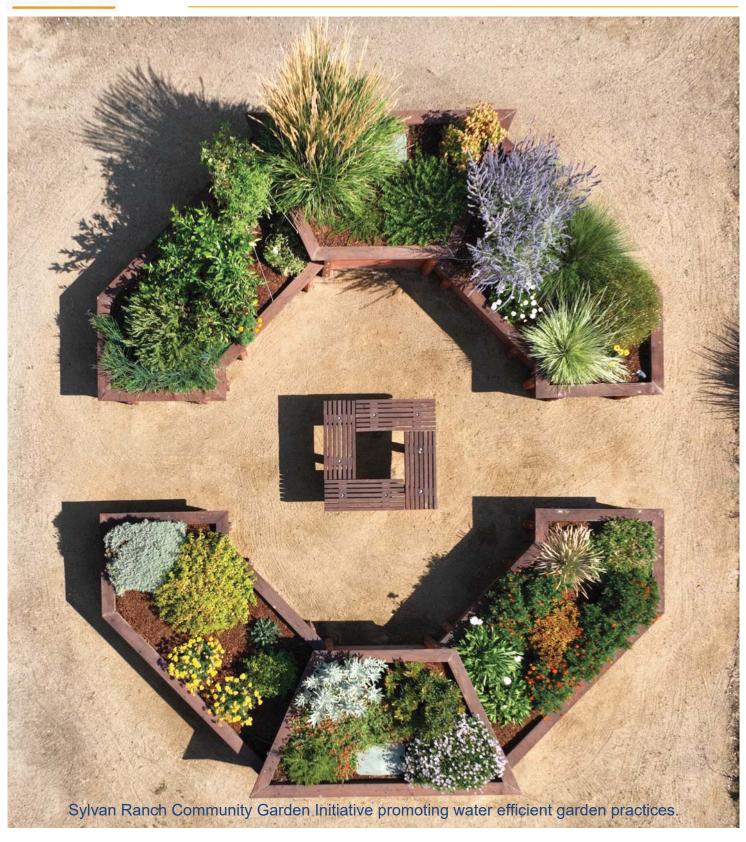


ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year ending December 31, 2022



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ending December 31, 2022

Citrus Heights Water District Citrus Heights, CA

Prepared by:

Citrus Heights Water District Administrative Services Department

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



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

Table of Contents

Introductory Section

Introductory Section	Page
Letter of Transmittal	i
Government Finance Officers Association Award	vii
Organizational Chart	viii
Service Area Map with Cities Served	ix
Board of Directors and Principal Officers	X
Zoula of Zilootolo and Filliopal official	^
Financial Section	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	7
Basic Financial Statements:	
Balance Sheets	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Cash Flows	18
Notes to the Basic Financial Statements	23
Required Supplementary Information:	
Schedule of the Plan's Proportionate Share of the Net Position Liability	46
Schedule of Plan Contributions	48
Schedule of Changes in the Net OPEB Liability and Related Ratios	50
Schedule of OPEB Contributions	51

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

Table of Contents (continued)

Statistical Section	Page						
Financial Trends							
Changes in Net Position and Net Position by Component Operating Revenue by Source Operating Expenses by Activity	58 60 61						
Revenue Capacity							
Revenue Base Water Rates Customers by Type Principal Customers	64 65 66 67						
Debt Capacity							
Ratios of Outstanding Debt Debt Coverage	70 71						
Demographic and Economic Information							
Demographic and Economic Statistics Principal Employers	74 75						
Operating Information	Operating Information						
Full-Time Employees by Department Operating Indicators	78 79						



INTRODUCTORY SECTION





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

July 31, 2023

Honorable Members of the Board of Directors:

We are pleased to present the Citrus Heights Water District's ("District" or "CHWD") sixth Annual Comprehensive Financial Report ("ACFR") for the fiscal year ending December 31, 2022. This report was prepared by District staff in conformity with Generally Accepted Accounting Principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

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

The District's financial statements have been audited by Lance, Soll & Lunghard, LLP (LSL), a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending December 31, 2022 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ending December 31, 2022, were fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

Profile of Citrus Heights Water District

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

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

Governance and Organizational Structure

CHWD is a special district established by the State of California. The District is governed by a three-member Board of Directors that is elected to a four-year term by voters who reside in the District's service area. Since 2020, CHWD Board elections are "By-District," whereby only those customers who reside in the same CHWD District that a Board Member lives in will vote for that Board position. In 2022 The District was staffed by 36 full-time equivalent employees assigned to three departments: Administrative Services, Engineering, and Operations. The General Manager and District General Counsel are appointed by, and report directly to, the Board of Directors. All other staff members report to the General Manager or designee.

Water Supply

In 2022, the District purchased 68.9% of its water from San Juan Water District (SJWD) and delivered it to more than 20,000 residential and commercial service connections. Additionally, the District maintains six groundwater wells and approximately 253 miles of pipeline. CHWD has delivered groundwater to customers since 1943.

Accounting and Budget Structure

CHWD operates as an enterprise fund with a fiscal year that begins January 1 and ends on December 31. GAAP requires local governments to use a proprietary-type fund, such as an enterprise fund, to account for business-type activities similar to those found in the private sector. An enterprise fund is one in which the expenditures are supported by fees collected primarily through charging users in exchange for services. CHWD operations are supported entirely by fees collected from customers in exchange for providing water service and managing the groundwater basin.

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

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

Financial Policies

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

- Investment Policy The Board has adopted an investment policy that conforms to state law, CHWD's ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and then yield. During 2022, funds have been invested in various securities as authorized by CHWD's Investment Policy, with most of the District's funds invested in California's Local Agency Investment Fund (LAIF).
- Reserve Policies During 2022, the District has 10 Reserve accounts with supported policies to balance ongoing operations to capital improvement programs. These funds are allocated to the maintenance, repair, replacement, or improvement of water system infrastructure. Adequate reserves, along with sound financial policies, provide financial flexibility to counter unanticipated expenditures or revenue fluctuations.

Audit and Financial Reporting

State Law and bond covenants require CHWD to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of LSL conducted the audit of CHWD's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

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

Economic Condition, Outlook and Major Initiatives

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

CHWD operates as an enterprise fund, meaning the costs of providing water service and protecting groundwater resources are financed by rates and fees charged to District customers. Since the District does not receive tax revenue, operating revenues consist primarily of water sales and bi-monthly service charges. Water use has stayed relatively consistent with the decrease in usage from state-wide drought mandates enacted in 2013. The District expects consumption to continue decreasing in the next few years. This drop in demand created a gap between the amount of water customers were projected to use, and the amount they used, and contributed to the need for a new rate study and Financial Model rebuild.

CHWD and its wholesale water supplier, San Juan Water District (SJWD), continue to encounter changes in operations due to new regulations. The impact of current and future regulations, and the resulting cost impact on water supply operations, are an ongoing challenge for the District. The District will see a cost increase from its wholesale water supplier in 2024 from proposed changes to the rate methodology and issuing debt for the lifecycle replacement of the liner of the Hinkle Reservoir, which serves CHWD and neighboring agencies.

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

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

Long-Term Financial Planning

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

Strategic Plan – Strategic planning involves establishing a vision for the future and a
clear mission statement to provide direction and define what the organization stands
for and what it has pledged to accomplish. Since 2016, CHWD has held a an annual
strategic planning workshop for the Board of Directors, management, and at-large
customers. The purpose of the workshop has been to review the District's mission

statement and values, and to implement the District's mission and values through an Annual Work Program. The Work Program includes three-year goals and one-year objectives, which emphasize the District's commitment to promoting the efficient use of water, managing CHWD's water supply, completing capital improvements, and optimizing organizational efficiency. The Strategic Plan and its accompanying Annual Work Program form the basis for the District's priority-based budgeting efforts.

- Project 2030 Water Main Replacement Plan This plan was identified during the strategic planning process as a key strategy for engaging customers in long-range water main replacement planning and funding efforts. The purpose of this plan is to inform customers about challenges and opportunities, and the current actions being undertaken to ensure water supply reliability, and prepare for the replacement of aging infrastructure.
- Capital Improvement Plan The Strategic Plan lays the groundwork for the Capital Improvement Plan, which includes project schedules and projected costs for production and water supply facilities identified in a 1999 Facilities Master Plan. The Capital Improvement Plan is a ten-year forecast and a capital reinvestment plan.
- **10-Year Financial Planning Model** The District analyzes 10-year financial projections to assist with long term operational and capital planning, and funding, including Prop 218 rates and wheeling rates.
- **Annual Budget** A key component of financial planning is the budget, which is prepared, reviewed and adopted annually. During the 2nd and 3rd quarter each year, District Finance staff prepares a draft budget, based upon an analysis of the Financial Planning Model and revenue/expenditure submissions from CHWD's departments. The budget is presented to the Board of Directors for approval prior to the beginning of the next fiscal year. The annual budget includes forecasts for revenues, operating expenditures, and capital expenditures, and is formulated using a priority-based budgeting approach.
- Water Meter Replacement Program— As CHWD's first generation of meters age-out, the District, along with a consortium of 11 agencies, completed a Meter Replacement Program Study to identify opportunities for partnership and strategies for each agency in the short and long-term to optimally manage meter replacements. Currently, the District is working with the Regional Water Authority to develop a potential regional purchasing program to achieve economies of scale when purchasing meters or other parts and materials.

Awards and Acknowledgements

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

A Certificate of Achievement is valid for a one-year period. CHWD believes that this ACFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished through the combined efforts of the staff from Regional Government Services (RGS), CHWD's staff, including support from the various departmental directors, managers, and supervisors. RGS and CHWD staff's dedicated efforts, professionalism, and contributions to CHWD's ACFR is greatly appreciated. We would also like to thank the CHWD Board of Directors for their continued support in planning and implementing the District's fiscal policies.

Respectfully submitted,

Hilary M. Straus

General Manager/Secretary

Annie Y. Liu

Director of Administrative Services/

Treasurer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

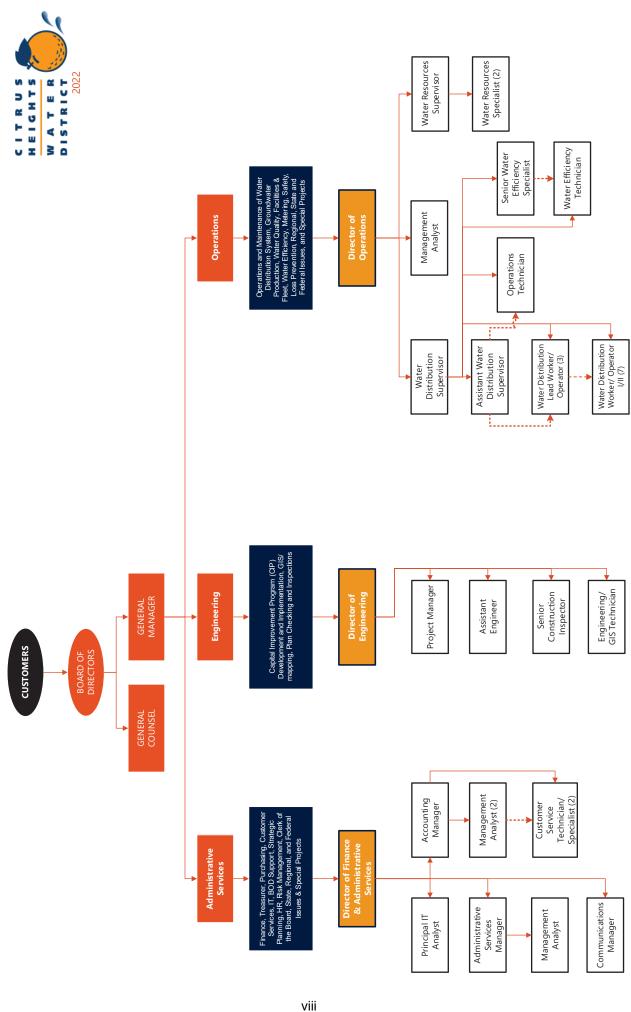
Citrus Heights Water District California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

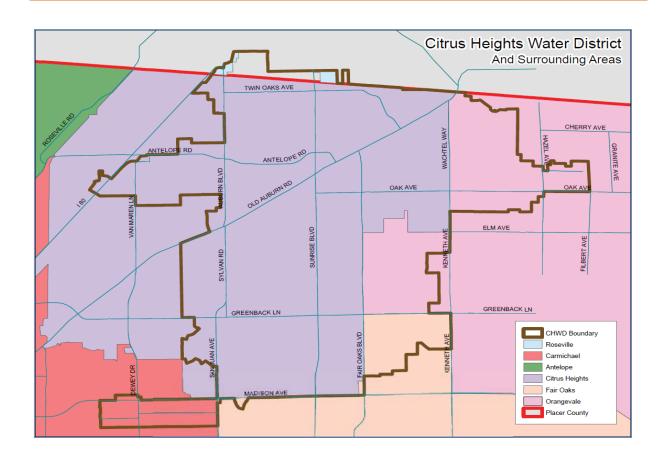
December 31, 2021

Christopher P. Morrill

Executive Director/CEO



Service Area Map with Cities Served





Board of Directors and Principal Officers

Board of Directors

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

Executive Staff

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

Appointed Officers

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



FINANCIAL SECTION









INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Responsibilities

Required Supplementary Information

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



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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

Sacramento, California

Lance, Soll & Lunghard, LLP

July 31, 2023

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

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

Financial Highlights

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Balance Sheet

The following table summarizes assets, deferred outflows, liabilities, deferred inflows, and net position on December 31, 2022, 2021, and 2020:

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

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

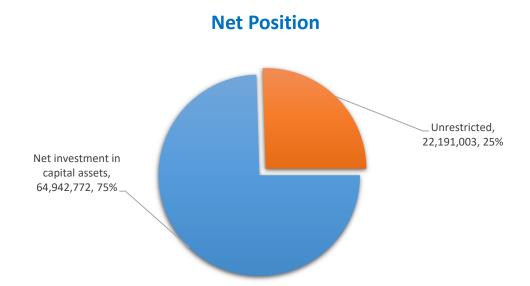
Deferred outflows increased by 109% from \$1.5 million in 2021 to \$3.1 million in 2022, due to changes in actuarial assumptions and the CalPERS recognized increased net pension liability over the measurement period. The most recent actuarial experience study used to update the assumptions, including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

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

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

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

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



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

Changes in Net Position

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

% Increase (Decrease)

				(,
				FY 2021	FY 2020
				vs	vs
	2022	2021	2020	FY 2022	FY 2021
Operating Revenues:			_		
Water sales	\$ 18,934,457	\$ 16,579,945	\$ 16,908,986	14.2%	-1.9%
Connection fees	49,685	427,859	290,182	-88.4%	47.4%
Other fees	449,612	510,156	2,004,589	-11.9%	-74.6%
Total Operating Revenues	19,433,754	17,517,961	19,203,757	10.9%	-8.8%
Operating Expenses:					
Customer service admin/general	4,481,946	4,044,426	4,999,639	10.8%	-19.1%
Water purchases	2,785,929	2,798,201	2,917,535	-0.4%	-4.1%
Transmission and distribution	2,637,991	2,350,969	2,490,474	12.2%	-5.6%
Pumping & well maintenance	996,949	1,047,987	826,804	-4.9%	26.8%
Water efficiency (conservation)	696,635	753,058	553,068	-7.5%	36.2%
Depreciation & amortization	2,594,333	2,485,902	2,469,339	4.4%	0.7%
Total Operating Expenses	14,193,783	13,480,543	14,256,859	5.3%	-5.4%
Operating income	5,239,971	4,037,418	4,946,898	29.8%	-18.4%
Nonoperating Revenues (Expenses):					
Investment income	(30,997)	(343)	116,981	8937.0%	-100.3%
Miscellaneous income	47,610	42,759	42,989	11.3%	-0.5%
Interest expense	(69,691)	(74,734)	(95,741)	-6.7%	-21.9%
Gain (loss) on disposal of capital assets	(39,333)	(115,032)	(73,310)	-65.8%	56.9%
Total Nonoperating Revenues (Expenses)	(92,411)	(147,350)	(9,081)	-37.3%	1522.6%
Net Income before Capital Contributions	5,147,560	3,890,068	4,937,817	32.3%	-21.2%
Capital Contributions	440.070	0.474.450	000 400	00.00/	750 70/
Contributed Assets	440,679	2,474,459	290,182	-82.2%	752.7%
Total Capital Contributions	440,679	2,474,459	290,182	-82.2%	752.7%
Change in Net Position	5,588,239	6,364,527	5,227,999	-12.2%	21.7%
Net position, beginning of year	81,545,536	75,181,009	69,953,010	8.5%	7.5%
Net Position, End of Year	\$ 87,133,775	\$ 81,545,536	\$ 75,181,009	6.9%	8.5%

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

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, 2020 and 2019, the District's investment in capital assets, net of related debt, were \$64,942,772, \$62,822,494, and \$59,531,355, respectively, including: the water transmission and distribution system (underground pipelines, water services, water meters, fire hydrants, and other components), water production facilities (groundwater wells), land, buildings and both mobile and fixed equipment.

Replacement of aging pipelines and water service connections throughout the District's system continued to represent the majority of the \$3.5 million additions to the District's capital assets in 2022, the \$3.6 million additions in 2021, and the \$3.8 million additions in 2020. Several private development projects resulted in the addition of \$440,679 in donated capital assets in 2022, \$2.5 million in 2021 and \$290,182 in 2020.

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

Debt Administration

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

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

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

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

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

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

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

A 2023 Operating Budget Summary is included at the conclusion of this Management's Discussion and Analysis to provide an overview of the District's operating budget.

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

A 2023 Capital Improvement Budget Summary is included at the conclusion of this Management's Discussion and Analysis to provide an overview of the District's capital improvement budget.

A portion of the District's budget continues to be the repayment of long-term debt financing in the form of Certificates of Participation originally issued in 2003 (refunded as Revenue Refunding Bonds in 2012). The annual debt service for the 2012 Revenue Refunding Bonds is budgeted at \$105,000 for FY2023.

Focus on Long-Range Planning

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

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

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

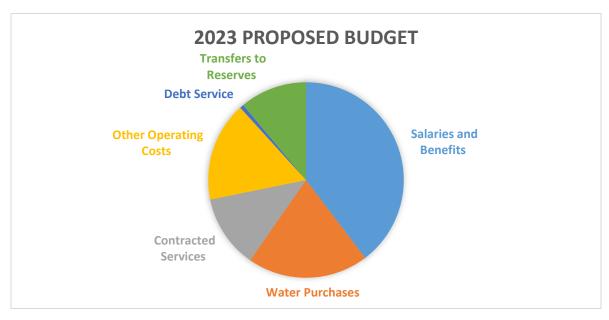
Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2022 and 2021

Reserve Policies and Special Funding

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

CITRUS HEIGHTS WATER DISTRICT ADOPTED BUDGET

		2021	2022	2023
		Actual	Projected	Adopted
		Actual	i rojecteu	Adopted
Revenues				
Water Sales	\$	16,646,215	17,068,793	16,874,307
Connection and Other Fees	Ψ	858,807	539,704	700,000
Project 2030 Designated Charge		-	1,374,099	1,374,099
Grant Revenue		_	-	1,607,000
Investment and Other Income		51,586	170,000	400,000
Total Revenues		17,556,609	19,152,596	20,955,406
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Expenses				
Salaries and Benefits		5,059,291	5,427,557	6,345,892
Water Purchases		3,846,188	3,708,902	3,200,000
Contracted Services		1,625,125	1,877,257	1,934,596
Other Operating Costs		1,694,159	1,896,021	2,633,870
Debt Service		95,000	100,000	105,000
Transfers to Reserves		-	1,374,099	1,774,099
Total Expenses and Transfers		12,319,763	14,383,836	15,993,457
•		, ,	, ,	, ,
Operating Income before Capital Outlay		5,236,845	4,768,760	4,961,949
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Capital Outlay	\$	3,242,910	2,536,268	8,225,699
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Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2022 and 2021

CITRUS HEIGHTS WATER DISTRICT ADOPTED CAPITAL PROJECTS BUDGET

C17-104 Groundwater Well Property Acquisition (# 7, 8, 9 & 10) 81,187 10,851 10-108 6230 Sylvan Road - East Wall 233,252 233,252 233,252 230,000 233,252	Project Number	Description	2022 Adopted Budget	2023 Adopted Budget	2023 Project Budget Amendment Request
C15-110 Crestmont Avenue 6" Interconnection w RV 24,888 - C16-134 Auburn Blvd - Rusch Park to Placer County Line 299,143 407,370 250,000 C17-104 Groundwater Well Property Acquisition (#7, 8, 9, 8, 10) 81,187 10,851 C19-108 6230 Sylvan Road - East Wall 233,252 233,252 C20-107 Water Supply Project Design and Construction of Well 3,225,500 3,045,500 C20-108 Pre-Architectural Study Corporation Yard/Master Plan 98,324 98,324 C20-109 Plans, Specifications, & Estimate for Preferred Alt - Corp Yard 400,000 - C21-040 Other City Partnership Opportunities 112,551 115,464 C21-102 Other Misc Infrastructure Projects 112,551 115,464 C21-102 Other Misc Infrastructure Projects 112,551 115,464 C21-103 Meas Verde High School 672,209 - C21-104 Meas Verde High School 672,209 - C22-004 Annual Technology Hardware and Software 55,000 - C22-005 Annual Facilities Improvements 100,000 - C22-001 Annual Water Mein Pipeline Replacements (small) 50,000 - C22-011 Annual Water Mein Pipeline Replacements (small) 50,000 - C22-012 Annual Groundwater Well Improvements 100,000 - C22-013 Annual Groundwater Well Improvements 150,000 - C22-014 Annual Groundwater Well Improvements 150,000 - C22-015 Annual Freshology Hardware and Software 150,000 - C22-010 Other Misc Infrastructure Projects 100,000 - C22-010 Annual Groundwater Well Improvements 150,000 - C22-011 Annual Groundwater Well Improvements 150,000 - C22-012 Annual Groundwater Well Improvements 150,000 - C22-014 Annual Freshology Hardware and Software 55,000 - C22-015 Annual Groundwater Well Improvements 150,000 - C22-016 Annual Groundwater Well Improvements 150,000 - C23-001 Annual Groundwater Well Improvements 150,000 - C23-010 Annual Groundwater Well Improvements 150,000 - C23-011 Annual Water Meter Replacements 150,000 - C23-012 Annual Groundwater	C15-104B	Document Management System	\$ 154,639	\$ 127,639	\$ -
C1F-134	C15-109	Blossom Hill Way 6" x 10" Interconnection w/ RV	27,777	-	-
C17-104 Groundwater Well Property Acquisition (# 7, 8, 9 & 10) 81,187 10,851 C20-101 6230 Sylvan Road - East Wall 233,252 233,252 C20-101 Fair Oaks Boulevard 425,137 425,13	C15-110	Crestmont Avenue 6" Interconnection w/ RV	24,888	-	-
C19-108 6230 Sylvan Road - East Wall 233,252 233,252 C20-101 Fair Oaks Boulevard 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 425,137 426,100 4	C16-134	Auburn Blvd - Rusch Park to Placer County Line	299,143	407,370	250,000
C20-101 Fair Caks Boulerard 425,137 425,137 C20-107 Water Supply Project Design and Construction of Well 3,225,500 3,045,500 840,000 C20-108 Pre-Architectural Study Corporation Yard/Master Plan 98,324 98,324 C20-109 Plans, Specifications, & Estimate for Preferred Alt - Corp Yard 400,000 C20-1040 Cother City Partnership Opportunities 73,051 112,551 C21-041 Other Misc Infrastructure Projects 112,551 115,464 C21-102 Old Auburn Road 86,459 C21-104 Other Misc Infrastructure Projects 112,551 115,464 C21-105 Madison Aveue & Dewey Drive 79,654 C2-105 Madison Aveue & Dewey Drive 79,654 C22-009 C21-105 Madison Aveue & Dewey Drive 79,654 C22-003 Annual Facilities Improvements 100,000 C22-004 Annual Technology Hardware and Software 55,000 C22-005 Annual Facilities Improvements 100,000 C22-011 Annual Valve Replacements (small) 50,000 C22-013 Annual Water Meter Replacements 75,000 C22-014 Annual Water Service Connections 825,000 C22-014 Annual Water Meter Replacements 150,000 C22-014 Annual Water Meter Replacements 150,000 C22-014 Annual Water Meter Replacements 150,000 C22-016 C22-017 Cannual Water Meter Replacements 150,000 C22-019 C22-010 C10	C17-104	Groundwater Well Property Acquisition (# 7, 8, 9 & 10)	81,187	10,851	-
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C23-005 Annual Facilities Improvements - 103,000 - 203,000 - 203,000 - 200,000		·	_		_
C23-010 Annual Water Main Pipeline Replacements (small) - 50,000 C23-011 Annual Valve Replacements - 115,000 C23-012 Annual Water Service Connections - 1,075,000 C23-013 Annual Water Meter Replacements - 120,000 C23-014 Annual Fire Hydrants - Repl, Upgrades, Infill, New - 175,000 C23-020 Annual Groundwater Well Improvements - 200,000 C23-040 Other City Partnership Opportunities - 100,000 C23-041 Other Misc Infrastructure Projects - 100,000 C23-041 Other Misc Infrastructure Projects - 100,000 C23-084 Annual Capital Total - 2,518,000 C23-xxx Highland Well C23-xxx Highland Well - 1,010,000 C23-105 Reno Lane 8-inch - 705,000 C23-xxx Admiral & Anchor 8-inch - 75,000 C23-xxx Admiral & Anchor 8-inch - 75,000 Totals 8,690,939 \$8,225,699 \$1,090,000			_		_
C23-011 Annual Valve Replacements - 115,000 - 1,075,000 C23-012 Annual Water Service Connections - 1,075,000 - 1,075,000 C23-013 Annual Water Meter Replacements - 120,000 - 175,000 C23-014 Annual Fire Hydrants - Repl, Upgrades, Infill, New - 175,000 - 200,000 C23-020 Annual Groundwater Well Improvements - 200,000 - 200,000 C23-040 Other City Partnership Opportunities - 100,000 - 2023,000 C23-041 Other Misc Infrastructure Projects - 100,000 - 2023,000 2023 New Annual Capital Total - 2,518,000 - 2,518,000 C23-xxx Highland Well		•	_		_
C23-012 Annual Water Service Connections - 1,075,000 - 1,075,000 - 1,075,000 - 120,000 - 120,000 - 120,000 - 120,000 - 120,000 - 175,000 - 175,000 - 175,000 - 175,000 - 175,000 - 175,000 - 175,000 - 175,000 - 100,000 <td></td> <td> ,</td> <td>_</td> <td></td> <td>_</td>		,	_		_
C23-013 Annual Water Meter Replacements - 120,000 - 120,000 C23-014 Annual Fire Hydrants - Repl, Upgrades, Infill, New - 175,000 - 175,000 C23-020 Annual Groundwater Well Improvements - 200,000 - 100,000 C23-040 Other City Partnership Opportunities - 100,000 - 100,000 C23-041 Other Misc Infrastructure Projects - 100,000 - 2,518,000 2023 New Annual Capital Total - 2,518,000 - 2,518,000 C23-xxx Highland Well	C23-012	·	_		_
C23-014 Annual Fire Hydrants - Repl, Upgrades, Infill, New - 175,000 - 200,000 -	C23-013	Annual Water Meter Replacements	_		-
C23-040 Other City Partnership Opportunities - 100,000 - 2023 New Annual Capital Total - 100,000 - 2,518,000 C23-041 Other Misc Infrastructure Projects - 100,000 - 2,518,000 - 2,518,000 C23-xxx Highland Well	C23-014	Annual Fire Hydrants - Repl, Upgrades, Infill, New	_		_
C23-041 Other Misc Infrastructure Projects - 100,000 - 2023 New Annual Capital Total - 2,518,000 - C23-xxx Highland Well - C23-104 Patton Avenue 8-inch, Pardal Ct, Alondra Ct, Perdez Ct 6-inch - 1,010,000 - C23-105 Reno Lane 8-inch - 705,000 - C23-xxx Admiral & Anchor 8-inch - 75,000 - 2023 New Projects Total - 1,790,000 - Totals 8,690,939 \$8,225,699 \$1,090,000 Previously-Approved Projects Carried Over from 2022: 2,827,699	C23-020	Annual Groundwater Well Improvements	_	200,000	-
2023 New Annual Capital Total - 2,518,000 C23-xxx Highland Well	C23-040	Other City Partnership Opportunities	_	100,000	_
C23-xxx Highland Well - - - - C23-104 Patton Avenue 8-inch, Pardal Ct, Alondra Ct, Perdez Ct 6-inch - 1,010,000 - C23-105 Reno Lane 8-inch - 705,000 - C23-xxx Admiral & Anchor 8-inch - 75,000 - 2023 New Projects Total - 1,790,000 - Totals 8,690,939 \$8,225,699 \$1,090,000 Previously-Approved Projects Carried Over from 2022: 2,827,699	C23-041	Other Misc Infrastructure Projects	-	100,000	-
C23-104 Patton Avenue 8-inch, Pardal Ct, Alondra Ct, Perdez Ct 6-inch - 1,010,000 - 705,000 - 705,000 - 75,000	2023 New A	Annual Capital Total	-	2,518,000	-
C23-104 Patton Avenue 8-inch, Pardal Ct, Alondra Ct, Perdez Ct 6-inch - 1,010,000 - 205,000 - 705,000 - 705,000 - 75,000	C23-xxx	Highland Well	-	-	_
C23-105 Reno Lane 8-inch - 705,000 - 75,000		<u> </u>	_	1,010,000	_
Totals 8,690,939 \$8,225,699 \$1,090,000 Previously-Approved Projects Carried Over from 2022: 2,827,699	C23-105	Reno Lane 8-inch	_	705,000	-
Totals 8,690,939 \$8,225,699 \$1,090,000 Previously-Approved Projects Carried Over from 2022: 2,827,699			_	,	_
Totals 8,690,939 \$8,225,699 \$1,090,000 Previously-Approved Projects Carried Over from 2022: 2,827,699		Projects Total			-
Previously-Approved Projects Carried Over from 2022: 2,827,699					
		Totals	8,690,939	\$8,225,699	\$1,090,000
Prior Vears Project Amendment: 1 000 000		Previously-Approved Projects Carried Over from 2022:	2,827,699		
		Prior Years Project Amendment:	1,090,000		
New Capital Projects Request for 2023: 4,308,000			4,308,000	_	
Total 2023 Capital Improvements Budget: \$8,225,699		Total 2023 Capital Improvements Budget:	\$8,225,699	•	



STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

	2022	2021
Assets:		
Current:	ф 00 0EE 004	¢ 04.676.506
Cash and investments (Note 2) Accounts receivable, net	\$ 23,855,881 3,523,017	\$ 21,676,526 2,627,271
Due from other governments	-	946
Accrued interest receivable	81,304	4,934
Inventories	546,237	439,389
Prepaid expenses and other deposits	587,460	554,019
Total Current Assets	28,593,899	25,303,085
Noncurrent:		
Non-depreciable capital assets (Note 3)	3,590,398	2,439,395
Depreciable capital assets, net (Note 3)	62,932,660	62,064,702
Total Noncurrent Assets	66,523,058	64,504,097
Total Assets	95,116,957	89,807,182
Deferred Outflows of Resources:		
Pension related (Noted 8)	2,553,774	910,520
OPEB related (Note 9)	502,899	554,265
Total Deferred Outflows of Resources	3,056,673	1,464,785
Liabilities:		
Current:	0.17.700	007.005
Accounts payable	617,796	697,665
Retentions payable Accrued payroll	13,378 153,332	17,995 168,988
Accrued interest payable	31,441	34,178
Deposits payable	374,494	373,402
Compensated absences (Note 7)	199,578	268,373
Long-term debt (Note 4)	105,000	100,000
Total Current Liabilities	1,495,019	1,660,601
Noncurrent:		
Compensated absences (Note 7)	358,623	191,514
Long-term debt (Note 4)	1,442,011	1,560,381
Net pension liability (Note 8)	5,730,637	2,335,284
Net OPEB liability (Note 9)	1,529,658	1,727,677
Total Noncurrent Liabilities	9,060,929	5,814,856
Total Liabilities	10,555,948	7,475,457
Deferred Inflows of Resources:		
Deferred amount from refunding debt	19,897	21,222
Pension related (Note 8)	301,018	2,189,017
OPEB related (Note 9)	162,992	40,735
Total Deferred Inflows of Resources	483,907	2,250,974
Net Position:	04.640.==6	00.000.40:
Net investment in capital assets	64,942,772	62,822,494
Unrestricted	22,191,003	18,723,042
Total Net Position	\$ 87,133,775	\$ 81,545,536

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

	2022	2021
Operating Revenues: Water sales	¢ 40.024.457	¢ 16.570.045
Connection and other fees	\$ 18,934,457 499,297	\$ 16,579,945 938,016
Connection and other rees		300,010
Total Operating Revenues	19,433,754	17,517,961
Operating Expenses:		
Customer service, administration and general	4,481,946	4,044,426
Water purchases	2,785,929	2,798,201
Transmission and distribution	2,637,991	2,350,969
Pumping and well maintenance	996,949	1,047,987
Conservation	696,635	753,058
Depreciation and amortization	2,594,333	2,485,902
Total Operating Expenses	14,193,783	13,480,543
Operating Income (Loss)	5,239,971	4,037,418
Nonoperating Revenues (Expenses):		
Investment income	(30,997)	(343)
Miscellaneous income	47,610	42,759
Interest expense	(69,691)	(74,734)
Gain (loss) on disposal of capital assets	(39,333)	(115,032)
Total Nonoperating		
Revenues (Expenses)	(92,411)	(147,350)
Income (Loss) Before Capital Contributions	5,147,560	3,890,068
Contributions	440,679	2,474,459
Changes in Net Position	5,588,239	6,364,527
Net Position:		
Beginning of Fiscal Year	81,545,536	75,181,009
End of Fiscal Year	\$ 87,133,775	81,545,536

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

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

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

		2022		2021
Reconciliation of Operating Income to Net Cash				
Provided (Used) by Operating Activities:	Φ	E 000 074	ф	4.007.440
Operating income (loss)	\$	5,239,971	\$	4,037,418
Adjustments to reconcile operating income to				
net cash provided by operating activities:		0 = 0 1 000		
Depreciation and amortization		2,594,333		2,485,902
Miscellaneous income		34,551		57,489
Change in assets and liabilities:				
(Increase) decrease in assets and deferred outflows of resources:		(004.000)		070 040
Accounts Receivable		(894,800)		378,842
Inventory		(106,848)		(9,868)
Prepaid expenses and other assets		(33,441)		(115,281)
Increase (decrease) in liabilities and deferred inflows of resources:		(70,000)		400.000
Accounts payable		(79,869)		109,623
Accrued payroll		(15,656)		(28,407)
Deposits payble		1,092		30,107
Retentions payable		(4,617)		(37,223)
Compensated absences		98,314		10,789
Net pension liability and related deferred inflows and outflows		(135,900)		(186,516)
Net OPEB liability and related deferred inflows and outflows		(24,396)		(37,226)
Net Cash Provided (Used) by				
Operating Activities	\$	6,672,734	\$	6,695,649
		· · · · · · · · · · · · · · · · · · ·		
Supplemental Disclosure of Non-Cash Activities				
Receipt of contributed assets	\$	440,679	\$	2,474,459
Amortization of bond premiums		13,370		13,370
Amortization of deferred charges on refundings		1,325		1,325

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

Note 1: Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity: The District was established on October 25, 1920 as an irrigation district under Division 11 of the Act of Legislature of the State of California. The District constructs and maintains waterworks and supplies domestic water in an area of approximately 12 square miles to over 20,000 connections in Sacramento and Placer counties with an estimated population of 66,000. The District is governed by a Board of Directors consisting of three directors elected by residents of the District. The accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

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

<u>Basis of Presentation – Fund Accounting</u>: 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.

<u>Basis of Accounting</u>: 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.

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

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

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

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

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

<u>Use of Estimates</u>: 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.

<u>Fair Value Measurements</u>: 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.

<u>Cash and Cash Equivalents</u>: 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.

<u>Investments</u>: 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.

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

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

<u>Inventory</u>: 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.

<u>Prepaids</u>: Prepaids consist primarily of insurance, maintenance agreements and other prepaid assets.

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

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

Depreciation expense aggregated to \$2,595,658 and \$2,487,227 for the years ended December 31, 2022 and 2021, respectively, and is included with depreciation and amortization expense.

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

<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.

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

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

<u>Deferred Inflows</u>: 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.

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

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

Note 2: Cash and Investments

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

	2022	2021
Cash and investments	\$ 23,855,881	\$ 21,676,526
Total cash and investments	\$ 23,855,881	\$ 21,676,526

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

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

<u>Investment Policy</u>: California statutes authorize districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. During the year ended December 31, 2022, the District's permissible investments included the following instruments:

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

Note 2: Cash Investments (Continued)

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

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

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

<u>Investments Authorized by Debt Agreements</u>: 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.

			Maximum
		Maximum	Investment
	Maximum	Percentage	in One
Authorized Investment Type	Maturity	of Portfolio	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

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

Note 2: Cash Investments (Continued)

<u>Fair Value Hierarchy</u>: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

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

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

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

<u>Interest Rate Risk</u>: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to maturity, evenly over time, as necessary to provide the cash flow and liquidity needed for operations. All of the District's investments mature in 12 months or less.

<u>Credit Risk</u>: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type for the year ended December 31, 2022.

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

Note 2: Cash Investments (Continued)

	Minimum Legal		
	Rating	Not Rated	Total
LAIF	N/A	\$ 14,347,103	\$ 14,347,103
		\$ 14,347,103	\$ 14,347,103

The following is a summary of the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year- end for each investment type for the year ended December 31, 2021.

	Minimum Legal		
	Rating	 Not Rated	 Total
LAIF	N/A	\$ 14,485,373	\$ 14,485,373
		\$ 14,485,373	\$ 14,485,373

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.

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

Investment in LAIF: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At December 31, 2022 and 2021, these investments matured in an average of 340 and 165 days, respectively.

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

Note 3: Capital Assets

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

	Doce	Balance ember 31, 2021		Additions		Deletions		Transfers	Doce	Balance ember 31, 2022
Business-Type Activities:	Dece	111ber 51, 2021		Additions		Deletions		Hansiers	Dece	SITIDEL 31, 2022
Capital assets not being depreciated:										
Land	\$	1,937,372	\$	371,725	\$	_	\$	_	\$	2,309,097
Right of ways	•	26,080	•	-	•	_	•	_	•	26,080
Construction in Progress		475,943		4,174,590		(304,609)		(3,090,703)		1,255,221
Total capital assets not being depreciated		2,439,395		4,546,315		(304,609)		(3,090,703)		3,590,398
Total dapital abouto flot boiling doproclated		2,100,000		1,010,010		(001,000)		(0,000,100)		0,000,000
Capital assets being depreciated:										
Improvements		1,275,136		-		-		-		1,275,136
Pipelines and infrastructure		67,102,515		-		(196,451)		3,000,746		69,906,810
Equipment and machinery		4,713,953		-		-		89,957		4,803,910
Buildings and improvements		4,281,371		-		-		-		4,281,371
Well improvements		7,947,746		-		-		-		7,947,746
Donated Pipelines		21,196,367		440,679		-		-		21,637,046
Total capital assets, being depreciated		106,517,088		440,679		(196,451)		3,090,703		109,852,019
		_		_						
Less accumulated depreciation for:		(400 407)		(04.005)						(404,400)
Improvements		(130, 137)		(31,265)		-		-		(161,402)
Pipelines and infrastructure		(25,798,990)		(1,577,333)		128,996		-		(27,247,327)
Equipment and machinery		(3,253,782)		(272,832)		-		-		(3,526,614)
Buildings and improvements		(1,241,969)		(102,792)		-		-		(1,344,761)
Well improvements		(2,389,218)		(198,320)		-		-		(2,587,538)
Donated Pipelines		(11,638,290)		(413,427)						(12,051,717)
Total accumulated depreciation		(44,452,386)		(2,595,969)		128,996		-		(46,919,359)
Total capital assets being depreciated, net		62,064,702		(2,155,290)		(67,455)		3,090,703		62,932,660
Capital assets, net	\$	64,504,097	\$	2,391,025	\$	(372,064)	\$		\$	66,523,058
•						, , ,				
		Balance								Balance
	Dece	ember 31, 2020		Additions		Deletions		Transfers	Dec	ember 31, 2021
Business-Type Activities:										
Capital assets not being depreciated:										
Land	\$	1,128,223	\$	-	\$	-	\$	809,149	\$	1,937,372
Right of ways		26,080		-		-		-		26,080
Construction in Progress		742,551		3,337,342		-		(3,603,950)		475,943
Total capital assets not being depreciated		1,896,854		3,337,342		-		(2,794,801)		2,439,395
Capital assets being depreciated:										
Improvements		1,275,136		_		_		_		1,275,136
Pipelines and infrastructure		65,477,900		_		(644,298)		2,268,913		67,102,515
Equipment and machinery		4,527,488		_		(76,368)		262,833		4,713,953
Buildings and improvements		4,087,644		-		-		193,727		4,281,371
Well improvements		7,878,418		-		-		69,328		7,947,746
Donated pipelines		18,789,254		2,474,459		(67,346)		-		21,196,367
Total capital assets, being depreciated		102,035,840		2,474,459		(788,012)		2,794,801		106,517,088
Land and the day of the state o										
Less accumulated depreciation for:		(00.070)		(24.205)						(420, 427)
Improvements		(98,872)		(31,265)		522 F0F		-		(130,137)
Pipelines and infrastructure Equipment and machinery		(24,786,780) (3,069,124)		(1,535,715) (258,864)		523,505 74,206		-		(25,798,990) (3,253,782)
Buildings and improvements				(258,864)		14,200		-		(3,253,782)
Well improvements		(1,142,601) (2,192,486)		(196,732)		-		-		(2,389,218)
Donated pipelines		(11,320,178)		(365,283)		- 47,171		-		(11,638,290)
				(300,200)		71,111				
						644 992				(11 150 300)
Total accumulated depreciation		(42,610,041)		(2,487,227)		644,882		0.704.004		(44,452,386)
Total capital assets being depreciated, net Capital assets, net	\$		\$		\$	644,882 (143,130) (143,130)	\$	2,794,801	\$	(44,452,386) 62,064,702 64,504,097

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

Note 3: Capital Assets (Continued)

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

Note 4: Long-Term Liabilities

Long-term liabilities consist of the following:

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

The activity of the District's long-term liabilities during the years ended December 31, 2022 and 2021 was as follows:

		Balance						Balance		
	Decer	mber 31, 2021	Additions		Re	tirements	Dece	mber 31, 2022	Curr	ent Portion
2012 Revenue Refuding Bonds 3-5.25%, due 2-1-33 Less: Unamortized premium	\$	1,520,000 140,381	\$	- -	\$	100,000 13,370	\$	1,420,000 127,011	\$	105,000
Total Long-Term Liabilities	\$	1,660,381	\$		\$	113,370	\$	1,547,011	\$	105,000
		Balance mber 31, 2020	 Additions		Re	tirements		Balance mber 31, 2021	Curr	ent Portion
2012 Revenue Refuding Bonds 3-5.25%, due 2-1-33 Less: Unamortized premium	\$	1,615,000 153,751	\$	- -	\$	95,000 13,370	\$	1,520,000 140,381	\$	100,000
Total Long-Term Liabilities	\$	1,768,751	\$		\$	108,370	\$	1,660,381	\$	100,000

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

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

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

Note 4: Long-Term Liabilities (Continued)

<u>Pledged Revenue</u>: The District pledged future water system revenues, net of specified expenses, to repay the 2012 Revenue Refunding Bonds in an original amount of \$2,275,000. Proceeds of the Revenue Refunding Bonds were used to refund the 2003 Certificates of Participation to finance capital improvements to the District's water system. The Revenue Refunding Bonds are payable solely from water customer net revenues, and are payable through February 2033. Annual principal and interest payments on the Bonds are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Revenue Refunding Bonds was \$1,941,400 and \$2,061,550 at December 31, 2022 and 2021, respectively.

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

<u>Events of Default</u>: The 2012 Revenue Refunding Bonds from direct borrowings related to business-type activities, contain events of default that declare the principal of all of the 2012 bonds then outstanding and the interest accrued thereon to be due and payable immediately as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the District to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the District; or if any court or competent jurisdiction shall assume custody or control of the District. There were no such events occurred during the fiscal year ending December 31, 2022.

Note 5: Arbitrage Rebate Liability

Section 148(f) of the Internal Revenue Code requires issuers of tax-exempt state and local bonds to remit to the federal government amounts equal to (a) the excess of the actual amounts earned on all "Nonpurpose Investments" allocable to "Gross Proceeds" of an issue of municipal obligations less the amount that would have been earned if the investments bore a rate equal to the amount that would have been earned if the investments bore a rate equal to the yield on the issue, plus (b) all income attributable to the excess. Issuers must make rebate payments at least once every five years and upon final retirement or redemption of the bonds. There was no arbitrage liability at December 31, 2022 and 2021.

Note 6: Net Position

<u>Designations</u>: 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.

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

Note 6: Net Position (Continued)

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

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

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

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

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

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

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

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

Note 7: Compensated Absences

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

	Decem	nber 31, 2021	I	Additions	R	Reductions		nber 31, 2022	Current Portion		
District	\$	459,887	\$	167,109	\$	68,795	\$	558,201	\$	199,578	
Total	\$	459,887	\$	167,109	\$	68,795	\$	558,201	\$	199,578	
District Total	Decem \$	nber 31, 2020 449,098 449,098	\$	Additions 223,137 223,137	* R	eductions 212,348 212,348	Decen \$	nber 31, 2021 459,887 459,887	Curr \$ \$	ent Portion 268,373 268,373	

Note 8: Defined Benefit Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have

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

Note 8: Defined Benefit Pension Plan (Continued)

been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

a. General Information about the Pension Plans

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

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

Below is a summary of the deferred outflows of resources, net pension liabilities, and deferred inflows of resources by Plan for the year ended December 31, 2022:

	Defer	red Outflows of	Propo	otionate Share	Deferred Inflows of		
	F	Resources	of I	Net Pension	R	esources	
Miscellaneous	\$	2,553,774	\$	5,730,637	\$	(301,018)	

<u>Benefits Provided</u> – 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.

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

Note 8: Defined Benefit Pension Plan (Continued)

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

	Miscellaneous	Miscellaneous	Miscellaneous
	Tier 1	Tier 2	PEPRA
	Prior to	Prior to	On or after January
Hire date	January 1, 2013	January 1, 2013	1, 2013
Benefit formula	2.0% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%	1.43% to 2.42%	1.0% to 2.5%
Required employee contribution rates	6.9%	6.9%	6.8%
Required employer contribution rates	10.0%	9.7%	7.0%

Beginning in fiscal year 2017, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was \$464,478 in fiscal year 2022.

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

For the year ended December 31, 2022, the District's contributions to the Plan were as follows:

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

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

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

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

Note 8: Defined Benefit Pension Plan (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.04318%
Proportion - June 30, 2022	0.49610%
Change - Increase (Decrease)	0.45292%

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

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

The \$621,806 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended		Annual
December 31,	Α	mortization
2023	\$	(408,843)
2024		(372,499)
2025		(207,577)
2026		(642.031)

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

Note 8: Defined Benefit Pension Plan (Continued)

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

cellaneous
5.90%
5,563,530
6.90%
5,730,637
7.90%
2.948.166

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

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Amortization	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until
	Purchasing Power Protection Allowance
	Floor on Purchasing Power applies
Mortality	Derived using CalPers Membership Data
	for all Funds (2)

¹ Net of pension plan investment and adminstrative expenses, including inflation

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

<u>Discount Rate</u> – 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

² The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MO 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

Note 8: Defined Benefit Pension Plan (Continued)

determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long- term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

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

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

Note 9: Post – Employment Health Care Benefits

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

<u>Plan Description</u> – 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.

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

	Hired before Januar	ry 31, 2019	
	Retired from District between June 3, 1992 and March 19, 1996	Retired from District after March 19, 1996	Hired After January 30, 2019
20+ Years of Service	Health insurance provided to employee at District expense	Maximum monthly reimbursement of \$359.00 to retiree, spouse/dependents.	
25+ Years of Service	Health insurance provided to retiree, and spouse/dependents at the time of retirement. If no spouse/dependents, or if retiree does not wish to cover spouse/dependents, retiree may select benefit of 30+ years of service.	Maximum monthly reimbursement of \$403.00 to retiree, spouse/dependents.	Employees hired after January 30, 2019 are not eligible to receive any benefit under the OPEB plan.
30+ Years of Service	Health, dental, vision insurance provided at District expense for retiree. Health and dental insurance provided at District expense for spouse/dependents at time of retirement.	Maximum monthly reimbursement of \$450.00 to retiree, spouse/dependents.	

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	20
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	26
Total	46

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

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

b. Net OPEB Liability

<u>Actuarial Methods and Assumptions</u> – The District's net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2020 to determine the total OPEB liability as of December 31, 2021, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	December 31, 2020
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	5.87%
Inflation	2.30%
Payroll Growth	2.80%
Healthcare Trend	7.0%, trending down to 4.10%
Mortality Rate	CalPers 1997-2015 Experience Study

The underlying mortality assumptions were based on the CalPERS 1997-2015 Experience Study, and all other actuarial assumptions used in the December 31, 2020 valuation were based on the results of a December 31, 2020 actuarial experience study for the period January 1, 2021 to December 31, 2021.

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

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

<u>Discount Rate</u> – The discount rate used to measure the total OPEB liability was 5.87%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was

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

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

projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

c. Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows:

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

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates</u> – The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.87%) or 1- percentage-point higher (6.87%) than the current discount rate:

Plan's Net OPEB Liability						
Dis	count Rate -	Current Discount Dis		Disc	iscount Rate1%	
1	1% (4.87%)		Rate (5.87%)		(6.87%)	
Ф	1,890,522	Φ	1,529,658	Φ	1,240,468	

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

Plan's Net OPEB Liability						
Heal	th Care Cost	Health Care Cost Health		Heal	ealth Care Cost	
Trend Rate -1%		Trend Rates		Trei	nd Rate +1%	

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

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

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

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

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

\$189,666 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as pension expense as follows:

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

e. Payable to the OPEB Plan

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

Note 10: Commitments and Contingencies

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

The District has no capital project commitments as of December 31, 2022 and 2021.

Note 11: Economic Dependency

During 2022 and 2021, the District purchased 68.90% and 67.35%, respectively, of its water supply from the San Juan Water District (SJWD). Total purchases for the year ended December 31, 2022 and 2021 was \$2,783,319 and \$2,796,248, respectively. In addition, the District owns water transmission capacity entitlements through the cooperative transmission pipeline project owned and operated by SJWD.

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

Note 12: Insurance

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

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

Type of Coverage (Deductible)	ACWA/JIPA	Deductible
General and Auto Liability		
(Includes Public Officials Liability)	\$5,000,000	None
Property Damage*	100,000	\$2,500-5,000
Crime	100,000	1,000
Workers Comensation Liability	2,000,000	None
Employers Liability	2,000,000	None

^{*} The District has additional \$500,000,000 in property damage coverage via ACWA/JPIA through the commercial insurance policy

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

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

Notes to Schedule:

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

<u>Changes of Assumptions</u>: There were no changes to the assumptions.

- (1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.
- (2) CalPERS information is provided based on a June 30 fiscal year-end.

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

COST SHARING MULTIPLE-EMPLOYER PLAN SCHEDULE OF PLAN CONTRIBUTIONS AS OF DECEMEBER 31, FOR THE LAST TEN YEARS (1)

	 2015	 2016	 2017	 2018
Actuarially Determined Contribution Contribution in Relation to the Actuarially Determined Contribution Contribution Deficiency (Excess)	\$ 468,974 (468,974)	\$ 347,181 (347,181)	\$ 572,724 (572,724) -	\$ 700,242 (700,242)
Covered Payroll	\$ 2,129,887	\$ 2,362,614	\$ 2,667,190	\$ 3,046,586
Contributions as a Percentage of Covered Payroll	22.02%	14.69%	21.47%	22.98%

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

Note to Schedule:

Valuation Date: June 30, 2018

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		
Driver	Investment	Non-investment	Change	Benefit Change	Golden Handshake
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.750%	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method Direct rate smoothing

Inflation 2.50% Payroll Growth 2.75%

Projected Salary Increases Varies by Entry Age and Service

Investment Rate of Return 7.00% (net of pension plan investment and administrative expenses, includes inflation)

Retirement Age

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at

www.calpers.ca.gov under Forms and Publications.

Mortality The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table,

please refer to the 2017 experience study report.

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

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

Measurement Date	1	2/31/2017	1	12/31/2018	1	2/31/2019	1	2/31/2020	1	2/31/2021
Total OPEB Liability Service cost	\$	25.905	\$	26.682	\$	37.106	\$	47.435	\$	50.011
Interest on the total OPEB liability	φ	83,640	φ	87,918	φ	96,977	φ	102,103	φ	114,224
Change in benefit terms		-		07,510		50,577		(572)		117,227
Differences between expected and actual experiences		_		41,338		(17,427)		(1,841)		(1,948)
Changes in assumptions		_		23,239		-		364,838		(130,213)
Benefit payments		(41,228)		(42,527)		(46,768)		(43,184)		(46,036)
Net change in total OPEB liability		68,317		136,650		69,888		468,779		(13,962)
Total OPEB liability - beginning		1,332,951		1,401,268		1,537,918		1,607,806		2,076,585
Total OPEB liability - ending (a)		1,401,268		1,537,918		1,607,806		2,076,585		2,062,623
Plan Fiduciary Net Position										
Contribution - employer		41,228		122,527		128,540		145,837		189,734
Net investment income		- (44.000)		(1,658)		24,089		39,073		40,575
Benefit payments		(41,228)		(42,527)		(46,768)		(43,184)		(46,036)
Other miscellaneous income/(expense)		-		- (0)		- (00)		23,195		(040)
Administrative expense				(6)		(83)		(127)		(216)
Net change in plan fiduciary net position		-		78,336		105,778		164,794		184,057
Plan fiduciary net position - beginning		-				78,336		184,114		348,908
Plan fiduciary net position - ending (b)				78,336		184,114		348,908		532,965
Net OPEB Liability - ending (a) - (b)	\$	1,401,268	\$	1,459,582	\$	1,423,692	\$	1,727,677	\$	1,529,658
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%		5.09%		11.45%		16.80%		25.84%
Covered Payroll	\$	2,915,351	\$	3,278,242	\$	3,658,217	\$	3,677,546	\$	3,689,171
Net OPEB liability as a percentage of covered-employee payroll		48.07%		44.52%		38.92%		46.98%		41.46%

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

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

	2018		2019	2020	2021		2022
Actuarially Determined Contribution	\$ 122,000	\$	130,652	\$ 170,121	\$ 158,425	\$	189,666
Contribution in Relation to the Actuarially Determined Contributions Contribution Deficiency (Excess)	\$ (122,527)	-\$	(128,530) 2,122	\$ 23.307	\$ (189,734)	\$	(140,592) 49,074
Contribution Bonoloney (Excess)	 (021)	<u> </u>	2,122	 20,007	 (01,000)	Ψ	40,074
Covered Payroll	\$ 3,278,242	\$	3,658,217	\$ 3,677,546	\$ 3,689,171	\$	3,946,896
Contributions as a percentage of covered-employee payroll	3.74%		3.51%	3.99%	5.14%		3.56%

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

Notes to Schedule:

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



STATISTICAL SECTION

Statistical Section

Table of Contents

This section of the Citrus Heights Water District's (District) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary infirmation says about the government's overall financial health.

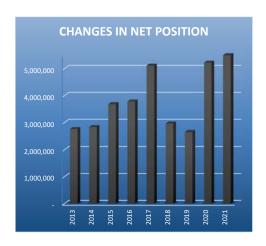
Financial Trends	Page
These schedules contain trend information to help the reader understand how the	•
financial performance and well-being have changed over time.	
Changes in Net Position and Net Position by Component	58
Operating Revenue by Source	60
Operating Expenses by Activity	61
Revenue Capacity	Page
These schedules contain information to help the reader assess the District's ability	∕ to generate
water revenues, the most significant source of revenue to the District.	
Revenue Base	64
Revenue Rates	65
Customers by Type	66
Principal Customers	67
Debt Capacity	Page
These schedules present information to help the reader assess the affordability of	
current levels of outstanding debt, and the District's ability to manage debt in the fo	
Ratios of Outstanding Debt	70
Debt Coverage	71
Demographic and Connection	Dawa
Demographic and Economic Information	Page
These schedules offer demographic and economic indicators to help the reader up	idersiand the
environment within which the District's financial activities take place.	7.4
Demographic and Economic Statistics	74
Principal Employers	75
Operating Information	Pogo
Operating Information These schedules contain service and infrastructure data to help the reader unders	Page
information in the District's financial report relates to the services the District provide	
activities it performs.	นธง สเเน แเธ
Full-Time Employees by Department	78
	78 79
Operating Indicators	19



Changes in Net Position and Net Position by Component

Last Ten Fiscal Years Schedule 1

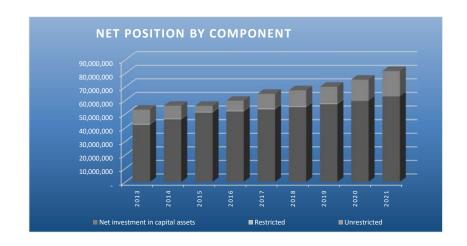
		2013	2014	2015	2016
Changes in net position:					
Operating revenues (see Schedule 2)	\$	11,358,086	11,331,301	10,884,550	12,325,057
Operating expenses (see Schedule 3) Depreciation and amortization		(6,598,323) (1,898,303)	(6,358,613)	(6,023,057)	(7,043,963)
·	-		(2,003,488)	(2,098,944)	(2,203,170)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



Changes in Net Position and Net Position by Component

Last Ten Fiscal Years Schedule 1 (Continued)

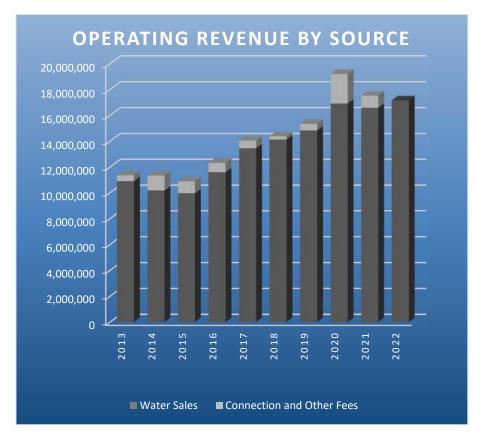
_	2017	2018	2019	2020	2021	2022	
							Changes in net position:
\$	14,043,049 (7,534,381) (2,345,281)	14,375,044 (9,531,439) (2,388,634)	15,340,476 (11,230,314) (2,435,900)	19,203,757 (11,787,520) (2,469,339)	17,517,961 (10,994,641) (2,485,902)	19,433,754 (11,599,450) (2,594,333)	Operating revenues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



Operating Revenue By Source

Last Ten Fiscal Years Schedule 2

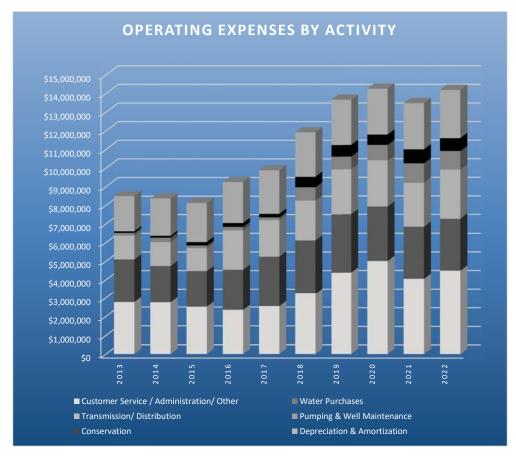
Fiscal Year	Water Sales	Connection and Other	Total Operating
2013	10,905,197	452,889	11,358,086
2014	10,171,473	1,159,828	11,331,301
2015	9,953,864	930,686	10,884,550
2016	11,602,622	722,435	12,325,057
2017	13,448,691	594,358	14,043,049
2018	14,119,865	255,179	14,375,044
2019	14,823,207	517,269	15,340,476
2020	16,908,986	2,294,771	19,203,757
2021	16,579,945	938,016	17,517,961
2022	17,157,092	1,587,314	18,744,406



Operating Expenses by Activity

Last Ten Fiscal Years
Schedule 3

Fiscal Year	Customer Service / Administration/ Other	Water Purchases	Transmission/ Distribution	Pumping & Well Maintenance	Conservation	Depreciation & Amortization	Total Operating Expenses
2013	2,763,786	2,322,002	1,289,768	133,950	88,817	1,898,303	8,496,626
2014	2,752,172	1,984,921	1,282,941	239,344	99,235	2,003,488	8,362,101
2015	2,514,087	1,950,627	1,239,387	132,842	186,114	2,098,944	8,122,001
2016	2,342,957	2,190,061	2,114,019	184,776	212,150	2,203,170	9,247,133
2017	2,543,736	2,692,482	1,963,750	145,077	189,336	2,345,281	9,879,662
2018	3,228,919	2,878,799	2,142,451	717,562	563,708	2,388,634	11,920,073
2019	4,371,420	3,131,903	2,425,827	683,432	617,732	2,435,900	13,666,214
2020	4,999,639	2,917,535	2,490,474	826,804	553,068	2,469,339	14,256,859
2021	4,044,426	2,798,201	2,350,969	1,047,987	753,058	2,485,902	13,480,543
2022	4,481,946	2,785,929	2,637,991	996,949	696,635	2,594,333	14,193,783

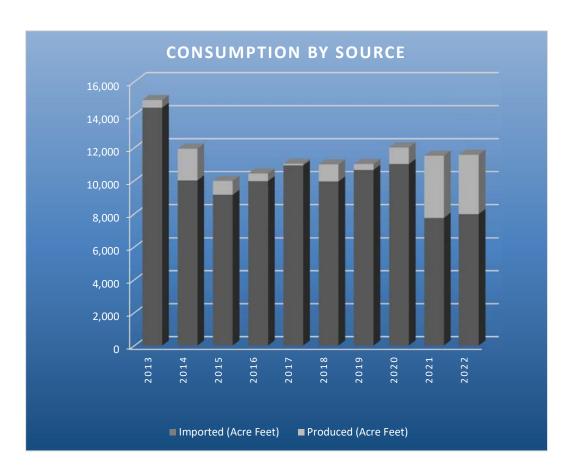




Revenue Base

Last Ten Fiscal Years Schedule 4

		Water Supply							
Fiscal	Consumption	Imported	Produced	% Water					
Year	(Acre Feet)	(Acre Feet)	(Acre Feet)	Imported					
2013	14,881.54	14,416.21	465.33	96.87%					
2014	11,937.24	10,007.61	1,929.63	83.84%					
2015	9,973.47	9,132.60	840.87	91.57%					
2016	10,422.44	9,964.89	457.55	95.61%					
2017	11,014.52	10,909.88	104.64	99.05%					
2018	10,981.66	9,940.53	1,041.13	90.52%					
2019	11,001.23	10,642.14	359.09	96.74%					
2020	12,003.53	11,001.81	1,001.72	91.65%					
2021	11,505.25	7,749.12	3,756.13	67.35%					
2022	11,565.65	7,968.36	3,597.29	68.90%					



Source: District Operations Department

Water Rates

Last Ten Fiscal Years Schedule 5

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

Notes:

Source:

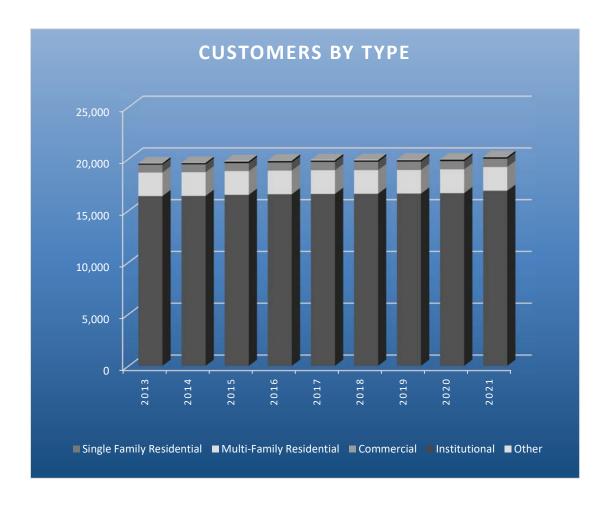
⁽¹⁾ The District completed the migration of Flat-Rate customers to meters in Fiscal Year 2012, and the Flat-Rate was eliminated for Fiscal Year 2013.

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

Customers by Type

Last Ten Fiscal Years Schedule 6

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial	Institutional	Other	Total
2013	16,402	2,275	758	111	45	19,591
2014	16,425	2,280	771	118	51	19,645
2015	16,527	2,285	785	130	58	19,785
2016	16,576	2,283	802	131	59	19,851
2017	16,615	2,284	807	132	64	19,902
2018	16,627	2,284	807	132	61	19,911
2019	16,645	2,286	810	132	64	19,937
2020	16,691	2,288	809	132	38	19,958
2021	16,922	2,289	812	133	45	20,201
2022	16,978	2,289	807	133	44	20,251



Source: District Administrative Services Department District Water Efficiency Department

Principal Customers

Current Fiscal Year and Nine Years Ago Schedule 7

	20	22
Customer	Billed	Percentage
	Units (ccf's)	of Total
San Juan Unified School Distri	112,859	2.40%
Sunrise Recreation Park Dist	77,623	1.65%
JMK Investments	73,952	1.57%
JRK Investors	51,117	1.09%
Mt Vernon Memorial Park	45,073	0.96%
Conference Claimants Endowment	29,154	0.62%
Wedgewood Commons Apts LLC	26,216	0.56%
Salishan Apartments	25,166	0.54%
Knaggs Meadows LLC	25,140	0.54%
Greenback Manor	21,913	0.47%
Total Billed Units: Principal customers	488,213	10.39%
Total Billed Units	4,696,817	100.00%

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

Source:



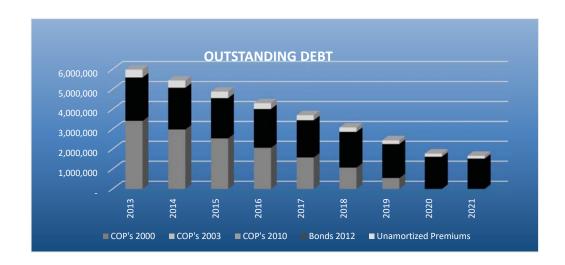
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years Schedule 8

	Certificates	Certificates	Certificates	Refunding			Total	
	of	of	of	Revenue	Unamortized		No. of	Debt
Fiscal	Participation	Participation	Participation	Bonds	Premiums	Total	Connections	Per Capita
Year	2000 ⁽¹⁾	2003 ⁽²⁾	2010 ⁽³⁾	2012 ⁽⁴⁾		Debt	(5)	(Rounded) ⁽⁵⁾
2013	-	-	3,415,000	2,170,000	392,125	5,977,125	19,591	305
2014	-	-	2,980,000	2,095,000	357,305	5,432,305	19,645	277
2015	-	-	2,530,000	2,025,000	322,486	4,877,486	19,785	247
2016	-	-	2,060,000	1,950,000	287,666	4,297,666	19,851	216
2017	-	-	1,575,000	1,870,000	252,847	3,697,847	19,902	186
2018	-	-	1,070,000	1,790,000	218,027	3,078,027	19,911	155
2019	-	-	545,000	1,705,000	183,208	2,433,208	19,937	122
2020	-	-	-	1,615,000	153,751	1,768,751	19,958	89
2021	-	-	-	1,520,000	140,381	1,660,381	20,201	82
2022	-	-	-	1,420,000	127,011	1,547,011	20,251	76

Notes:

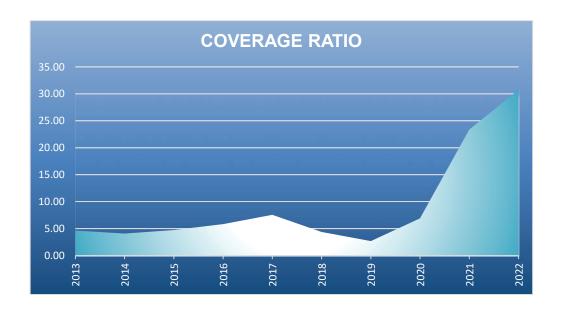
- (1) In October 2000, the District issued \$7,900,000 of Certificates of Participation, Series 2000 to finance the cost of capital improvement projects.
- (2) In December 2003, the District issued \$2,915,000 of Certificates of Participation, Series 2003 to finance the cost of capital improvement projects.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



Debt Coverage

Last Ten Fiscal Years Schedule 9

Fiscal Voor	No	et Revenues	Operating Net Available				Coverage						
riscai i eai	IAE	et Revenues		Expenses	Revenues		Principal		I	nterest		Total	Ratio
2013	\$	11.397.883	\$	(8,496,626)	\$	2.901.257	\$	420.000	\$	206.480	\$	626.480	4.63
2014	•	11,328,895	•	(8,362,101)	,	2,966,794	•	530,000	•	195,210	,	725,210	4.09
2015		11,357,402		(8,122,001)		3,235,401		510,000		173,462		683,462	4.73
2016		13,190,694		(9,247,133)		3,943,561		520,000		155,214		675,214	5.84
2017		15,087,104		(9,879,662)		5,207,442		545,000		145,911		690,911	7.54
2018		15,037,889		(11,920,073)		3,117,816		565,000		147,540		712,540	4.38
2019		15,557,321		(13,666,214)		1,891,107		585,000		124,346		709,346	2.67
2020		19,290,417		(14,256,859)		5,033,558		635,000		95,741		730,741	6.89
2021		17,445,345		(13,480,543)		3,964,802		95,000		74,734		169,734	23.36
2022		19,411,034		(14,193,783)		5,217,251		100,000		69,691		169,691	30.75





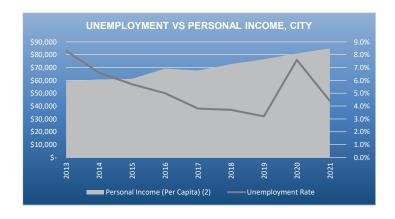
Demographics and Economic Statistics

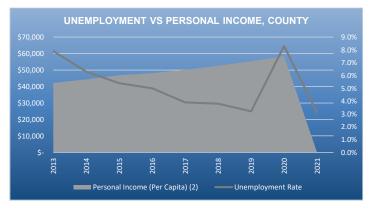
Last Ten Calendar Years Schedule 10

	Total Number of Connections	City of Citrus Heights ⁽¹⁾				County of Sacramento ⁽¹⁾			
Fiscal Year		Population ⁽³⁾	Unemployment Rate	Personal Income (thousands of dollars) ⁽²⁾	Personal Income (Per Capita) ⁽²⁾	Population ⁽³⁾	Unemployment Rate	Personal Income (thousands of dollars) ⁽²⁾	Personal Income (Per Capita) ⁽²⁾
2013	19.591	85.123	8.3%	5.044.729	59.264	1.460.023	7.9%	61.654.690	42,229
2014	19,645	85,891	6.6%	5,212,811	60,691	1,478,137	6.3%	65,486,553	44,303
2015	19,785	86,759	5.7%	5,308,263	61,184	1,496,644	5.4%	70,110,138	46,845
2016	19,851	87,380	5.0%	6,043,288	69,161	1,514,460	5.0%	72,878,458	48,122
2017	19,902	87,931	3.8%	5,952,753	67,698	1,530,615	3.9%	76,832,120	50,197
2018	19,911	87,910	3.7%	6,388,859	72,675	1,540,975	3.8%	80,969,087	52,544
2019	19,937	87,796	3.2%	6,710,775	76,436	1,552,058	3.2%	85,775,621	55,266
2020	19,958	87,583	7.6%	7,102,719	81,097	1,559,146	8.3%	90,908,707	58,307
2021	20,201	87,404	4.4%	n/a	84,907	1,588,106	3.1%	n/a	n/a
2022	20,251	87,708	3.8%	n/a	n/a	1,584,169	3.5%	n/a	n/a

Notes:

- (1) Demographic and economic statistics are provided for the City of Citrus Heights (City) and the County of Sacramento (County) because these statistics are not 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 the District.
- (2) Personal income and per capita personal income is not yet available for Fiscal Year 2021.
- (3) Population data is not yet available for Fiscal Year 2021.





Sources:

- U.S. Bureau of Economic Analysis
- U.S. Bureau of Labor Statistics
- U.S. Census Bureau

Principal Employers (1)

Current Fiscal Year and Nine Years Ago Schedule 12

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

2014 ⁽²⁾				
Employer	Employees	Rank	Percentage of Employment	
State of California	72,220	1	10.10%	
County of Sacramento	10,700	2	1.50%	
United States Government	9,906	3	1.39%	
UC Davis Health	9,905	4	1.39%	
Sutter Health	7,352	5	1.03%	
Dignity Health	6,212	6	0.87%	
Intel Corporation	6,000	7	0.84%	
Kaiser Permanente	5,421	8	0.76%	
Elk Grove Unified School District	5,410	9	0.76%	
Sacramento City Unified School District	4,200	10	0.59%	
<u>Total</u>	<u>137,326</u>		<u>19.21%</u>	
Total County Employment	673,727		100.00%	

Notes:

Source:

Sacramento Business Journal

U.S. Bureau of Labor Statistics

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



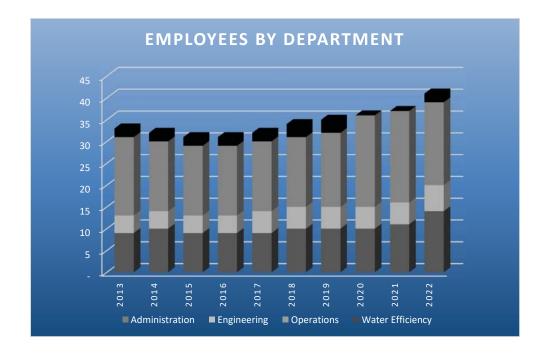
District Employees by Department

Last Ten Fiscal Years Schedule 11

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

Notes:

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



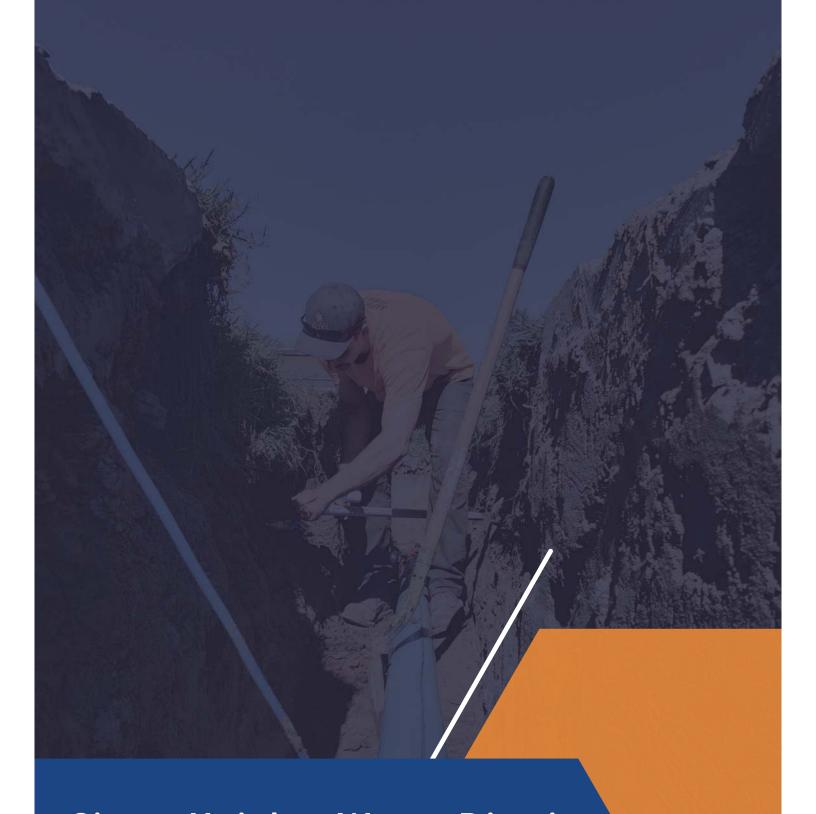
Other Operating and Capacity Indicators

Last Ten Fiscal Years
Schedule 13

Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
2013	19,591	14,881.54	242.51	4	19,488	2,037
2013	19,645	11,937.24	243.80	4	19,538	2,062
2015	19,785	9,973.47	245.56	4	19,594	2,087
2016	19,851	10,422.44	248.19	5	19,789	2,133
2017	19,902	11,014.52	249.31	6	19,912	2,160
2018	19,911	10,981.66	249.97	6	20,007	2,181
2019	19,937	11,001.23	250.26	6	20,043	2,368
2020	19,958	12,003.53	251.97	6	20,060	2,373
2021	20,201	11,505.25	252.57	6	20,282	2,367
2022	20,251	11,565.65	253.74	6	20,300	2,170

Source: District Administrative Services Department

District Engineering Department
District Water Efficiency Department



Citrus Heights Water District
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