CITRUS HEIGHTS WATER DISTRICT

CITRUS HEIGHTS, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

CITRUS HEIGHTS WATER DISTRICT

CITRUS HEIGHTS, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT
6230 SYLVAN ROAD, CITRUS HEIGHTS, CA 95610
WWW.CHWD.ORG

CITRUS HEIGHTS WATER DISTRICT

Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017

Table of Contents

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

Financial Section	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Balance Sheets	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Statements of Fiduciary Net Position	18
Statements of Changes in Fiduciary Net Position	19
Notes to the Basic Financial Statements	20
Required Supplementary Information:	
Schedule of the Plan's Proportionate Share of the Net Position Liability and Related Ratios as of the Measurement Date	51
Schedule of Contributions	52
Shcedule of Changes in Total OPEB Liability and Related Ratios	53
Schedule of Contributions - Agent Multiple Employer Plan	54

Table of Contents (continued)

Statistical Section	**Page**

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

CITRUS
HEIGHTS
WATER
DISTRICT

INTRODUCTORY SECTION

April 29, 2019

To the Board of Directors of Citrus Heights Water District

We are pleased to present the Citrus Heights Water District's ("District") second Comprehensive Annual Financial Report ("CAFR") for the fiscal year ending December 31, 2018. This report was prepared by District staff in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

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

The District's financial statements have been audited by Maze and Associates, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending December 31, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ending December 31, 2018, were fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

Overview of the Comprehensive Annual Financial Report

This report is presented in three sections:

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

Profile of Citrus Heights Water District

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

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

Governance and Organizational Structure
CHWD is a special district established by the State of California. The District is governed by a three-member Board of Directors that is elected to a four-year term by voters who reside in the District's service area. The District was staffed in 2018 by 34 full-time equivalent employees assigned to four departments: Administrative Services, Engineering, Operations, and the General Manager's Office. The General Manager and District Counsel are appointed by, and report directly to, the Board of Directors.

Water Supply
In 2018, the District purchased 90.52% of its water from San Juan Water District (SJWD), and delivered it to approximately 19,900 residential and commercial service connections. Additionally, the District maintains six groundwater wells and approximately 250 miles of pipeline. CHWD has been treating and delivering groundwater to customers since 1943.

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

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

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

Financial Policies

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

- Investment Policy – The Board has adopted an investment policy that conforms to state law, CHWD’s ordinances and resolutions, prudent money management, and the “prudent person” standards. The objectives of the Statement of Investment Policy are safety, liquidity, and then yield. Currently, funds are invested in various securities as authorized by CHWD’s Investment Policy, with most of the District’s funds invested in California’s Local Agency Investment Fund (LAIF).

- Reserve Policies – The District has ten Reserve accounts with supported policies to balance ongoing operations to capital improvement programs. These funds are allocated to the maintenance, repair, replacement, or improvement of water system infrastructure. Adequate reserves, along with sound financial policies, provide financial flexibility to counter unanticipated expenditures or revenue fluctuations.

Audit and Financial Reporting

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

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

Economic Condition, Outlook and Major Initiatives

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

CHWD operates as an enterprise fund, meaning the costs of providing water service and protecting groundwater resources are financed by rates and fees charged to District customers. Since the District receives no revenue from taxes, operating revenues consist primarily of water sales and bi-monthly service charges. Although water use rebounded slightly in 2018, District customers have decreased their water use significantly since 2013 in response to state-wide drought mandates. This created a gap between the amount of water customers were projected to use, and the amount they actually used, and contributed to the need for a new rate study and financial model rebuild.

CHWD and its wholesale water supplier, San Juan Water District, continue to encounter changes in operations due to new regulations. The impact of current and future regulations, and the resulting cost impact on water supply operations, are an ongoing challenge for the District. The District anticipates a 9% rate increase from its wholesale water supplier in 2019.

As of Jan 01, 2018, CHWD charges a uniform commodity rate of $1.02 per unit and a bi-monthly fixed charge of $74.46 for a 1-inch meter. One unit of water equals 748 gallons which means that the cost per gallon is 0.14 cents. At $690.77 per year, the cost of water service for a typical single family home using 179,520 gallons of water annually remains a good value for CHWD's customers.

The District continues to repair and replace aging infrastructure throughout its system. During 2018, the District completed 311 service replacements, the Graham Circle Water Main replacement, and the Highland Avenue Water Main replacement, to name a few. Capital projects scheduled for 2019 total $6.2 million.

Long-Term Financial Planning

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

- Strategic Plan – Strategic planning involves establishing a vision for the future and a clear mission statement to provide direction and define what the organization stands for and what it has pledged to accomplish. Since 2017, CHWD has held a strategic planning workshop for the Board of Directors, management, and community at-large members. The purpose of the workshop was to review the District's mission statement and values, and to formulate the District's values and organizational goals which emphasize our commitment to conservation, water supply, capital improvement and organizational wide support. The Strategic Plan forms 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 efforts. The purpose of this plan is to inform customers about our challenges, and the current actions being undertaken to ensure water supply reliability, and prepare for the replacement of our 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 the 1999 Facilities Master Plan. The Capital Improvement Plan is a ten year forecast.
- 10-Year Finance Plan – The previous Finance Plan was completed by NBS June 2013, and includes short and long-range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over the next ten years. The plan is updated as changes in customer water use impact long-range financial projections and capital improvement and water supply plans evolve. Raftelis Financial Consultants began work on a new finance plan, which is projection for completion and to be presented to the Board in 2019.
- Annual Budget – A key component of financial planning is the District's budget, which is prepared, reviewed and adopted annually. Every summer, District staff from each department prepare a draft budget which 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.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Citrus Heights Water District for its first comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the first year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished through the combined efforts of CHWD's staff, most notably Accounting Supervisor Alberto Preciado, along with support from the various departmental managers and supervisors. We appreciate the dedicated efforts and professionalism that these staff members contributed to CHWD's CAFR. We would also like to thank the members of the Board of Directors for their continued support in planning and implementing the District's fiscal policies.

Respectfully submitted,

Hilary M. Straus	Susan K. Sohal
General Manager/Secretary	Administrative Services
	Manager/Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Citrus Heights Water District
California

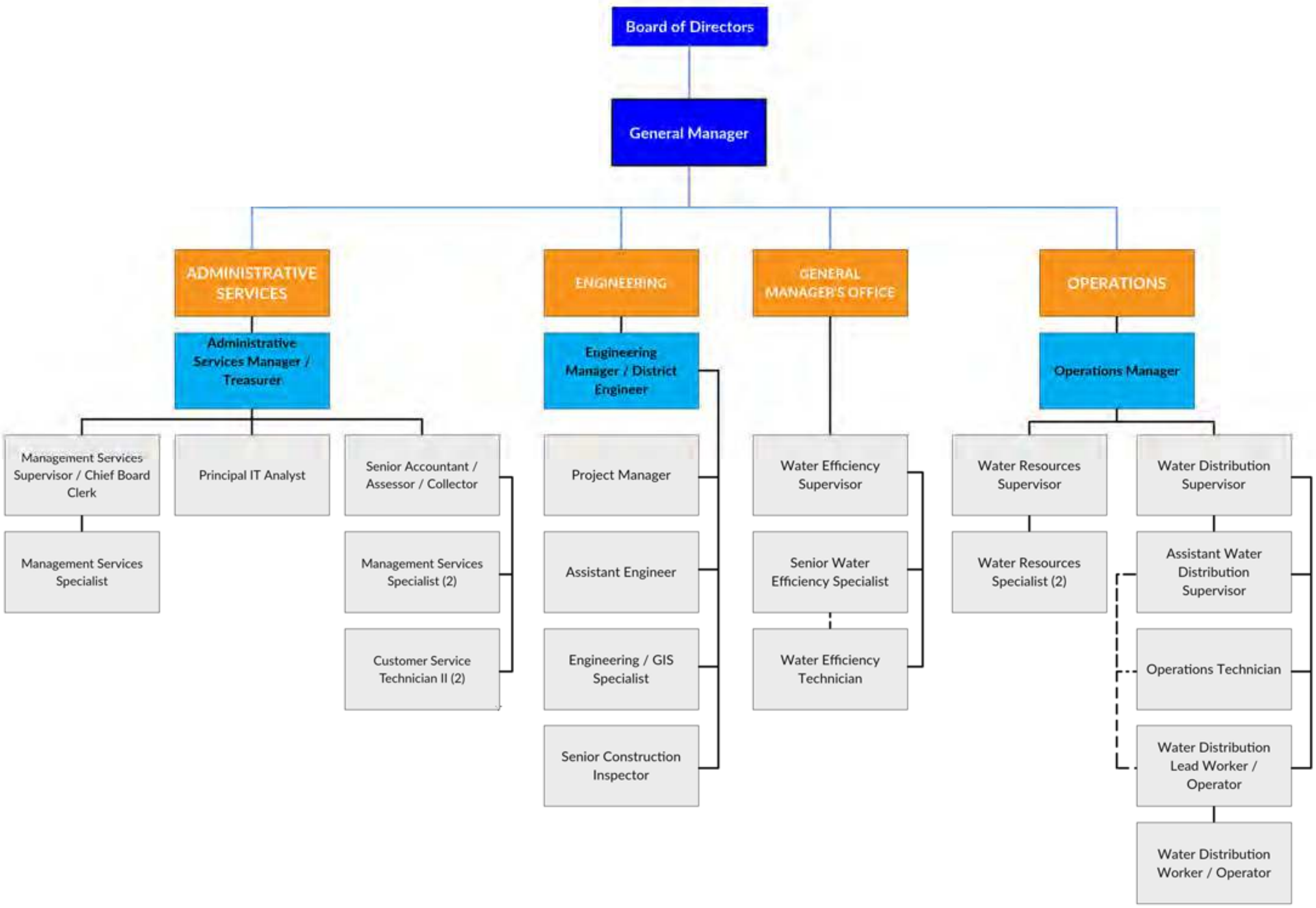
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

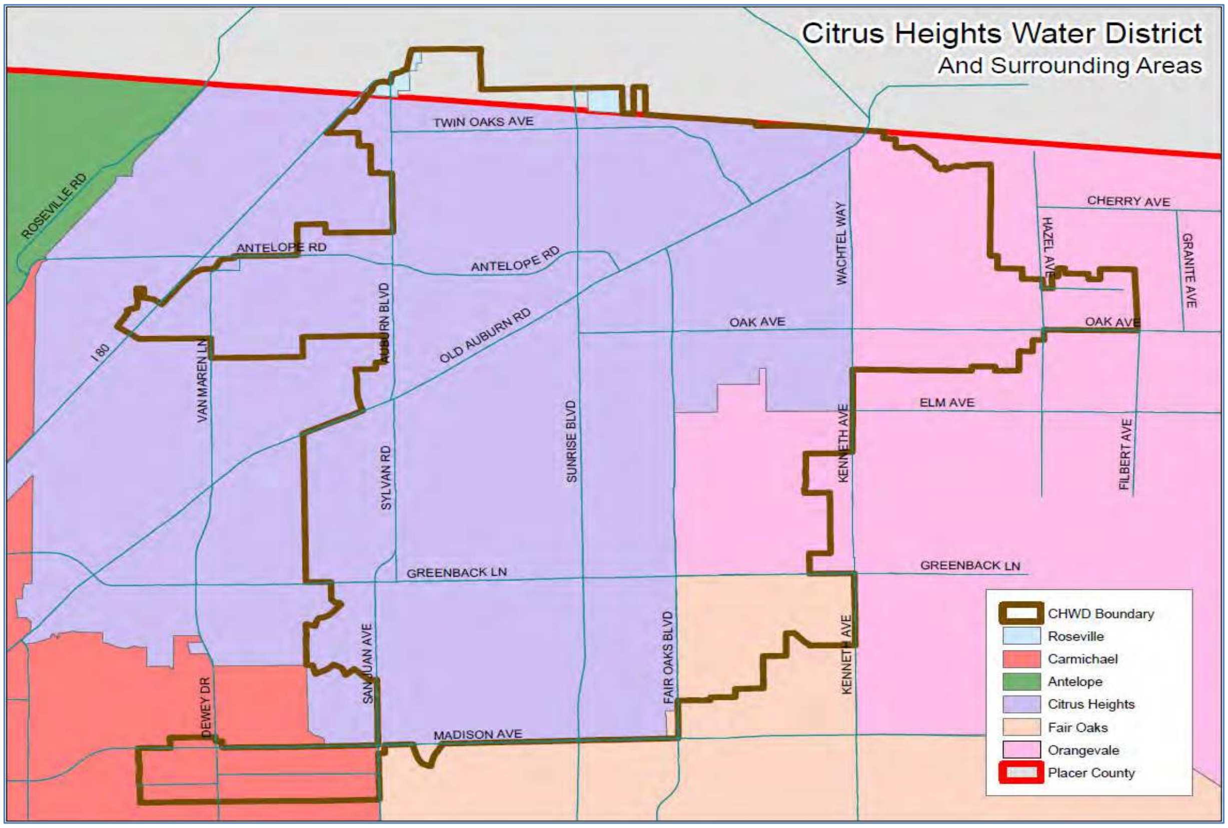
Executive Director/CEO

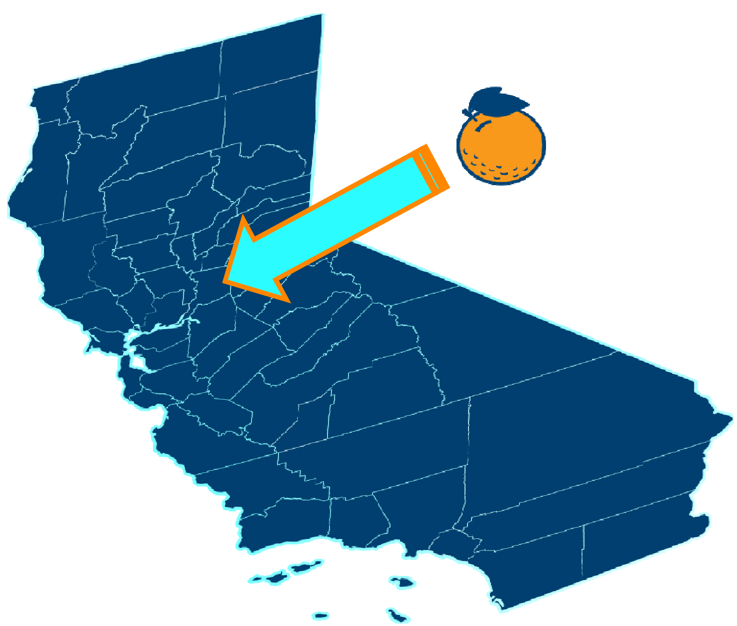
Organizational Chart



CITRUS HEIGHTS WATER DISTRICT

Service Area Map with Cities Served





CITRUS HEIGHTS WATER DISTRICT

Board of Directors and Principal Officers

Board of Directors

President	Raymond A. Riehle	Division Two
Vice President	Caryl F. Sheehan	Division One
Director	Allen B. Dains	Division Three

Executive Staff

General Manager	Hilary M. Straus
Administrative Services Manager	Susan K. Sohal
Engineering Manager	Melissa Pieri
Operations Manager	David Gordon

Appointed Officers

Secretary	Hilary M. Straus
Treasurer	Susan K. Sohal
Assessor Collector	Alberto Preciado

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type and fiduciary fund of the Citrus Heights Water District (District), California, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type and fiduciary fund of the District as of December 31, 2018 and 2017, and the respective changes in its financial positions and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

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

This emphasis of matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Maze + Associates

Pleasant Hill, California
April 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Citrus Heights Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended December 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

The following items are, in the opinion of District management, among the most significant in assessing the District's overall financial activities during 2018 and its financial position at the close of the year 2018:

- The District's assets exceeded its liabilities at the end of year 2018 by $67,288,165. About 82 percent of the District's net position, $55,029,058, is composed of the capital assets of the District – the water transmission and distribution system, water production facilities, land, buildings, and equipment belonging to the District. Unrestricted net position totaled $11,717,632, up from $10,882,932 at the end of year 2017. This increase is due primarily to revenue generated from water transfer sale in 2018, and also a 3 percent rate increase levied by the Board of Directors at the beginning of 2018. In fiscal year 2017, unrestricted net assets increased to $10,347,199, up from $6,782,716 at the end of 2016. This increase was due primarily to revenue generated from increased water sales in 2017, and also a 13 percent rate increase levied by the Board of Directors at the beginning of 2017

- Capital improvement spending in year 2018 increased by $3.4 million as compared with 2017. Capital improvements capitalized in 2018 amounted to $4.8 million. Capital improvement spending in year 2017 decreased by $6.9 million as compared to year 2016.

- The District's operating revenues for 2018 were $14,375,044. About 98 percent of operating revenues, $14,119,865, came from water sales to customers.

- The District's total net long-term liabilities at the end of 2018, including the 2012 Revenue Refunding bonds, the 2010 Revenue Refunding Certificates of Participation, pension liability, liability for other postemployment benefits (OPEB), and compensated absences is $8,468,101. GASB Statement No. 68 required the recording of pension liability amounting to $4,399,273. GASB Statement No. 75 required the recording of OPEB liability in the amount of $1,401,268. Liabilities from Bond debt service decreased by $619,820 due to a reduction in principal on debt during 2018 resulting from debt service payments during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Balance Sheet

The following table summarizes assets, deferred outflows, liabilities, deferred inflows, and net position at December 31, 2018, 2017, and 2016:

				% Increase (Decrease)	
	2018	2017	2016	FY18 vs FY17	FY17 vs FY16
Current assets	$17,150,069	$16,248,823	$12,843,685	5.6%	26.5%
Capital assets, net	58,109,443	57,038,900	56,078,006	1.9%	1.7%
Total Assets	**75,259,512**	**73,287,723**	**68,921,691**	**2.7%**	**6.3%**
Deferred outflows	**2,674,857**	**1,981,897**	**764,732**	**35.0%**	**159.2%**
Current liabilities	1,972,121	2,031,682	1,618,896	(2.9)%	25.5%
Non-current liabilities	8,468,101	8,280,325	7,955,992	2.3%	4.1%
Total Liabilities	**10,440,222**	**10,312,007**	**9,574,888**	**1.2%**	**7.7%**
Deferred Inflows	**205,982**	**188,528**	**459,794**	**9.3%**	**(59.0)%**
Net Position					
Net investment in capital assets	55,029,058	53,350,420	51,801,433	2.1%	3.0%
Restricted for debt service	541,475	535,733	533,796	1.1%	0.4%
Unrestricted	11,717,632	10,882,932	7,316,512	13.2%	52.6%
Total Net Position	**$67,288,165**	**$64,769,085**	**$59,651,741**	**3.9%**	**8.6%**

The total net position of the District increased from $59.7 million in 2016 to $64.8 million in 2017, and increased to $67.3 million in 2018. The District's total assets increased by $2.0 million, or 2.7%, in 2018 compared to 2017, and $4.4 million, or 6.3%, in 2017 compared to 2016. In 2018, the total liabilities increased $128,215, or 1.2%, compared to 2017, and in 2017, increased $737,119, or 7.7%, compared to 2016. The increase in net position over the three-year period totals $27.4 million or 4.62% and is the result of the combination of net income, capital contributions, and the implementation of GASB 75 which required the District to record the Net OPEB Liability.

Changes in Net Position

The following table summarizes the changes in net position for the fiscal years ended December 31, 2017, 2016, and 2015:

				% Increase (Decrease)	
	2018	2017	2016		
Operating revenues	$14,375,044	$14,043,049	$12,325,057	2.4%	13.9%
Operating expenses:					
Customer service, administration and general	3,228,919	2,543,736	2,342,957	26.9%	8.6%
Water purchases	2,878,799	2,692,482	2,190,061	6.9%	22.9%
Transmission and distribution	2,142,451	1,963,750	2,114,019	9.1%	(7.1)%
Pumping & well maintenance	717,562	145,077	184,776	394.6%	(21.5)%
Water efficiency (Conservation)	563,708	189,336	212,150	197.7%	(10.8)%
Depreciation & amortization	2,388,634	2,345,281	2,203,170	1.8%	6.5%
Total operating expenses	11,920,073	9,879,662	9,247,133	20.7%	6.8%
Operating income	2,454,971	4,163,377	3,077,924	(41.0)%	35.3%
Net non-operating revenues (expenses)	302,184	898,144	(186,265)	(66.4)%	582.2%
Net income before capital contributions	2,757,155	5,061,531	2,891,659	(45.5)%	75%
Capital contributions:					
Contributed (donated) assets	213,121	55,813	896,688	281.8%	(93.8)%
Grant Revenue	-	-	715	0.0%	(100.0)%
Total capital contributions	213,121	55,813	897,403	281.8%	(93.8)%
Change in net position	2,970,276	5,117,344	3,789,062	(42.0)%	35.1%
Net position, beginning of year, as restated	64,317,889	59,651,741	55,862,679	7.8%	6.8%
Net position, end of year	$67,288,165	$64,769,085	$59,651,741	3.9%	8.6%

Net position increased $2,970,276, or 4.6 percent from the prior year; in 2017, net position increased $5,117,344, or 8.6 percent from 2016. Operating revenue that exceeded operating expenses by $2.5 million and $4.1 million for 2018 and 2017, respectively, accounts for the majority of the increase in net position, and most of these funds were expended for the construction of capital improvements or set aside for that purpose. The receipt of $213,121 in donated assets from private developer additions to the District's water distribution system accounted for about 7 percent of the increase in net position.

Total operating revenues increased in 2018 by $331,995 or 2.4 percent from 2017, and in 2017 by $1.7 million or 13.9 percent from 2016. An increase in water rates accounts for most of this increase. Water consumption by the District customers decreased in 2018 compared with consumption in 2017 by 0.3% due to increased rainfall in the winter months; consumption increased in 2017 by 8.9% over 2016 due to the relaxation of drought conservation measures.

Operating expenses increased in 2018 by $2,040,411, or 20.7 percent from 2017, due to increases in operating costs such as the beginning of an accelerated payoff of the District's GASB 68 pension and GASB 75 OPEB unfunded liabilities, the cost of materials and supplies used to operate and maintain the District's water distribution system and groundwater production wells, including major maintenance to the Sunrise Well, and professional services for advanced planning for the Project 2030 Water Main Replacement study and the Meter Replacement program. In 2017, operating expenses increased by $632,529, or 6.8 percent from 2016, due to increases in operating costs such as GASB 68 CalPERS unfunded liability and cost of materials and supplies used to operate and maintain the District's water distribution system and groundwater production wells

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, 2017 and 2016, the District's investment in capital assets, net of related debt, was $55,029,058, $53,350,420, and $51,801,433, 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 $4.8 million additions to the District's capital assets in 2018, the $1.7 million additions in 2017, and the $8.6 million additions in 2016. A number of private development projects resulted in the addition of $213,122 in donated capital assets in 2018, and $55,813 in 2017.

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

Debt Administration

The District continues to meet its debt obligations under its 2010 Refunded Certificates of Participation (COPs) and the 2012 Revenue Refunding bonds. Through scheduled debt service payments, principal on its collective debt was reduced by $619,820 during 2018, and by $599,819 during 2017. The District's total debt from its COP and bond issuances now stands at approximately $3 million.

Total compensated absences (long-term liability and current portion combined), are composed of leave hours earned by employees that are payable upon termination or retirement and are valued at $463,089 at the end of 2018, an increase from the 2017 year-end amount of $378,339. This increase is due to higher rates of leave due to seniority and multiple employees becoming eligible for sick leave payouts. From 2016 to 2017, compensated absences increased by $45,259. This increase was due primarily to employee accruals of sick leave, and higher rates of vacation leave accrual due to seniority.

The liability for other post-employment benefits (OPEB) increased by $560,741 in 2018 due to the implementation of GASB 75. The District began prefunding its OPEB liability in 2018; if it hadn't done so, the increase would have been $1.2 million. OPEB liability increased by $95,772 in 2017 as a result of the annual cost of these benefits exceeding the amounts currently paid for premiums.

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

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

The District continued to exercise fiscal restraint in budgeting for District operations in 2019, with an overall increase of 7.5% percent compared with the 2018 Operating Budget. This budget includes:

- Maintaining the current level of services and programs for District customers;

- $364,341 or 11.83% total increase in cost of treated water from San Juan Water District. The growth in costs includes the wholesale water rate increase of 9%, and an increase of projected water use, estimated to be 12,500 AF as compared to 12,000 AF in 2018.

- $1.89 million in Professional Services, including many Strategic Planning and Special Project items, including the Project 2030 Study, Water Meter Replacement Program, ASR Study, organizational development, District policy review/updates, review of easements, annexations, website redesign and water supply agreement.

- $376,652 increase in Salary and Benefits, which includes: Accelerated payoffs of the CalPERS pension Unfunded Actuarial Liability (UAL) and the OPEB UAL; 35% increase in the CalPERS employer contribution rate (due to factors such as the lowering of the assumed rate of return on CalPERS' portfolio); 25% increase in Health Insurance (due to factors such as increased plan costs (staff is currently researching provider and plan options)); 4.5%, for merit and cost of living adjustments; and, 1.35% increase is attributable to the addition of the proposed Senior Management Services Specialist position.

- Designated Reserve transfers include: $66,000 transfer to complete the replenishment of the Rate Stabilization Reserve to bring the fund back to its policy target of $1 million ($366,000 was drawn down from the fund in 2015 due to the drought), $400,000 transfer to the Water Supply Reserve based upon projected revenue, and $200,000 transfer to the Water Meter Replacement Reserves for accrual of funds toward Meter Replacements at the end of their useful life, projected to start in 2025.

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

The District plans to rebuild its financial reserves to a level that supports a higher level of capital investment from reserves. Total capital improvement expenditures budgeted for FY2019 are about $4.3 million compared with $6.6 million in FY2018. This amount includes about $400,000 in carry-over projects from prior years, and about $3.9 million in new projects for FY2019. Installation of new fire hydrants, as well as replacements and upgrades for $159,150, six water main replacement or installation projects, scheduled to start design, will be undertaken in 2019 with construction targeted for 2019 at a total cost of $1.6 million. Operations equipment replacements and new equipment purchases totaling $295,000 are planned for 2019.

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

A significant but declining portion of the District's budget continues to be the repayment of long-term debt financing in the form of Certificates of Participation originally issued in 2000 (refunded in 2010) and Certificates of Participation originally issued in 2003 (refunded as Revenue Refunding Bonds in 2012). The annual debt service for these two issuances is budgeted at $610,000 for FY2019.

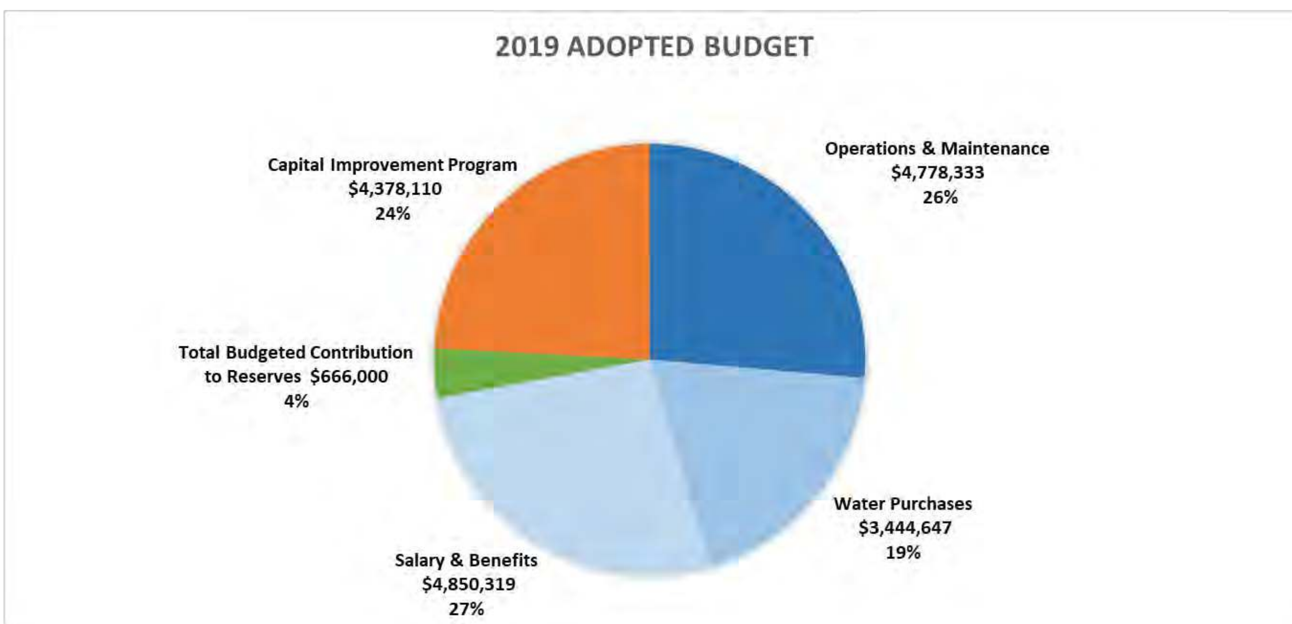
The District's Board of Directors levied a water rate increase designed to achieve an overall increase in water rate revenues of 5 percent for 2018. The District utilized a detailed cost-of-service and financial plan study set in place in FY2013 to determine the increase, taking into consideration the statewide water mandates, capital improvement program, and water meter reserves. The increase in revenues resulting from the FY2019 water rates will provide additional revenue to offset rising operating costs and the increasing costs of reinvestment in the District's aging water transmission and distribution infrastructure.

The District anticipates the need to consider future annual water rate increases to fund replacement of portions of the District's 250 miles of underground water mains, and to pay the continually-rising operating costs of the District, while maintaining financial reserves to comply with debt covenants and to provide funds for emergencies or catastrophic losses.

The financial plan adopted by the Board of Directors in FY2013 contemplates water rate increases in the 3% range every year through FY2019. However, water rates for years beyond FY2019 have not been adopted by the Board of Directors. District Staff is working with Raftelis Financial Consultants on a new financial plan, which is projected for completion and presentation to the Board in 2019.

CITRUS HEIGHTS WATER DISTRICT ADOPTED BUDGET

	2016 Actual	2017 Actual	2018 Adopted Budget	2018 Projected	2019 Adopted Budget
Beginning Fund Balance					$ 13,258,717
Revenues					
Rate Revenue	$ 11,608,202	$ 13,450,282	$ 14,260,000	$ 14,200,000	$ 14,910,000
Collections Fees & Penalties	$ 695,909	$ 556,023	$ 406,000	$ 500,000	$ 450,000
Grants/ Misc	$ 1,063,413	$ 1,258,855	$ 161,000	$ 400,000	$ 150,000
Total Revenue	$ 13,367,524	$ 15,265,160	$ 14,827,000	$ 15,100,000	$ 15,510,000
Operating & Maintenance Budget					
Operations & Maintenance	$ 1,978,192	$ 2,375,998	$ 4,601,716	$ 2,690,679	$ 4,778,333
Water Purchases	$ 2,190,061	$ 2,692,482	$ 3,080,306	$ 3,279,886	$ 3,444,647
Salary & Benefits	$ 3,071,341	$ 3,965,555	$ 4,473,367	$ 4,223,039	$ 4,850,319
Total Expense	$ 7,239,594	$ 9,034,034	$ 12,155,390	$ 10,193,605	$ 13,073,299
Net Contribution to/(Use) of Reserves	**$ 6,127,930**	**$ 6,231,126**	**$ 2,671,610**	**$ 4,906,395**	**$ 2,436,701**
Contribution to Reserves Budget					
Total Budgeted Contribution to Reserves	$ 1,000,000	$ 575,000	$ 1,760,000	$ 1,760,000	$ 666,000
Net Contribution to Capital Improvement Reserve	$ 5,127,930	$ 5,656,126	$ 911,610	$ 3,146,395	$ 1,770,701
Capital Improvement Program Budget					
Capital Improvement Program Budget (Funded through CIP Reserve)	$ 2,090,087	$ 3,419,838	$ 6,204,462	$ 2,666,192	$ 4,378,110
Ending Fund Balance					**$ 11,854,257**
Fund Balance Policy Target					**$ 11,851,559**
Policy Target Surplus/(Deficit)					**$ 2,698**



BASIC FINANCIAL STATEMENTS

CITRUS HEIGHTS WATER DISTRICT
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	$13,050,305	$12,058,984
Restricted - cash and investments (Note 2)	541,475	535,733
Accounts receivable, net	2,374,296	2,432,542
Due from other governments	398,292	662,991
Accrued interest receivable	42,558	23,519
Inventory	284,027	235,467
Prepaid expenses and other deposits	459,116	299,587
Total current assets	17,150,069	16,248,823
NON-CURRENT ASSETS		
Non-depreciable capital assets (Note 3)	1,408,284	2,836,183
Depreciable capital assets, net (Note 3)	56,701,159	54,202,717
Total non-current assets	58,109,443	57,038,900
TOTAL ASSETS	75,259,512	73,287,723
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from refunding debt	22,839	35,889
Pension related (Note 7)	2,529,491	1,946,008
OPEB related (Note 8)	122,527	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,674,857	1,981,897
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	77,934,369	$75,269,620
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$568,947	$670,330
Retentions payable	-	76,613
Accrued payroll	92,439	65,476
Accrued interest payable	52,344	52,987
Deposits payable	384,835	374,300
Compensated absences (Note 4)	263,556	206,976
Long-term debt (Note 4)	610,000	585,000
Total current liabilities	1,972,121	2,031,682
NON-CURRENT LIABILITIES		
Compensated absences (Note 4)	199,533	171,363
Long-term debt (Note 4)	2,468,027	3,112,847
Net pension liability (Note 7)	4,399,273	4,155,588
Net OPEB liability (Note 8)	1,401,268	-
Net OPEB obligation	-	840,527
Total non-current liabilities	8,468,101	8,280,325
TOTAL LIABILITIES	10,440,222	10,312,007
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from refunding debt	25,197	26,522
Pension related (Note 7)	180,785	162,006
TOTAL DEFERRED INFLOWS OF RESOURCES	205,982	188,528
NET POSITION (Note 6)		
Net investment in capital assets	55,029,058	53,350,420
Restricted for debt service	541,475	535,733
Unrestricted	11,717,632	10,882,932
TOTAL NET POSITION	67,288,165	64,769,085
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	77,934,369	$75,269,620

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Water sales	$14,119,865	$13,448,691
Connection and other fees	255,179	594,358
Total operating revenues	14,375,044	14,043,049
OPERATING EXPENSES		
Customer service, administration and general	3,228,919	2,543,736
Water purchases	2,878,799	2,692,482
Transmission and distribution	2,142,451	1,963,750
Pumping and well maintenance	717,562	145,077
Conservation	563,708	189,336
Depreciation and amortization	2,388,634	2,345,281
Total operating expenses	11,920,073	9,879,662
OPERATING INCOME	2,454,971	4,163,387
NONOPERATING REVENUES (EXPENSES)		
Investment income	159,437	63,531
Miscellaneous income	107,546	77,074
Groundwater transfers and sales	347,583	1,058,793
Interest expense	(147,540)	(145,911)
(Loss) gain on disposal of capital assets	(164,842)	(155,343)
Total nonoperating revenues (expenses)	302,184	898,144
Net income (loss) before capital contributions	2,757,155	5,061,531
CAPITAL CONTRIBUTIONS		
Capital contributions	213,121	55,813
Total capital contributions	213,121	55,813
CHANGES IN NET POSITION	2,970,276	5,117,344
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 6)	64,317,889	59,651,741
NET POSITION, END OF YEAR	$67,288,165	$64,769,085

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$14,356,677	$13,668,194
Cash paid to suppliers for goods and services	(6,712,978)	(5,731,692)
Cash paid to employees for services	(3,082,301)	(2,657,612)
Cash Flows from Operating Activities	4,561,398	5,278,890
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from other non operating income	455,129	1,135,867
Cash Flows from Noncapital Financing Activities	455,129	1,135,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,410,898)	(3,405,705)
Principal payments on long-term debt	(619,820)	(599,819)
Interest payments on long-term debt	(148,183)	(150,833)
Cash Flows (used for) Capital and Related Financing Activities	(4,178,901)	(4,156,357)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	159,437	63,531
Cash Flows from Investing Activities	159,437	63,531
NET CASH FLOWS	997,063	2,321,931
Cash, beginning of year	12,594,717	10,272,786
Cash, end of year	$13,591,780	$12,594,717
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	$13,050,305	$12,058,984
Restricted - cash and cash equivalents	541,475	535,733
Total cash and cash equivalents	$13,591,780	$12,594,717

(Continued)

CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	2018	2017
Net income from operations	$2,454,971	$4,163,387
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,388,634	2,345,281
Change in assets and liabilities:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	58,246	(430,440)
Inventory	(48,560)	24,170
Prepaid expenses and other assets	86,131	(676,937)
Deferred amount from refunding of debt	13,050	13,051
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(101,383)	301,614
Accrued payroll	26,963	6,175
Deposits payable	10,535	33,289
Retentions payable	(76,613)	55,585
Accrued other postemployment benefits		95,772
Compensated absences	84,750	45,259
Deferred amount from refunding of debt	(1,325)	(1,325)
Net pension liability and related deferred inflows and outflows	(321,019)	(695,991)
Total OPEB liability and related deferred inflows and outflows	(12,982)	
Net cash provided by operating activities	$4,561,398	$5,278,890
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Receipt of contributed assets	$213,121	$55,813

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Investments with Trustees:		
Cash and cash equivalents (Note 2)	$78,336	-
Total investments	78,336	-
TOTAL ASSETS	78,336	-
NET POSITION		
Net position held in trust for OPEB benefits	$78,336	-

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
ADDITIONS		
Contributions:		
District	$80,000	-
Total contributions	80,000	-
Investment income:		
Less: investment expenses	(1,664)	-
Total net investment income	(1,664)	-
Total additions	78,336	-
Change in net position	78,336	
NET POSITION		
NET POSITION, BEGINNING OF YEAR	-	-
NET POSITION, END OF YEAR	$78,336	-

See accompanying notes to financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The District was established on October 25, 1920 as an irrigation district under Division 11 of the Act of Legislature of the State of California. The District constructs and maintains waterworks and supplies domestic water in an area of approximately 12 square miles to about 19,600 connections in Sacramento and Placer counties with an estimated population of 66,000. The District is governed by a Board of Directors consisting of three directors elected by residents of the District. The accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

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

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

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

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

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

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

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

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

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

The District reports its ***Other Post-Employment Benefit Trust Fund*** as a fiduciary fund. The Fund consists of the California Employers' Retiree Benefit Trust, which was established in 2018. The fundamental purpose of the trust is to fund post-employment benefits (other than pension benefits), such as medical, dental, vision, life insurance, long-term care and similar benefits.

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

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

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

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

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

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

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

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

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

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

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

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

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets, works for 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 $2,369,215 and $2,334,743 for the years ended December 31, 2018 and 2017, respectively, and is included with depreciation and amortization expense.

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

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

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

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

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

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

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

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

New Pronouncements: Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended December 31, 2018:

GASB Statement No.75 **-** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.

- Explanations of how and why the OPEB liability changed from year to year will improve transparency.

- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.

- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return

- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.

- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms

- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

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

GASB Statement No.81 - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

How the Changes in This Statement Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

GASB Statement No.85 **-** The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements

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

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No.86 - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

In-Substance Defeasance of Debt Using Only Existing Resources

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

Prepaid Insurance Related to Extinguished Debt

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

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

Additional Disclosure for All In-Substance Defeasance Transactions

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

NOTE 2 – CASH AND INVESTMENTS

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

	2018	2017
Cash and investments	$13,050,305	$12,058,984
Restricted cash and investments	541,475	535,733
Total District cash and investments	$13,591,780	$12,594,717
Cash and investments held with OPEB trust	78,336	-
Total Cash and Investments	$13,670,116	$12,594,717

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	2018	2017
Cash on hand	$850	$550
Deposits with financial institutions	6,829,104	5,948,171
Total cash	6,829,954	5,948,721
Investments in Local Agency Investment Fund (LAIF)	6,220,351	6,110,263
Held by fiscal agent:		
Money market mutual fund	541,475	535,733
Held by OPEB Trust:		
Cash and investments	78,336	-
Total investments	6,840,162	6,645,996
Total cash and investments	13,670,116	12,594,717

Investment Policy: California statutes authorize districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. During the year ended December 31, 2018, the District's permissible investments included the following instruments:

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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	Level 1	Total
Investments by Fair Value Level:		
Money Market Mutual Fund	$541,475	$541,475
Total Investments	$541,475	541,475
Investments Measured at Amortized Cost:		
Money Market Mutual Fund		535,431
Cash in banks and on hand		6,372,859
Total Cash and Investments subject to Fair Value Hierarchy		7,449,765
Investments not subject to Fair Value Hierarchy		
California Local Agency Investment Fund (LAIF)		6,220,351
Total Cash and Investments		$13,670,116

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31, 2017:

	Level 1	Total
Investments by Fair Value Level:		
Money Market Mutual Fund	$535,733	$535,733
Total Investments	$535,733	535,733
Investments Measured at Amortized Cost:		
Money Market Mutual Fund		530,717
Cash in banks and on hand		5,418,004
Total Cash and Investments subject to Fair Value Hierarchy		6,484,454
Investments not subject to Fair Value Hierarchy		
California Local Agency Investment Fund (LAIF)		6,110,263
Total Cash and Investments		$12,594,717

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to

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

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type for the year ended December 31, 2018.

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

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, 2017.

	Minimum Legal Rating	Ratings as of Year End AAAm	Not Rated	Total
LAIF	N/A		$6,110,263	$6,110,263
Held by bond trustee:				
Money market mutual funds	AAAm	$535,733		535,733
		$535,733	$6,110,263	$6,645,996

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Investment in LAIF: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At December 31, 2018 and 2017, respectively, these investments matured in an average of 192 and 186 days.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2018 and 2017 are as follows:

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

NOTE 3 – CAPITAL ASSETS (Continued)

	Balance December 31, 2016	Additions	Retirements	Transfers	Balance December 31, 2017
Capital assets not being depreciated:					
Land	$955,683				$955,683
Right of ways	26,080				26,080
Construction in progress	144,678	$3,419,838	($13,947)	($1,696,149)	1,854,420
Total capital assets not being depreciated	1,126,441	3,419,838	(13,947)	(1,696,149)	2,836,183
Capital assets being depreciated:					
Improvements	55,847				55,847
Pipelines and infrastructure	58,852,269		(1,355,041)	1,381,268	58,878,496
Equipment and machinery	3,185,591	9,213	(94,019)	313,157	3,413,942
Buildings and improvements	2,776,214			1,724	2,777,938
Well improvements	7,604,268				7,604,268
Donated pipelines	17,380,532	55,813	(219)		17,436,126
Total capital assets being depreciated	89,854,721	65,026	(1,449,279)	1,696,149	90,166,617
Less accumulated depreciation for:					
Improvements	(37,874)	(783)			(38,657)
Pipelines and infrastructure	(20,479,755)	(1,452,783)	1,223,936		(20,708,602)
Equipment and machinery	(2,488,814)	(171,500)	49,844		(2,610,470)
Buildings and improvements	(810,660)	(71,455)			(882,115)
Well improvements	(1,420,742)	(189,869)			(1,610,611)
Donated pipelines	(9,665,311)	(448,353)	219		(10,113,445)
Total accumulated depreciation	(34,903,156)	(2,334,743)	1,273,999		(35,963,900)
Total capital assets being depreciated, net	54,951,565	(2,269,717)	($175,280)	1,696,149	54,202,717
Capital Assets, net	$56,078,006	$1,150,121	($189,227)		$57,038,900

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

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

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

NOTE 4 – LONG-TERM LIABILITIES (Continued)

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

The activity of the District's long-term liabilities during the years ended December 31, 2018 and 2017 was as follows:

	December 31, 2017 (as restated)	Additions	Retirements	Balance December 31, 2018	Current Portion
2010 Certificates of Participation 4%, due 9/28/20	$1,575,000		($505,000)	$1,070,000	$525,000
2012 Revenue Refunding Bonds 3-5.25%, due 2/1/33	1,870,000		(80,000)	1,790,000	85,000
Less: Unamortized premiums	252,847		(34,820)	218,027	
	3,697,847		(619,820)	3,078,027	610,000
Net pension liability	4,155,588	$522,123		4,677,711	
Net OPEB liability	1,332,951	189,545	(121,228)	1,401,268	
Compensated absences	378,339	339,346	(254,596)	463,089	263,556
Total Long-Term Liabilities	$9,564,725	$1,051,014	($995,644)	$9,620,095	$873,556

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Current Portion
2010 Certificates of Participation 4%, due 9/28/20	$2,060,000		($485,000)	$1,575,000	$505,000
2012 Revenue Refunding Bonds 3-5.25%, due 2/1/33	1,950,000		(80,000)	1,870,000	80,000
Less: Unamortized premiums	287,666		(34,819)	252,847	
	4,297,666		(599,819)	3,697,847	585,000
Net pension liability	3,351,422	$804,166		4,155,588	
Net OPEB obligation	744,755	138,000	(42,228)	840,527	
Compensated absences	333,080	233,536	(188,277)	378,339	206,976
Total Long-Term Liabilities	$8,726,923	$1,175,702	($830,324)	$9,072,301	$791,976

NOTE 4 – LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding debt as of December 31, 2018 are as follows:

Fiscal Year Ending December 31,	2010 Certificates of Participation			2012 Revenue Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$525,000	$42,800	$567,800	$85,000	$86,138	$171,138
2020	545,000	21,800	566,800	90,000	83,588	173,588
2021				95,000	79,088	174,088
2022				100,000	74,338	174,338
2023				105,000	69,338	174,338
2024-2028				585,000	278,963	863,963
2029-2033				730,000	118,913	848,913
Total	$1,070,000	$64,600	$1,134,600	$1,790,000	$790,363	$2,580,363

Pledged Revenue: The District pledged future water system revenues, net of specified expenses, to repay the 2012 Revenue Refunding Bonds in an original amount of $2,275,000. Proceeds of the Revenue Refunding Bonds were used to refund the 2003 Certificates of Participation to finance capital improvements to the District's water system. The Revenue Refunding Bonds are payable solely from water customer net revenues, and are payable through February, 2033. Annual principal and interest payments on the Bonds are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Revenue Refunding Bonds was $2,580,363 and $2,750,100 at December 31, 2018 and 2017, respectively.

The District pledged future water system revenues, net of specified expenses, to repay the 2010 Certificates of Participation in the original amount of $5,155,000. Proceeds of the Certificates of Participation funded the acquisition and construction of certain facilities, as indicated above. The Certificates of Participation are payable solely from water customer net revenues and are payable through September 2020. Annual principal and interest payments on the Certificates of Participation are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Certificates of Participation was $1,134,600 and $1,702,600 at December 31, 2018 and 2017, respectively.

Total principal and interest paid on all debt payable from net revenues was $737,738 and $740,338 and the total water system net revenues were $4,958,578 and $5,905,941 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the District's net revenues were 672% and 798% of debt service payments, respectively.

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, 2018 and 2017.

NOTE 6 – NET POSITION

Restrictions: Restricted net position consist of constraints placed on net asset use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2018 and 2017 consisted of the debt service reserve on the 2010 Certificates of Participation. The restrictions represent debt service and other reserves required by the related debt covenants.

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

The designations are for the following:

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

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

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

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

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.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN

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

A. General Information about the Pension Plans

Plan Description and Summary of Balances by Plan – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous (all other) Employee Pension Rate Plan. The District's Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors one rate plan (miscellaneous). 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, 2018:

	Deferred Outflows of Resources	Net Pension Liability/ Proportionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	$2,529,491	$4,399,273	$180,785

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at December 31, 2018, are summarized as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%	1.43% to 2.42%	1.0% to 2.5%
Required employee contribution rates	6.9%	6.9%	6.3%
Required employer contribution rates	9.4%	8.9%	6.8%

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 $180,279 in fiscal year 2018.

<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, 2018, the District's contributions to the Plan were as follows:

	Miscellaneous		
	Tier I	Tier II	PEPRA
Contributions - employer	$515,487	$134,591	$50,164

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

As of December 31, 2018 the District reported $4,399,273 in net pension liabilities for its proportionate shares of the net pension liability of the Plan.

NOTE 7 – 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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.11962%
Proportion - June 30, 2018	0.11866%
Change - Increase (Decrease)	-0.00096%

For the year ended December 31, 2018, the District recognized pension expense of $321,019. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$394,249	
Differences between actual and expected experience	169,195	($57,576)
Changes in assumptions	502,727	(123,209)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,441,519	
Net differences between projected and actual earnings on plan investments	21,801	-
Total	$2,529,491	($180,785)

The $394,249 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, 2019. 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 June 30	Annual Amortization
2019	$1,040,570
2020	776,842
2021	176,708
2022	(39,663)

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$7,072,819
Current Discount Rate	7.15%
Net Pension Liability/(Asset)	$4,399,273
1% Increase	8.15%
Net Pension Liability/(Asset)	$2,192,306

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liabilities were determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter
Mortality	Derived using CalPers Membership Data for all Funds (2)

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Change of Assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2018 measurement date was net of administrative expenses. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2018 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	2.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% used for this period.

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

NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS

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

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

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

Benefits Provided – The following is a summary of Plan benefits by employee group as of December 31, 2018:

	Retired from District between June 3, 1992 and March 19, 1996	Retired from District after March 19, 1996
20+ Years of Service	Health insurance provided to employee at District expense	Maximum monthly reimbursement of $350.00 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 $393.00 to retiree, spouse/ dependents.
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 $439.00 to retiree, spouse/ dependents.

For the year ended December 31, 2018, the District's contributions to the OPEB Plan was $122,527.

Employees Covered by Benefit Terms – Membership in the OPEB Plan consisted of the following at the measurement date of December 31, 2017:

Active plan members	31
Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	1
Total	42

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

B. Net OPEB Liability

Actuarial Methods and Assumptions – The District's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2016 that was rolled forward using standard update procedures to determine the total OPEB liability as of December 31, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.75%
Payroll Growth	3.0%
Healthcare Trend Rate	7.0% for 2018, decreasing to an ultimate rate of 5.0% in 2022
Mortality Rate	CalPERS 1997-2011 Experience Study

The underlying mortality assumptions were based on the CalPERS 1997-2011 Experience Study, and all other actuarial assumptions used in the December 31, 2016 valuation were based on the results of a December 31, 2016 actuarial experience study for the period January 1, 2017 to December 31, 2017.

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

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

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

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

C. Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at December 31, 2017	$1,332,951		$1,332,951
Changes Recognized for the Measurement Period:			
Service Cost	25,905		25,905
Interest on the total OPEB liability	83,640		83,640
Changes in benefit terms			-
Difference between expected and actual experience			-
Changes of assumptions			-
Contributions from the employer*		41,228	(41,228)
Net investment income			-
Administrative expenses			-
Benefit payments and refunds	(41,228)	(41,228)	-
Net Changes	68,317	-	68,317
Balance at December 31, 2018	$1,401,268	-	$1,401,268

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate:

Plan's Net OPEB Liability		
Discount Rate -1% (5.25 %)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
$1,648,959	$1,401,268	$1,204,497

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

Plan's Net OPEB Liability		
Health Care Cost Trend Rates -1%	Health Care Cost Trend Rates	Health Care Cost Trend Rates +1%
$1,389,626	$1,401,268	$1,412,043

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

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

For the year ended December 31, 2018, the District recognized OPEB expense of $109,545. At December 31, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$122,527	-
Total	$122,527	-

$122,527 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, 2019. The District did not have any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that must be recognized as future OPEB expense.

F. Payable to the OPEB Plan

At December 31, 2018, the District reported a payable of $0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2018.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

The District has capital project commitments as of December 31, 2018 and 2017 totaling $426,521 and $3,848,217, respectively, related to construction work.

NOTE 10 – ECONOMIC DEPENDENCY

During 2018 and 2017, the District purchased 90.25% and 99.05%, respectively, of its water supply from the San Juan Water District (SJWD). Total purchases for the year ended December 31, 2018 and 2017 was $2,878,799 and $2,692,482, respectively. In addition, the District owns water transmission capacity entitlements through the cooperative transmission pipeline project owned and operated by SJWD.

NOTE 11 – INSURANCE

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

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

NOTE 11 – INSURANCE (Continued)

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

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

NOTE 12 – SUBSEQUENT EVENTS DISCLOSURE

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increase to the normal costs and unfunded actuarial liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

CITRUS HEIGHTS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
For the Years Ended December 31, 2018 and 2017

Citrus Heights Water District, a Cost-Sharing Defined Pension Plan
As of fiscal year ending December 31, 2018

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date**

Last 10 Years*

	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's Proportion of the Net Pension Liability/Asset	0.05398%	0.12216%	0.11962%	0.11866%	0.11673%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$3,358,940	$3,351,422	$4,155,588	$4,677,711	$4,399,273
Plan's Covered-Employee Payroll	$2,259,371	$2,129,887	$2,362,614	$2,667,190	$3,046,586
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	148.67%	157.35%	175.89%	175.38%	144.40%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.44%	79.89%	75.87%	75.39%	77.69%

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

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

Citrus Heights Water District, a Cost-Sharing Defined Pension Plan
As of fiscal year ending December 31, 2018
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*

	2015	2016	2017	2018
Actuarially determined contribution	$ 610,196	$ 318,039	$ 231,993	$ 267,919
Contributions in relation to the actuarially determined contributions	(610,196)	(318,039)	(231,993)	(267,919)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,129,887	$ 2,362,614	$ 2,667,190	$ 3,046,586
Contributions as a percentage of covered-employee payroll	28.65%	13.46%	8.70%	8.79%

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Agent Multiple Employer Plan
Last 10 years*

Measurement Date	**12/31/18**
Total OPEB Liability	
Service Cost	$ 25,905
Interest	83,640
Differences between expected and actual experience	
Changes in assumptions	
Changes in benefits	(41,228)
Net change in total OPEB liability	68,317
Total OPEB liability - beginning	1,332,951
Total OPEB liability - ending (a)	1,401,268
Covered-employee payroll	$ 3,278,242
Total OPEB liability as a percentage of covered-employee payroll	42.74%

Notes to schedule:
* - Fiscal year 2018 was the first year of implementation.

SCHEDULE OF CONTRIBUTIONS
Agent Multiple Employer Plan
Last Ten Fiscal Years*

Fiscal Year Ended December 31,	**2018**
Actuarially determined contribution	$ 122,000
Contributions in relation to the actuarially determined contributions	122,527
Contribution deficiency (excess)	($527)
Covered-employee payroll	$3,278,242
Contributions as a percentage of covered-employee payroll	3.74%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	20-year fixed period for 2018
Asset Valuation Method	n/a
Discount Rate	6.25%
General Inflation	2.75% annually
Medical Trend	7.0% for 2018, decreasing to an ultimate rate of 5.0% in 2022
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-16

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

STATISTICAL SECTION

CITRUS HEIGHTS WATER DISTRICT

Statistical Section

Table of Contents

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

Financial Trends	Page
These schedules contain trend information to help the reader understand how the District's 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 the District's current levels of outstanding debt, and the District's ability to manage debt in the future.	
Ratios of Outstanding Debt…………………………………………….	70
Debt Coverage…………………………………………………………..	71

Demographic and Economic Information	Page
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Demographic and Economic Statistics………………………………….	74
Principal Employers…………………………………………………….	75

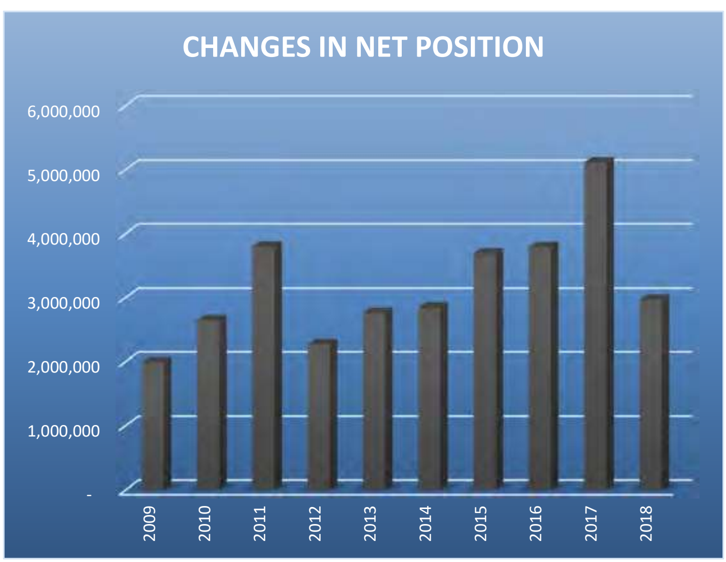
Operating Information	Page
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
Full-Time Employees by Department……………………………………	78
Operating Indicators…………………………………………………….	79

FINANCIAL TRENDS

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

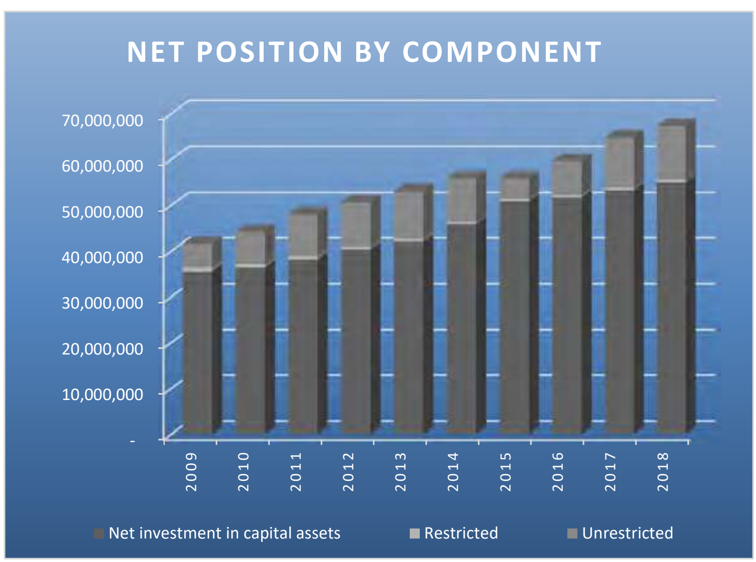
Last Ten Fiscal Years
Schedule 1

		2009	2010	2011	2012	2013
Changes in net position:						
Operating revenues (see Schedule 2)	$	10,048,811	10,132,776	10,227,212	10,693,408	11,358,086
Operating expenses (see Schedule 3)		(6,342,002)	(5,963,714)	(5,776,273)	(6,504,014)	(6,598,323)
Depreciation and amortization		(1,633,107)	(1,708,730)	(1,801,434)	(1,778,195)	(1,898,303)
Operating income(loss)		2,073,702	2,460,332	2,649,505	2,411,199	2,861,460
Non-operating revenues(expenses)						
Investment income		38,386	29,612	28,618	24,067	24,586
Miscellaneous income		40,680	41,470	1,155,861	16,127	13,616
Groundwater transfers and sales		-	-	-	-	-
Interest expense		(436,830)	(370,035)	(257,183)	(243,737)	(206,480)
(Loss) gain on disposal of capital assets		(29,399)	(22,187)	(30,516)	(31,125)	1,595
Total non-operating revenues(expenses), net		(387,163)	(321,140)	896,780	(234,668)	(166,683)
Net income before capital contributions		1,686,539	2,139,192	3,546,285	2,176,531	2,694,777
Capital Contributions						
Grant Revenues		30,672	32,884	22,699	3,126	3,178
Capital contributions		272,616	478,747	228,952	96,445	70,657
Changes in net position	$	1,989,827	2,650,823	3,797,936	2,276,102	2,768,612
Net position by component:						
Prior Year adjustment	$	-	-	-	-	$ -
Net investment in capital assets		35,547,224	36,381,139	38,151,330	40,384,388	42,108,244
Restricted		830,673	741,188	731,706	536,967	536,973
Unrestricted		5,188,316	7,094,709	9,131,936	9,765,994	10,414,469
Total net position	$	41,566,213	44,217,036	48,014,972	50,687,349	53,059,686



Source: District Administrative Services Department

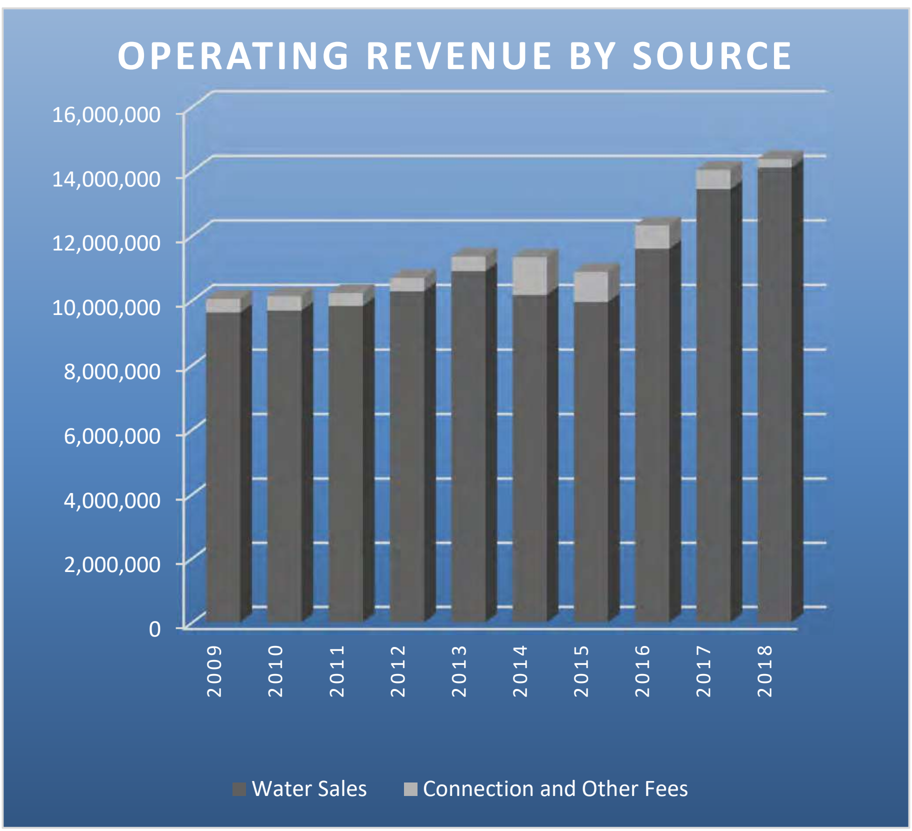
2014	2015	2016	2017	2018	
					Changes in net position:
$ 11,331,301	10,884,550	12,325,057	14,043,049	14,375,044	Operating revenues (see Schedule 2)
(6,358,613)	(6,023,057)	(7,043,963)	(7,534,381)	(9,531,439)	Operating expenses (see Schedule 3)
(2,003,488)	(2,098,944)	(2,203,170)	(2,345,281)	(2,388,634)	Depreciation and amortization
2,969,200	2,762,549	3,077,924	4,163,387	2,454,971	**Operating income(loss)**
					Non-operating revenues(expenses)
15,547	19,093	38,313	63,531	159,437	Investment income
12,716	28,606	68,203	77,074	107,546	Miscellaneous income
-	-	-	1,058,793	347,583	Groundwater transfers and sales
(195,210)	(173,462)	(155,214)	(145,911)	(147,540)	Interest expense
(30,669)	4,834	(137,567)	(155,343)	(164,842)	(Loss) gain on disposal of capital assets
(197,616)	(120,929)	(186,265)	898,144	302,184	**Total non-operating revenues(expenses), net**
2,771,584	2,641,620	2,891,659	5,061,531	2,757,155	**Net income before capital contributions**
					Capital Contributions
10,310	610,431	715	-	-	Grant Revenues
59,248	438,567	896,688	55,813	213,121	Capital contributions
$ 2,841,142	3,690,618	3,789,062	5,117,344	2,970,276	**Changes in net position**
					Net position by component:
-	(3,728,767)	-	-	-	Prior Year adjustment
45,931,665	50,895,005	51,801,433	53,350,420	55,029,058	Net investment in capital assets
536,963	533,350	533,796	535,733	541,475	Restricted
9,432,200	4,434,324	7,316,512	10,882,932	11,717,632	Unrestricted
$ 55,900,828	52,133,912	59,651,741	64,769,085	67,288,165	**Total net position**



CITRUS HEIGHTS WATER DISTRICT
Operating Revenue By Source

Last Ten Fiscal Years
Schedule 2

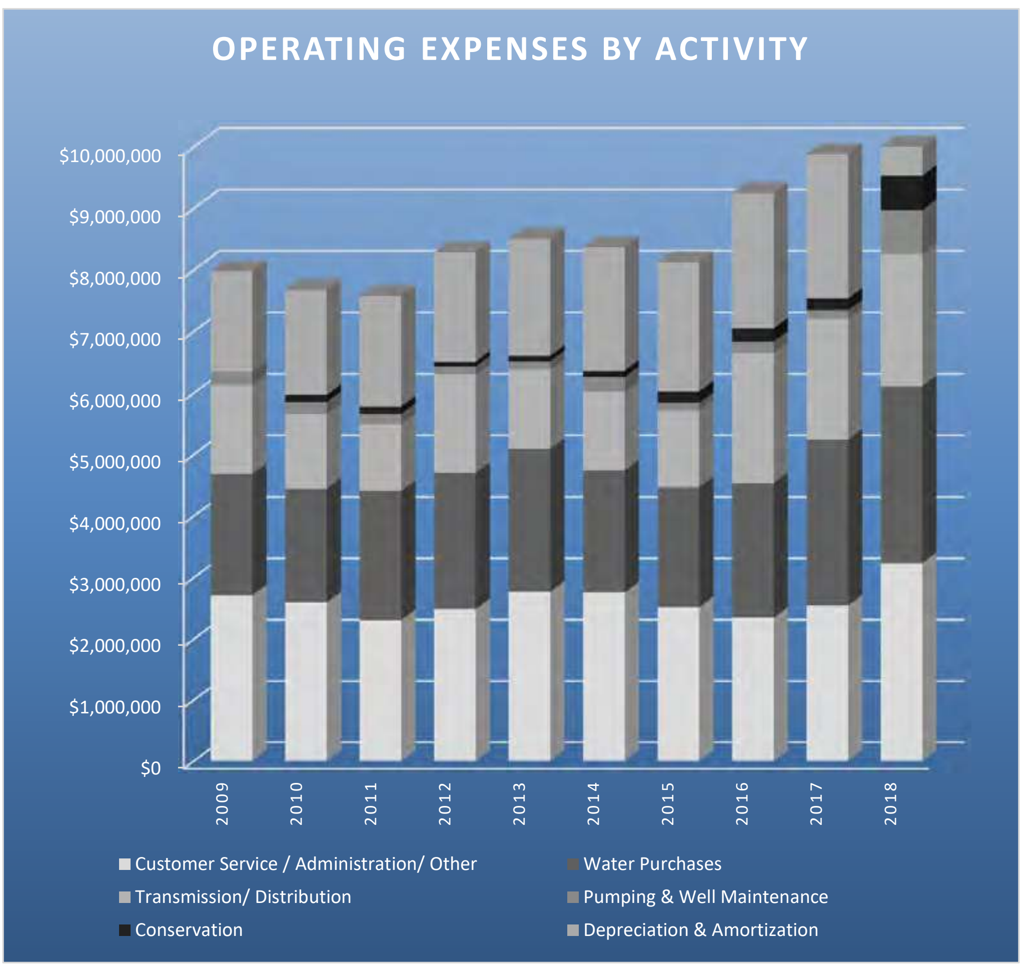
Fiscal Year	Water Sales	Connection and Other Fees	Total Operating Revenue
2009	$ 9,623,864	$ 424,947	$ 10,048,811
2010	9,687,869	444,907	10,132,776
2011	9,833,125	394,087	10,227,212
2012	10,285,029	408,379	10,693,408
2013	10,905,197	452,889	11,358,086
2014	10,171,473	1,159,828	11,331,301
2015	9,953,864	930,686	10,884,550
2016	11,602,622	722,435	12,325,057
2017	13,448,691	594,358	14,043,049
2018	14,119,865	255,179	14,375,044



Source: District Administrative Services Department

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
2009	$ 2,707,623	$ 1,972,942	$ 1,440,173	$ 221,264	$ -	$ 1,633,107	$ 7,975,109
2010	2,591,029	1,849,440	1,215,954	192,540	114,751	1,708,730	7,672,444
2011	2,302,582	2,102,734	1,086,422	162,835	121,700	1,801,434	7,577,707
2012	2,481,956	2,219,550	1,597,456	130,129	74,923	1,778,195	8,282,209
2013	2,763,786	2,322,002	1,289,768	133,950	88,817	1,898,303	8,496,626
2014	2,752,172	1,984,921	1,282,941	239,344	99,235	2,003,488	8,362,101
2015	2,514,087	1,950,627	1,239,387	132,842	186,114	2,098,944	8,122,001
2016	2,342,957	2,190,061	2,114,019	184,776	212,150	2,203,170	9,247,133
2017	2,543,736	2,692,482	1,963,750	145,077	189,336	2,345,281	9,879,662
2018	3,228,919	2,878,799	2,142,451	717,562	563,708	2,388,634	11,920,073



Source: District Administrative Services Department

CITRUS
HEIGHTS
WATER
DISTRICT

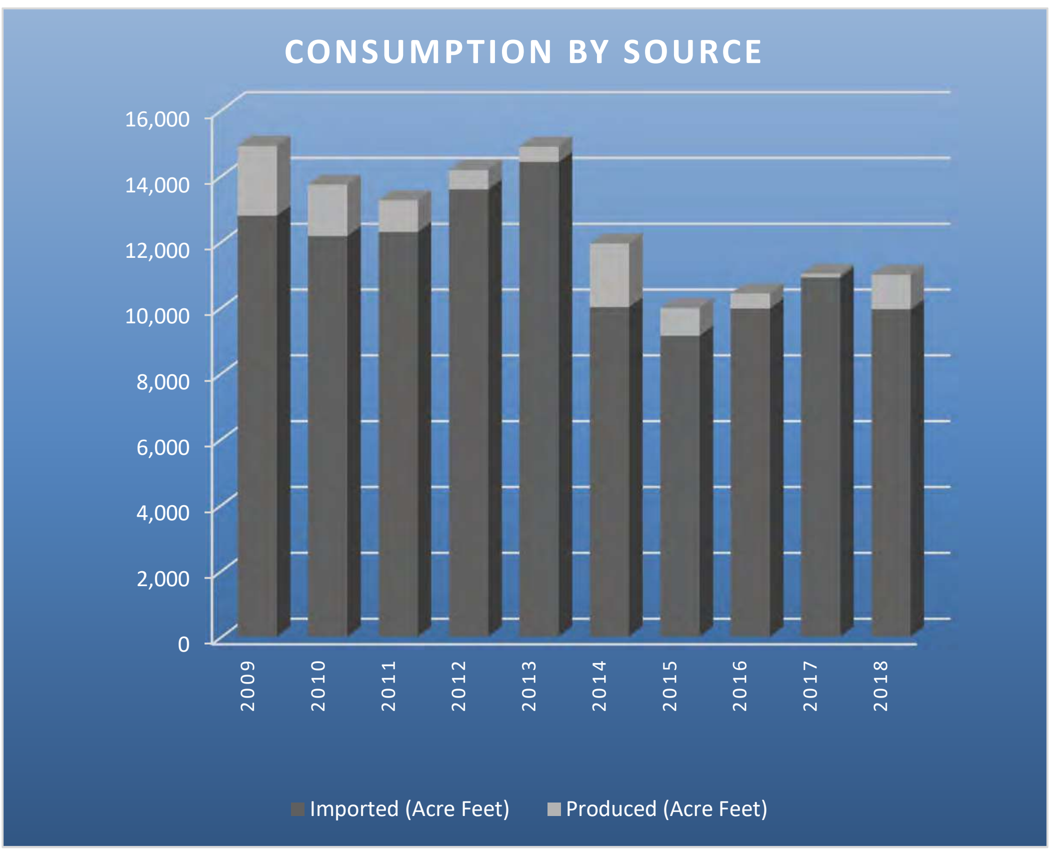
REVENUE CAPACITY

CITRUS HEIGHTS WATER DISTRICT

Revenue Base

Last Ten Fiscal Years
Schedule 4

Fiscal Year	Consumption (Acre Feet)	Water Supply Imported (Acre Feet)	Water Supply Produced (Acre Feet)	% Water Imported
2009	14,905.20	12,785.62	2,119.58	85.78%
2010	13,725.35	12,165.46	1,559.89	88.63%
2011	13,252.18	12,289.80	962.38	92.74%
2012	14,169.76	13,583.02	586.74	95.86%
2013	14,881.54	14,416.21	465.33	96.87%
2014	11,937.24	10,007.61	1,929.63	83.84%
2015	9,973.47	9,132.60	840.87	91.57%
2016	10,422.44	9,964.89	457.55	95.61%
2017	11,014.52	10,909.88	104.64	99.05%
2018	10,981.66	9,940.53	1,041.13	90.52%



Source: District Operations Department

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Flat Rate Accounts (Bimonthly) [(1)]										
Single Dwelling	$ 70.80	$ 87.75	$ 89.51	$ 89.51	n/a	n/a	n/a	n/a	n/a	n/a
Duplex Dwelling (per duplex side)	59.97	74.29	75.78	75.78	n/a	n/a	n/a	n/a	n/a	n/a
Condominium Dwelling	59.97	74.29	75.78	75.78	n/a	n/a	n/a	n/a	n/a	n/a
Apartments/Mobile Homes	59.97	74.29	75.78	75.78	n/a	n/a	n/a	n/a	n/a	n/a
Irrigation Rate	87.70	112.27	117.88	117.88	n/a	n/a	n/a	n/a	n/a	n/a
Metered Accounts [(2)]										
Consumption (per unit ccf)										
Tier 1	$ 0.5055	$ 0.6369	$ 0.6751	$ 0.6751	$ 0.6954	n/a	n/a	n/a	n/a	n/a
Tier 2	0.5948	0.7494	0.7944	0.7944	0.8182	n/a	n/a	n/a	n/a	n/a
Tier 3	0.6514	0.8208	0.8700	0.8700	0.8961	n/a	n/a	n/a	n/a	n/a
Per Unit CCF (No tiers)	n/a	n/a	n/a	n/a	n/a	$ 0.7440	$ 0.7663	$ 0.8735	$ 0.9871	$ 1.0167
Service Charge (bimonthly)										
Commercial/Domestic 3/4"	$ 34.88	$ 34.88	$ 34.88	$ 34.88	$ 35.93	$ 35.82	$ 36.89	$ 42.05	$ 47.52	$ 48.94
Commercial/Domestic 1"	50.04	50.04	50.04	50.04	51.54	54.50	56.13	63.98	72.30	74.46
Commercial/Domestic 1-1/2"	87.29	87.29	87.29	87.29	89.91	66.95	68.95	78.60	88.82	91.48
Commercial/Domestic 2"	132.51	132.51	132.51	132.51	136.49	129.20	133.07	151.69	171.41	176.55
Commercial/Domestic 3"	236.80	236.80	236.80	236.80	243.90	203.91	210.02	239.42	270.54	278.65
Commercial/Domestic 4"	385.88	385.88	385.88	385.88	397.46	403.13	415.22	473.35	534.89	550.93
Irrigation 3/4"	17.44	17.44	17.44	17.44	17.96	35.82	36.89	42.05	47.52	48.94
Irrigation 1"	25.02	25.02	25.02	25.02	25.77	54.50	56.13	63.98	72.30	74.46
Irrigation 1-1/2"	43.64	43.64	43.64	43.64	44.95	66.95	68.95	78.60	88.82	91.48
Irrigation 2"	66.25	66.25	66.25	66.25	68.24	129.20	133.07	151.69	171.41	176.55
Irrigation 3"	118.40	118.40	118.40	118.40	121.95	203.91	210.02	239.42	270.54	278.65
Irrigation 4"	192.94	192.94	192.94	192.94	198.73	403.13	415.22	473.35	534.89	550.93

Notes:

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

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

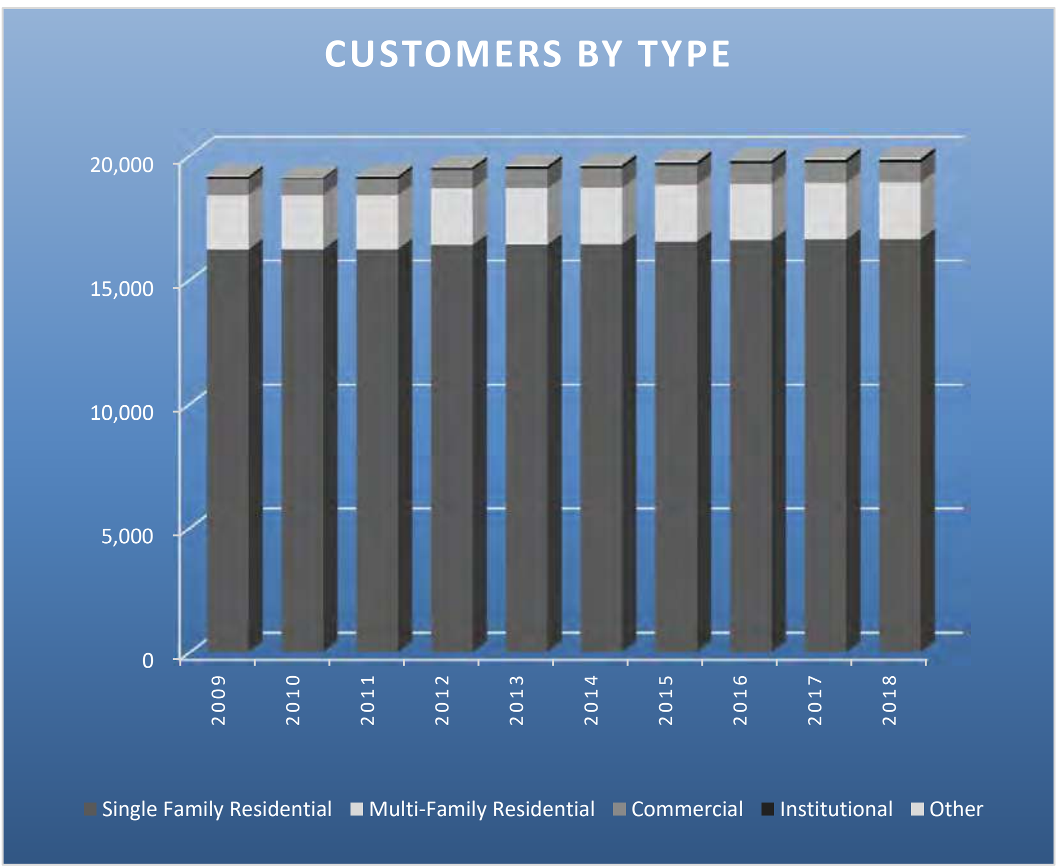
Source:

District Administrative Services Department

CITRUS HEIGHTS WATER DISTRICT
Customers by Type

Last Ten Fiscal Years
Schedule 6

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial	Institutional	Other	Total
2009	16,211	2,189	646	93	48	19,187
2010	16,219	2,176	648	51	37	19,131
2011	16,223	2,176	647	95	32	19,173
2012	16,385	2,272	751	101	43	19,552
2013	16,402	2,275	758	111	45	19,591
2014	16,425	2,280	771	118	51	19,645
2015	16,527	2,285	785	130	58	19,785
2016	16,576	2,283	802	131	59	19,851
2017	16,615	2,284	807	132	64	19,902
2018	16,627	2,284	807	132	61	19,911



Source: District Administrative Services Department
District Water Efficiency Department

CITRUS HEIGHTS WATER DISTRICT

Principal Customers

Current Fiscal Year and Ten Years Ago
Schedule 7

Customer	2018 Billed Units (ccf's)	2018 Percentage of Total
San Juan Unified School District	101,854	2.13%
JMK Investments	78,590	1.64%
Sunrise Recreation Park District	73,319	1.53%
JRK Investors	50,602	1.06%
Conference Claimants Endowment	30,164	0.63%
City of Citrus Heights	29,638	0.62%
Wedgewood Commons Apts LLC	28,837	0.60%
Mount Vernon Memorial Park	28,815	0.60%
Big Oak Investments	24,553	0.54%
Salishan Apartments	24,191	0.51%
Total Billed Units: Principal customers	470,563	9.89%
Total Billed Units	4,783,942	100.00%

Customer	2009 Billed Units (ccf's)	2009 Percentage of Total
San Juan Unified School District	90,502	1.50%
JMK Investments	82,411	1.13%
Sunrise Recreation Park District	68,381	1.36%
JRK Investors	58,360	0.97%
Mount Vernon Memorial Park	43,224	0.71%
Conference Claimants Endowment	42,808	0.71%
Pacific Capital Investments	34,194	0.51%
Salishan Apartments	32,822	0.57%
City of Citrus Heights	30,672	0.54%
Wedgewood Commons Apts LLC	28,422	0.47%
Total Billed Units: Principal customers	511,796	8.45%
Total Billed Units	6,046,241	100.00%

Source:
District Administrative Services Department

CITRUS HEIGHTS
WATER DISTRICT

DEBT CAPACITY

CITRUS HEIGHTS WATER DISTRICT

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
Schedule 8

Fiscal Year	Certificates of Participation 2000 (1)	Certificates of Participation 2003 (2)	Certificates of Participation 2010 (3)	Refunding Revenue Bonds 2012 (4)	Total Debt	Total No. of Connections (5)	Total Debt Per Capita (Rounded) (5)
2009	$ 5,200,000	$ 2,770,000	$ -	$ -	$7,970,000	19,187	$415
2010	-	2,695,000	4,670,000	-	7,365,000	19,131	$385
2011	-	2,615,000	4,260,000	-	6,875,000	19,173	$359
2012	-	-	3,840,000	2,275,000	6,115,000	19,552	$313
2013	-	-	3,415,000	2,170,000	5,585,000	19,591	$285
2014	-	-	2,980,000	2,095,000	5,075,000	19,645	$258
2015	-	-	2,530,000	2,025,000	4,555,000	19,785	$230
2016	-	-	2,060,000	1,950,000	4,010,000	19,851	$202
2017	-	-	1,575,000	1,870,000	3,445,000	19,902	$173
2018	-	-	1,070,000	1,790,000	2,860,000	19,911	$144

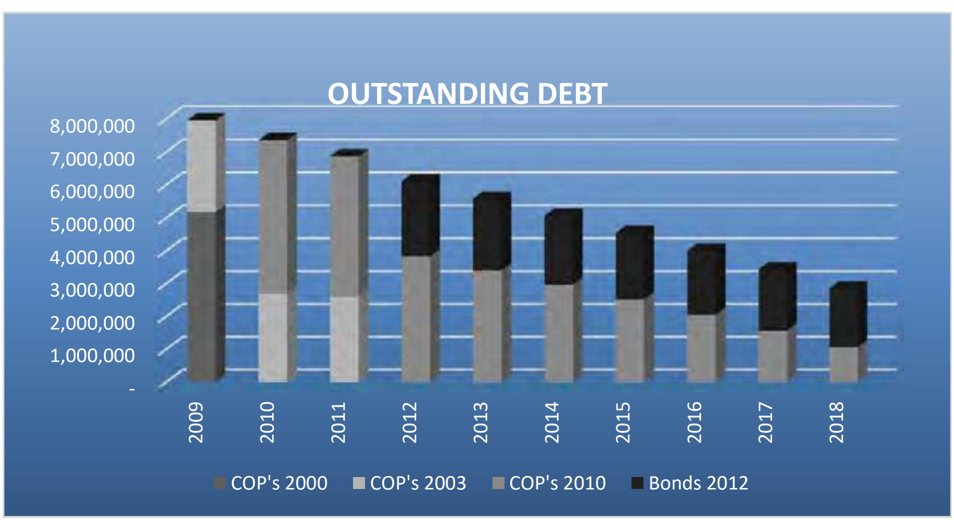
Notes:

(1) In October 2000, the District issued $7,900,000 of Certificates of Participation, Series 2000 to finance the cost of capital improvement projects.

(2) In December 2003, the District issued $2,915,000 of Certificates of Participation, Series 2003 to finance the cost of capital improvement projects.

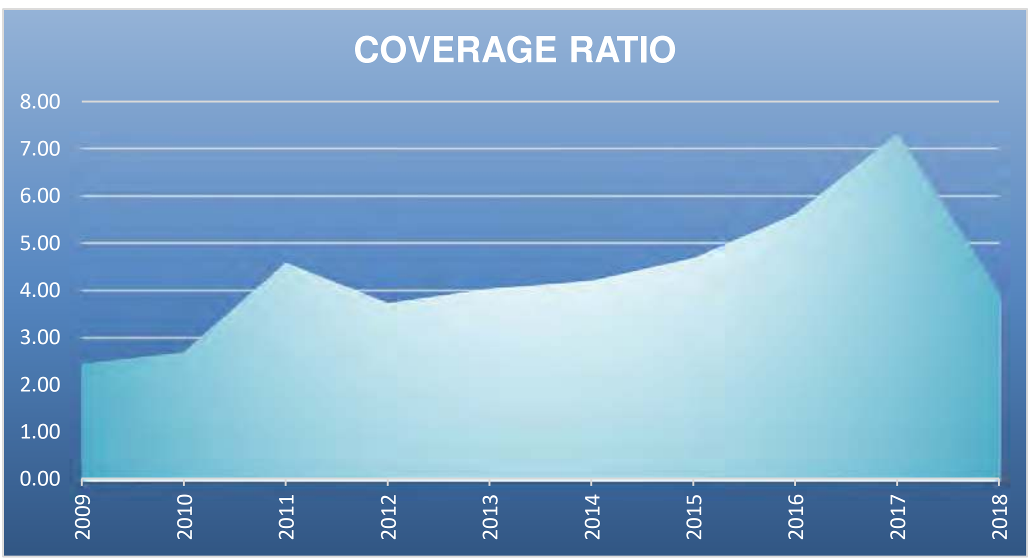
(3) In September 2010, the District issued $5,155,000 of Revenue Certificates of Participation, Series 2010 to retire the outstanding 2000 Certificates of Participation.

(4) In April 2012, the District issued $2,275,000 of Revenue Refunding Bonds, Series 2012 to retire the outstanding 2003 Certificates of Participation.



Source: District Administrative Services Department

Fiscal Year	Net Revenues	Operating Expenses	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2009	$ 10,098,478	$ (7,975,109)	$ 2,123,369	$ 425,000	$ 436,830	$ 861,830	2.46
2010	10,181,671	(7,672,444)	2,509,227	560,000	370,035	930,035	2.70
2011	11,381,175	(7,577,707)	3,803,468	570,000	257,183	827,183	4.60
2012	10,761,665	(8,282,209)	2,479,456	420,000	243,737	663,737	3.74
2013	11,468,540	(8,496,626)	2,971,914	530,000	206,480	736,480	4.04
2014	11,339,205	(8,362,101)	2,977,104	510,000	195,210	705,210	4.22
2015	11,376,365	(8,122,001)	3,254,364	520,000	173,462	693,462	4.69
2016	13,191,409	(9,247,133)	3,944,276	545,000	155,214	700,214	5.63
2017	15,087,104	(9,879,662)	5,207,442	565,000	145,911	710,911	7.33
2018	14,824,768	(11,920,073)	2,904,695	585,000	147,540	732,540	3.97



Source: District Administrative Services Department

CITRUS HEIGHTS

WATER DISTRICT

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITRUS HEIGHTS WATER DISTRICT

Demographics and Economic Statistics

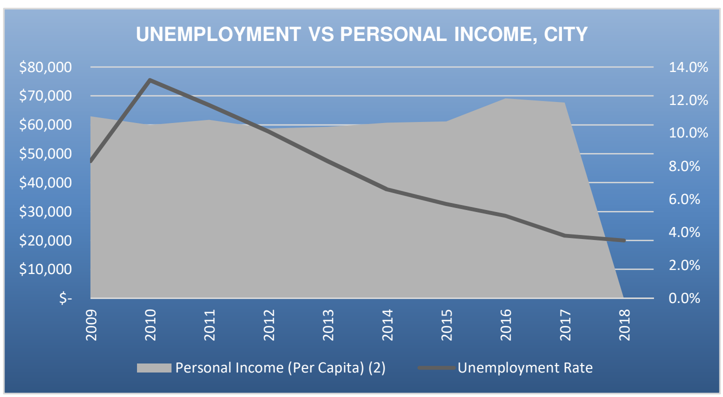
Last Ten Calendar Years
Schedule 10

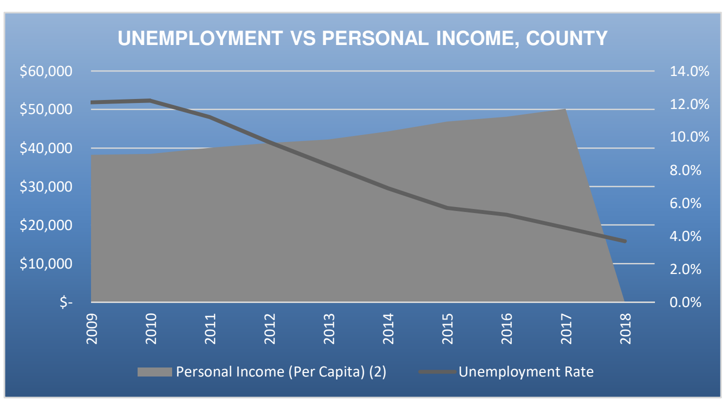
Fiscal Year	Total Number of Connections	City of Citrus Heights [1] Population [3]	Unemployment Rate	Personal Income (thousands of dollars) [2]	Personal Income (Per Capita) [2]	County of Sacramento[1] Population	Unemployment Rate	Personal Income (thousands of dollars) [2]	Personal Income (Per Capita) [2]
2009	19,187	84,613	8.3%	$5,322,581	$62,905	1,408,601	12.1%	$53,826,177	$38,213
2010	19,131	83,365	13.2%	4,994,897	59,916	1,422,018	12.2%	54,666,004	38,443
2011	19,173	83,903	11.7%	5,178,325	61,718	1,435,002	11.2%	57,498,308	40,068
2012	19,552	84,489	10.1%	4,961,701	58,726	1,447,236	9.7%	59,775,785	41,303
2013	19,591	85,123	8.3%	5,044,729	59,264	1,460,023	8.3%	61,654,690	42,229
2014	19,645	85,891	6.6%	5,212,811	60,691	1,478,137	6.9%	65,486,553	44,303
2015	19,785	86,759	5.7%	5,308,263	61,184	1,496,644	5.7%	70,110,138	46,845
2016	19,851	87,380	5.0%	6,043,288	69,161	1,514,460	5.3%	72,878,458	48,122
2017	19,902	87,931	3.8%	5,952,753	67,698	1,530,615	4.5%	76,832,120	50,197
2018	19,911	n/a	3.5%	n/a	n/a	1,540,975	3.7%	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 2018.

(3) Population data for the City is not yet available for Fiscal Year 2018.





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

Principal Employers [1]

Current Fiscal Year and Ten Years Ago
Schedule 12

2018			
Employer	Employees	Rank	Percentage of Employment
State of California	75,801	1	10.56%
UC Davis Health	12,840	2	1.70%
County of Sacramento	12,208	3	1.53%
Kaiser Permanente	11,005	4	1.79%
United States Government	10,325	5	1.44%
Sutter Health	8,177	6	1.14%
Dignity Health	7,000	7	0.98%
Elk Grove Unified School District	6,210	8	0.84%
Intel Corporation	6,000	9	0.70%
Apple Incorporated	5,000	10	0.86%
Total	154,566		21.54%
Total County Employment	717,924		100.00%

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

Notes:

(1) Data is not separately available for the District's service area. As the District serves an area comprising, in large part, the City of Citrus Heights, and 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.

Source:

Sacramento Business Journal
U.S. Bureau of Labor Statistics

CITRUS HEIGHTS

WATER DISTRICT

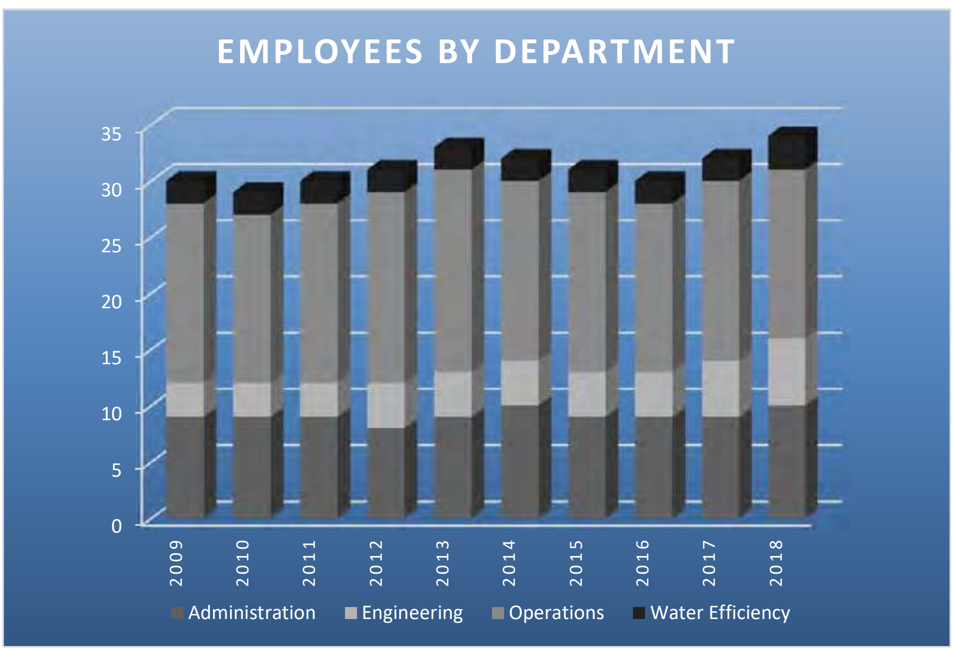
OPERATING INFORMATION

CITRUS HEIGHTS WATER DISTRICT

District Employees by Department

Last Ten Fiscal Years
Schedule 11

Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	9	9	9	8	9	10	9	9	9	10
Engineering	3	3	3	4	4	4	4	4	5	6
Operations	16	15	16	17	18	16	16	15	16	15
Water Efficiency	2	2	2	2	2	2	2	2	2	3
Total	30	29	30	31	33	32	31	30	32	34



Source: District Administrative Services Department

CITRUS HEIGHTS WATER DISTRICT

Other Operating and Capacity Indicators

Last Ten Fiscal Years
Schedule 13

Fiscal Year	Total Connections	Total Annual Demand (Acre Feet)	Pipeline (mi)	Wells	Meters	Hydrants
2009	19,187	14,905.20	239.09	4	19,358	1,959
2010	19,131	13,725.35	239.72	4	19,419	1,980
2011	19,173	13,252.18	240.87	4	19,457	1,996
2012	19,552	14,169.76	242.51	4	19,488	2,037
2013	19,591	14,881.54	243.80	4	19,538	2,062
2014	19,645	11,937.24	245.56	4	19,594	2,087
2015	19,785	9,973.47	248.19	5	19,789	2,133
2016	19,851	10,422.44	249.31	6	19,912	2,160
2017	19,902	11,014.52	249.97	6	19,912	2,181
2018	19,911	10,981.66	250.42	6	19,914	2,126

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

CITRUS HEIGHTS WATER DISTRICT

6230 SYLVAN ROAD, CITRUS HEIGHTS, CA 95610

916.725.6873 WWW.CHWD.ORG