and refunds	(53,972)	(53,972)	-
Other changes	-	-	-
Net changes	96,400	66,586	29,814
Balance at December 31, 2024	$ 1,905,612	$ 637,477	$ 1,268,135

NOTE 10: POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.08%) or 1- percentage-point higher (7.08%) than the current discount rate:

Plan's Net OPEB Liability - 2025

Discount Rate -1% (5.08%)	Current Discount Rate (6.08%)	Discount Rate1% (7.08%)
$ 1,725,323	$ 1,374,476	$ 1,089,243

Plan's Net OPEB Liability - 2024

Discount Rate -1% (4.87%)	Current Discount Rate (5.87%)	Discount Rate1% (6.87%)
$ 1,578,301	$ 1,268,135	$ 1,015,997

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 - 2025

Health Care Cost Trend Rate -1%	Health Care Cost Trend Rates	Health Care Cost Trend Rate +1%
$ 1,059,587	$ 1,374,476	$ 1,770,857

Plan's Net OPEB Liability - 2024

Health Care Cost Trend Rate -1%	Health Care Cost Trend Rates	Health Care Cost Trend Rate +1%
$ 970,153	$ 1,268,135	$ 1,647,269

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

For the year ended December 31, 2025 and 2024, the District recognized OPEB expense of $147,028 and $123,283, respectively. At December 31, 2025 and 2024, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

As of December 31, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 85,329	$ 146,373
Changes in assumptions	217,350	172,528
Net difference between projected and actual earnings on OPEB plan investments	6,780	-
Employer contributions made subsequent to the measurement date	173,965	-
Total	$ 483,424	$ 318,901

NOTE 10: POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

As of December 31, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,138	$ 171,710
Changes in assumptions	195,423	205,951
Net difference between projected and actual earnings on OPEB plan investments	26,821	-
Employer contributions made subsequent to the measurement date	170,520	-
Total	$ 408,902	$ 377,661

The $173,965 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, 2026. 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
2026	$ 23,854
2027	27,608
2028	(232)
2029	(29,482)
2030	(31,190)
Thereafter	$ (9,442)

NOTE 11: 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's capital project commitments as of December 31, 2025 are as follows:

Project	Spent-to-Date	Remaining Commitment
Ella Well	$ 755,825	$ 554
Highland	2,662,537	1,445,358
FME-Madison	571,367	88,601
FME-Sylvan	60,690	1,044,492
Water System Master Plan	409,490	67,295

The District has no capital project commitments as of December 31, 2024.

NOTE 12: ECONOMIC DEPENDENCY

During 2025 and 2024, the District purchased 96.77% and 94.01%, respectively, of its water supply from the San Juan Water District (SJWD). Total purchases for the year ended December 31, 2025 and 2024 was $3,116,737 and $2,982,507, respectively. In addition, the District owns water transmission capacity entitlements through the cooperative transmission pipeline project owned and operated by SJWD.

NOTE 13: INSURANCE

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

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

Type of Coverage (Deductible)	ACWA/JIPA	Deductible
General and Auto Liability		
(Includes Public Officials	$55,000,000	None
Cyber Liability	3,000,000	None
Property Damage*	150,000,000	$5,000-$100,000
Crime	100,000	1,000
Workers Comensation Liability	4,000,000	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

Measurement Date	**6/30/2016**	**6/30/2017**	**6/30/2018**	**6/30/2019**
Plan Proportion of the Net Pension Liability	0.04802%	0.04717%	0.04565%	0.04500%
Plan Proportionate Share of the Net Pension Liability	$ 4,155,588	$ 4,677,711	$ 4,399,273	$ 4,611,042
Plan Covered Payroll	$ 2,270,540	$ 2,606,536	$ 2,941,557	$ 3,442,952
Plan Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	183.02%	179.46%	149.56%	133.93%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	78.85%	74.42%	77.74%	78.21%

Notes to Schedule:

Benefit Changes: There were no changes to the benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified period (also known as “Golden Handshakes”).

Changes of Assumptions: There were no assumption changes in 2025. Effective with the June 30, 2024 valuation date.

6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
0.04483%	0.04318%	0.04961%	0.04963%	0.05012%	0.05011%
$ 4,877,315	$ 2,335,284	$ 5,730,637	$ 6,191,187	$ 6,077,953	$ 5,125,787
$ 3,399,842	$ 3,513,707	$ 1,605,786	$ 1,776,124	$ 4,355,031	$ 5,251,138
143.46%	66.46%	356.87%	348.58%	139.56%	97.61%
77.89%	89.82%	76.90%	76.31%	78.19%	82.63%

	2016	2017	2018	2019	2020
Actuarially Determined Contribution	$ 504,996	$ 584,230	$ 650,169	$ 649,707	$ 695,780
Contribution in Relation to the Actuarially Determined Contribution	(505,031)	(584,230)	(650,169)	(699,672)	(695,780)
Contribution Deficiency (Excess)	$ (35)	$ -	$ -	$ (49,965)	$ -
Covered Payroll	$ 2,362,614	$ 4,244,825	$ 4,913,731	$ 5,121,318	$ 3,399,842
Contributions as a Percentage of Covered Payroll	21.38%	13.76%	13.23%	13.66%	20.47%

Note to Schedule:

Valuation Date: June 30, 2024

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Cost Method

Amortization method: Level percentage of pay, a summary of the current policy is provided in the table below:

	Source				
	(Gain)/Loss		Assumption/ Method Change	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	20 Years	20 Years	20 Years	20 Years	5 Years
Escalation Rate	0%	0%	0%	0%	0%
Ramp Up	5	0	0	0	0
Ramp Down	0	0	0	0	0

Asset valuation method: The Actuarial Value of Assets is set equal to the Fair Value of Assets. Asset values include accounts receivable.

Inflation: 2.30%

Payroll Growth: 2.75%

Projected Salary Increases: Varies by Entry Age and Service

Investment Rate of Return: 6.90% (net of pension plan investment and administrative expenses, includes inflation)

Retirement Age: All other actuarial assumptions used in the June 30, 2023 valuation use the results of the 2021 CalPERS Experience Study and Review of Actuarial Assumptions, including updates to salary increases, mortality, and retirement rates, as a basis. Employers should refer to CalPERS' Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025, to obtain the required supplementary information for proper financial reporting.

Mortality: CalPERS developed the mortality table used based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale MP-2016. For more details on this table, please refer to the 2021 experience study report.

2021	2022	2023	2024	2025
$ 909,262	$ 816,336	$ 815,884	$ 1,035,826	$ 994,484
(909,262)	(816,336)	(815,884)	(1,035,826)	(994,484)
$ -	$ -	$ -	$ -	$ -
$ 3,237,486	$ 1,605,786	$ 1,776,124	$ 4,355,031	$ 5,251,138
28.09%	50.84%	45.94%	23.78%	18.94%

Measurement Date	12/31/2018	12/31/2019	12/31/2020
Total OPEB Liability			
Service cost	$ 25,905	$ 26,682	$ 37,106
Interest on the total OPEB liability	83,640	87,918	96,977
Change in benefit terms	-	-	-
Differences between expected and actual experiences	-	41,338	(17,427)
Changes in assumptions	-	23,239	-
Benefit payments	(41,228)	(42,527)	(46,768)
Net change in total OPEB liability	**68,317**	**136,650**	**69,888**
Total OPEB liability - beginning	**1,332,951**	**1,401,268**	**1,537,918**
Total OPEB liability - ending (a)	**1,401,268**	**1,537,918**	**1,607,806**
Plan Fiduciary Net Position			
Contribution - employer	41,228	122,527	128,540
Net investment income	-	(1,658)	24,089
Benefit payments	(41,228)	(42,527)	(46,768)
Other miscellaneous income/(expense)	-	-	-
Administrative expense	-	(6)	(83)
Net change in plan fiduciary net position	**-**	**78,336**	**105,778**
Plan fiduciary net position - beginning	**-**	**-**	**78,336**
Plan fiduciary net position - ending (b)	**-**	**78,336**	**184,114**
Net OPEB Liability - ending (a) - (b)	**$ 1,401,268**	**$ 1,459,582**	**$ 1,423,692**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	5.09%	11.45%
Covered Payroll	$ 3,278,242	$ 3,658,217	$ 3,677,546
Net OPEB liability as a percentage of covered-employee payroll	42.74%	39.90%	38.71%

(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.

12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
$ 47,435	$ 50,011	$ 44,622	$ 42,248	$ 43,431
102,103	114,224	122,099	107,097	112,836
(572)	-	-	-	-
(1,841)	(1,948)	(207,360)	1,027	85,168
364,838	(130,213)	(158,406)	-	79,628
(43,184)	(46,036)	(54,366)	(53,972)	(53,572)
468,779	**(13,962)**	**(253,411)**	**96,400**	**267,491**
1,607,806	**2,076,585**	**2,062,623**	**1,809,212**	**1,905,612**
2,076,585	**2,062,623**	**1,809,212**	**1,905,612**	**2,173,103**
145,837	189,734	189,666	53,972	170,524
39,073	40,575	(97,111)	66,878	44,509
(43,184)	(46,036)	(54,366)	(53,972)	(53,572)
23,195	-	-	-	-
(127)	(216)	(263)	(292)	(311)
164,794	**184,057**	**37,926**	**66,586**	**161,150**
184,114	**348,908**	**532,965**	**570,891**	**637,477**
348,908	**532,965**	**570,891**	**637,477**	**798,627**
$ 1,727,677	**$ 1,529,658**	**$ 1,238,321**	**$ 1,268,135**	**$ 1,374,476**
16.80%	25.84%	31.55%	33.45%	36.75%
$ 2,984,239	$ 2,854,866	$ 2,740,450	$ 2,531,097	$ 2,548,793
57.89%	53.58%	45.19%	50.10%	53.93%

	2018	2019	2020
Actuarially Determined Contribution	$ 122,000	$ 130,652	$ 170,121
Contribution in Relation to the Actuarially Determined Contributions	(122,527)	(128,530)	(146,814)
Contribution Deficiency (Excess)	$ (527)	$ 2,122	$ 23,307
Covered Payroll	$ 3,278,242	$ 3,658,217	$ 3,677,546
Contributions as a percentage of covered-employee payroll	3.74%	3.51%	3.99%

(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:

Valuation Date	December 31. 2024
Actuarial Cost Method	Entry Age Normal, Level Percentage of Salary
Amortization Method	Level percent of pay
Amortization Period	20 years
Asset Valuation Method	n/a
Discount Rate	6.08%
General Inflation	2.30%
Salary Increases	2.80%
Medical Trend	7.90% for 2025, decreasing to an ultimate rate of 4.90% in 2078
Mortality	Based on CalPERS Tables
Mortality Improvement	Mortality projected fully generational with Scale MP-18

2021	2022	2023	2024	2025
$ 158,425	$ 189,666	$ 170,924	$ 170,520	$ 155,732
(189,734)	(140,592)	(175,938)	(191,619)	(170,524)
$ (31,309)	$ 49,074	$ (5,014)	$ (21,099)	$ (14,792)
$ 2,984,239	$ 2,854,866	$ 2,740,450	$ 2,531,097	$ 2,548,793
6.36%	4.92%	6.42%	7.57%	6.69%

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CITRUS HEIGHTS WATER DISTRICT

STATISTICAL SECTION

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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 infirmation says about the government's overall financial health.

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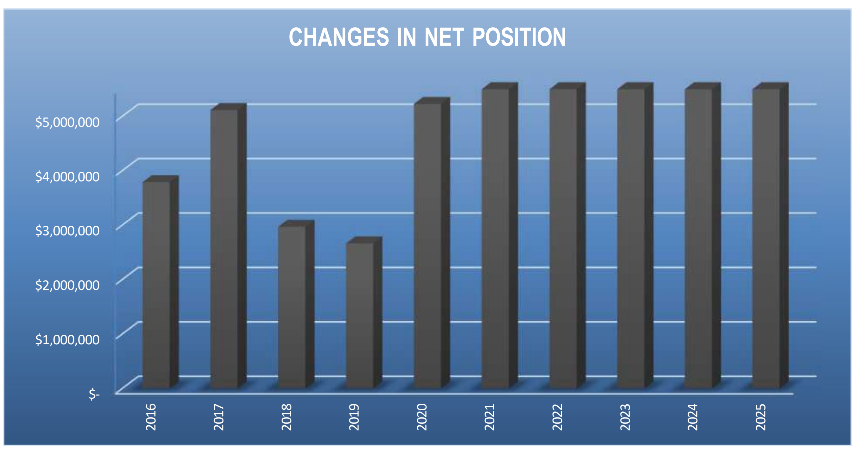
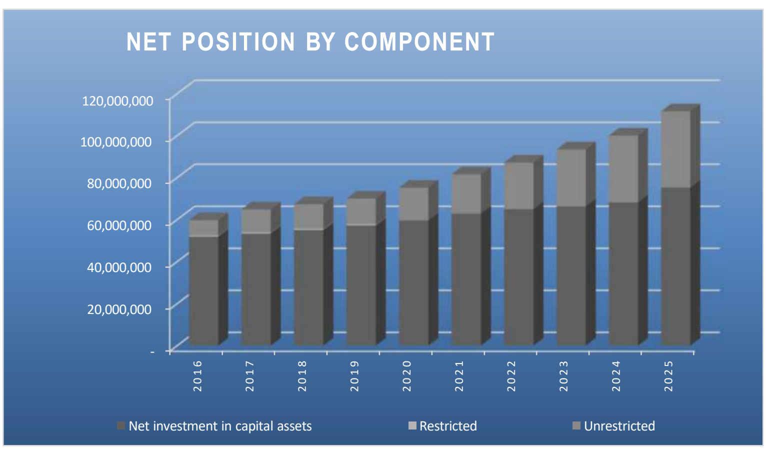
FINANCIAL TRENDS

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

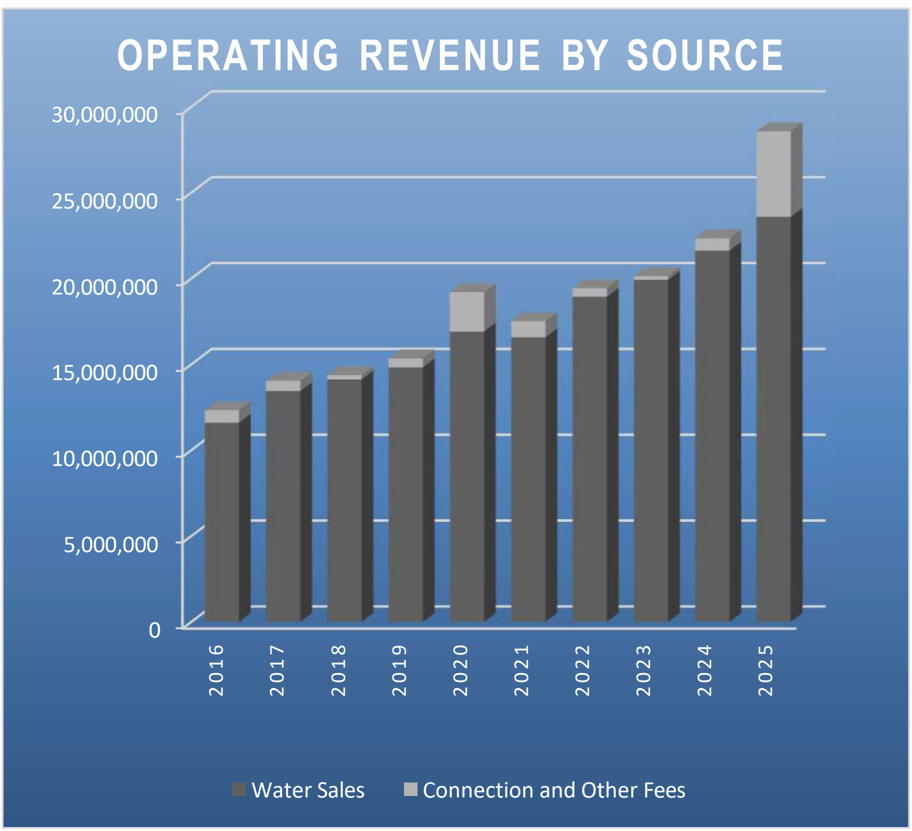


Source: District Administrative Services Department

2020	2021	2022	2023	2024	2025	
						Changes in net position:
$ 19,203,757	$ 17,517,961	$ 19,433,754	$ 20,132,024	$ 22,334,518	$ 28,566,269	Operating revenues (see Schedule 2)
(11,787,520)	(10,994,641)	(11,599,450)	(12,902,517)	(14,358,074)	(16,131,951)	Operating expenses (see Schedule 3)
(2,469,339)	(2,485,902)	(2,594,333)	(2,668,321)	(2,676,870)	(2,865,696)	Depreciation and amortization
4,946,898	**4,037,418**	**5,239,971**	**4,561,186**	**5,299,574**	**9,568,622**	**Operating income(loss)**
						Non-operating revenues(expenses)
116,981	(343)	(30,997)	1,438,634	1,260,199	1,761,275	Investment income
42,989	42,759	47,610	19,395	3,273	32,866	Miscellaneous income
-	-	-	-			Groundwater transfers and sales
(95,741)	(74,734)	(69,691)	(50,767)	(39,106)	(43,712)	Interest expense
(73,310)	(115,032)	(39,333)	21,674	2,603	18,903	(Loss) gain on disposal of capital assets
(9,081)	**(147,350)**	**(92,411)**	**1,428,936**	**1,226,969**	**1,769,332**	**Total non-operating revenues(expenses), net**
4,937,817	**3,890,068**	**5,147,560**	**5,990,122**	**6,526,543**	**11,337,954**	**Net income before capital contributions**
						Capital Contributions
-	-	-	-			Grant Revenues
290,182	2,474,459	440,679	243,443	63,154	210,826	Capital contributions
$ 5,227,999	**$ 6,364,527**	**$ 5,588,239**	**$ 6,233,565**	**$ 6,589,697**	**$ 11,548,780**	**Changes in net position**
						Net position by component:
$ -	$ -	$ -	$ -	$ -	$ -	Prior Year adjustment
59,531,355	62,822,494	64,942,772	66,242,874	68,136,232	75,184,165	Net investment in capital assets
-	-	-	-	-	-	Restricted
15,649,654	18,723,042	22,191,003	27,124,117	31,820,456	36,321,303	Unrestricted
$ 75,181,009	**$ 81,545,536**	**$ 87,133,775**	**$ 93,366,991**	**$ 99,956,688**	**$ 111,505,468**	**Total net position**

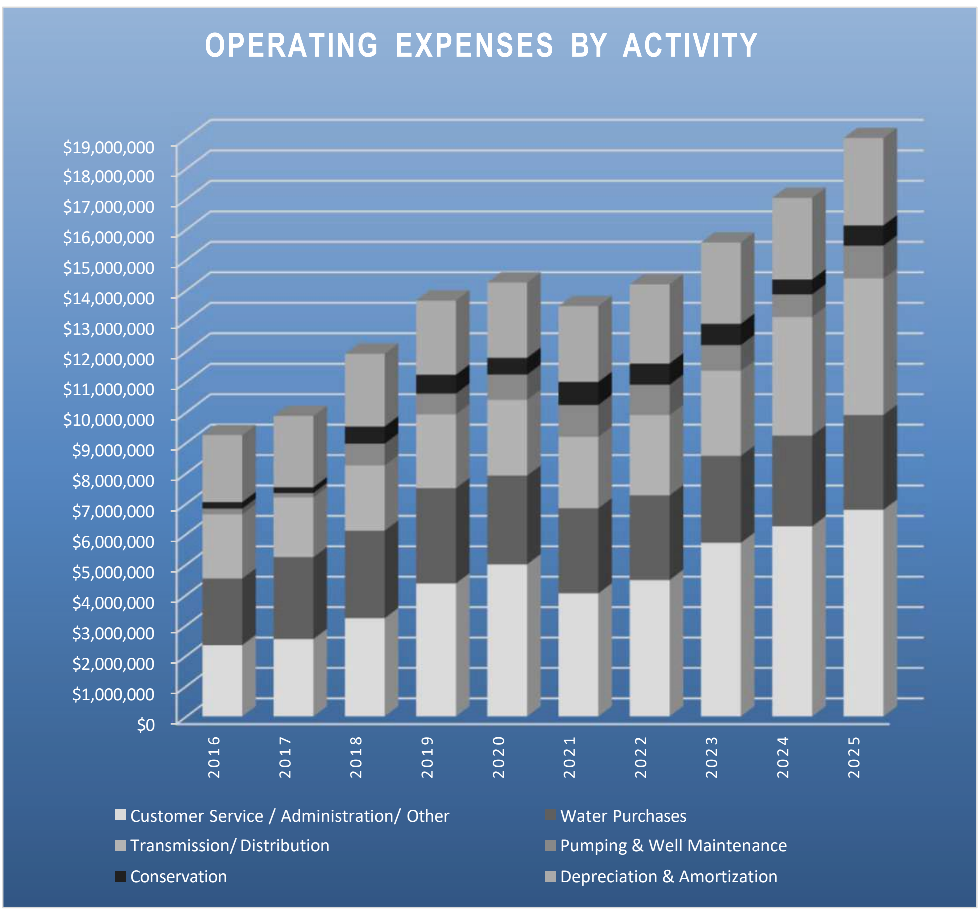


Fiscal Year	Water Sales	Connection and Other Fees	Total Operating Revenue
2016	11,602,622	722,435	12,325,057
2017	13,448,691	594,358	14,043,049
2018	14,119,865	255,179	14,375,044
2019	14,823,207	517,269	15,340,476
2020	16,908,986	2,294,771	19,203,757
2021	16,579,945	938,016	17,517,961
2022	18,934,457	499,297	19,433,754
2023	19,915,090	216,934	20,132,024
2024	21,621,835	712,683	22,334,518
2025	23,592,163	4,974,106	28,566,269



Source: District Administrative Services Department

Fiscal Year	Customer Service / Administration/ Other	Water Purchases	Transmission/ Distribution	Pumping & Well Maintenance	Conservation	Depreciation & Amortization	Total Operating Expenses
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
2023	5,706,961	2,858,841	2,796,502	842,529	697,684	2,668,321	15,570,838
2024	6,248,835	2,982,507	3,896,342	742,415	487,975	2,676,870	17,034,944
2025	6,792,723	3,116,737	4,478,595	1,080,808	663,088	2,865,696	18,997,647



Source: District Administrative Services Department

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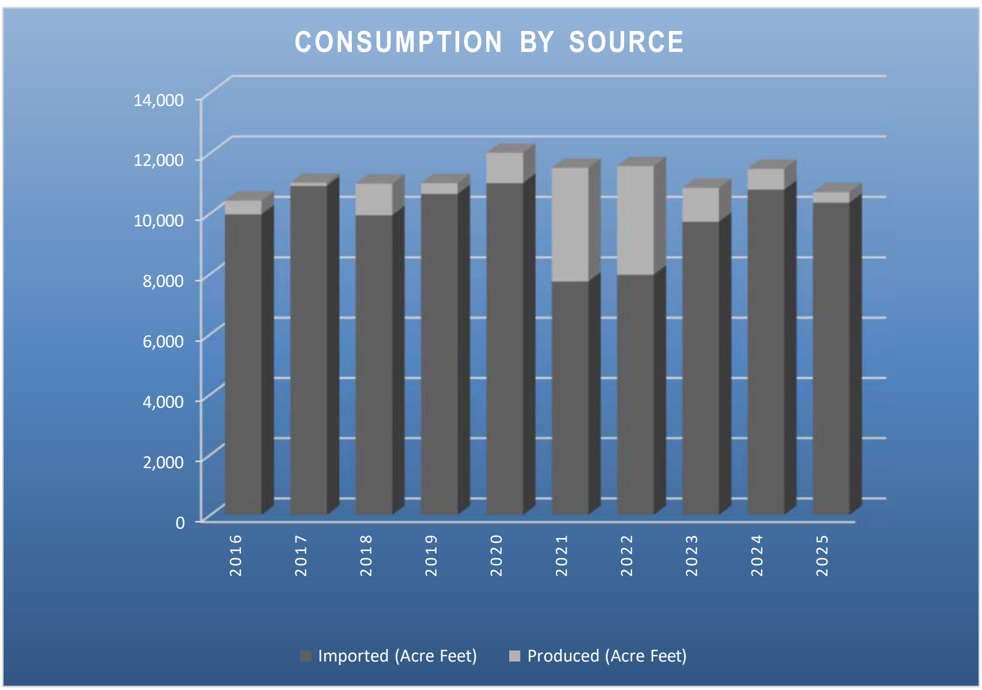
REVENUE CAPACITY

Fiscal Year	Consumption (Acre Feet)	Water Supply Imported (Acre Feet)	Water Supply Produced (Acre Feet)	% Water Imported
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%
2023	10,843.34	9,718.92	1,124.42	89.63%
2024	11,470.19	10,783.46	686.73	94.01%
2025	10,700.37	10,354.28	346.09	96.77%



Source: District Operations Department

Flat Rate Accounts (Bimonthly) (1)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tier 2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tier 3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Per Unit CCF (No tiers)	$ 0.8735	$ 0.9871	$ 1.0167	$ 1.0674	$ 1.1800	$ 1.1800	$ 1.1900	$ 1.4300	$ 1.6000	$ 1.3500
Service Charge (bimonthly)										
Commercial/Domestic 3/4"	$ 42.05	$ 47.52	$ 48.94	$ 51.38	$ 57.54	$ 57.54	$ 56.08	$ 60.35	$ 55.71	$ 72.77
Commercial/Domestic 1"	63.98	72.30	74.46	78.18	87.29	87.29	91.33	94.69	101.28	120.05
Commercial/Domestic 1-1/2"	78.60	88.82	91.48	96.05	136.86	136.86	150.08	151.92	177.23	198.85
Commercial/Domestic 2"	151.69	171.41	176.55	185.37	196.35	196.35	220.58	220.60	268.37	293.41
Commercial/Domestic 3"	239.42	270.54	278.65	292.58	384.74	384.74	443.82	438.07	556.98	592.85
Commercial/Domestic 4"	473.35	534.89	550.93	578.47	662.36	662.36	773.14	758.81	982.30	1,034.13
Irrigation 3/4"	42.05	47.52	48.94	51.38	57.54	57.54	56.08	60.35	55.71	72.77
Irrigation 1"	63.98	72.30	74.46	78.18	87.29	87.29	91.33	94.69	101.28	120.05
Irrigation 1-1/2"	78.60	88.82	91.48	96.05	136.86	136.86	150.08	151.92	177.23	198.85
Irrigation 2"	151.69	171.41	176.55	185.37	196.35	196.35	220.58	220.60	268.37	293.41
Irrigation 3"	239.42	270.54	278.65	292.58	384.74	384.74	443.82	438.07	556.98	592.85
Irrigation 4"	473.35	534.89	550.93	578.47	662.36	662.36	773.14	758.81	982.30	1,034.13

Notes:

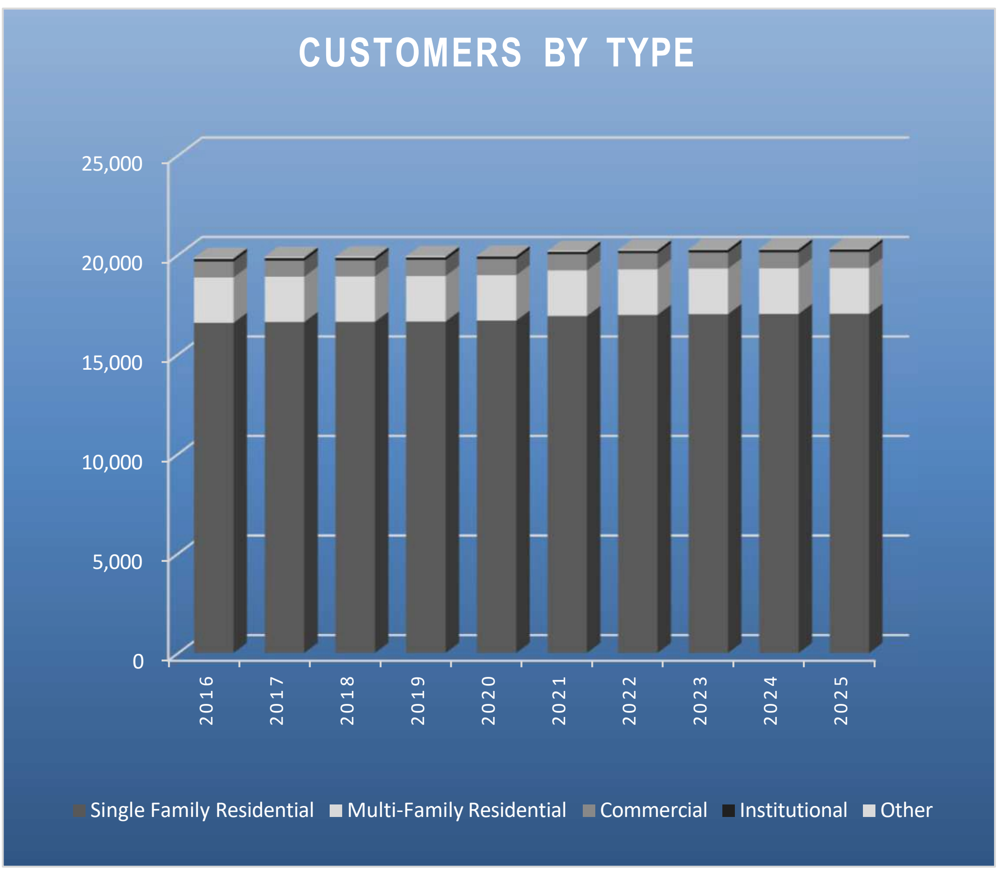
(1) The District completed the migration of Flat-Rate customers to meters in Fiscal Year 2012, and the Flat-Rate was eliminated for Fiscal Year 2013.

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

Source:

District Administrative Services Department

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial	Institutional	Other	Total
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
2023	17,013	2,291	809	133	43	20,289
2024	17,023	2,291	809	133	45	20,301
2025	17,033	2,298	810	133	43	20,317



Source: District Administrative Services Department
District Water Efficiency Department

Customer	2025 Billed Units (ccf's)	2025 Percentage of Total
San Juan Unified School Distri	116,196	2.49%
Sunrise Recreation Park Dist	86,421	1.85%
JMK Investments	71,657	1.54%
JRK Investors	51,834	1.11%
Mt Vernon Memorial Park	41,075	0.88%
Conference Claimants Endowment	28,659	0.61%
Wedgewood Commons Apts LLC	26,991	0.58%
Salishan Apartments	25,204	0.54%
City of Citrus Heights	22,928	0.49%
Vertus Properties Inc.	22,571	0.48%
Total Billed Units: Principal customers	493,536	10.59%
Total Billed Units	4,661,397	100.00%

Customer	2015 Billed Units (ccf's)	2015 Percentage of Total
JMK Investments	72,708	1.80%
JRK Investors	50,276	1.25%
Sunrise Recreation Park Dist	45,112	1.12%
San Juan Unified School Distri	44,560	1.11%
Conference Claimants Endowment	31,515	0.78%
Salishan Apartments	28,782	0.71%
Mt Vernon Memorial Park	24,458	0.61%
City of Citrus Heights	24,340	0.60%
Wedgewood Commons Apts LLC	23,511	0.58%
Vertus Properties Inc	22,274	0.55%
Total Billed Units: Principal customers	367,536	9.12%
Total Billed Units	4,031,366	100.00%

Source:
District Administrative Services Department

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DEBT CAPACITY

Fiscal Year	Certificates of Participation 2000 (1)	Certificates of Participation 2003 (2)	Certificates of Participation 2010 (3)	Refunding Revenue Bonds 2012 (4)	Unamortized Premiums	Subscriptions	Total Debt	Total No. of Connections (5)	Total Debt Per Capita (Rounded) (5)
2016	-	-	2,060,000	1,950,000	287,666	-	4,297,666	19,851	216.50
2017	-	-	1,575,000	1,870,000	252,847	-	3,697,847	19,902	185.80
2018	-	-	1,070,000	1,790,000	218,027	-	3,078,027	19,911	154.59
2019	-	-	545,000	1,705,000	183,208	-	2,433,208	19,937	122.04
2020	-	-	-	1,615,000	153,751	-	1,768,751	19,958	88.62
2021	-	-	-	1,520,000	140,381	-	1,660,381	20,201	82.19
2022	-	-	-	1,420,000	127,011	-	1,547,011	20,251	76.39
2023	-	-	-	1,315,000	113,641	85,379	1,514,020	20,289	74.62
2024	-	-	-	1,205,000	100,271	86,617	1,391,888	20,301	68.56
2025	-	-	-	1,095,000	86,901	229,453	1,411,354	20,317	69.47

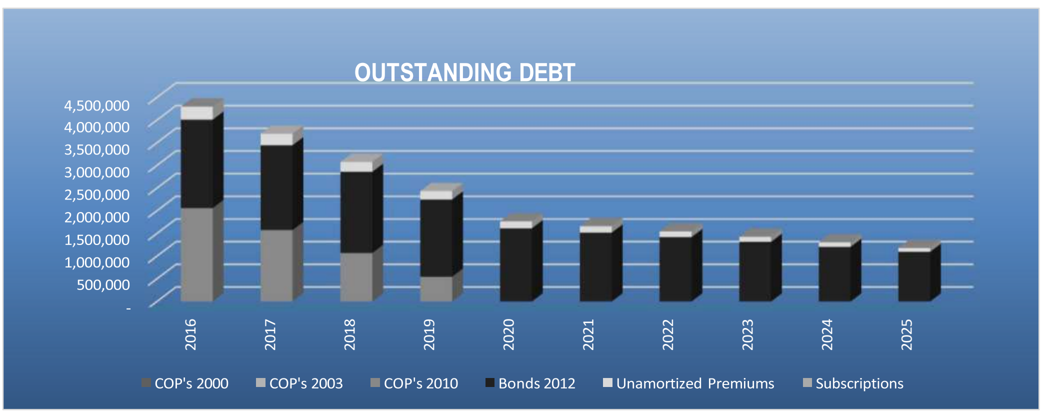
Notes:

(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.

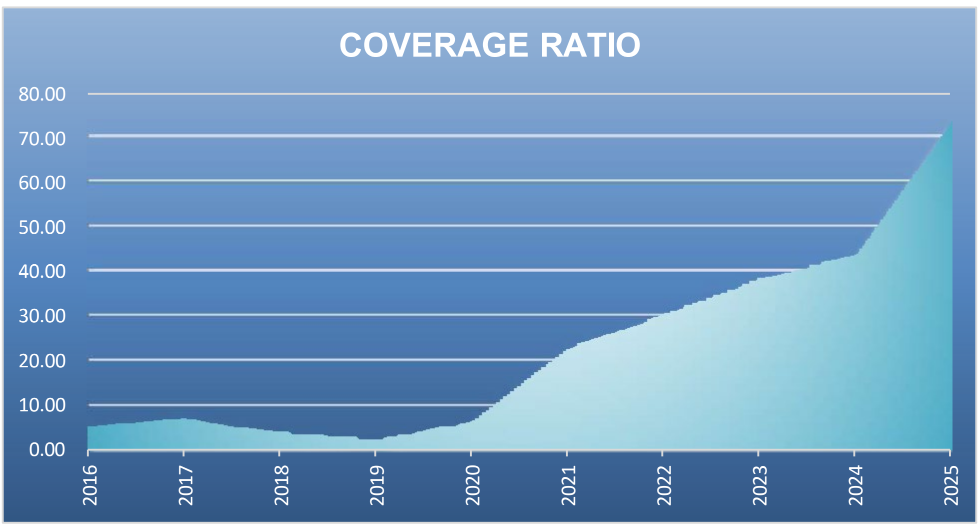
(3) In September 2010, the District issued $5,155,000 of Revenue Certificates of Participation, Series 2010 to retire the outstanding 2000 Certificates of Participation.

(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

Fiscal Year	Net Revenues	Operating Expenses	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
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
2023	21,611,727	(15,570,838)	6,040,889	105,000	50,767	155,767	38.78
2024	23,600,593	(17,034,944)	6,565,649	110,000	39,106	149,106	44.03
2025	30,379,313	(18,997,647)	11,381,666	110,000	43,712	153,712	74.05



Source: District Administrative Services Department

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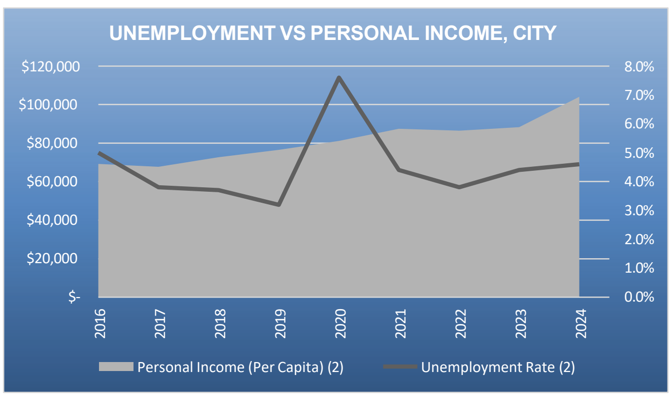
DEMOGRAPHIC AND ECONOMIC INFORMATION

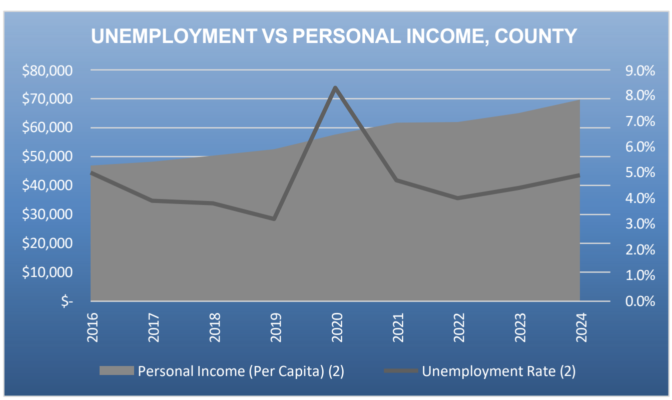
Fiscal Year	Total Number of Connections	City of Citrus Heights [1] Population [2]	Unemployment Rate [2]	Personal Income (thousands of dollars) [2]	Personal Income (Per Capita) [2]	County of Sacramento[1] Population [2]	Unemployment Rate [2]	Personal Income (thousands of dollars) [2]	Personal Income (Per Capita) [2]
2016	19,851	87,380	5.0%	6,043,288	69,161	1,527,967	5.0%	71,627,441	46,878
2017	19,902	87,931	3.8%	5,952,753	67,698	1,547,198	3.9%	74,690,008	48,274
2018	19,911	87,910	3.7%	6,388,859	72,675	1,561,413	3.8%	78,526,608	50,292
2019	19,937	87,796	3.2%	6,710,775	76,436	1,576,171	3.2%	82,829,648	52,551
2020	19,958	87,583	7.6%	7,102,719	81,097	1,586,566	8.3%	91,419,845	57,621
2021	20,201	87,404	4.4%	7,640,071	87,411	1,588,810	4.7%	98,112,318	61,752
2022	20,251	87,708	3.8%	7,581,480	86,440	1,584,380	4.0%	98,175,817	61,965
2023	20,289	86,239	4.4%	7,614,214	88,292	1,584,288	4.4%	103,143,749	65,104
2024	20,301	86,909	4.6%	9,042,534	104,046	1,611,231	4.9%	112,291,560	69,693
2025	20,317	n/a	n/a	n/a	n/a	n/a	n/a	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 separatemly 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

(2) Data is not yet available for Fiscal Year 2025.





Sources:

U.S. Bureau of Economic Analysis
U.S. Bureau of Labor Statistics
U.S. Census Bureau
State of California Employment Development Department

2025			
Employer	Employees	Rank	Percentage of Employment
State of California	118,130	1	16.82%
UC Davis Health	16,617	2	1.94%
County of Sacramento	13,653	3	1.80%
Kaiser Permanente	12,624	4	2.37%
United States Government	10,699	5	1.05%
Sutter Health	10,129	6	1.52%
Dignity Health	7,353	7	1.44%
San Juan Unified School District	5,499	8	0.72%
City of Sacramento	5,029	9	0.71%
Apple	5,000	10	0.78%
Total	204,733		29.15%
Total County Employment	702,500		100.00%

2016			
Employer	Employees	Rank	Percentage of Employment
State of California	73,676	1	11.39%
Sacramento County			
UC Davis Health	9,706	2	1.50%
Sutter Health	8,817	3	1.36%
Kaiser Permanente	6,464	4	1.00%
Dignity Health	6,286	5	0.97%
Intel Corporation	6,200	6	0.96%
Raley's Inc./Bel Air	3,289	7	0.51%
Apple Inc.	2,500	8	0.39%
VSP Global	2,415	9	0.37%
Health Net of California	2,299	10	0.36%
Total	121,652		18.79%
Total County Employment	647,067		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 unincoporated areas of the County of Sacramento, information for the County of Sacramento has been presented.

Source:

Sacramento Business Journal
Sacramento County Annual Comprehensive Financial Report

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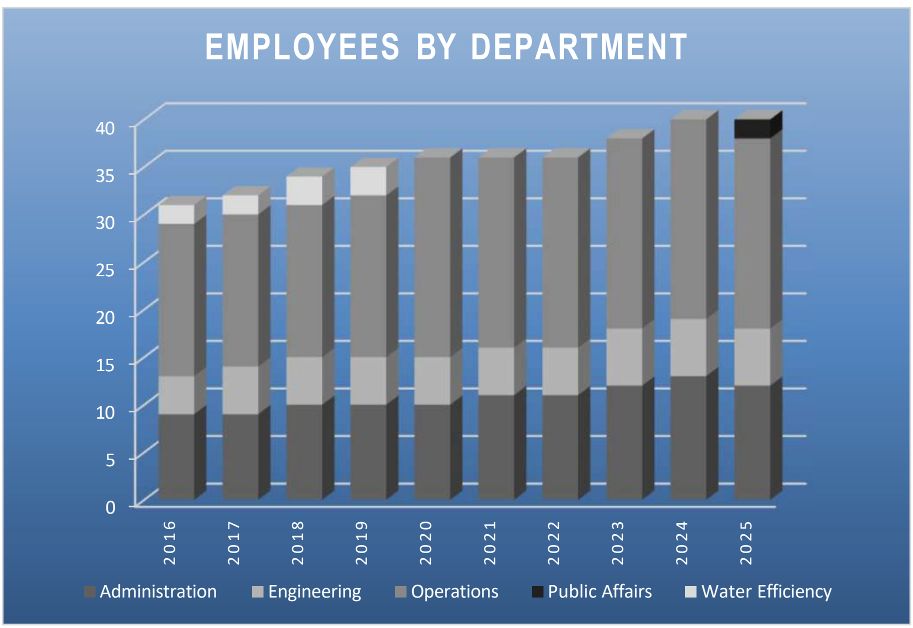
OPERATING INFORMATION

Department	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	9	9	10	10	10	11	11	12	13	12
Engineering	4	5	5	5	5	5	5	6	6	6
Operations	16	16	16	17	21	20	20	20	21	20
Water Efficiency	2	2	3	3	0	0	0	0	0	0
Public Affairs	0	0	0	0	0	0	0	0	0	2
Total	31	32	34	35	36	36	36	38	40	40

Notes:

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



Source: District Administrative Services Department

Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
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
2023	20,289	10,843.34	254.91	6	20,329	2,190
2024	20,301	11,470.19	253.65	6	20,361	2,176
2025	20,317	10,700.37	253.15	6	20,379	2,168

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