

CITRUS HEIGHTS WATER DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

CITRUS HEIGHTS WATER DISTRICT
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CITRUS HEIGHTS WATER DISTRICT
Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Citrus Heights Water District (District) as of and for the years ended December 31, 2015, 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 an opinion 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements (GASB), which became effective during the year ended December 31, 2015 and required a prior period adjustment of net position as discussed in Note 6 to the financial statement:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The emphasis of these matters 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 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.

Prior Year Comparative Information

Richardson & Company, LLP audited Citrus Heights Water District's 2014 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated April 6, 2015. In their opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze and Associates

Pleasant Hill, California
May 2, 2016

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

The management of the Citrus Heights Water District (District) intends to present this Management Discussion and Analysis to serve as an introduction to the District's Financial statements and to provide readers with a broad overview of the district's finances and an easier to understand narrative information that may help in interpreting the information presented in the Financial Statements for the year ending December 31, 2015.

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 2015 and its financial position at the close of the year 2015:

- ❖ The District's assets exceeded its liabilities at the end of year 2015 by \$55,862,679. About 91.1 percent of the District's net position, \$ 50,895,005, 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 assets totaled \$4,434,324, down from \$9,432,200 at the end of year 2014. This decrease is due primarily to the implementation of Government Accounting Standards Board (GASB) Pronouncement No. 68. This statement required the District to record an actuarial valuation of its pension obligation and to record certain deferrals of income and expense related to the pension obligation. (See Note 7). It did not however necessitate nor required the immediate funding of the pension liability and did not affect the cash position of the district.
- ❖ Capital improvement spending in year 2015 increased by \$ 3,529,561 as compared with year 2014. Capital improvements capitalized in 2015 amounted to \$2,366,153.
- ❖ The District's operating revenues for 2015 were \$10,884,550. About 91.4 percent of operating revenues, \$9,953,864, came from water sales to customers.

Due to the diminishing water supply and drought conditions, on November 2014 the Board adopted a Water Shortage Rate Structure to encourage reduced water use in a Stage 3 or higher Water Conservation Stage by implementing two additional charges. The first is a Water Shortage Charge that sets a percentage increase on the cost of every unit of water consumed by the customer, the second is an Excess Use Charge in the form of a higher percentage increase on units of water consumed in excess of a specified number of units. As a result, water sales decreased further by 15 percent in 2015 reducing operating revenues even with increased rates. There was a corresponding decrease in water purchase costs, \$1,950,627 in 2015 compared with \$1,984,921 in 2014.

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

- ❖ The District's total net long-term liabilities at the end of 2015 including the 2010 Revenue Refunding Certificates of Participation (COPs) and the 2012 Revenue Refunding Bonds, accrued other post-employment benefits (OPEB) and compensated absences, is \$8,950,592. The increase was due mainly to the implementation of GASB 68 which required the recording of pension liability and pension related deferred inflows and outflows which amounted to \$3,358,940. However, liabilities from Bond and COP debt service had decreased by \$736,488 due in large part to a reduction in principal on debt during 2015 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.

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 District's financial statements are prepared in conformity with generally accepted accounting principles 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 Assets. 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.

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

Balance Sheet

As of December 31, 2015, the total net position of the District was \$55,862,679. The following table summarizes assets, deferred outflows, liabilities, deferred inflows and net assets at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Current assets, unrestricted	\$ 10,687,841	\$ 11,897,541
Restricted cash and cash equivalents	533,350	536,963
Capital assets, net	55,206,322	50,782,462
Deferred outflows	530,528	75,042
Total Assets and Deferred Outflows	<u>66,958,041</u>	<u>63,292,008</u>
Current Liabilities	1,675,151	1,601,576
Non-current liabilities	8,590,592	5,759,107
Deferred Inflows	829,619	30,497
Total Liabilities and Deferred Inflows	<u>11,095,362</u>	<u>7,391,180</u>
Net Position		
Net investment in capital assets	50,895,005	45,931,665
Restricted for debt service	533,350	536,963
Unrestricted	4,434,324	9,432,200
Total Net Position	<u>\$55,862,679</u>	<u>\$55,900,828</u>

The District's net position reflects restrictions imposed as a condition of its Certificates of Participation debt. The remaining net position is unrestricted.

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

Changes in Net Position

The following table summarizes the changes in net position for the fiscal years ended December 31, 2015 and 2014:

	2015	2014
Operating revenues	\$ 10,884,550	\$ 11,331,301
Operating expenses:		
Customer service, administration and general	2,514,087	2,752,172
Water purchases	1,950,627	1,984,921
Transmission and distribution	1,239,387	1,282,941
Pumping and well maintenance	132,842	239,344
Water demand management (Conservation)	186,114	99,235
Depreciation and amortization	2,098,944	2,003,488
Total operating expenses	8,122,001	8,362,101
Operating income	2,762,549	2,969,200
Net non-operating revenues (expenses)	(120,929)	(197,616)
Net income before capital contributions	2,641,620	2,771,584
Capital contributions:		
Contributed (donated) assets	438,567	59,248
Grant Revenue	610,431	10,310
Total capital contributions	1,048,998	69,558
Change in net position	3,690,618	2,841,142
Net position, beginning of year	55,900,828	53,059,686
Prior period adjustment	(3,728,767)	
Net position, end of year	\$ 55,862,679	\$ 55,900,828

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

Net position increased \$3,690,618, or 6.6 percent from the prior year. Operating revenue that exceeded operating expenses by \$2,762,549 accounts for the increase in net assets, and most of these funds were expended for the construction of capital improvements or set aside for that purpose. The receipt of \$438,567 in donated assets from private developer additions to the District's water distribution system accounted for about 11.9 percent of the increase in net assets.

Prior Period Adjustment: The implementation of GASB Statement No. 68 & GASB Statement No. 71 required the District to make prior period adjustments. As a result, the beginning net positions of the Business-Type Activities were reduced by \$3,728,767.

Total operating revenues decreased by \$446,751 or 3.9 percent from the prior year despite an increase in water rates for 2015. This was due to a decrease in water sales. Water consumption by District customers decreased by 15 percent in 2015 compared with consumption in 2014. With a fourth year of drought conditions in California, water supplies in the State became a serious concern.

On April 7, 2015 the State Water Resource Control Board and Governor Brown mandated water conservation regulations with CHWD assigned a 32 % water use reduction target. In response the CHWD Board of Directors adopted a resolution on May 12, 2015 to enact Stage "4" Water Crisis Long Term Mandatory Requirements and approved a Water Conservation Plan which included the implementation of the Water Shortage Rate Structure approved by the Board on November 19, 2014.

Operating expenses also decreased in 2015 by \$240,100, a 2.9 percent reduction compared with 2014. A decreased cost for water purchases for 2015, \$34,294 compared with purchases in 2014, resulted from the reduction in water consumption by District customers and decreased groundwater production from the District's wells. Water Demand management expenses increased by \$86,879; 87.5 percent compared to 2014 . On May 12, 2015, as part of the District's adopted measure in response to the water crisis, the Board of Directors approved a budget amendment of \$146,000 for conservation related expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the District's investment in capital assets, net of related debt, was \$50,895,005, 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.

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

Replacement of aging pipelines and water service connections throughout the District's system continued to represent the majority of the \$6.5 million additions to the District's capital assets in 2015. A number of private development projects resulted in the addition of \$438,567 in donated capital assets.

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 during 2015, principal on its collective debt was reduced by \$520,000 during the year. The District's total debt from its COP and Bond issuances now stands at approximately \$4.55 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 \$351,315 at the end of 2015, a decrease from the 2014 year-end amount of \$373,174. This reduction was due primarily to cash payments for accrued leave balances during the year to one retiring employee.

The accrual for other post-employment benefits (OPEB) increased by \$60,013 in 2015 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.

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis
December 31, 2015

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

The District continued to exercise fiscal restraint in budgeting for District operations in 2016, with an overall increase of 12.1 percent compared with the 2015 Operating Budget. This budget includes:

- ❖ Maintaining the current level of services and programs for District customers;
- ❖ A 7.5% aggregate increase in per-unit cost of treated surface water cost from San Juan Water District. The projected quantity of water estimated to be purchased for surface water is reduced to 12,000 AF, which is lower than the budgeted 2015 water purchase. This reduction is due to the forecast that drought conditions will continue into 2016.
- ❖ Employee benefit cost decrease of about \$130,000. A number of factors contribute to the overall decrease including new employees whose CalPERS contribution rates are lower, lower total Healthcare premiums as a result of new employees replacing long-term employees who were at higher premium points, an increase of 12% in Healthcare premium costs and an decrease of 15% in the District's CalPERS employer contribution rate.
- ❖ \$2.10 million in transfers to the Capital Improvement and Depreciation Reserves. This reflects a transfer of \$100,000 to replenish the Rate Stabilization Reserve, approximately \$1 million to the Depreciation Reserve per the Board's policy of transferring one-half the amount of the prior year's calculated depreciation into this Reserve, and a \$1 million transfer to the Capital Improvement Reserve.

A 2016 Operating Budget Summary (see Page 11) is intended 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 2016 are about \$3.56 million compared with \$9.96 million in 2015. This amount includes about \$1.38 million in carry-over projects from prior years and about \$2.18 million in new projects for 2016.

- Replacement of and upgrades and new fire hydrants for \$150,000, three water main replacement or installation projects, scheduled to start design, will be undertaken in 2016 with construction targeted for 2017 at a total cost of \$883,000.
- Operations equipment replacements and new equipment totaling \$32,200 are planned for 2016.

CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis December 31, 2015

- Carryover of Upgrades /Replacements to the District's billing and accounting software and purchase of a replacement color printer for the Administration department for a total of \$50,000 and \$250,000 for the Document Management Plan for 2016.
- Additional transfers to CIP Reserves for buildup of funds towards Meter Replacements at the end of their useful life projected to start in 2020.

A 2016 Capital Projects Budget Summary (see Page 12) is intended 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 \$740,263 for 2016, representing about 6.5 percent of the District's 2016 Operating Budget.

The District's Board of Directors levied a water rate increase designed to achieve an overall increase in water rate revenues of 14.00 percent for 2016. The District utilized a detailed cost-of-service and financial plan study set in place in 2013 to determine the increase taking into consideration the State-wide severe drought. The increase in revenues resulting from the 2016 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 265 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 2013 considered water rate increases in the 3 percent range every year through 2018. However, water rates for years beyond 2016 have not been adopted by the Board of Directors.

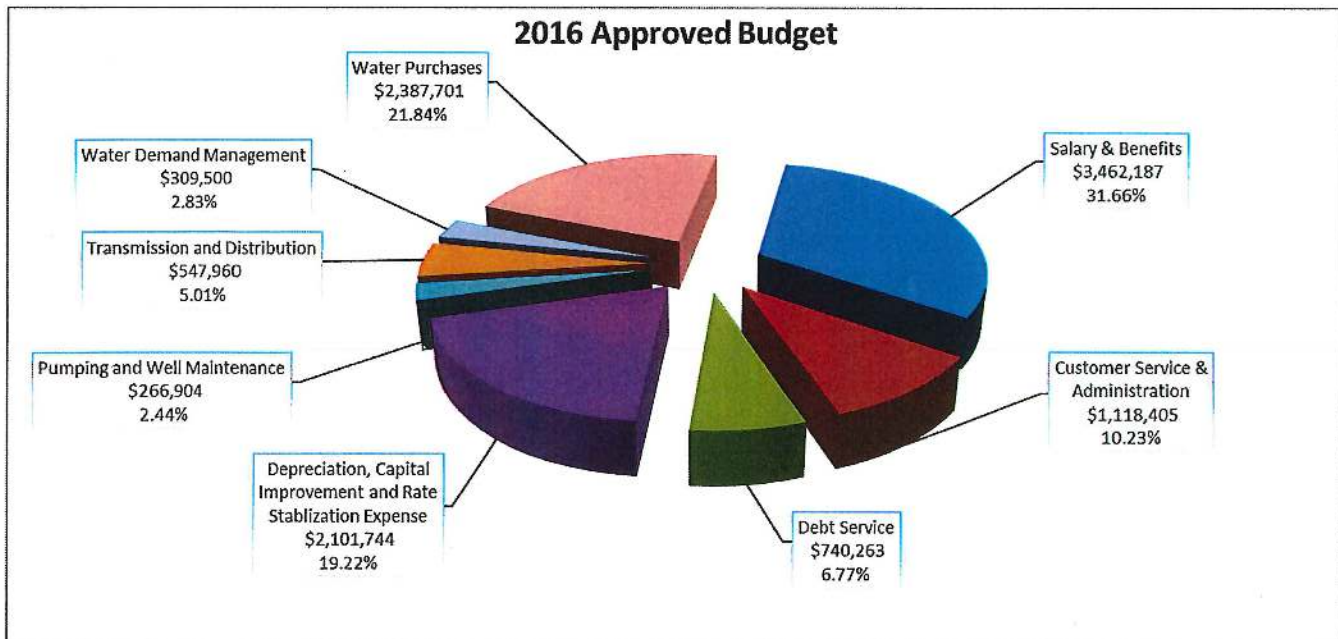
CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis
December 31, 2015

CITRUS HEIGHTS WATER DISTRICT 2016 OPERATING BUDGET SUMMARY

Adopted: November 17, 2015

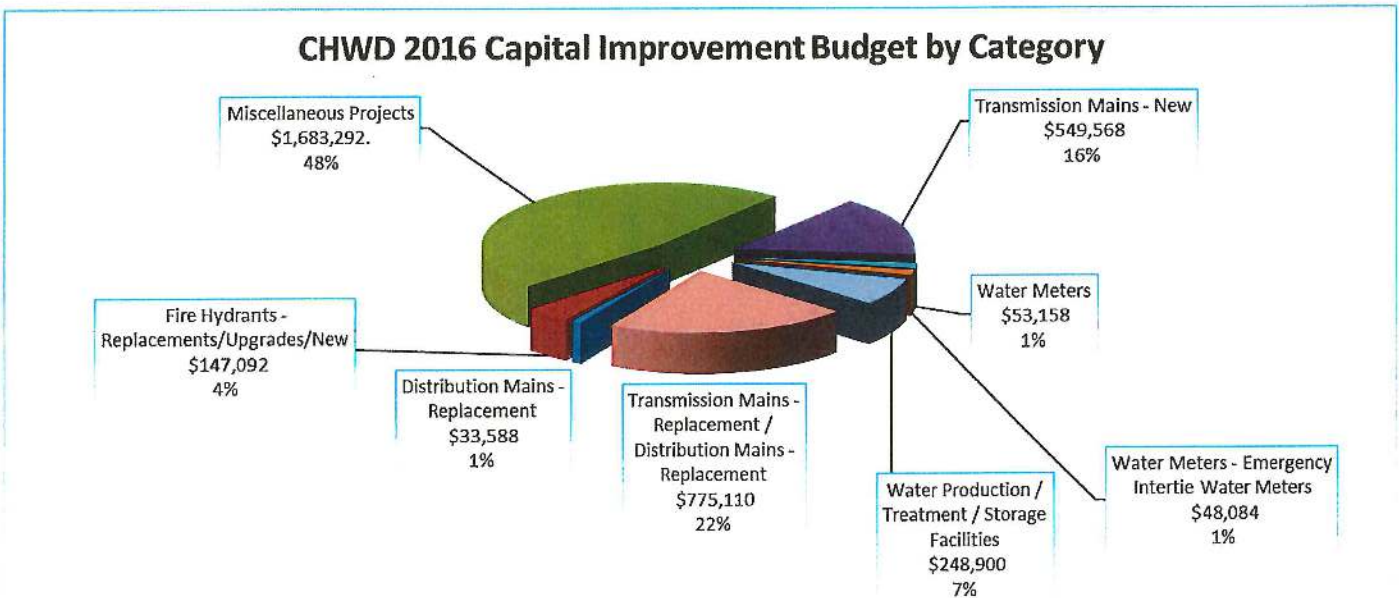
<i>Expense Category</i>	<i>2015 Budget</i>	<i>2016 Approved Budget</i>	<i>% Change 2015 vs. 2016</i>
Salary & Benefits	\$ 3,005,484	\$ 3,462,187	15.20%
Customer Service & Administration	\$ 788,472	\$ 1,118,405	41.84%
Debt Service	\$ 736,488	\$ 740,263	0.51%
Depreciation, Capital Improvement and Rate Stablization Expense	\$ 1,949,000	\$ 2,101,744	7.84%
Pumping and Well Maintenance	\$ 200,723	\$ 266,904	32.97%
Transmission and Distribution	\$ 496,406	\$ 547,960	10.39%
Water Demand Management	\$ 280,195	\$ 309,500	10.46%
Water Purchases	\$ 2,295,483	\$ 2,387,701	4.02%
	\$ 9,752,249	\$ 10,934,664	12.12%



CITRUS HEIGHTS WATER DISTRICT

Management's Discussion and Analysis
December 31, 2015

Citrus Heights Water District				
2016 CAPITAL PROJECTS BUDGET SUMMARY				
Adopted: November 17, 2015				
Category	2015 Adopted Budget	2016 Adopted Budget	2017 Projected Expense	Total Project Budget
Distribution Mains - Replacement	906,927	33,588	1,321,564	1,382,654
Fire Hydrants - Replacements/Upgrades/New	173,738	147,092	-	147,092
Miscellaneous Projects	1,961,506	1,683,292	525,000	2,133,292
Transmission Mains - New	1,082,423	549,568	-	970,286
Water Meters	28,441	53,158	-	53,158
Water Meters - Emergency Intertie Water Meters	73,010	48,084	-	48,084
Water Production / Treatment / Storage Facilities	351,829	248,900	-	348,900
Transmission Mains - Replacement / Distribution Mains - Replacement	-	775,110	-	775,110
Grand Total	\$ 4,577,873	\$ 3,538,792	\$ 1,846,564	\$ 5,858,576



Basic Financial Statements

CITRUS HEIGHTS WATER DISTRICT
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and investments (Note 2)	\$7,442,908	\$9,240,707
Restricted - cash and investments (Note 2)	533,350	536,963
Accounts receivable, net	1,968,889	1,901,082
Due from other governments	601,211	1,173
Accrued interest receivable	4,933	4,186
Inventory	276,913	297,799
Prepaid expenses and other deposits	392,987	452,594
Total current assets	11,221,191	12,434,504
NON-CURRENT ASSETS		
Non-depreciable capital assets (Note 3)	7,364,340	3,367,340
Depreciable capital assets, net (Note 3)	47,841,982	47,415,122
Total non-current assets	55,206,322	50,782,462
TOTAL ASSETS	66,427,513	63,216,966
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from refunding debt	61,991	75,042
Pension related (Note 7)	468,537	
Total deferred outflows	530,528	75,042
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$66,958,041	\$63,292,008
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$417,678	\$496,440
Retentions payable	119,613	21,824
Accrued payroll	46,030	29,812
Accrued interest payable	64,259	73,557
Deposits payable	337,609	300,771
Current portion of long-term liabilities:		
Compensated absences (Note 4)	144,962	159,172
Long-term debt (Note 4)	545,000	520,000
Total current liabilities	1,675,151	1,601,576
NON-CURRENT LIABILITIES		
Long-term liabilities - due in more than one year:		
Compensated absences (Note 4)	206,353	214,002
Long-term debt (Note 4)	4,332,486	4,912,305
Net pension liability (Note 7)	3,358,940	
Net OPEB obligation (Note 8)	692,813	632,800
Total non-current liabilities	8,590,592	5,759,107
TOTAL LIABILITIES	10,265,743	7,360,683
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from refunding debt	29,172	30,497
Pension Related (Note 7)	800,447	
Total deferred inflows	829,619	30,497
NET POSITION (Note 6)		
Net investment in capital assets	50,895,005	45,931,665
Restricted for debt service	533,350	536,963
Unrestricted	4,434,324	9,432,200
Total net position	55,862,679	55,900,828
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$66,958,041	\$63,292,008

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, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Water sales	\$9,953,864	\$10,171,473
Connection and other fees	930,686	1,159,828
Total operating revenues	10,884,550	11,331,301
OPERATING EXPENSES		
Customer service, administration and general	2,514,087	2,752,172
Water purchases	1,950,627	1,984,921
Transmission and distribution	1,239,387	1,282,941
Pumping and well maintenance	132,842	239,344
Conservation	186,114	99,235
Depreciation and amortization	2,098,944	2,003,488
Total operating expenses	8,122,001	8,362,101
OPERATING INCOME	2,762,549	2,969,200
NONOPERATING REVENUES (EXPENSES)		
Investment income	19,093	15,547
Miscellaneous income	28,606	12,716
Interest expense	(173,462)	(195,210)
(Loss) gain on disposal of capital assets	4,834	(30,669)
Total nonoperating revenues (expenses)	(120,929)	(197,616)
Net income (loss) before capital contributions	2,641,620	2,771,584
CAPITAL CONTRIBUTIONS		
Grant revenue	610,431	10,310
Capital contributions	438,567	59,248
Total capital contributions	1,048,998	69,558
CHANGES IN NET POSITION	3,690,618	2,841,142
NET POSITION, BEGINNING OF YEAR	55,900,828	53,059,686
Prior period adjustment (Note 6)	(3,728,767)	
NET POSITION, END OF YEAR	\$55,862,679	\$55,900,828

See accompanying notes to financial statements

CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$10,914,532	\$11,346,706
Cash paid to suppliers for goods and services	(5,201,318)	(4,342,498)
Cash paid to employees for services	(1,355,774)	(1,904,291)
Cash Flows from Operating Activities	4,357,440	5,099,917
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from other net operating income	28,606	21,853
Cash Flows from Noncapital Financing Activities	28,606	21,853
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grant revenues	610,431	
Acquisition and construction of capital assets	(6,084,237)	(5,224,550)
Proceeds from sale of capital assets	4,834	50,450
Principal payments on long-term debt	(554,819)	(510,000)
Interest payments on long-term debt	(182,760)	(231,150)
Cash Flows (used for) Capital and Related Financing Activities	(6,206,551)	(5,915,250)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	19,093	15,564
Cash Flows from Investing Activities	19,093	15,564
NET CASH FLOWS	(1,801,412)	(777,916)
Cash, beginning of year	9,777,670	10,555,586
Cash, end of year	\$7,976,258	\$9,777,670
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$7,442,908	\$9,240,707
Restricted - cash and cash equivalents	533,350	536,963
Total cash and cash equivalents	\$7,976,258	\$9,777,670

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CITRUS HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income from operations	\$2,762,549	\$2,969,200
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,098,944	2,003,488
Change in assets and liabilities:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(67,807)	(21,467)
Inventory	20,886	16,844
Prepaid expenses and other assets	(541,178)	(41,062)
Deferred amount from refunding of debt	13,051	
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(78,762)	78,506
Accrued payroll	16,218	(10,007)
Deposits payable	36,838	36,872
Retentions payable	97,789	
Accrued other postemployment benefits	60,013	97,800
Compensated absences	(21,859)	(31,582)
Deferred amount from refunding of debt	(1,325)	1,325
(Decrease) increase in net pension liability and related deferred inflows and outflows	(37,917)	
Net cash provided by operating activities	\$4,357,440	\$5,099,917
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Receipt of contributed assets	\$438,567	\$59,248

See accompanying notes to financial statements

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CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

**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.

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

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

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

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

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

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 the Local Agency Investment Fund (LAIF.)

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

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

Inventory: Inventory consists primarily of materials used in the construction and maintenance of the water distribution facilities and is valued on an average cost basis.

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

Capital Assets: Capital assets are recorded at historical cost. Donated assets are valued at estimated fair value on the date accepted. 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

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

Depreciation expense aggregated \$2,085,894 and \$1,990,437 for the years ended December 31, 2015 and 2014, 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 \$1,000 for tangible personal property and \$3,000 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 statement of financial position or 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 statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Compensated Absences: The District's policy allows employees to accumulate earned but unused annual leave, management leave and compensatory time-off which will be paid to employees upon separation from service to the District's. 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, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2015 and 2014 are classified in the accompanying financial statements as follows:

	2015	2014
Cash and investments	\$7,442,908	\$9,240,707
Restricted cash and investments	533,350	536,963
Total cash and investments	\$7,976,258	\$9,777,670

Cash and investments as of December 31, 2015 and 2014 consisted of the following:

	2015	2014
Cash on hand	\$550	\$550
Deposits with financial institutions	2,900,318	2,716,364
Total cash	2,900,868	2,716,914
Investments in Local Agency Investment Fund (LAIF)	4,542,040	6,523,793
Held by fiscal agent:		
Money market mutual fund	533,350	536,963
Total investments	5,075,390	7,060,756
Total cash and investments	\$7,976,258	\$9,777,670

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, 2015, the District's permissible investments included the following instruments:

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
Local Agency Investment Program	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California obligations	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	92 days	20%	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

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

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Program	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Bankers 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

**CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014**

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 investment 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 current 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.

	Minimum Legal Rating	Ratings as of Year End AAAm	Not Rated	Total
LAIF	N/A		\$4,542,040	\$4,542,040
Held by bond trustee:				
Money market mutual funds	AAAm	\$533,350		533,350
		<u>\$533,350</u>	<u>\$4,542,040</u>	<u>\$5,075,390</u>

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 50% of total investments, with the exception of U.S. Treasury obligations, U.S. Agency Securities and LAIF. There are no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total District investments.

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

Investment in LAIF: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, 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, 2015, these investments matured in an average of 179 days.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 are as follows:

	Balance December 31, 2014	Additions	Retirements	Transfers	Balance December 31, 2015
Capital assets not being depreciated:					
Land	\$955,683				\$955,683
Right of ways	26,080				26,080
Construction in progress	2,385,577	5,988,412		(1,991,412)	6,382,577
Total capital assets not being depreciated	<u>3,367,340</u>	<u>5,988,412</u>		<u>(1,991,412)</u>	<u>7,364,340</u>
Capital assets being depreciated:					
Improvements	55,847				55,847
Pipelines and infrastructure	53,532,988		(32,029)	1,991,412	55,492,371
Equipment and machinery	2,967,081	82,774			3,049,855
Buildings and improvements	1,466,585				1,466,585
Well improvements	4,858,478				4,858,478
Donated pipelines	16,064,286	438,568			16,502,854
Total capital assets being depreciated	<u>78,945,265</u>	<u>521,342</u>	<u>(32,029)</u>	<u>1,991,412</u>	<u>81,425,990</u>
Less accumulated depreciation for:					
Improvements	(36,310)	(782)			(37,092)
Pipelines and infrastructure	(18,652,289)	(1,335,710)	32,029		(19,955,970)
Equipment and machinery	(2,145,024)	(168,865)			(2,313,889)
Buildings and improvements	(698,711)	(39,494)			(738,205)
Well improvements	(1,167,287)	(124,799)			(1,292,086)
Donated pipelines	(8,830,522)	(416,244)			(9,246,766)
Total accumulated depreciation	<u>(31,530,143)</u>	<u>(2,085,894)</u>	<u>32,029</u>		<u>(33,584,008)</u>
Total capital assets being depreciated, net	<u>47,415,122</u>	<u>(1,564,552)</u>		<u>1,991,412</u>	<u>47,841,982</u>
Capital Assets, net	<u>\$50,782,462</u>	<u>\$4,423,860</u>			<u>\$55,206,322</u>

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 3 – CAPITAL ASSETS (Continued)

	Balance December 31, 2013	Additions	Retirements	Transfers	Balance December 31, 2014
Capital assets not being depreciated:					
Land	\$955,683				\$955,683
Right of ways	26,080				26,080
Construction in progress	1,261,705	2,140,051		(1,016,179)	2,385,577
Total capital assets not being depreciated	<u>2,243,468</u>	<u>2,140,051</u>		<u>(1,016,179)</u>	<u>3,367,340</u>
Capital assets being depreciated:					
Capacity entitlements	5,636,711				5,636,711
Improvements	55,847				55,847
Pipelines and infrastructure	44,280,594	2,758,687	(159,183)	1,016,179	47,896,277
Equipment and machinery	2,904,443	236,327	(173,689)		2,967,081
Buildings and improvements	1,466,585				1,466,585
Well improvements	4,747,168	111,310			4,858,478
Donated pipelines	16,005,039	59,247			16,064,286
Total capital assets being depreciated	<u>75,096,387</u>	<u>3,165,571</u>	<u>(332,872)</u>	<u>1,016,179</u>	<u>78,945,265</u>
Less accumulated depreciation for:					
Capacity entitlements	(1,684,579)				(1,684,579)
Improvements	(35,527)	(783)			(36,310)
Pipelines and infrastructure	(15,807,753)	(1,254,637)	94,680		(16,967,710)
Equipment and machinery	(2,144,421)	(157,676)	157,073		(2,145,024)
Buildings and improvements	(658,699)	(40,012)			(698,711)
Well improvements	(1,044,132)	(123,155)			(1,167,287)
Donated pipelines	(8,416,348)	(414,174)			(8,830,522)
Total accumulated depreciation	<u>(29,791,459)</u>	<u>(1,990,437)</u>	<u>251,753</u>		<u>(31,530,143)</u>
Total capital assets being depreciated, net	<u>45,304,928</u>	<u>1,175,134</u>	<u>(81,119)</u>	<u>1,016,179</u>	<u>47,415,122</u>
Capital Assets, net	<u>\$47,548,396</u>	<u>\$3,315,185</u>	<u>(\$81,119)</u>		<u>\$50,782,462</u>

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 (CTP) project owned by San Juan Water District. The asset is being amortized over the pipeline estimated useful life of forty years.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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.

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, 2015 and 2014 was as follows:

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015	Current Portion
2010 Certificates of Participation 4%, due 9/28/20	\$2,980,000		(\$450,000)	\$2,530,000	\$470,000
2012 Revenue Refunding Bonds 3-5.25%, due 2/1/33	2,095,000		(70,000)	2,025,000	75,000
Less: Unamortized premiums	357,305		(34,819)	322,486	
	5,432,305		(554,819)	4,877,486	545,000
Net OPEB obligation	632,800	\$101,648	(41,635)	692,813	
Compensated absences	373,174	130,212	(152,071)	351,315	144,962
Total Long-Term Debt	\$6,438,279	\$231,860	(\$748,525)	\$5,921,614	\$689,962

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 4 – LONG-TERM LIABILITIES (Continued)

	Balance December 31, 2013	Additions	Retirements	Balance December 31, 2014	Current Portion
2010 Certificates of Participation 4%, due 9/28/20	\$3,415,000		(\$435,000)	\$2,980,000	\$450,000
2012 Revenue Refunding Bonds 3-5.25%, due 2/1/33	2,170,000		(75,000)	2,095,000	70,000
Less: Unamortized premiums	392,125		(34,820)	357,305	
	5,977,125		(544,820)	5,432,305	520,000
Net OPEB obligation	535,000	\$123,901	(26,101)	632,800	
Compensated absences	404,756	41,639	(73,221)	373,174	159,172
Total Long-Term Debt	\$6,916,881	\$165,540	(\$644,142)	\$6,438,279	\$679,172

The annual requirements to amortize the outstanding debt as of December 31, 2015 are as follows:

Fiscal Year Ending June 30,	2010 Certificates of Participation			2012 Revenue Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$470,000	\$101,200	\$571,200	\$75,000	\$95,188	\$170,188
2017	485,000	82,400	567,400	80,000	92,938	172,938
2018	505,000	63,000	568,000	80,000	89,738	169,738
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
2021-2025				520,000	347,638	867,638
2026-2030				635,000	223,913	858,913
2031-2033				460,000	49,088	509,088
Total	\$2,530,000	\$311,200	\$2,841,200	\$2,025,000	\$1,068,225	\$3,093,225

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 \$3,093,225 and \$3,211,869 at December 31, 2015 and 2014, 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 \$2,841,200 and \$3,410,400 at December 31, 2015 and 2014, respectively.

Total principal and interest paid on all debt payable from net revenues was \$736,488 and \$739,660 and the total water system net revenues were \$4,097,531 and \$4,926,354 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the District's net revenues were 556% and 666% of debt service payments, respectively.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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 District arbitrage liability at December 31, 2015 and 2014.

NOTE 6- NET POSITION

Prior Period Adjustment: The implementation of GASB Statement No. 68 & GASB Statement No. 71 required the District to make prior period adjustments. As a result, the beginning net positions of the Business-Type Activities were reduced by \$3,728,767. See Note 7 for additional information.

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, 2015 and 2014 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 reserve 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.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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 Descriptions – All qualified regular and probationary employees are eligible to participate in the District's Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. 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 Plans' provisions and benefits in effect at December 31, 2015, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
	Prior to	On or after	On or after
	January 1, 2013	January 1, 2013	January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.0%	7.0%	6.5%
Required employer contribution rates	20.6%	20.6%	8.0%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans 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.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	
	Tier 1	Tier 2
Contributions - employer	\$405,696	\$31,543
Contributions - employee (paid by employer)	123,058	20,921

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

As of December 31, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Tier 1	\$3,353,100
Miscellaneous Tier 2	5,840
Total Net Pension Liability	<u>\$3,358,940</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2
Proportion - June 30, 2013	0.12690%	0.00024%
Proportion - June 30, 2014	0.13567%	0.00024%
Change - Increase (Decrease)	0.00877%	0.00000%

CITRUS HEIGHTS WATER DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)
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For the year ended December 31, 2015, the District recognized pension expense of \$37,917. At December 31, 2015, 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	\$461,077	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		\$791,928
Adjustment due to differences in proportions	7,460	8,519
Total	\$468,537	\$800,447

The \$461,077 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, 2016. 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	
2016	\$198,361
2017	198,361
2018	198,283
2019	197,982

**CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous
	Tier 1 and Tier 2
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	Depending on age, service and type of employment
Investment Rate of Return	7.5% (2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75%
Post Retirement Benefit Increase	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 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent 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.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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 each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous Tier 1</u>	<u>Miscellaneous Tier 2</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$5,323,643	\$10,405
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$3,353,100	\$5,840
1% Increase	8.50%	8.50%
Net Pension Liability	\$1,717,737	\$2,051

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 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The District administers a single-employer defined benefit other postemployment healthcare (OPEB) plan providing health plan coverage to eligible retired employees and their eligible dependents. The District offers retirees the option to obtain coverage under the same medical plans as its active employees if such coverage is offered by the health insurer. Employees become eligible to retire and receive healthcare benefits with at least 20 years of service to the District. The OPEB Plan does not issue a publicly available financial report.

Funding Policy: The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements. For 2015 and 2014, the District contributed \$30,352 and \$26,101 respectively, to the plan.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation: The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for 2015 and 2014, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the OPEB plan:

	2015	2014
Normal Cost	\$40,342	\$61,705
Amortization of unfunded Actuarial Accrued Liability (AAL)	61,306	62,118
Annual required contribution	101,648	123,823
Interest and amortization of net OPEB obligation	(11,283)	78
Contributions made (premium payments made)	(30,352)	(26,101)
Change in net OPEB obligation	60,013	97,800
Net OPEB obligation, beginning of year	632,800	535,000
Net OPEB obligation, end of year	<u>\$692,813</u>	<u>\$632,800</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013 were as follows:

<u>Year Ended</u>	<u>Annual OPEB</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$116,890	14.39%	\$535,000
December 31, 2014	123,823	21.08%	632,800
December 31, 2015	101,648	29.86%	692,813

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

CITRUS HEIGHTS WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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, 2015 totaling \$1,164,971 related to construction work.

NOTE 10 – ECONOMIC DEPENDENCY

During 2015 and 2014, the District purchased 91.57% and 84.86%, respectively, of its water supply from the San Juan Water District (SJWD). Total purchases for the year ended December 31, 2015 and 2014 was \$1,950,627 and \$1,984,921. In addition, the District owns water transmission capacity entitlements through the Cooperative Transmission Pipeline (CTP) 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:

<u>Type of Coverage (Deductible)</u>	<u>ACWA/ JPIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
General and Auto Liability (Includes Public Officials Liability)	\$2,000,000	Statutory	None
Property Damage	100,000	150,000,000	25,000-50,000
Crime	100,000	None	1,000
Workers Compensation Liability	2,000,000	Statutory	None
Employers Liability	2,000,000	Statutory	None

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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Required Supplementary Information

**CITRUS HEIGHTS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
For the Years Ended December 31, 2015 and 2014**

Citrus Heights Water District, a Cost-Sharing Defined Pension Plan
As of fiscal year ending December 31, 2015
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Miscellaneous	
	Tier 1 6/30/2014	Tier 2 6/30/2014
Plan's Proportion of the Net Pension Liability/Asset	0.05389%	0.00009%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$3,353,100	\$5,840
Plan's Covered-Employee Payroll	\$1,909,003	\$220,884
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	175.65%	2.64%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	77.43%	83.03%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITRUS HEIGHTS WATER DISTRICT REQUIRED SUPPLEMENTAL INFORMATION For the Years Ended December 31, 2015 and 2014

Citrus Heights Water District, a Cost-Sharing Defined Pension Plan
As of fiscal year ending December 31, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

		Miscellaneous	
	Tier 1		Tier 2
	Fiscal Year 2014-2015		Fiscal Year 2014-2015
Actuarially determined contribution	\$ 405,696	\$	31,543
Contributions in relation to the actuarially determined contributions	(405,696)		(31,543)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$</u>	<u>-</u>
 Covered-employee payroll	 \$ 1,909,003	 \$	 220,884
 Contributions as a percentage of covered-employee payroll	 21.25%		 14.28%
 Notes to Schedule			
Valuation date:	6/30/2013		6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
 Inflation	 2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expenses,
Retirement age	55 yrs. Misc. Tier 1 & Tier 2
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements

CITRUS HEIGHTS WATER DISTRICT REQUIRED SUPPLEMENTAL INFORMATION For the Years Ended December 31, 2015 and 2014

Schedule of Funding Status – Other Post-Employment Benefits Obligation (OPEB)

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of/Covered Payroll ((B-A)/C)
December 31, 2009	\$0	\$1,449,500	\$1,449,500	\$0	\$2,154,000	67.29%
December 31, 2012	0	1,414,800	1,414,800	0	2,266,500	62.42%
January 1, 2015	0	1,060,112	1,060,112	0	2,602,804	40.73%

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is based on the District's own investments. The annual healthcare-cost trend rates are 5.0%-8.0% for 2015 through 2018+ respectively. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	January 1, 2015
Actuarial cost method	Projected unit credit method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 years as of the valuation date
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increase	0.00%
Inflation rate	3.00%
Health care cost trend rates	5.00% - 8.00%