

Carmichael Water District
Annual Comprehensive Financial Report
For the fiscal years ended June 30, 2024 and 2023

Carmichael, California



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Annual Comprehensive Financial Report

For the fiscal years ended June 30, 2024 and 2023

Carmichael, California

Prepared by the Finance Department

Finance Manager - Debbie L. Martin, CPA (Inactive)
Senior Accountant - Ben Strange

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www.carmichaelwd.org

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Introductory Section

Carmichael Water District Letter of Transmittal



Ronald Davis
Director Division 1

Mark R. Emmerson
Director Division 2

Jeff Nelson
Director Division 3

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Ron Greenwood
Director Division 4

Paul Selsky
Director Division 5

Cathy Lee
General Manager

January 8, 2025

To the Rate Payers and Board of Directors of the Carmichael Water District:

We are pleased to present the Carmichael Water District Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2024 and 2023. This report was prepared by the Finance Department in accordance with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The financial statements were audited by the District's independent certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Management assumes full responsibility for the completeness, reliability, and fair presentation in the preparation of the financial statements based upon a comprehensive framework of internal control that has been established for this purpose. Management is responsible for establishing and maintaining an internal control structure designed to ensure its assets are protected from loss, theft, or misuse. The design, implementation and maintenance of the internal controls developed are to provide reasonable, but not absolute, assurance these objectives are met:

1. The cost of the control should not exceed the benefits likely to be derived;
2. The evaluation of costs and benefits requires estimates and judgments by management;
3. Transactions are executed in accordance with management's authorization;
4. Adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP and other reporting requirements.
5. The financial statements are free of any material misstatements.

The District's financial records are kept in accordance with GAAP using the full accrual basis of accounting so that all costs of providing services are measured to support the District's rate structures. Accrual accounting measures not just current assets and liabilities, but also long-term assets and liabilities, such as capital assets and bond debt. This basis of accounting reports all revenue and all expenses earned or incurred, whether or not they were received or paid in cash in the fiscal year.

This report includes all funds, agencies, boards, commissions, and authorities that are financially accountable to the District's Board of Directors. Financial accountability was determined on the basis of budget adoption, imposition of will, funding, and appointment of the governing board. Based upon these criteria, the Carmichael Water District Financing Corporation (the Financing Corporation) is considered a component unit of the District. The Financing Corporation was organized under California Government Code 6500 as a Joint Powers Agency on April 1, 1999, solely for the purpose of providing financial assistance to the District.

California Government Code Section 26909 (2) (A) (B) requires an annual audit of the District's accounts and records within 12 (twelve) months of the end of the fiscal year by a certified public accountant. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. The 2019 Certificates of Participation (COP) bonds also require an annual audit as a condition and covenant of the bond agreements.

In performing the audit to obtain reasonable assurance, the auditors will identify and assess the risks of material misstatement and design and perform audit procedures to respond to those risks. These procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Reasonable assurance does not provide absolute assurance however, that a material misstatement will be detected. The risk of not detecting a material misstatement from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Richardson & Company, LLP, Certified Public Accountants, conducted the annual audit for the District and has issued an unmodified "clean" opinion on the District's financial statements for the fiscal year ended June 30, 2024 and 2023. The independent auditor's report is located at the front of the financial section of this report.

Managements' Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The MD&A is a financial performance report that includes financial highlights, explanatory narratives and statistical tables of the District's financial results for the fiscal year ending June 30, 2024 measured against the prior fiscal year ended June 30, 2023. The MD&A complements this transmittal letter and should be read in conjunction with it.

PROFILE OF CARMICHAEL WATER DISTRICT

MISSION STATEMENT

“Committed to providing the highest quality water for the lowest feasible cost and to serving our customers with diligence, efficiency, and integrity.”

REPORTING ENTITY

With an effort led by the Carmichael Colonies Improvement Club, the Carmichael Irrigation District became the first irrigation district established in Sacramento County, California, under the Wright Irrigation Act of 1887 and held its first official meeting on February 8, 1916. Initially, the

District predominantly relied on ground water wells to meet the irrigation needs of the colonies. As the population grew, however, water demands and needs expanded to more than irrigation, requiring a diversified and sustainable water source.

In the latter half of the 20th Century, The Irrigation District began sourcing additional water from the American River to enhance the quality of the water and increase reliability. A strategic rebranding resulted in a name change of the District to Carmichael Water District in the 1980's, leaving the District still organized under the laws governing irrigation districts. The name change marked the evolution of the District from a focus on primarily irrigation services to one focused on serving the comprehensive water demands of an urbanized community.

Carmichael Water District serves the unincorporated community of Carmichael, a suburb within the boundaries of Sacramento County, California, encompassing 5,120 acres or roughly 8 square miles. Carmichael, CA is a census-designated place (CDP) in Sacramento County with an estimated population of about 80,000. The median household income is estimated at \$80,138 with healthcare being the largest employment industry in the area. The District is located in the northern part of Sacramento County along the north bank of the American River. The District is about ten miles east of downtown Sacramento and provides water for irrigation, municipal and commercial customers. The District serves a population of approximately 41,200 with 12,000 connections.

SOURCES OF WATER SUPPLY

The District maintains approximately 180 miles of main water lines, 111 miles of laterals and hydrant laterals, and supplied an average of 2,712 million gallons of water to its customers this fiscal year. The District is substantially built out with anticipated growth through in-fill development of larger parcels and a limited number of vacant parcels. The land use is predominantly residential with commercial along major road corridors and public use lands including parks, schools, and one golf course.

The District's approximately 41,200 customers receive on average 70 – 80 percent of their water from the American River (surface water) with the remainder from District groundwater wells. The District's current groundwater sources are from 5 primary wells. The wells are operated seasonally, May through September.

The District has used several water supply diversions off the American River which have been modified and improved to become the current infiltration diversions feeding the Bajamont Water Treatment Plant (the main source of water supply for District customers). Groundwater was developed by the District prior to World War II as part of a balanced conjunctive use portfolio management strategy and continues today with the District maintaining 5 groundwater wells.

GOVERNANCE

The governance of the District is through a five member elected Board of Directors with each director representing a division of approximately equal population within the service area. The Directors serve four-year staggered terms.

BUDGET PROCESS

As an independent special district, the District is neither mandated by state law to prepare a budget nor subject to appropriation limits. As a matter of fiscal responsibility, however, a budget document is prepared to communicate the District's alignment of resources with the Board of Director's priorities and goals.

The District's budget is a one year financial plan that follows closely with the District's Master Plan and Business Plan efforts. It is an annual plan detailing the revenue requirements necessary to support the operation and maintenance expenses (O&M), short-term and long-term capital project planning, debt obligations, reserve designations and reserve transfers and uses.

The annual budget process begins with input from Management staff approximately 6 (six) months prior to year-end to determine the short-term and long-term 10 (ten) year Capital Project Forecast. In late February, the Finance Committee of the Board of Directors is then convened to discuss the Board's budgetary goals and priorities, review the initial projections for revenue, O&M expenses, and reserve uses and transfers, and then confirm the capital project spending 10 (Ten) Year Forecast for budget preparation. The Proposed Budget is then formulated and presented to the Board in April, with a public hearing of the budget in May, followed by final Board adoption in June.

LEVEL OF BUDGETARY CONTROL

The budget is prepared by division, department, and object level. The budget is reviewed and published monthly at each Board meeting as a part of the District's regular financial reporting process. Amendments to the budget, transfers within budget categories, or transfers from reserves must be approved by the Board.

ECONOMIC CONDITION AND OUTLOOK

Population for the community of Carmichael is estimated to grow quite modestly at an estimated 1.7% creating very stable demand for water use. As the District is primarily built out, it does not depend on new growth to maintain revenue. Instead, the District continues the practice of establishing rates and funds that support the expected and unexpected expense fluctuations encountered year to year. The District also investigates opportunities to increase the District's financial position through other means, whether it is outside District or Boundary water sales, interties with neighboring agencies, or partnerships with public and private entities.

REGULATORY CHALLENGES AND CLIMATE IMPACTS

Multi-year droughts plague the State resulting in State mandated conservation efforts and curtailments from the District's water supply from the American River. Consequently, dry year and emergency water supply are critical to the District's ability to meet customer water demand requiring an intense focus by the Board and Management to create strategies to increase the resiliency of the District's water supply. One of the approaches is through cooperative efforts to continually partner with others to ensure safe and reliable water supply for customers and increase revenue. These options include:

- Treatment and Delivery Agreement with neighboring water agency
- Intertie Project with neighboring water agency
- Mutual Assistance Agreements with four (4) neighboring water agencies
- Secured drought proof water for emergency supply with the use of remediated and reclaimed water

As an additional approach, the District has modified its priorities through the Bay-Delta Plan (formerly San Francisco Bay Sacramento-San Joaquin Delta Estuary Water Quality Control Plan) and has realigned strategic and long-term goals by prioritizing those capital projects that improve drought resiliency and water reliability. The District has embarked on an aggressive plan to add three new aquifer storage and recovery (ASR) wells with completion in the next two years.

LONG TERM PLANNING

As discussed, the most impactful resiliency approach is to directly increase the capability of the water supply with multiple sources of supply and this is where the greatest financial impact lies, the long term planning and spending for infrastructure development, replacement, and repair. The long-term plan includes planned rate increases for infrastructure projects right beside grant and/or bond funding for increased water supply and water resiliency capital projects. The District has pursued an aggressive fund raising strategy to secure local, state, and federal grant funds to support the long term plan and has successfully secured grant monies to fund the three new ASR wells.

INFRASTRUCTURE AND DELIVERY SYSTEM

The District completed a comprehensive 2015 Master Plan that provided a perspective on the backlog of unfunded infrastructure replacement liabilities and a strategy for resolving the long-term sustainability of the District. In partnership with that effort, the District completed a Business Plan in 2020 to conduct a rate study and develop a rate increase plan. The 2020 Business Plan followed the approach of looking ahead 10 years and included a 10 year detailed capital improvement strategy. Both Plans continue to guide the capital projects of the District. Further, the 10 year capital improvement strategy (Projection) developed within the Business Plan has been incorporated within the annual budget process and is an inherent and critical piece of the annual budget. The 10 year Projection is a "fluid" document and is refined each year as capital projects are prioritized.

The District continues to invest in repair and replacement of aging infrastructure throughout its system on a pay-as-you-go financial strategy. This strategy, coupled with planned rate increases and grant funding, allows the District the ability to accumulate and save reserves for larger projects in the long-term planning stages, thereby reducing or avoiding issuance of debt. Capital infrastructure expenditures for FY 2023-24 amounted to \$9.2 million with projects that included the following:

- Transmission and distribution line infrastructure replacements
- Supervisory Control and Data Acquisition (SCADA) system upgrade
- Water treatment plant facility and equipment improvements
- Water treatment plant membrane replacements
- La Sierra, Ladera and Winding Way Aquifer storage and recovery (ASR) well projects
- La Vista Tank replacement and booster pump project

FUTURE PLANS

The 2015 Master Plan and the 10 year capital improvement forecast in every year's budget provides the guide for developing the District's future plans. As a part of addressing the aging infrastructure challenge, the District intends to replace pipeline at the rate of approximately \$2.0 to \$3.0 million per year which includes the replacement of high priority transmission lines approaching the end of its useful life. The District will continue with the construction of the La Vista Tank replacement and booster pump station project which includes a 3 MG tank, well rehabilitation, pump station, storm drain, and distribution system pipelines. This project was outlined in the District's Master Plan as an important asset to the District's portfolio for existing and future water supply reliability and was funded with the issuance of bonds. It replaces a 50 year old tank facility and pump station.

As for the Production side, future plans include the construction of ASR wells, water treatment plant Supervisory Control and Data Acquisition (SCADA) system and the replacement of the Ranney Collector system. Longer term financial considerations and planning are in progress for the replacement of the filtration process at the water treatment plant.

The District will continue seeking grant funding opportunities to enhance the funding for the long range capital project plans, while at the same time, providing for enhancements to the District's reserve fund policies.

FINANCIAL INFORMATION

BUSINESS PLAN AND RATE SETTING

The District prepared a 10 Year Business Plan to define the financial position of the District. The Business Plan is in place as a guidance document for financial planning and rate setting decision making for the Board of Directors and staff. It also provides a foundation for the long-term financial sustainability of the District. It is the driving document for budget and rates on an annual basis. The Business Plan is updated during the five (5) year rate setting process to ensure sustainable rates and revenue.

The District is in its fourth year of 9.5% rate increases that occur every January, starting with January 1 of 2021 and continuing until January 1, 2025. The rate increases were developed to provide not only revenues to keep pace with inflationary cost increases for goods and services, but also an increased level of pay-go capital spending to address water system rehabilitation for aging pipes, pump stations, water tanks and other system deficiencies.

RESERVE POLICY

The District has developed a reserve policy to establish funds to minimize adverse impacts from anticipated and unanticipated District expenses, to mitigate and minimize risk, and provide a mechanism to help ensure funding for long-term capital improvement needs. The policy was updated in June of 2024 to expand the Filter Skid Reserve to include replacement for the entire treatment plant filtration process and provided for additional reserve funding to accumulate funds for the Ranney Collector system replacement.

DEBT MANAGEMENT

The District recognizes that borrowing long-term funds for the purpose of enhancing, improving, or acquiring infrastructure and facilities may be necessary. To minimize dependency on debt financing, the District strives to fund annual renewal and replacement capital projects (i.e. vehicles; equipment; annual meter, service line, membrane, and mainline replacement programs) from rates, increased long term planning through reserve accumulation, and grant funding sources.

OTHER INFORMATION

AWARDS

The Government Finance Officers Association (GFOA) developed a Certificate of Achievement for Excellence in Financial Reporting (COA) to encourage governmental entities to go beyond the minimum requirements of GAAP and prepare a fully comprehensive financial report in the spirit of transparency and full disclosure. In order to be awarded a COA, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report that succeed in achieving that goal. The District earned this distinguished award last year and believes the report this year will again meet the program requirements to receive the award from the Government Finance Officers Association (GFOA).

The Special District Leadership Foundation (SDLF), supported by the California Special District Association (CSDA) and the Special District Risk Management Authority (SDRMA), was formed to promote good governance and best practices among California's special districts through certification, accreditation, and other recognition programs. SDLF's mission is to promote and recognize excellence in governance and management of special districts, and within that effort, SDLF created the District Transparency Certificate of Excellence program. The Certificate and Program promotes transparency and ethical practices in the operations and governance of special districts to the public and provides special districts with an opportunity to showcase their commitment to operating in a transparent and ethical manner. The District subjected itself to a

thorough transparency review within the program and recently earned the distinguished District Transparency Certificate of Excellence.

ACKNOWLEDGMENTS

This report represents the culmination of dedicated efforts by District staff inside and outside of the Finance department. The preparation of this report could not have been accomplished without the hard work and team effort of the entire financial reporting team. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. We would also like to express our appreciation and thanks to Ingrid Sheipline and her staff at Richardson & Company LLP. Credit is also due to the President and the members of the District Board for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Cathy Lee
General Manager and Board Secretary



Debbie L. Martin, CPA (Inactive)
Finance Manager and Board Treasure

Carmichael Water District
Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Carmichael Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

Carmichael Water District
Principal District Officials

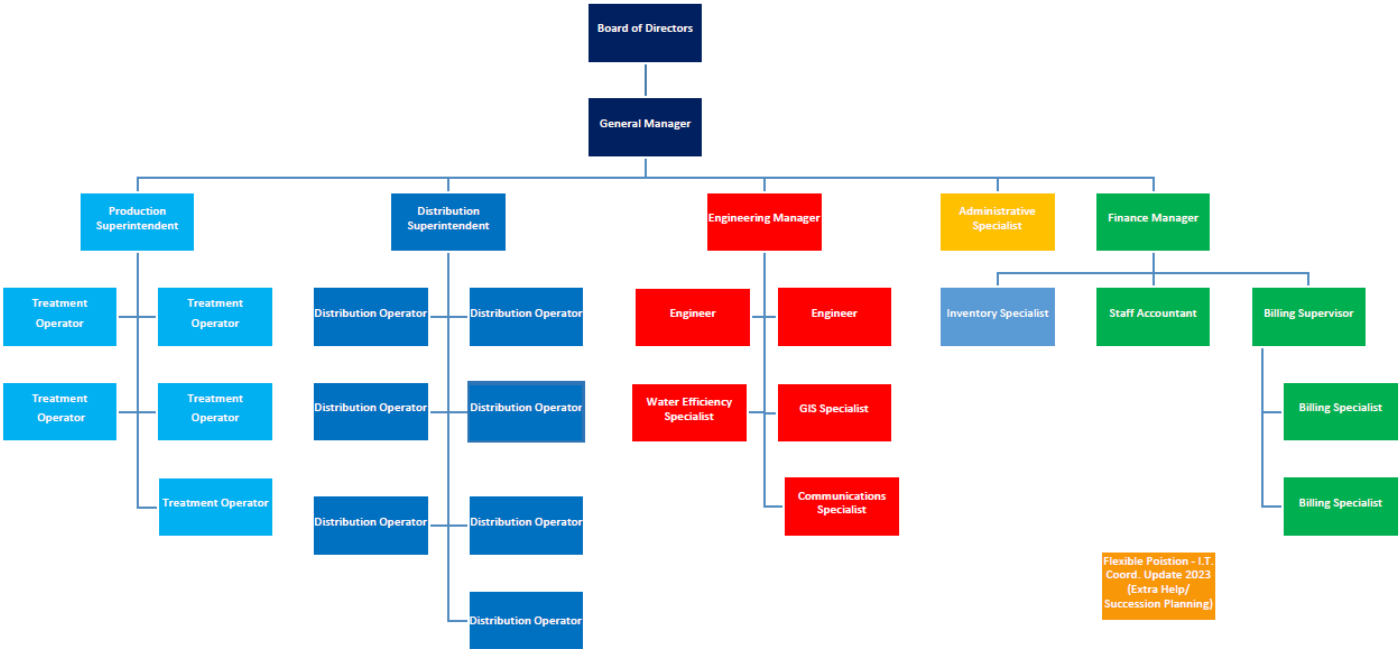
**Board of Directors – Elected Officials
As of June 30, 2024**

<u>Name</u>	<u>Title</u>	<u>Division</u>
Ronald Davis	Director	Division 1
Mark R. Emmerson	Director	Division 2
Jeff Nelson	Director	Division 3
Ron Greenwood	Vice-President	Division 4
Paul Selsky	President	Division 5

Staff

<u>Title</u>	<u>Name</u>
General Manager and Secretary	Cathy Lee
Finance Manager and Treasurer	Debbie L. Martin, CPA (Inactive)

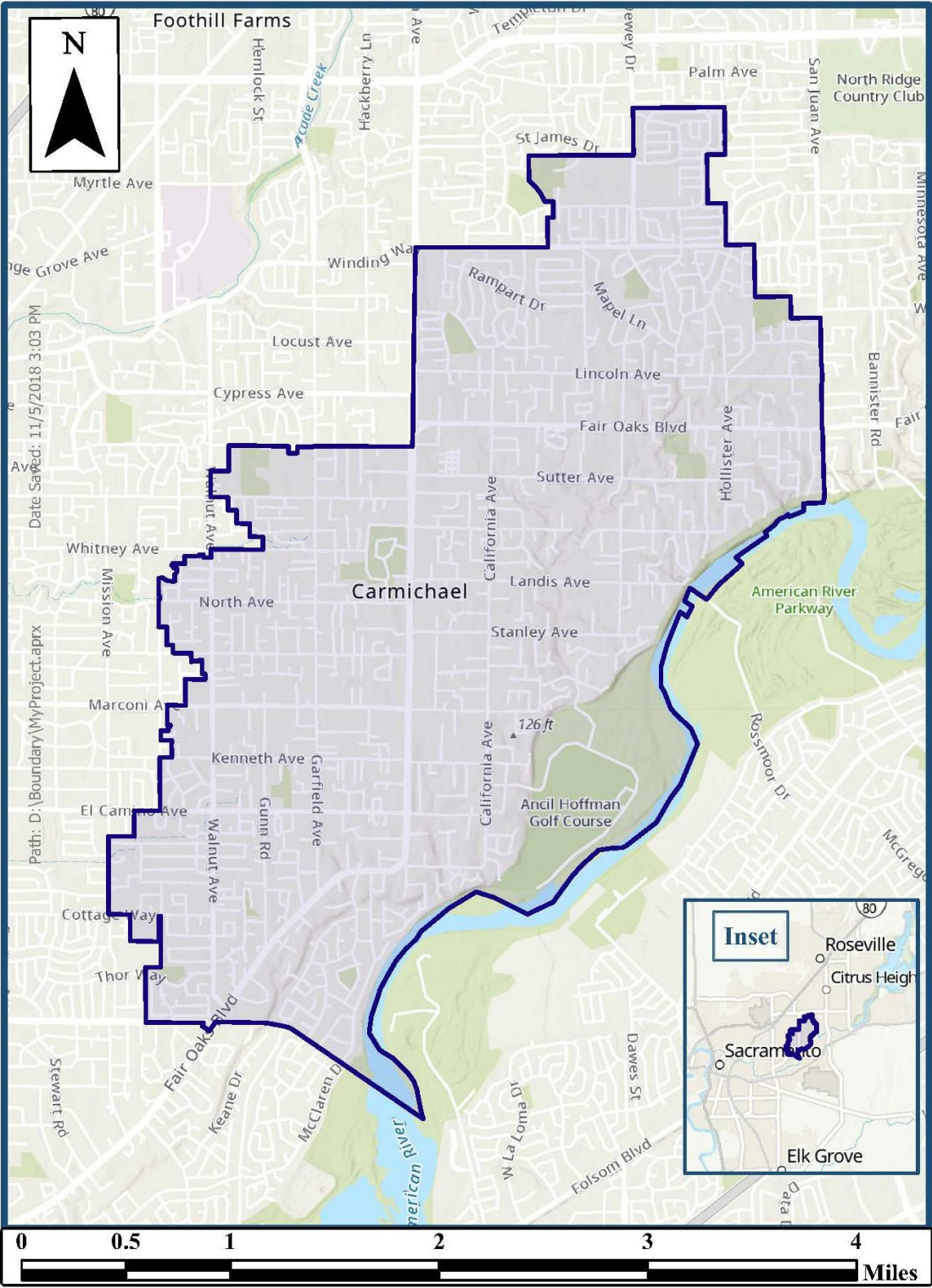
Carmichael Water District
Organizational Chart



Key

- - Management
- - Finance
- - Administration
- - Inventory
- - Engineering
- - Production
- - Distribution

Carmichael Water District
Service Area



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Financial Section

Carmichael Water District Independent Auditor's Report



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Sacramento, California 95825

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carmichael Water District
Carmichael, California

Report on Financial Statements

We have audited the accompanying financial statements of Carmichael Water District (the District), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of Matters

As discussed in Note F to the financial statements, the District's actuary did not consider it necessary to use age adjusted health insurance premiums in the calculation of the District's net other postemployment benefits (OPEB) liability. Had the actuary included age adjusted health insurance premiums in the calculation of the net OPEB liability, the OPEB liability may have been significantly larger in amount. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the District as of June 30, 2023, were audited by other auditors whose report dated December 12, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 the 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 financial statements, and other knowledge we obtained during our audit of the 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 and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part 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 it.

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

Richardson & Company, LLP

December 20, 2024

Carmichael Water District Management's Discussion and Analysis

This section presents management's analysis of the Carmichael Water District's (the District or CWD) financial condition and activities as of and for the year ended June 30, 2024. Management's Discussion and Analysis is intended to serve as an introduction to the District's audited basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section to compliment the readers' understanding of the financial statements. The District, as the primary governmental entity, includes within the financial statements the financial position and activities of the Carmichael Water District Financing Corporation (the Corporation) as a component unit. The Corporation is a blended component unit and does not issue separate financial statements.

ORGANIZATION AND BUSINESS

Carmichael Water District is an independent California special district established in 1916 as the first irrigation District established in Sacramento County under the Wright Irrigation Act of 1887. Initially, the District provided predominantly irrigation water to the newly formed Carmichael Colonies through ground water wells. As the population grew and water demands changed to accommodate a sprawling urban community, the District sought diversified and sustainable water sources and began sourcing water from the American River. It was in the 1980's that the District rebranded and renamed itself as the Carmichael Water District to better reflect the broadened breadth of services the District was providing to the community. The change was in name only as the District is still organized under the laws governing irrigation districts.

The District operates as a public utility and maintains its accounting records in accordance with generally accepted accounting principles as an enterprise fund of the proprietary fund group as prescribed by the Governmental Accounting Standards Board (GASB).

OVERVIEW OF THE DISTRICT'S FINANCIAL STATEMENTS

This discussion provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide.

The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about its activities. The District's financial statements include five components:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Other Information

Management's Discussion and Analysis

The **Statements of Net Position** (Balance Sheet) include all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The Statement of Net Position also provides information about the nature and amount of resources and obligations at year-end providing a basis for assessing the District's liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net position may be displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The **Statements of Revenues, Expenses and Changes in Net Position** presents the results of the District's operations over the course of the fiscal year ended June 30, 2024 and how the net position changed during the year. These Statements measure the success of the District's operations and the extent to which the District has recovered its costs through user fees and other charges. The financial statements, except for the cash flow statements are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments.

The **Statements of Cash Flows** summarize the annual flow of cash receipts and cash disbursements during the year, without consideration of the timing of the event giving rise to the obligation or receipt. It excludes noncash accounting measures such as depreciation and amortization of assets. This statement reports cash activity in the following four categories providing information as to where cash comes from, what was cash used for, and how much did cash change during the period:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

NOTES TO FINANCIAL STATEMENTS

The **Notes to the Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present additional information required by generally accepted accounting principles to enhance the understanding of the items presented in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, the basic financial statements also present certain required supplementary information, which follows the notes to the financial statements. This other information includes pension and OPEB funding schedules.

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

- The District increased its net position by \$7,727,284 to end at \$78,286,885 at June 30, 2024 representing an 11.0% increase over 2023. The increase is due primarily to the water rate increases that allowed significant investments in capital assets with the construction of new ASR wells occurring during the year along with increases in infrastructure replacements.
- Total operating revenue increased by only 3% over 2023, or \$550,468. Retail water sales increased 11.8% by \$1,753,711 over 2023 due to the Board approved water rate adjustments and increased demand for water. However, a water transfer sale was completed in 2023 of \$1,212,246, and there were no water transfer sales in 2024, bringing the total operating revenue increase over last year to just \$550,468.
- Total operating expenses decreased overall by 1.6% in 2024 by \$178,791. Excluding the effects of depreciation, amortization, and Pension/OPEB expenses, operations and maintenance (O&M) related expenses decreased by \$878,182 due to the decrease in and capitalization of membrane purchases in 2024 and a reduction in heavy equipment production repairs and maintenance expenses. Offsetting the O&M decreases were \$420,549 increases in depreciation expense with the capital asset investments and \$278,842 increases in pension and Other Post-Employment Benefits (OPEB) expenses resulting from changes in actuarial assumptions and related investment results.
- Total cash and cash equivalents increased by \$2,932,991 in 2024. Operating cash increased \$937,287 due to a slowdown in capital expenditure payments from contractual project conflicts and a decrease in membrane and production heavy equipment repairs. Despite increased labor and benefit costs and the absence of a water transfer sale in 2024, the increase still represents a 9.8% increase in generated operating cash. Cash from Noncapital financing activities increased 100% over last year with the District collecting \$1,752,555 in grant monies. The balance of the cash increase is primarily due to increased investment income with the District's intentional focus on moving reserve funds to interest earning accounts.
- Reinvestment in infrastructure and replacement of aging assets continued with an overall net increase in capital assets of \$5,443,211 including construction in progress.
- As detailed in Note L - Commitments and Contingencies, the District's significant contractual obligations amount to \$11,320,841, representing a \$6,920,986 increase (or 157.3%) over last fiscal year's commitments of \$4,399,855. The increased Infrastructure activities reflect the District's ongoing commitment to developing water resiliency plans against drought by having multiple sources of water resources available to meet the customer's water needs. As well, the current rate structures support a higher level of resources dedicated to ongoing infrastructure repair and replacement.
- Long-term debt, including current portion, decreased by \$1,688,776 due to the debt service and amortization on the 2019 Certificates of Participation Series B and A, respectively.
- Investments of the District increased by \$3,091,495 (including interest income) with a transfer of a portion of the District's reserves to the Local Agency Investment Fund (LAIF)

Management's Discussion and Analysis

Outside Boundary Sales

The District worked with Golden State Water Company ("GSWC") and the former Aerojet Rocketdyne ("AR"), recently merged with L3Harris (L3), to operate under a cooperative pipeline project – the American River Pipeline Project ("Project") that was completed in 2016. This Project provides delivery of up to 5,000 Acre-feet per year ("AFY") of treated water from the District's Bajamont Water Treatment Plant ("BWTP") to GSWC for use as a replacement water supply. The District could also use the pipeline in the case of a severe emergency and deliver water from GSWC to the District. The District began to deliver treated water at full capacity to GSWC in January 2017. The Project was funded by AR (now L3) in addition to a portion of the funding secured by a grant through the Regional Water Authority.

Two agreements were signed on August 15, 2016. In the agreement with AR (now L3), the District sold, transferred, and conveyed to GSWC the firm capacity right in the BWTP to divert, treat, and deliver up to 5,000 AFY of treated water to GSWC as a replacement water supply. Additionally, the District secured approximately 2,000 AFY of remediated groundwater supply from AR's (now L3) groundwater extraction and treatment ("GET") facilities GET LA and GET LB, which will assist with drought proofing the District during future surface water supply curtailments. The payment dates for the capacity sale are detailed in the agreements with the final payment received by the District on July 1, 2022.

The second agreement provides revenue from the treatment and delivery of the 5,000 AFY water to GSWC. The agreement with GSWC outlines an allocated portion of the District's fixed and variable costs relating to the production of treated water, capital costs associated with the BWTP and intake structures, and membrane replacement costs charged to GSWC during the year. While the agreement calls for treatment and delivery

of up to 5,000 AFY of treated water, the District provided deliveries totaling 4,482 AFY and 5,056 AFY for the years ended June 30, 2024 and 2023, respectively. The District recognized operating revenue of \$1,504,342 and \$1,479,373 for the treatment and delivery of water to GSWC for the years ended June 30, 2024 and 2023, respectively.

Rate Increase

The five year rate structure for the District is detailed in the "2020 Business Plan and Water Rate and Capital Facilities Fees Study". In 2021, Hildebrand Consulting, LLC updated the "Business Plan and Water Rate Study" portion which served as the basis for the District eliminating the use of a tiered rate structure. The study recommended and the Board of Directors approved 9.5% rate increases beginning January 1, 2021, 2022, 2023, 2024 and 2025. The increases in rates are necessary to meet the increasing costs of operations and to meet the continued demands of replacing and repairing costly infrastructure.

Net Position

As noted earlier, net position may serve over time as a useful indicator of the District's overall financial position, specifically whether the financial position of the District is improving or

Management's Discussion and Analysis

deteriorating as measured by net position increases or decreases. A net position increase will occur when the underlying assets and deferred outflows of the District exceed the underlying liabilities and deferred outflows. This measurement provides a quick indicator of the District's financial strength. At June 30, 2024, the District's financial condition again improved with net position increasing to \$78,286,885 (Table 1). The largest portion of the District's net position (66.4%) is contained within Net investment in Capital Assets representing land, buildings, and infrastructure and treatment plant assets. At the same time, total liabilities remained constant, further demonstrating the strength of the District. The District's restricted net position of \$241,084 represents resources subject to statutory or contractual restrictions and debt service requirements. Unrestricted net position is available for use in meeting the District's short term and long term operating needs and capital replacement needs. The Board of Directors can "earmark" (or designate) certain amounts of unrestricted net position to meet the financial strategic goals of the District.

TABLE 1
Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Assets:</u>			
Current and other assets	\$ 38,650,532	\$ 35,784,898	\$ 35,428,567
Capital assets, net of depreciation	76,517,999	71,074,788	65,454,326
Total Assets	<u>115,168,531</u>	<u>106,859,686</u>	<u>100,882,893</u>
<u>Deferred Outflows of Resources:</u>			
Deferred amount on refunding	73,979	87,430	100,880
Pensions	1,963,018	2,136,538	1,224,553
Other post-employment benefits (OPEB) contributions	1,503,775	1,590,613	1,308,601
Total Deferred Outflows	<u>3,540,772</u>	<u>3,814,581</u>	<u>2,634,034</u>
<u>Liabilities:</u>			
Current liabilities	6,077,929	4,064,066	3,779,073
Noncurrent liabilities	5,920,830	6,309,914	3,361,100
Long-term debt	27,555,976	29,304,752	31,023,528
Total Liabilities	<u>39,554,735</u>	<u>39,678,732</u>	<u>38,163,701</u>
<u>Deferred Inflows of Resources:</u>			
Pensions	270,958	230,495	1,806,120
Other post-employment benefits (OPEB)	590,596	187,053	328,285
Leases	6,129	18,386	
Total Deferred Inflows	<u>867,683</u>	<u>435,934</u>	<u>2,134,405</u>
<u>Net Position:</u>			
Net investment in capital assets	51,972,227	44,739,310	43,193,529
Restricted	241,084	1,140,935	654,404
Unrestricted	26,073,574	24,679,356	19,370,888
Total Net Position	<u>\$ 78,286,885</u>	<u>\$ 70,559,601</u>	<u>\$ 63,218,821</u>

Management's Discussion and Analysis

Results of Operations

Table 2 reflects the results of operations for the fiscal year ended June 30, 2024 in the Statements of Revenues, Expenses, and Changes in Net Position showing a net position increase for the year of \$7,727,284.

Operating revenues continue to trend upward in 2024 resulting from the rate increases effective January 1, 2021, July 1, 2021, and on January 1 of 2022, 2023 and 2024. The last of the Board approved rate changes will occur on January 1, of 2025. A water transfer sale occurred in 2023 in the amount of \$1,212,246, spiking retail water sales that year. There were no water transfer sales in 2024, but water consumption continued to increase despite the water rate increases. Nonoperating revenues overall remained consistent with last year but 2024 reflected a \$321,493 decrease in grant revenue overshadowed by a \$240,257 increase in investment income. Capital revenues fluctuate from year to year depending on development within the District's boundaries and for 2024, there were no significant developments submitted to the District.

Total expenses overall dipped slightly downward from last year by \$286,952 with large increases in some line items offset by large decreases in other line items. Increased expenses included a depreciation increase of \$420,549 due to an increase of assets placed in service in the fiscal year. Operating expenses decreased overall by \$599,340, with some divisions and line items incurring increases and others incurring large decreases. See the analysis of operating expense items in Table 4, "Expenses", below. The Nonoperating expenses decreased this year by \$108,161. This line item includes interest expense on the debt service of the 2019 COP bonds and losses on disposals of assets, if any. In 2024, there were only gains on disposals (reported in Nonoperating revenue) and no losses as there were in 2023, accounting for \$149,019 of the year over year change. Interest expense decreased \$30,525 due to the pay down of principal, rounding out the decrease.

TABLE 2

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 18,250,695	\$ 17,700,227	\$ 14,933,084
Nonoperating revenues	1,562,908	1,581,458	262,160
Capital contributions	52,587	484,953	54,620
Total Revenues	<u>19,866,190</u>	<u>19,766,638</u>	<u>15,249,864</u>
Depreciation	2,543,024	2,122,475	2,121,368
Operating expenses	8,811,821	9,411,161	8,014,335
Nonoperating expenses	784,061	892,222	854,161
Total Expenses	<u>12,138,906</u>	<u>12,425,858</u>	<u>10,989,864</u>
Change in Net Position	7,727,284	7,340,780	4,260,000
Net Position at Beginning of Year	<u>70,559,601</u>	<u>63,218,821</u>	<u>58,958,821</u>
Net Position at End of Year	<u>\$ 78,286,885</u>	<u>\$ 70,559,601</u>	<u>\$ 63,218,821</u>

Management's Discussion and Analysis

Operating Revenues

Table 3 breaks down the operating revenues of the District. Operating revenues overall increased by a \$550,468 margin in 2024, for a total of \$18,250,695 as compared to 2023 operating revenue of \$17,700,227. Notably, though, is the increase within water sales itself with an increase of \$1,753,711. The increase is largely due to the Board approved rate increases beginning in 2021 and continuing through January 1 of 2024. Despite the rate changes, consumption of water continues to increase and has also contributed to the increase in water sales.

Water restrictions for the last two years have eased with sufficient rain and snowfall providing an end to the recent multi-year drought. Prolonged droughts, however, are still a large concern for California and the District and require ongoing monitoring for resource and financial planning. The last of the approved rate increases will occur next fiscal year on January 1, 2025, at which time another rate study will occur. The District is committed to prudent water sales revenue and water rates to ensure the Business Plan effort is followed for maintaining a strong financial position for future planning.

The District completed a water transfer in 2023 that did not occur in 2024, narrowing the margin of change year over of year for operating revenue by \$1,212,246. Water treatment and delivery services continue to remain stable with the ongoing Water Treatment and Delivery Agreement with Golden State Water Company (GSWC). See Note L – Commitments and Contingencies under the “Outside Boundary Sales and Agreements” section regarding this agreement.

TABLE 3
Operating Revenues

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Water sales	\$ 16,653,401	\$ 14,899,690	\$ 13,846,204
Connections and other fees	92,952	108,918	112,830
Outside boundary sales	0	1,212,246	0
Water treatment and delivery	1,504,342	1,479,373	974,050
Total Operating Revenue	\$ <u>18,250,695</u>	\$ <u>17,700,227</u>	\$ <u>14,933,084</u>

Management's Discussion and Analysis

Operating Expenses

Table 4 reflects the components of the operating expenses of the District (excluding depreciation) both divisional and non-divisional, with an overall net decrease of \$599,340. General and administrative expenses increased by \$354,390 primarily due to increased staffing to strengthen the Engineering department and for leave payouts upon staff resignation. Transmission and distribution expenses were kept below the prior year despite inflationary pressures. Pumping and treatment reflected the predominant decrease in operating expenses with expenses coming in \$1,215,097 less this year than last year. In 2023, this Division incurred substantial increases in expenses due to inflationary pressures on vendor supplies and services, catastrophic failure of membranes due to the multi-year drought and significant heavy equipment repairs that did not occur in 2024. Pension and OPEB expenses combined resulted in a net increase of \$278,842. These costs are determined by actuarial valuations and can fluctuate with assumption changes and investment return results.

TABLE 4
Operating Expenses

	<u>2024</u>	<u>2023</u>	<u>2022</u>
General and administrative	\$ 3,017,514	\$ 2,663,124	\$ 2,940,707
Transmission and distribution	1,647,259	1,664,734	1,952,453
Pumping and treatment (Including membrane expense)	2,719,871	3,934,968	2,817,442
Pension and OPEB	1,427,177	1,148,335	303,733
Total Operating Expenses*	<u>\$ 8,811,821</u>	<u>\$ 9,411,161</u>	<u>\$ 8,014,335</u>

*Excludes depreciation expense

Long - Term Debt

The District's long-term debt and related unamortized premium decreased this year by \$1,718,776 (Table 5). The decrease results from the 2024 principal payment of \$1,515,000 on the 2019 Series B Certificates of Participation and the related bond premium amortization of \$203,776. For additional detailed information on the District's Long-Term debt activity, see Note E - Long term Liabilities.

TABLE 5
Long - Term Debt

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Certificates of Participation	\$ 26,350,000	\$ 27,865,000	\$ 29,350,000
Unamortized premium	2,750,976	2,954,752	3,158,528
Total Long-Term Debt	<u>\$ 29,100,976</u>	<u>\$ 30,819,752</u>	<u>\$ 32,508,528</u>

Management's Discussion and Analysis

Debt Service Coverage Ratio

The debt service coverage ratio is a measurement required by the 2019 COP bond indenture covenants. The ratio demonstrates the District's ability to meet its debt obligations. Table 6 provides the year-to-year comparison of the debt service ratio. The 2019 COP bond indenture covenants require a minimum 1.20 coverage ratio. This fiscal year, the District again complied with the covenants arriving at a comfortable 4.41 coverage ratio.

TABLE 6
Debt Service Coverage Ratio

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Revenues:</u>			
Water sales	\$ 16,653,401	\$ 16,111,936	\$ 13,846,204
Other revenue	3,160,202	3,169,749	1,349,040
Total Revenues	<u>19,813,603</u>	<u>19,281,685</u>	<u>15,195,244</u>
<u>Operating and Maintenance Expenses:</u>			
General and administrative services	3,017,514	2,663,124	2,940,707
Transmission and distribution	1,647,259	1,664,734	1,952,453
Pumping and treatment	2,719,871	3,934,968	2,817,442
Pension and OPEB	1,427,177	1,148,335	303,733
Total Operating and Maintenance Expenses*	<u>8,811,821</u>	<u>9,411,161</u>	<u>8,014,35</u>
Net Revenues	\$ <u>11,001,782</u>	\$ <u>9,870,524</u>	\$ <u>7,180,909</u>
<u>Debt Service:</u>			
Certificates of Participation	\$ 2,494,620	\$ 2,494,706	\$ 2,497,694
Debt Service Coverage Ratio	4.41x	3.96x	2.87x
Debt Service Coverage Ratio Requirement	1.20x	1.20x	1.20x

*Excludes depreciation expense

Management's Discussion and Analysis

Capital Assets

The District continued its strategic plan to allocate resources to replace aging infrastructure and assets and invest in water reliability infrastructure. Table 7 is a listing of the District's capital assets. This year, the District invested \$2,432,268 in completed capital assets, with an additional \$5,564,358 in construction in progress. Significant Distribution projects completed include the San Juan Waterline and the Glenbrook Water Line. Production invested in Raw Water pumps, a compressor replacement and membrane replacements. Ongoing Multi-year major Construction in Progress projects include the La Vista Tank, and the La Sierra and Winding Way Well replacements. See Note C - Capital Assets of the audited financial statements for a summary of the capital asset activity.

TABLE 7
Capital Assets

	<u>2024</u>		<u>2023</u>		<u>2022</u>
<u>Capital Assets Not Being Depreciated:</u>					
Land, franchise and water rights	\$ 553,227	\$	553,227	\$	553,227
Construction-in-progress	18,646,225		13,081,867		6,323,323
Total Capital Assets Not Being Depreciated	<u>19,199,452</u>		<u>13,635,094</u>		<u>6,876,550</u>
<u>Capital Assets Being Depreciated:</u>					
Pumping plant	36,740,345		35,675,680		35,392,519
Transmission and distribution	77,448,360		72,279,383		71,682,366
Transportation/equipment	1,328,506		1,244,780		1,240,484
Building and improvements	10,883,785		10,640,982		10,640,982
Machinery and equipment	248,111		251,704		251,704
Information technology	998,240		986,117		954,033
Furniture and fixtures	112,194		112,194		112,194
Total Capital Assets Being Depreciated	<u>127,759,541</u>		<u>121,190,840</u>		<u>120,274,282</u>
Less: Accumulated depreciation	<u>(65,741,493)</u>		<u>(63,751,146)</u>		<u>(61,696,506)</u>
Net Capital Assets Being Depreciated	<u>62,018,048</u>		<u>57,439,694</u>		<u>58,577,776</u>
Net Capital Assets	<u>\$ 76,517,999</u>	\$	<u>71,074,788</u>	\$	<u>65,454,326</u>

Cash and Cash Equivalents

The District's cash position at June 30, 2024 is \$34,329,145 representing all cash held by the District, including cash held by the trustee (Restricted cash). Table 8 is a detailed listing of the components of the cash position. See Note B – Cash and Cash Equivalents of the audited financial statements for additional information.

Management's Discussion and Analysis

Cash

Operating cash is the working capital used by the District to conduct its day-to-day operations. Expenditures flowing from this account are board approved through the annual budget process. All revenue sources, except for the collection of facility fees, as discussed below, are deposited to this account. Cash increased \$10,476,629 from operating activities and \$1,752,555 from proceeds from grant revenues . Capital and related financing activities used cash in the amount of \$9,756,331 primarily for investments in acquisition and construction of capital assets and debt service. The District did receive \$2,500,000 in advanced grant proceeds to be used for grant funded capital projects in the upcoming fiscal year. The District increased its investment receipts by \$230,322 by moving idle cash reserves to an investment account. Certain capital and related financing activities were funded from restricted cash. Cash on hand is the imprest cash held for petty cash disbursements and the cash register change drawer.

Board – Designated Cash

The key to long-term financial stability is the ability to anticipate and prepare for significant financial obligations. To achieve this, the District believes that a portion of its cash should be held in reserve. Board-designated accounts are for specific purposes and are established by the Board of Directors per the Reserve Policy. Portions of these funds have been funded during the annual budget process. The adequacy of the target reserves and/or annual contributions are reviewed annually during the budgeting and rate setting process and may be revised as necessary. The use of the reserves for membrane replacement is Board authorized and is the reason for accumulating and designating an annual membrane funding amount each year.

Restricted Cash

The District's restricted cash are those accounts held by the trustee and or held by the District that are constrained through external requirements as to their usage. The unspent bond proceeds capital asset project fund and debt service accounts are held by the trustee and represent funds required to be used to construct or acquire capital assets and pay down long-term debts, respectively. The facility fees cash holds the collection of developer fees charged by the District for connections to the District's distribution infrastructure. These fees are restricted to capital expenditures by law.

Management's Discussion and Analysis

Table 8
Cash and Cash Equivalents

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Cash - Unrestricted and Undesignated:</u>			
Operating cash	\$ 7,441,791	\$ 7,582,452	\$ 9,006,328
Cash on hand	650	650	800
Total Cash - Unrestricted and Undesignated	<u>7,442,441</u>	<u>7,583,102</u>	<u>9,007,128</u>
<u>Board - Designated Cash:</u>			
Capital replacement reserve	9,797,266	8,293,444	5,408,344
Operating reserve fund	5,982,004	5,628,830	3,753,939
Filter skid reserve	1,974,354	1,300,000	650,000
Sacramento County impact projects reserve		592,920	400,000
Rate stabilization fund	500,000	500,000	500,000
Membrane replacement fund	83,608	-	889,704
Total Cash - Board Designated	<u>18,337,232</u>	<u>16,315,194</u>	<u>11,601,987</u>
Total Cash and Cash Equivalents	<u>25,779,673</u>	<u>23,898,296</u>	<u>20,609,115</u>
<u>Restricted Cash:</u>			
Capital assets	8,308,658	6,356,923	10,146,852
Debt service	2,820	851	7
Facility fees	237,994	1,140,084	654,397
Total Cash - Restricted	<u>8,549,472</u>	<u>7,497,858</u>	<u>10,801,256</u>
Total Cash and Investments	<u>\$ 34,329,145</u>	<u>\$ 31,396,154</u>	<u>\$ 31,410,371</u>

Other Post-Employment Benefits (OPEB) Funding

As recommended in the 2015 Business Plan, the Board approved establishing an annual funding of OPEB into the California Employer's Retiree Benefit Trust (CERBT) starting in fiscal year 2017. The Board then established in the Directors' Reserve Policy to annually fund the Trust account until the unfunded liability is fully funded. Accordingly, an additional \$200,000 was contributed during each of the years ended June 30, 2024 and 2023. This is the seventh year of providing additional funding to the OPEB trust. In addition, the District is paying the annual retiree medical premiums outside of the trust through the annual budget which reduces the District's OPEB liability. Annual funding of the plan will occur with each fiscal year budget adoption and be coordinated with each actuarial assessment.

Management's Discussion and Analysis

CalPERS Unfunded Actuarial Liability (UAL) Funding

The District recognizes its commitments to employees for retirement benefits and in accordance with the 2020 Business Plan and Water Rate Study, established an annual pay down reserve in the Directors' Reserve policy. The policy provides that the District will annually fund the reserve to pay down pension amortization bases within the UAL until it is fully funded. For the fiscal year ended June 30, 2024, the District contributed an additional \$300,000 toward the Unfunded Actuarial Liability.

Economic Factors

The District's Board of Directors and management staff consider many factors when setting the fiscal year budget. An increase in climate change-driven drought conditions combined with new water conservation laws pose risks to the District's revenue flow that require significant considerations when developing water rates. The District continues with maintaining a meter replacement program as an important part of a modern and responsibly managed utility. And while water use reductions are in part a benefit of metering, which has resulted in a greater awareness of water use by District customers, effective customer response to changing water use practices, and regional and District-led implementation of water conservation demand management measures, it also can present challenges in managing the cost of service and maintaining sufficient revenue.

In response to prior water use restrictions, the District adopted water shortage surcharges to assist with potential revenue gaps. As indicated previously, a new water rate study will be initiated in 2025 to reassess the District's financial structure for at least the next five years and provide support for potentially more demanding water use restrictions and/or more frequent long duration drought.

Inflationary and supply chain impacts are other considerations that management staff continually monitor to ensure that overall expenses stay within budget. The District is careful to consider the nature, timing and extent of its resources when developing the annual budget and is mindful of the long range goals and needs.

Long-Term Infrastructure Liability and Planning

Aging infrastructure is a present challenge for all water districts. The District assets and facilities range in age and condition and include buried pipelines for transmission and distribution of treated water, above ground water supply treatment and pumping plants, groundwater wells, buildings, and storage. Planned maintenance, rehabilitation and replacement of these assets are essential to the long-term sustainability of District operation and are the largest District liability.

Management's Discussion and Analysis

The District has been proactive under the recent water rate increases to increase infrastructure replacement efforts by replacing aging pipelines and failing water service lines. As the District experienced curtailments from using American River surface water during recent droughts, the District is also prioritizing investments in ground water supply by building Aquifer Recharge and Storage (ASR) wells to ensure uninterrupted water supply for drought resiliency. The new wells will provide the ability to bank surface water during periods of low demand and high surface water availability during the winter season and then, the water can be extracted during times of droughts and curtailment when surface water is not available.

The "2020 Business Plan and Water Rate and Capital Facilities Fees Study" provided the analysis, findings, and recommendations for the ongoing operation and maintenance of the District and its assets. The "2020 Business Plan and Water Rate Study", which was updated by Hildebrand Consulting, LLC, also identified operating and debt expenditures with a 10 year capital spending plan.

To further the infrastructure planning, management staff monitors and adjusts infrastructure replacement annually during the budget process based on District needs. Staff is also aggressively pursuing grant funding sources to provide for the construction of the ASR wells. For longer term planning and to reduce the potential for incurring long-term debt, the Board continually revises the Reserve Policy to provide additional reserve funding to provide a buildup of reserves for significant long-term infrastructure projects.

Contacting the District's Financial Management

This financial report is designed to provide our rate paying customers, investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If there are any questions about this report or requests for additional financial information, please contact the District at (916) 483-2452.



Basic Financial Statements

CARMICHAEL WATER DISTRICT

Statements of Net Position

June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 25,779,673	\$ 23,898,296
Accounts receivable		
Current services	2,103,948	1,769,791
Outside boundary	746,295	419,632
Grants	506,712	1,296,838
Other	101,798	6,290
Accrued interest receivable	80,557	39,388
Inventory	495,605	513,025
Prepaid expenses	143,580	187,209
Total Current Assets	29,958,168	28,130,469
Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents	8,549,472	7,497,858
Total Restricted Assets	8,549,472	7,497,858
Capital Assets:		
Nondepreciable	14,499,951	13,635,094
Depreciable, net of accumulated depreciation	62,018,048	57,439,694
Total Capital Assets, Net	76,517,999	71,074,788
Other Assets:		
Lease receivable		13,250
Investment in electrical power	142,892	143,321
Total Other Assets	142,892	156,571
Total Noncurrent Assets	85,210,363	78,729,217
TOTAL ASSETS	115,168,531	106,859,686
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	73,979	87,430
Pensions	1,963,018	2,136,538
Other postemployment benefits (OPEB)	1,503,775	1,590,613
TOTAL DEFERRED OUTFLOWS	3,540,772	3,814,581

Continued

CARMICHAEL WATER DISTRICT
Statements of Net Position (Continued)
June 30, 2024 and 2023

	2024	2023
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,385,684	\$ 1,809,830
Accrued expenses and other liabilities	98,038	53,481
Unearned revenue	89,725	95,536
Unearned grant revenue	2,500,000	
Accrued interest payable	160,653	165,887
Retention payable	297,415	422,918
Current portion of noncurrent liabilities	1,546,414	1,516,414
Total Current Liabilities	6,077,929	4,064,066
Noncurrent Liabilities:		
Certificates of participation, net of current portion	27,555,976	29,304,752
Compensated absences	216,997	184,838
Unearned lease revenue	115,017	116,431
Net pension obligation	3,325,825	3,244,862
Net OPEB obligation	2,262,991	2,763,783
Total Noncurrent Liabilities	33,476,806	35,614,666
TOTAL LIABILITIES	39,554,735	39,678,732
DEFERRED INFLOWS OF RESOURCES		
Pensions	270,958	230,495
OPEB	590,596	187,053
Leases	6,129	18,386
TOTAL DEFERRED INFLOWS	867,683	435,934
NET POSITION		
Net investment in capital assets	51,972,227	44,739,310
Restricted for debt service	2,820	851
Restricted for capital facilities	238,264	1,140,084
Unrestricted	26,073,574	24,679,356
TOTAL NET POSITION	\$ 78,286,885	\$ 70,559,601

The accompanying notes are an integral part of these financial statements.

CARMICHAEL WATER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Retail water sales	\$ 16,653,401	\$ 14,899,690
Others fees and charges	92,952	108,918
Total retail water sales	16,746,353	15,008,608
Outside boundary sales		1,212,246
Water treatment and delivery charges	1,504,342	1,479,373
Total outside boundary sales	1,504,342	2,691,619
TOTAL OPERATING REVENUES	18,250,695	17,700,227
OPERATING EXPENSES		
Pumping and treatment	2,719,871	3,934,968
Transmission and distribution	1,647,259	1,664,734
General and administrative	3,017,514	2,663,124
Depreciation and amortization	2,543,024	2,122,475
Pension expense adjustment	994,892	473,715
Other post-employment benefits (OPEB)	432,285	674,620
TOTAL OPERATING EXPENSES	11,354,845	11,533,636
NET INCOME FROM OPERATIONS	6,895,850	6,166,591
NON-OPERATING (EXPENSES) REVENUES		
Other revenue	18,187	26,810
Grant revenue	962,429	1,283,922
Interest from investment in electrical power	11,828	11,644
Investment income earned	489,050	248,793
Reimbursements	10,031	10,289
Gain (loss) on disposal of capital assets	71,383	(77,636)
Interest expense	(784,061)	(814,586)
TOTAL NON-OPERATING (EXPENSES) REVENUES	778,847	689,236
Net Income before Capital Contributions	7,674,697	6,855,827
CAPITAL CONTRIBUTIONS		
Facility fees and other capital revenues	52,587	484,953
TOTAL CAPITAL CONTRIBUTIONS	52,587	484,953
CHANGE IN NET POSITION	7,727,284	7,340,780
Net position at beginning of year	70,559,601	63,218,821
NET POSITION AT END OF YEAR	\$ 78,286,885	\$ 70,559,601

The accompanying notes are an integral part of these financial statements.

CARMICHAEL WATER DISTRICT

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 17,638,983	\$ 18,806,368
Cash payments to suppliers for goods and services	(3,597,640)	(6,813,978)
Cash payments to employees for services	(3,564,714)	(2,453,048)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,476,629</u>	<u>9,539,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from grant revenues	<u>1,752,555</u>	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,752,555</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and construction of capital assets	(9,882,622)	(7,837,808)
Proceeds from capital grant revenues	2,500,000	
Proceeds from sale of capital assets	81,775	77,636
Principal paid on long-term debt	(1,515,000)	(1,485,000)
Interest paid on long-term debt	(993,071)	(1,023,156)
Facility fees collected	<u>52,587</u>	<u>484,953</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,756,331)</u>	<u>(9,783,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	447,881	217,559
Receipts from investment in electrical power	<u>12,257</u>	<u>12,257</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>460,138</u>	<u>229,816</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,932,991	(14,217)
Cash and cash equivalents at beginning of year	<u>31,396,154</u>	<u>31,410,371</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 34,329,145</u>	<u>\$ 31,396,154</u>
Cash and cash equivalents - financial statement classification		
Cash and cash equivalents	\$ 25,779,673	\$ 23,898,296
Restricted cash and cash equivalents	<u>8,549,472</u>	<u>7,497,858</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 34,329,145</u>	<u>\$ 31,396,154</u>

Continued

CARMICHAEL WATER DISTRICT

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 6,895,850	\$ 6,166,591
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,543,024	2,122,475
Amortization of unearned lease revenue	(1,414)	(1,414)
Amortization of deferred amortization on refunding	13,451	13,451
Write-off construction in process costs	1,253,351	
Nonoperating revenues received	28,218	1,260,619
Deferred inflows from leases	13,250	18,386
(Increase) Decrease in:		
Accounts receivable	(756,328)	(378,699)
Grants receivable		(1,192,752)
Inventory	17,420	(61,538)
Prepaid expense	43,629	(106,938)
Noncurrent capacity sale receivable		1,400,000
Deferred outflows	260,358	(1,193,997)
Accounts payable	82,995	249,898
Accrued expenses and other liabilities	44,557	9,694
Unearned revenue	(5,811)	30,902
Compensated absences	32,159	12,037
Net OPEB obligation	(500,792)	478,476
Net pension obligation	80,963	2,429,008
Deferred inflows	431,749	(1,716,857)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 10,476,629</u>	<u>\$ 9,539,342</u>
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Amortization of deferred amount on refunding	\$ 13,451	\$ 13,451
Amortization of premium on certificates of participation	203,776	203,776
Gain on investment in electrical power	429	613
Gain on disposal of capital assets	71,383	

The accompanying notes are an integral part of these financial statements.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements

June 30, 2024 and 2023

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Carmichael 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 more significant of the District's accounting policies are described below.

Reporting Entity: The District was established in 1916 as an irrigation district located in the central portion of Sacramento County northeast of the City of Sacramento and north of the lower American River. The area served by the District encompasses approximately eight square miles and serves a population of approximately 37,897. The District is predominately residential in character, with interspersed commercial areas. The District is governed by a Board of Directors consisting of five 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 Carmichael 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 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 and all liabilities 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. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. Earned but unbilled water services are accrued as revenue.

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

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

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

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. Non-operating revenues and expense 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 unrestricted and restricted resources are available for use, it is the District's policy to use unrestricted resources first, then restricted resources as they are needed.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net assets by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until then. *Deferred inflows of resources* represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows and inflows of resources represent amounts deferred related to the District's pension and OPEB plan as described in Notes H and I, and for deferred amounts related to bond refundings.

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 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. The "reserve" account is used to report resources set aside to make up for potential future deficiencies in the Certificates of Participation debt service. The District also had unspent facility fees classified as restricted cash and cash equivalents.

Allowance for Doubtful Accounts: Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Management believes that all accounts receivable were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2024 and 2023.

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

NOTE A – 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 at average cost.

Lease Receivable: The District is a lessor for noncancellable leases of facilities and transmission capacity. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements related to these leases.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lease.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Self-constructed assets are recorded based on the amount of direct labor and materials charged to the asset construction. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Description	Estimated Life
Pumping and treatment	10-50 years
Distribution infrastructure	10-75 years
Buildings and improvements	10-40 years
Construction projects	10-75 years
Transportation equipment	7-20 years
Information technology	3-7 years
Machinery and equipment	5-7 years
Furniture and fixtures	5-10 years

Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of \$5,000 to \$10,000 or more, depending on the asset type. 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.

Depreciation expense aggregated \$2,543,024 and \$2,122,475 for the years ended June 30, 2024 and 2023, respectively, and is included with depreciation and amortization expense.

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

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

Bond Premiums and Bond Issuance Costs: Bond premiums are deferred and amortized over the lives of the bonds. Bonds payable 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.

Compensated Absences: The District's policy allows employees to accumulate earned but unused vacation which will be paid to employees upon separation from the District's service. The cost of vacation is recognized in the period earned.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications: Certain 2023 amounts have been reclassified to conform to the 2024 financial statement presentation. The reclassification had no effect on total net position or change in net position.

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or paid in cash or settled through noncash means, and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a government that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will result in changes to the financial reporting model including the Management’s Discussion and Analysis, display of inflows and outflows of unusual and infrequent items, and changing the definition of proprietary fund nonoperating revenues and expenses. The provisions of this Statement are effective for years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, that requires certain types of assets to be disclosed separately in the note disclosures and establishes requirements for capital assets held for sale. This provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30 are classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 25,779,673	\$ 23,898,296
Restricted assets:		
Cash and cash equivalents	<u>8,549,472</u>	<u>7,497,858</u>
Total cash and investments	<u>\$ 34,329,145</u>	<u>\$ 31,396,154</u>

:

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents as of June 30 consisted of the following:

	2024	2023
Cash on hand	\$ 650	\$ 650
Deposits with financial institutions	23,415,031	23,084,485
Total cash	<u>23,415,681</u>	<u>23,085,135</u>
Money market mutual funds	5,811,478	6,357,773
Investments in Local Agency Investment Fund	5,101,986	1,953,246
Total investments	<u>10,913,464</u>	<u>8,311,019</u>
Total cash and investments	<u>\$ 34,329,145</u>	<u>\$ 31,396,154</u>

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. 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.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

During the year ended June 30, 2024 and 2023, 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 Bonds	5 years	30%	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	30%	None
California Local Agency Obligations	5 years	30%	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	15%	None
Money Market Mutual Funds	N/A	15%	10%
LAIF	N/A	\$75 million	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
California Local Agency Investment Fund	N/A	None	None
County Pooled Investments	N/A	None	None
Time Deposits	5 years	None	None

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

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

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

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 2019 Revenue Certificates of Participation debt agreement contains 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 Bonds	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
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

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.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2024 and 2023:

<u>June 30, 2024</u>	Remaining Maturity (in Months)		
	Total	12 Months or Less	13-24 Months
Held by bond trustee:			
Money market mutual funds	\$ 5,811,478	\$ 5,811,478	
LAIF	5,101,986	5,101,986	
Total	<u>\$ 10,913,464</u>	<u>\$ 10,913,464</u>	<u>\$ -</u>

<u>June 30, 2023</u>	Remaining Maturity (in Months)		
	Total	12 Months or Less	13-24 Months
Held by bond trustee:			
Money market mutual funds	\$ 6,357,773	\$ 6,357,773	
LAIF	1,953,246	1,953,246	
Total	<u>\$ 8,311,019</u>	<u>\$ 8,311,019</u>	<u>\$ -</u>

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

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

<u>June 30, 2024</u>		Minimum	Exempt from Disclosure	Ratings as of Year End	
	Total	Legal Rating		AAA	Not Rated
Held by bond trustee:					
Money market mutual funds	\$ 5,811,478	AAA		\$ 5,811,478	
LAIF	5,101,986	N/A			\$ 5,101,986
	<u>\$ 10,913,464</u>		<u>\$ -</u>	<u>\$ 5,811,478</u>	<u>\$ 5,101,986</u>
<u>June 30, 2023</u>		Minimum	Exempt from Disclosure	Ratings as of Year End	
	Total	Legal Rating		AAA	Not Rated
Held by bond trustee:					
Money market mutual funds	\$ 6,357,773	AAA		\$ 6,357,773	
LAIF	1,953,246	N/A			\$ 1,953,246
	<u>\$ 8,311,019</u>		<u>\$ -</u>	<u>\$ 6,357,773</u>	<u>\$ 1,953,246</u>

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

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2024, the carrying amount of the District’s deposits were \$23,415,031 and the balances in financial institutions were \$23,306,005 and of this amount \$23,056,005 was not insured by federal depository insurance. As of June 30, 2024, District investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

<u>Reported Investment Type</u>	<u>Amount</u>
Money market mutual funds	\$ 5,811,478

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$178,255,132,764 managed by the State Treasurer. Of that amount, 3% is invested in structured notes and asset-backed securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurement: 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 the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The fair values of certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on the certificates to a schedule of aggregated contractual maturities on such time deposits, which are level 2 inputs. The District’s investment in the money market mutual fund is considered Level 2 because the value is calculated using amortized cost of the securities held in the fund, not the market value.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 and 2023 is as follows:

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Capital assets not being depreciated:					
Land, franchises and water rights	\$ 553,227				\$ 553,227
Construction in progress	13,081,867	\$ 6,817,710	\$ (1,253,352)	\$ (4,699,501)	18,646,225
	<u>13,635,094</u>	<u>6,817,710</u>	<u>(1,253,352)</u>	<u>(4,699,501)</u>	<u>19,199,452</u>
Capital assets being depreciated:					
Pumping plant	35,675,680	1,305,266	(314,898)	74,297	36,740,345
Transmission and distribution	72,279,383	687,219		4,481,758	77,448,360
Buildings and improvements	10,640,982	99,357		143,446	10,883,785
Transportation equipment	1,244,780	320,222	(236,496)		1,328,506
Information technology	986,117	12,123			998,240
Machinery and equipment	251,704	8,081	(11,674)		248,111
Furniture and fixtures	112,194				112,194
	<u>121,190,840</u>	<u>2,432,268</u>	<u>(563,068)</u>	<u>4,699,501</u>	<u>127,759,541</u>
Less accumulated depreciation:					
Pumping plant	(20,912,172)	(962,438)	314,898		(21,559,712)
Transmission and distribution	(34,663,805)	(1,202,082)			(35,865,887)
Buildings and improvements	(6,063,662)	(262,300)			(6,325,962)
Transportation equipment	(854,392)	(73,490)	226,104		(701,778)
Information technology	(931,867)	(24,461)			(956,328)
Machinery and equipment	(218,525)	(16,885)	11,675		(223,735)
Furniture and fixtures	(106,723)	(1,368)			(108,091)
	<u>(63,751,146)</u>	<u>(2,543,024)</u>	<u>552,677</u>		<u>(65,741,493)</u>
Net capital assets being depreciated	<u>57,439,694</u>	<u>(110,756)</u>	<u>(10,391)</u>	<u>4,699,501</u>	<u>62,018,048</u>
Net capital assets	<u>\$ 71,074,788</u>	<u>\$ 6,706,954</u>	<u>\$ (1,263,743)</u>	<u>\$ -</u>	<u>\$ 76,517,999</u>

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE C – CAPITAL ASSETS (Continued)

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land, franchises and water rights	\$ 553,227				\$ 553,227
Construction in progress	6,323,323	\$ 7,285,805	\$ (527,261)		13,081,867
	<u>6,876,550</u>	<u>7,285,805</u>	<u>(527,261)</u>		<u>13,635,094</u>
Capital assets being depreciated:					
Pumping plant	35,392,519	283,161			35,675,680
Transmission and distribution	71,682,366	686,683	(89,666)		72,279,383
Buildings and improvements	10,640,982				10,640,982
Transportation equipment	1,240,484	66,401	(62,105)		1,244,780
Information technology	954,033	43,019	(10,935)		986,117
Machinery and equipment	251,704				251,704
Furniture and fixtures	112,194				112,194
	<u>120,274,282</u>	<u>1,079,264</u>	<u>(162,706)</u>		<u>121,190,840</u>
Less accumulated depreciation:					
Pumping plant	(20,336,907)	(575,265)			(20,912,172)
Transmission and distribution	(33,495,185)	(1,163,414)	(5,206)		(34,663,805)
Buildings and improvements	(5,778,394)	(285,268)			(6,063,662)
Transportation equipment	(858,549)	(57,948)	62,105		(854,392)
Information technology	(929,088)	(13,715)	10,936		(931,867)
Machinery and equipment	(193,028)	(25,497)			(218,525)
Furniture and fixtures	(105,355)	(1,368)			(106,723)
	<u>(61,696,506)</u>	<u>(2,122,475)</u>	<u>67,835</u>		<u>(63,751,146)</u>
Net capital assets being depreciated	<u>58,577,776</u>	<u>(1,043,211)</u>	<u>(94,871)</u>		<u>57,439,694</u>
Net capital assets	<u>\$ 65,454,326</u>	<u>\$ 6,242,594</u>	<u>\$ (622,132)</u>	<u>\$ -</u>	<u>\$ 71,074,788</u>

NOTE D – INVESTMENT IN ELECTRICAL POWER

The District participates in the California-Oregon Transmission Project (Project), a Joint Powers Authority (JPA), which is a project of the Department of Energy, Western Area Power Administration. The Project is governed by a management committee, which is chaired by a representative of the Transmission Agency of Northern California with each participant in the Project having representation on the Management Committee. The District applied for and received an allocation of 1MW (megawatt) of power (capacity and associated energy) in exchange for an investment as a participant in the construction of the transmission line.

The District has a 0.065% equity interest in the net assets of the Project as defined in the Long-Term Participation Agreement. The District also has an obligation to finance 0.065% of the net losses of the Project; it also has the right to receive 0.065% of the operating results of the Project income. The District's net investment and its share of the operating results of the Project are reported as Investment in Electrical Power.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE D – INVESTMENT IN ELECTRICAL POWER (Continued)

The Project's unaudited financial statements for the year ended June 30, 2024 and 2023, are available from the California-Oregon Transmission Project at Post Office Box 15140, Sacramento, California 95851-5140. The following is the summarized unaudited financial information for the Project as of and for the years ended June 30:

	2024	2023
Statements of Net Position		
Assets	\$ 277,195,575	\$ 276,561,080
Liabilities	(54,281,480)	(53,399,197)
Deferred inflow	(1,383,737)	(1,009,368)
Net Position	<u>\$ 221,530,358</u>	<u>\$ 222,152,515</u>
Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues	\$ 21,078,005	\$ 18,418,354
Operating expenses	(27,794,067)	(21,679,634)
Operating loss	(6,716,062)	(3,261,280)
Nonoperating revenues (expenses)	347,801	(3,161,424)
Change in Net Position Before Adjustments	(6,368,261)	(6,422,704)
Adjustments to Net Position for Capital Improvements	5,746,104	5,534,279
Change in Net Position	<u>\$ (622,157)</u>	<u>\$ (888,425)</u>
District's Share of Net Position	<u>\$ 142,892</u>	<u>\$ 143,321</u>

NOTE E – LONG-TERM LIABILITIES

The activity of the District's long-term liabilities during the years ended June 30, was as follows:

	Balance July 1, 2023	Additions	(Reductions)	Balance June 30, 2024	Due Within One Year
Certificates of Participation:					
2019 Series A	\$ 16,510,000			\$ 16,510,000	
2019 Series B	11,355,000		\$ (1,515,000)	9,840,000	\$ 1,545,000
Add: Unamortized premium	2,954,752		(203,776)	2,750,976	
	<u>30,819,752</u>		<u>(1,718,776)</u>	<u>29,100,976</u>	<u>1,545,000</u>
Compensated absences	184,838	\$ 212,647	(180,488)	216,997	
Unearned lease revenue	117,845		(1,414)	116,431	1,414
Net pension obligation	3,244,862	842,019	(761,056)	3,325,825	
Net OPEB obligation	<u>2,763,783</u>	<u>397,715</u>	<u>(898,507)</u>	<u>2,262,991</u>	
	<u>\$ 37,131,080</u>	<u>\$ 1,452,381</u>	<u>\$ (3,560,241)</u>	<u>\$ 35,023,220</u>	<u>\$ 1,546,414</u>

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE E – LONG TERM LIABILITIES (Continued)

	Balance July 1, 2022	Additions	(Reductions)	Balance June 30, 2023	Due Within One Year
Certificates of Participation:					
2019 Series A	\$ 16,510,000			\$ 16,510,000	
2019 Series B	12,840,000		\$ (1,485,000)	11,355,000	\$ 1,515,000
Less: Unamortized premium	3,158,528		(203,776)	2,954,752	
	<u>32,508,528</u>		<u>(1,688,776)</u>	<u>30,819,752</u>	<u>1,515,000</u>
Compensated absences	172,801	\$ 59,662	(47,625)	184,838	
Unearned lease revenue	119,259		(1,414)	117,845	1,414
Net pension obligation	815,854	4,558,138	(2,129,130)	3,244,862	
Net OPEB obligation	<u>2,285,307</u>	<u>1,072,636</u>	<u>(594,160)</u>	<u>2,763,783</u>	
	<u>\$ 35,901,749</u>	<u>\$ 5,690,436</u>	<u>\$ (4,461,105)</u>	<u>\$ 37,131,080</u>	<u>\$ 1,516,414</u>

The District's long-term liabilities consist of the following:

2019 Water Revenue Certificates of Participation Series A

In November 2019 the Corporation issued the 2019 Water Revenue Certificates of Participation Series A (Series A Certificates) to finance the acquisition and construction of certain water storage, pumping, treatment, transmission and appurtenant facilities for the water supply, treatment and distribution system of the District; and to pay certain costs incurred in connection with the execution and delivery of the Series A Certificates, including an original issue premium of \$3,667,968, which is being amortized over the life of the Series A Certificates. Amortization of the premium totaled \$203,776 for each of the years ended June 30, 2024 and 2023, and has been included as a reduction of interest expense.

The Series A Certificates have interest rates ranging from 5% to 4% with maturity dates from November 2030 through November 2037. The Series A Certificates outstanding totaled \$16,510,000 at June 30, 2024 and 2023. Accrued interest payable on the Series A Certificates totaled \$119,267 at June 30, 2024 and 2023.

2019 Water Revenue Refunding Certificates of Participation Series B

In November 2019, the Corporation issued the 2019 Water Revenue Refunding Certificates of Participation Series B (Series B Certificates) to refund and defease the 2010 Water Revenue Refunding Certificates of Participation, and to pay certain costs incurred in connection with the execution and delivery of the Series B Certificates.

The Series B Certificates have interest rates ranging from 1.834% to 2.739% with maturity dates from November 2020 through November 2029. The Series B Certificates outstanding totaled \$9,840,000 and \$11,355,000 at June 30, 2024 and 2023, respectively. Accrued interest payable on the Series B Certificates totaled \$41,386 and \$46,620 at June 30, 2024 and 2023, respectively.

Although the refunding resulted in a deferred amount on refunding of \$134,507, the District in effect reduced the aggregate debt service payments by \$4,187,218 over the next ten years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,583,903. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization of the 2010 deferred amount on refunding totaled \$13,451 for each of the

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE E – LONG TERM LIABILITIES (Continued)

years ended June 30, 2024 and 2023, and is included in interest expense. The deferred amount or refunding was \$73,979 and \$87,430 at June 30, 2024 and 2023, respectively.

Pledged Revenue: The District pledged future water system revenues, net of specified expenses, to repay the 2019 Certificates of Participation in the original amount of \$32,285,000. The Certificates of Participation are payable solely from water customer net revenues and are payable through November 2037 for Series A and November 2029 for Series B. Total principal and interest remaining to be paid on the Certificates of Participation was \$34,313,379 and \$37,305,659 at June 30, 2024 and 2023. Total principal and interest paid was \$2,494,620 and the total water system net revenues were \$11,001,782 for the year ended June 30, 2024. Total principal and interest paid was \$2,494,705 and the total water system net revenues were \$9,870,524 for the year ended June 30, 2023.

The District maintains a ratio of at least 120% in such fiscal year. For the years ended June 30, 2024 and 2023, the District's net revenues were 441% and 396% of debt service payments, respectively.

The following is a schedule of maturities for the certificates of participation:

	Principal	Interest
For the Year Ended June 30:		
2025	\$ 1,545,000	\$ 947,131
2026	1,580,000	911,566
2027	1,615,000	872,786
2028	1,655,000	830,946
2029	1,700,000	786,252
2030-2034	9,295,000	2,880,298
2035-2038	8,960,000	734,400
	\$ 26,350,000	\$ 7,963,379

NOTE F – LEASE

Facilities Lease: The District entered into a long-term lease agreement in November 2007, with a private company for certain District facilities, to construct a groundwater extraction treatment system, water conveyance facilities and groundwater extraction wells that benefit the District's operations. The District received \$140,000 when the lease was executed, and recognizes revenue annually using an estimated discount rate of 3.4% through October 2106. The unearned lease revenue totaled \$116,431 and \$117,845 at June 30, 2024 and 2023, respectively. The District recognized \$1,414 of lease revenue for each of the years ended June 30, 2024 and 2023.

Other Leases: On January 1, 2006, the District entered into an agreement to lease its share of transmission capacity to the Sacramento Municipal Utility District (Lessee). The lessee is required to make annual fixed payments ranging from \$24,480 to \$13,536 with an estimated discount rate of 2.14%. The lease expires December 31, 2024. The District recognized \$12,257 of lease revenue during each of the years ended June 30, 2024 and 2023. The lease was paid off as of June 30, 2024.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE G – NET POSTION

Restrictions: Restricted net position consists 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 consisted of the following at June 30:

	2024	2023
Debt service reserve on 2010 Certificates of Participation	\$ 2,820	\$ 851
Facility Fees - expansion of facilities	238,264	1,140,084
Total restricted net position	<u>\$ 241,084</u>	<u>\$ 1,140,935</u>

The restrictions are for the following:

Restricted for debt service payments represents debt service reserves required by the related debt covenants.

Restricted for capital facilities represents unspent facility fees, which are restricted to capital expenses by Section 66013 of the Water Code of the State of California.

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. Designations included the following as of June 30:

	2024	2023
Sacramento County impact projects	\$ -	\$ 592,920
Rate stabilization	500,000	500,000
Capital replacement	9,797,266	8,293,444
Water treatment plant filtration	1,974,354	1,300,000
Operating reserve	5,982,004	5,625,831
Membrane replacement	83,608	
Total designated net position	<u>\$ 18,337,232</u>	<u>\$ 16,312,195</u>

The designations are for the following:

Designated for rate stabilization represents the amount to be used to make up a revenue deficiency in a future year in order to assist in meeting the debt coverage requirements.

Designated for capital replacement is to provide funds in support for the on-going capital replacement program.

Designated for water treatment plant filtration represents amounts set aside for the eventual replacement of the entire filtration process including skids and appurtenance at the District's water treatment plant.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE G – NET POSITION (Continued)

Designated for operating reserve, which represents 50% of budgeted operating and maintenance costs, plus debt service, is to ensure an adequate balance for working capital requirements, as well as unanticipated expenditures for operations, maintenance or asset acquisition.

Designated for the replacement of membrane submodules represents amounts budgeted but not yet spent for membrane replacements.

Designated for Sacramento County projects that impact District infrastructure.

NOTE H – PENSION PLANS

Plan Descriptions: All qualified employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). PERS acts as a common investment and administrative agent for participating public employers within the State of California. The District participates in the Miscellaneous and PEPR Miscellaneous rate plans.

Benefit provisions under the Plans are established by State statute and Board 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 at www.calpers.ca.gov.

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 (52 for PEPR Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2024 and 2023 are summarized as follows:

	Classic Miscellaneous Plan (Prior to January 1, 2013)	PEPR Miscellaneous Plan (On or after January 1, 2013)
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates - 2023/24	7.00%	8.00%
Required employer contribution rates - 2023/24	13.00%	7.91%
Required employee contribution rates - 2022/23	6.92%	7.25%
Required employer contribution rates - 2022/23	11.65%	7.65%

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

NOTE H – PENSION PLANS (Continued)

In addition to the contribution rates above, the District was also required to make payments of \$162,398 and \$221,932 toward its unfunded actuarial liability during the years ended June 30, 2024 and 2023, respectively. Furthermore, the District made additional discretionary payments of \$300,000 to pay down the unfunded liability during each of the years ended June 30, 2024, and 2023.

The Classic Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

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 July 1 following notice of a change in the rate. Funding contributions for the 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.

The contributions recognized as part of pension expense for the Plans were \$738,887 and \$753,209 for the years ended June 30, 2024 and 2023, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2024 and 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,325,825 and \$3,244,862, respectively.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2024 and 2023 is measured as of June 30, 2023 and 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 rolled forward to June 30, 2023 and 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans 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, 2024 and 2023 was as follows:

Proportion - June 30, 2023	0.06935%
Proportion - June 30, 2024	0.06651%
Change - Increase (Decrease)	-0.00284%

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE H – PENSION PLANS (Continued)

For the years ended June 30, 2024 and 2023, the District had pension expense of \$944,400 and \$694,607 at June 30, 2024 and 2023, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 738,887		\$ 753,209	
Differences between actual and expected experience	169,901	\$ (26,356)	79,822	\$ (53,004)
Changes in assumptions	200,795		403,822	
Change in employer's proportion	228,491	(73,504)	109,640	(51,195)
Differences between the employer's contribution and the employer's proportionate share of contributions	86,463	(171,098)	44,868	(126,296)
Net differences between projected and actual earnings on plan investments	538,481		745,177	
Total	<u>\$ 1,963,018</u>	<u>\$ (270,958)</u>	<u>\$ 2,136,538</u>	<u>\$ (230,495)</u>

The \$738,887 and \$753,209 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 subsequent fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	2024	2023
2024		\$ 289,904
2025	\$ 358,113	258,770
2026	178,592	140,891
2027	401,017	463,269
2028	15,451	
	<u>\$ 953,173</u>	<u>\$ 1,152,834</u>

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE H – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate (1)	6.90%	6.90%
Inflation	2.30%	2.30%
Projected Salary Increases	Varies by age and service	Varies by age and service
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

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

The underlying mortality assumptions was developed based on CalPERS-specific data. The rates for June 30, 2024 and 2023 incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. Further details can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90% for both the years ended June 30, 2024 and 2023. 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 discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate 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. Using historical returns of all the funds' asset classes, expected compound 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.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE H – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement dates of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2024		2023	
	New Strategic Allocation	Real Return Years 1 - 10(a)	New Strategic Allocation	Real Return Years 1 - 10(a)
Global Equity - cap weighted	30.0%	4.54%	30.0%	4.54%
Global Equity non-cap-weighted	12.0%	3.84%	12.0%	3.84%
Private Equity	13.0%	7.28%	13.0%	7.28%
Treasury	5.0%	0.27%	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%	10.0%	1.56%
High Yield	5.0%	2.27%	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%	5.0%	2.48%
Private Debt	5.0%	3.57%	5.0%	3.57%
Real Assets	15.0%	3.21%	15.0%	3.21%
Leverage	-5.0%	-0.59%	-5.0%	-0.59%
Total	100.0%		100.0%	

(a) An expected inflation of 2.3% used for this period.

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 Plans, calculated using the discount rate for the Plans, 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:

	2024	2023
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 5,945,979	\$ 5,707,462
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 3,325,825	\$ 3,244,852
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 1,169,213	\$ 1,218,754

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

Payable to the Pension Plan: At June 30, 2024, the District reported payables for the outstanding amount of contributions to the pension plan of \$13,922

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

NOTE I – OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The District's defined benefit OPEB plan (the Plan) is a single employer OPEB plan that provides OPEB benefit for all eligible general employees that have five years of District eligible service and retire from the District after age 50 to 52. In addition to 5 years of District eligible service, a retiree must have an additional 5 years of service with any contracting PERS agency for a total of 10 years of eligible service subject to a vesting schedule up to 20 years of service. Employees must retire directly from the District and provide 120 days notice requesting the benefit. Eligible employees' surviving spouses and dependents until the age of 18 are also eligible for benefits. Benefits continue through the employees or spouses lifetime. The Plan is administered by CalPERS through participation in California Employers' Retiree Benefit Trust (CERBT) Fund. The Board of Directors grants the authority to establish and amend the benefit terms to the CalPERS Board of Trustees (CalPERS Board). CalPERS issues a publicly available financial report for the CERBT that can be obtained at www.calpers.ca.gov under Forms and Publications. The District's plan does not issue a publicly available financial statement.

Benefits Provided: The Plan provides healthcare benefits for retirees, surviving spouses and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits are covered by the Plan.

Employees Covered by Benefit Terms: At June 30, 2024, the following current and former employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>24</u>
Total	<u><u>39</u></u>

Contributions: The Board of Directors grants the authority to establish and amend the contribution requirements of the District and employees. Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2024, the District's cash contributions to the trust were \$200,000 and benefit payments were \$242,698 resulting in total payments of \$442,698. During the fiscal year ended June 30, 2023, the District's cash contributions to the trust were \$200,000 and the benefit payments were \$197,454 resulting in total payments of \$397,454.

Net OPEB Liability: The District's net OPEB liability as of June 30, 2024 and 2023 was measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 and 2022, respectively.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE I – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2023 and 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2024	2023
Valuation date	June 30, 2023	June 30, 2022
Measurement date	June 30, 2023	June 30, 2022
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	6.75%	6.75%
Inflation	2.50%	2.50%
Salary increases	2.75%	2.75%
Investment rate of return	6.75%	6.75%
Mortality rate	Derived using CalPERS membership data	Derived using CalPERS membership data
Pre-retirement turnover	Derived using CalPERS membership data	Derived using CalPERS membership data
Healthcare trend rate	4% annually	4% annually

For the year ended June 30, 2024, mortality information for active and retired employees was based on 2021 CalPERS tables. The pre-retirement turnover information was developed based on the 2021 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. For the year ended June 30, 2023, mortality information for active and retired employees was based on 2017 CalPERS tables. The pre-retirement turnover information was developed based on the 2017 CalPERS Turnover for Miscellaneous Employees table created by CalPERS.

The assumed gross return on OPEB 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 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:

	2024		2023	
Asset Class	Percentage of Portfolio	Assumed Gross Return	Percentage of Portfolio	Assumed Gross Return
Global Equity	49.0%	4.82%	59.0%	7.55%
Fixed Income	23.0%	1.47%	25.0%	4.25%
Treasury Inflation Protected Securities	5.0%	1.29%	5.0%	3.00%
Real Estate Investment Trusts	20.0%	3.76%	8.0%	7.25%
Commodities	3.0%	0.84%	3.0%	7.55%
	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75% at both June 30, 2024 and 2023. 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. 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.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE I – OTHER POST EMPLOYMENT BENEFITS (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	\$ 5,375,077	\$ 2,611,294	\$ 2,763,783
Changes in the year:			
Service cost	140,391		140,391
Interest	360,384	190,368	170,016
Differences between expected and actual experience	(501,053)		(501,053)
Changes in assumptions	86,508		86,508
Contributions - employer		397,454	(397,454)
Benefit payments	(197,454)	(197,454)	-
Administrative expenses		(800)	800
Net changes	<u>(111,224)</u>	<u>389,568</u>	<u>(500,792)</u>
Balance at June 30, 2024 (measurement date June 30, 2023)	<u>\$ 5,263,853</u>	<u>\$ 3,000,862</u>	<u>\$ 2,262,991</u>

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	\$ 5,089,804	\$ 2,804,497	\$ 2,285,307
Changes in the year:			
Service cost	136,634		136,634
Interest	341,659	(392,484)	734,143
Differences between expected and actual experience	5,111		5,111
Contributions - employer		398,131	(398,131)
Actual investment income			
Benefit payments	(198,131)	(198,131)	-
Administrative expenses		(719)	719
Net changes	<u>285,273</u>	<u>(193,203)</u>	<u>478,476</u>
Balance at June 30, 2023 (measurement date June 30, 2022)	<u>\$ 5,375,077</u>	<u>\$ 2,611,294</u>	<u>\$ 2,763,783</u>

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE I – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
2024 Net OPEB liability	\$ 2,957,851	\$ 2,262,991	\$ 1,687,675
2023 Net OPEB liability	3,490,316	2,763,783	2,164,091

Sensitivity of the Net OPEB Liability to Changes in the 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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
2024 Net OPEB liability	\$ 1,614,758	\$ 2,262,991	\$ 3,057,940
2023 Net OPEB liability	2,040,972	2,763,783	3,657,963

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the years ended June 30, 2024 and 2023, the District recognized OPEB expense of \$432,287 and \$452,686, respectively. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after the measurement date	\$ 442,698		\$ 397,454	
Differences between actual and expected experience	514,019	\$ (590,596)	616,629	\$ (187,053)
Changes in assumptions	368,287		352,554	
Net differences between projected and actual earnings on plan investments	178,771		223,976	
Total	<u>\$ 1,503,775</u>	<u>\$ (590,596)</u>	<u>\$ 1,590,613</u>	<u>\$ (187,053)</u>

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE I – OTHER POST EMPLOYMENT BENEFITS (Continued)

The \$442,698 and \$397,454 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	2024	2023
2024		\$ 172,750
2025	\$ 112,567	171,620
2026	103,205	162,258
2027	192,099	251,152
2028	74,400	133,451
2029	75,867	114,875
Thereafter	(87,657)	
	<u>\$ 470,481</u>	<u>\$ 1,006,106</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.2 years at June 30, 2024 and 8% at June 30, 2023.

Age-adjusted Premiums Not Used: As a general rule, Actuarial Standard of Practice 6 (ASOP 6) indicates retiree costs should be based on actual claim costs or age-adjusted premiums. However, the Plan's net OPEB liability was not computed using age-adjusted premiums because the District's actuary did not consider the use of age-adjusted premiums to be appropriate under the circumstances. This is due to the District participating in the CalPERS health insurance plan, PEMHCA. PEMHCA uses blended premiums for active and retired participants and is expected to continue this practice into the future. Contributions based on age-adjusted premiums would be larger than contributions based on actual premiums charged by PEMHCA. The actuary believes this would overstate contributions to the CERBT that would not be able to be recovered by the District. Many other actuaries believe it is appropriate to use age-adjusted premiums when computing net OPEB liabilities under GASB Statement No. 75. The District's net OPEB liability would have been significantly larger had it been computed using age-adjusted premiums.

CARMICHAEL WATER DISTRICT

Notes to the Basic Financial Statements (Continued)

June 30, 2024 and 2023

NOTE J – 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 official's 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:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability (includes public officials liability)	\$ 5,000,000	\$ 55,000,000	None
Property Damage	10,000,000	500,000,000	\$500 to 50,000
Fidelity	100,000		1,000
Workers Compensation liability	2,000,000	Statutory	None
Cyber		3,000,000	50,000 to 100,000

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.

NOTE K – ECONOMIC DEPENDENCY

Under normal operating conditions, the District extracts approximately 80% of its water from the American River and 20% from groundwater wells. Actions taken by the State Water Resources Control Board (SWRCB) can affect the amount of water the District is able to extract from the American River. Water conservation continues to be a focus of the SWRCB with recently proposed legislation focused on long term water use reductions. The District has continued to monitor and provide input on the proposed legislation that will have future financial impacts.

NOTE L — COMMITMENTS AND CONTINGENCIES

Contracts: The District has entered into various contracts for the construction of Aquifer Storage and Recovery (ASR) wells, main line replacements, and other facility improvements. The amounts contracted are based on the contractors' estimated cost of construction at time of bid award. At June 30, 2024, the total unpaid amount on these contracts totals approximately \$11,320,841.

CARMICHAEL WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
June 30, 2024 and 2023

NOTE L – COMMITMENTS AND CONTINGENCIES (Continued)

Litigation: Certain claims, suits and complaints arising in the ordinary course of operations have been filed or are pending against the District. The District's management and legal counsel estimate that the potential claims against the District not covered by insurance resulting from such litigation would not materially affect the operations or financial condition of the District.

Outside Boundary Sales and Agreements: The District completed the American River Pipeline Conveyance Project with Aerojet Rocketdyne and Golden State Water Company (GSWC) to annually provide 5,000-acre feet of replacement water supply to GSWC.

The District entered into a second agreement in August 2016 with GSWC for the diversion, treatment, and delivery of water through the American River Pipeline. GSWC pays a proportionate share of three components: 1) the fixed and variable operations and maintenance costs associated with the production of water; 2) the capital asset costs of the Water Treatment Plant (WTP) and Ranney intake structures; 3) and the costs incurred by the District for the replacement of membranes at the WTP. The District billed GSWC \$1,504,342 and \$1,479,373 under the terms of this agreement during the years ended June 30, 2024 and 2023, respectively.

Grant Funding: The District has received grant funding for various purposes that may be subjected to review and audit by the funding agencies. Such potential audits could result in a request for reimbursement for expense disallowed under the terms and conditions of the funding source. Management is of the opinion that no material liabilities will result from such potential audits.

The District also received \$2,500,000 in advanced grant funding from the State of California Department of Water Resources under the 2023 Budget Act for the State of California for the construction of an ASR Well, which is reflected in the financial statements as unearned revenue. These funds are committed for use only for the construction of the ASR well with expenditures expected to commence in the fiscal year ending June 30, 2025.

NOTE M – SUBSEQUENT EVENT

The District committed to the sale of its share of the California-Oregon Transmission Project (COTP) transmission line in December 2024 to Turlock Irrigation District and the City of Roseville. Proceeds from the sale are expected to be \$150,000.

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Required Supplementary Information

CARMICHAEL WATER DISTRICT
Required Supplementary Information
June 30, 2024 and 2023
Schedule of Plan's Proportionate Share of the Net Pension Liability
Last Ten Years (Unaudited)

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Proportion of the net pension liability	0.066511%	0.069350%	0.015085%	0.024954%	0.070371%
Proportionate share of the net pension liability	\$ 3,325,825	\$ 3,244,862	\$ 815,854	\$ 2,715,129	\$ 2,817,998
Covered payroll - measurement period	\$ 2,259,890	\$ 2,234,517	\$ 1,954,140	\$ 2,055,406	\$ 1,975,298
Proportionate share of the net pension liability as a percentage of covered payroll	147.17%	145.22%	41.75%	132.10%	142.66%
Plan fiduciary net position as a percentage of the total pension liability	77.97%	82.04%	95.19%	83.04%	81.40%

Notes to Schedule:

Reporting valuation date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Reporting measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Discount rate	6.90%	6.90%	7.15%	7.15%	7.15%

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.065394%	0.063790%	0.058553%	0.046392%	0.048538%
Proportionate share of the net pension liability	\$ 2,464,518	\$ 2,514,648	\$ 2,034,074	\$ 1,272,753	\$ 1,199,609
Covered payroll - measurement period	\$ 2,031,070	\$ 1,854,585	\$ 1,822,452	\$ 1,756,975	\$ 1,760,777
Proportionate share of the net pension liability as a percentage of covered payroll	121.34%	130.67%	111.61%	72.44%	68.13%
Plan fiduciary net position as a percentage of the total pension liability	82.74%	81.35%	82.90%	78.40%	79.82%

Notes to Schedule:

Reporting valuation date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Discount rate	7.15%	7.15%	7.65%	7.65%	7.50%

Notes to Schedules:

Change of Benefit Terms - There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes in Assumptions - There were no changes in assumptions.

CARMICHAEL WATER DISTRICT

Required Supplementary Information

June 30, 2024 and 2023

Schedule of Contributions to the Pension Plan

Last Ten Years (Unaudited)

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Contractually required contribution (actuarially determined)	\$ 438,887	\$ 453,209	\$ 440,468	\$ 405,655	\$ 358,226
Contributions in relation to the actuarially determined contributions	(738,887)	(753,209)	(740,395)	(405,655)	(807,154)
Contribution deficiency (excess)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (299,927)</u>	<u>\$ -</u>	<u>\$ (448,928)</u>
Covered payroll - fiscal year	\$ 2,715,603	\$ 2,259,890	\$ 2,234,517	\$ 2,078,028	\$ 2,065,530
Contributions as a percentage of covered payroll	27.21%	33.32%	33.13%	19.52%	39.08%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Valuation date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Actuarial method	Entry age normal				
Amortization method	Level percentage of payroll, closed				
Remaining amortization period	Varies by rate plan, not more than 30 years				
Asset valuation method	5 year smoothed market				
Discount rate	6.80%	7.00%	7.00%	7.25%	7.375%
Inflation	2.30%	2.50%	2.50%	2.50%	2.625%
Payroll growth	2.80%	2.75%	2.75%	2.875%	3.00%
Salary increase	Varies by entry age and service				
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study				
Mortality	Most recent CalPERS Experience Study				

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 311,796	\$ 257,968	\$ 222,301	\$ 198,100	\$ 160,692
Contributions in relation to the actuarially determined contributions	(311,796)	(257,968)	(222,301)	(198,100)	(160,692)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 2,096,870	\$ 2,025,447	\$ 1,854,585	\$ 1,822,452	\$ 1,756,975
Contributions as a percentage of covered payroll	14.87%	12.74%	11.98%	10.86%	9.15%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial method	Entry age normal				
Amortization method	Level percentage of payroll, closed				
Remaining amortization period	Varies by rate plan, not more than 30 years				
Asset valuation method	5 year smoothed market				
Discount rate	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increase	Varies by entry age and service				
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study				
Mortality	Most recent CalPERS Experience Study				

CARMICHAEL WATER DISTRICT

Required Supplementary Information

June 30, 2024 and 2023

Schedules of Changes in the District's Net OPEB Liability and Related Ratios (Unaudited)

Measurement Period	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 140,391	\$ 136,634	\$ 88,995	\$ 86,613	\$ 79,528	\$ 77,400	\$ 75,328
Interest	360,384	341,659	253,468	240,101	246,402	234,160	221,503
Differences between expected and actual experience	(501,053)	5,111	814,174	2,124	(280,671)		
Changes in assumptions	86,508		470,074		(18,058)		
Benefit payments	(197,454)	(198,131)	(183,717)	(135,337)	(135,113)	(122,291)	(105,162)
Net change in total OPEB liability	(111,224)	285,273	1,442,994	193,501	(107,912)	189,269	191,669
Total OPEB liability - beginning	5,375,077	5,089,804	3,646,810	3,453,309	3,561,221	3,371,952	3,180,283
Total OPEB liability - ending (a)	<u>\$ 5,263,853</u>	<u>\$ 5,375,077</u>	<u>\$ 5,089,804</u>	<u>\$ 3,646,810</u>	<u>\$ 3,453,309</u>	<u>\$ 3,561,221</u>	<u>\$ 3,371,952</u>
Plan fiduciary net position:							
Contributions - employer	\$ 397,454	\$ 398,131	\$ 383,717	\$ 575,337	\$ 575,113	\$ 562,291	\$ 545,162
Net investment income	190,368	(392,484)	444,492	73,557	84,137	64,131	39,214
Benefit payments	(197,454)	(198,131)	(183,717)	(135,337)	(135,113)	(122,291)	(105,162)
Administrative expenses	(800)	(719)	(824)	(917)	(289)	(1,086)	(156)
Other			147,878		(5,640)		
Net change in plan fiduciary net position	389,568	(193,203)	791,546	512,640	518,208	503,045	479,058
Plan fiduciary net position - beginning	2,611,294	2,804,497	2,012,951	1,500,311	982,103	479,058	-
Plan fiduciary net position - ending (b)	<u>\$ 3,000,862</u>	<u>\$ 2,611,294</u>	<u>\$ 2,804,497</u>	<u>\$ 2,012,951</u>	<u>\$ 1,500,311</u>	<u>\$ 982,103</u>	<u>\$ 479,058</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 2,262,991</u>	<u>\$ 2,763,783</u>	<u>\$ 2,285,307</u>	<u>\$ 1,633,859</u>	<u>\$ 1,952,998</u>	<u>\$ 2,579,118</u>	<u>\$ 2,892,894</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>57.01%</u>	<u>48.58%</u>	<u>55.10%</u>	<u>55.20%</u>	<u>43.45%</u>	<u>27.58%</u>	<u>14.21%</u>
Covered-employee payroll - measurement period	<u>\$ 2,471,409</u>	<u>\$ 2,234,517</u>	<u>\$ 2,078,028</u>	<u>\$ 2,065,530</u>	<u>\$ 2,096,870</u>	<u>\$ 2,025,447</u>	<u>\$ 1,854,585</u>
Net OPEB liability as percentage of covered-employee payroll	<u>0.91566835</u>	<u>123.69%</u>	<u>109.97%</u>	<u>79.10%</u>	<u>93.14%</u>	<u>127.34%</u>	<u>155.99%</u>
Notes to schedule:							
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017
Discount rate	6.75%	6.75%	7.00%	7.00%	7.00%	7.00%	7.50%

Benefit changes. None.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

CARMICHAEL WATER DISTRICT
Required Supplementary Information
June 30, 2024 and 2023
Schedules of Contributions to the OPEB Plan
Last Ten Years (Unaudited)

	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution - employer fiscal year	\$ 242,698	\$ 197,454	\$ 198,131	\$ 135,337	\$ 135,113	\$ 126,380	\$ 105,162
Contributions in relation to the actuarially determined contribution:	(442,698)	397,454	398,131	(383,717)	(575,337)	(566,380)	(562,291)
Contribution deficiency (excess)	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (248,380)</u>	<u>\$ (440,224)</u>	<u>\$ (440,000)</u>	<u>\$ (457,129)</u>
Covered-employee payroll - employer fiscal year	\$ 2,715,603	\$ 2,471,409	\$ 2,234,517	\$ 2,078,028	\$ 2,065,530	\$ 2,096,870	\$ 2,025,447
Contributions as a percentage of covered-employee payroll	8.94%	7.98%	8.86%	6.44%	6.54%	6.03%	5.19%

Notes to Schedule:

Valuation date	June 30, 2023	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2023	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017

An actuarially determined contribution rate was not calculated. The required contributions reported represent retiree premium payments.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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Statistical Section

Description of Statistical Section

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

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, retail water sales.

Debt Capacity

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 issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

This schedule contains 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 activities it performs.



Financial Trends

CARMICHAEL WATER DISTRICT

Schedules of Net Postion by Component (Accrual Basis of Accounting) Last Ten Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Position:					
Investment in Capital Assets. Net of Related debt	\$ 34,539,863	\$ 34,148,344	\$ 35,032,600	\$ 35,823,870	\$ 37,111,672
Restricted	2,290,249	2,360,084	2,402,358	2,427,721	2,520,252
Unrestricted	<u>3,449,234</u>	<u>4,953,092</u>	<u>13,540,261</u>	<u>12,806,906</u>	<u>13,764,832</u>
Total Net Position*	<u>\$ 40,279,346</u>	<u>\$ 41,461,520</u>	<u>\$ 50,975,219</u>	<u>\$ 51,058,497</u>	<u>\$ 53,396,756</u>

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net Position:					
Investment in Capital Assets. Net of Related debt	\$ 39,904,957	\$ 42,001,094	\$ 43,193,529	\$ 44,739,310	\$ 51,972,227
Restricted	486,637	599,345	654,404	1,140,935	241,084
Unrestricted	<u>14,674,174</u>	<u>16,358,382</u>	<u>19,370,888</u>	<u>24,679,356</u>	<u>26,073,574</u>
Total Net Position*	<u>\$ 55,065,768</u>	<u>\$ 58,958,821</u>	<u>\$ 63,218,821</u>	<u>\$ 70,559,601</u>	<u>\$ 78,286,885</u>

Source:
District Finance Department

CARMICHAEL WATER DISTRICT

Schedules of Changes in Net Postion (Accrual Basis of Accounting) Last Ten Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Revenues:										
Water sales	\$ 8,843,732	\$ 9,319,543	\$ 9,863,394	\$ 10,859,913	\$ 11,392,509	\$ 12,279,163	\$ 13,331,681	\$ 13,846,204	\$ 16,111,936	\$ 16,653,401
Connection, tap, and other fees	59,058	51,174	54,928	53,627	78,714	112,147	109,466	112,830	108,918	92,952
Wholesale water sales, net	49,740	122,625	-	-	-	-	-	-	-	-
Capacity sales	-	-	9,400,000	-	-	-	-	-	-	-
Water treatment and delivery charges	-	-	413,720	817,991	853,543	835,734	919,389	974,050	1,479,373	1,504,342
Total Operating Revenues	8,952,530	9,493,342	19,732,042	11,731,531	12,324,766	13,227,044	14,360,536	14,933,084	17,700,227	18,250,695
Operating Expenses:										
General and administrative	2,400,500	2,224,824	2,991,231	3,185,882	2,424,011	2,621,140	2,814,357	2,940,707	2,663,124	3,017,514
Transmission and distribution	1,219,486	1,179,274	1,388,069	1,649,564	1,729,627	2,119,602	1,539,061	1,952,453	1,664,734	1,647,259
Pumping and treatment	2,004,962	2,343,249	2,664,920	2,306,629	2,082,719	2,534,363	2,327,072	2,457,654	2,763,703	2,719,871
Depreciation and amortization	2,546,331	2,492,258	2,375,778	2,337,538	2,344,652	2,285,472	2,250,686	2,121,368	2,122,475	2,543,024
Pension Expense Adjustment **	-	-	-	-	514,216	718,394	683,775	56,963	473,715	994,892
OPEB**	-	-	-	-	260,703	203,511	186,969	246,770	674,620	432,285
Membrane**	-	-	-	-	90,300	291,130	163,018	359,788	1,171,265	-
Total Operating Expenses	8,171,279	8,239,605	9,419,998	9,479,613	9,446,228	10,773,612	9,964,938	10,135,703	11,533,636	11,354,845
Net Income from Operations	781,251	1,253,737	10,312,044	2,251,918	2,878,538	2,453,432	4,395,598	4,797,381	6,166,591	6,895,850
Non-Operating Revenues (Expenses):										
Investment income earned	5,897	62,172	12,047	33,558	124,212	142,410	33,496	18,373	248,793	489,050
Other revenue	28,356	21,271	15,284	21,857	59,585	35,650	144,599	41,696	26,810	18,187
Grant revenue	-	-	-	-	-	-	-	159,992	1,283,922	962,429
Income from investment in electrical power	13,699	16,221	11,116	14,161	13,800	13,338	14,962	12,446	11,644	11,828
Reimbursements	44,587	20,772	5,378	13,723	43,234	48,895	41,707	29,653	10,289	10,031
Pass-through grant payment	-	-	(723,187)	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	(16,178)	7,174	(643)	(25,406)	4,689	15,473	13,615	(11,328)	(77,636)	71,383
Interest expense	(1,056,587)	(1,017,921)	(966,921)	(905,671)	(850,121)	(1,237,820)	(869,994)	(842,833)	(814,586)	(784,061)
Total Non-Operating Revenues (Expenses)	(980,226)	(890,311)	(1,646,926)	(847,778)	(604,601)	(982,054)	(621,615)	(592,001)	689,236	778,847
Income (Loss) Before Contributions	(198,975)	363,426	8,665,118	1,404,140	2,273,937	1,471,378	3,773,983	4,205,380	6,855,827	7,674,697
Capital Contributions:										
Capital contributions	31,714	43,748	846,898	39,229	64,322	197,634	119,070	54,620	484,953	52,587
Capital grant revenue	-	775,000	1,683	-	-	-	-	-	-	-
Total Capital Contributions	31,714	818,748	848,581	39,229	64,322	197,634	119,070	54,620	484,953	52,587
Changes in Net Position*	\$ (167,261)	\$ 1,182,174	\$ 9,513,699	\$ 1,443,369	\$ 2,338,259	\$ 1,669,012	\$ 3,893,053	\$ 4,260,000	\$ 7,340,780	\$ 7,727,284

*2014 and prior do not reflect the net pension liability adjustment for GASB No. 68 and 71 as this information is not available.

** Breakout for fiscal years ending in 2019-2023

Source:

District Finance Department

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Revenue Capacity

CARMICHAEL WATER DISTRICT
Water Sales by Type of Customer
(Accrual Basis of Accounting)
Last Ten Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water Sales:					
Residential	\$ 7,762,144	\$ 8,188,150	\$ 8,595,948	\$ 9,458,984	\$ 9,194,894
Non-residential	<u>1,081,588</u>	<u>1,131,393</u>	<u>1,267,446</u>	<u>1,400,929</u>	<u>2,197,615</u>
Total Water Sales	\$ 8,843,732	\$ 9,319,543	\$ 9,863,394	\$ 10,859,913	\$ 11,392,509
 Total Water Deliveries (AF)	 7,867	 6,947	 7,653	 8,400	 8,134
 Rate per Acre Foot (AF)	 \$ 1,124.16	 \$ 1,341.52	 \$ 1,289.00	 \$ 1,292.84	 \$ 1,400.60

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Water Sales:					
Residential	\$ 9,889,638	\$ 11,611,894	\$ 11,452,365	\$ 13,607,082	\$ 13,870,131
Non-residential	<u>2,389,525</u>	<u>1,719,787</u>	<u>2,393,839</u>	<u>2,504,854</u>	<u>2,783,170</u>
Total Water Sales	\$ 12,279,163	\$ 13,331,681	13,846,204	16,111,936	16,653,301
 Total Water Deliveries (AF)	 8,851	 9,490	 8,467	 8,088	 8,322
 Rate per Acre Foot (AF)	 \$ 1,387.31	 \$ 1,404.81	 \$ 1,635.31	 \$ 1,992.08	 \$ 2,001.13

Source:
District Administrative
Department

CARMICHAEL WATER DISTRICT

Principal Rate Payers 2024 and 2015

Current Year and Nine Years Prior

	2024			2015		
	Revenues		Percent of	Revenues		Percent of
<u>Rate Payers</u>	<u>Collected</u>	<u>Rank</u>	<u>Total Water Sales</u>	<u>Collected</u>	<u>Rank</u>	<u>Total Water</u>
Ancil Hoffman Park	\$ 514,564	1	3.09%	\$ 93,924	1	1.06%
Carmichael Rec/Park District-Grant Ave	96,145	2	0.58%	39,257	3	0.44%
Carmichael Rec/Park District-Engle Rd	65,625	3	0.39%	23,206	8	0.26%
Crestview Apartments/Vertus Properties, Inc	64,497	4	0.39%	25,673	7	0.29%
SJUSD-Del Campo High School	56,736	5	0.34%	31,805	4	0.36%
Hebel Living	53,635	6	0.32%	39,761	2	0.45%
6930 Fair Oaks Blvd TIC LLC	50,423	7	0.30%	20,040	12	0.23%
SJUSD-Barrett Middle School	49,339	8	0.30%			
Linden Lane Apartments LLC	48,672	9	0.29%			
Westwood Apartments	45,363	10	0.27%	20,612	10	0.23%
Heritage Oaks Apartments	34,654		0.21%	27,599	6	0.31%
OAHS Fairwood LP	29,317		0.18%	29,217	5	0.33%
Riveroaks Apartments	15,459		0.09%	21,964	9	0.25%
Total	\$ 1,124,429		6.75%	\$ 373,058		4.22%
Total Water Sales	\$16,653,401			\$8,843,732		

Source:
District Finance Department

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Debt Capacity

CARMICHAEL WATER DISTRICT

Ratios of Outstanding Debt by Type and Number of Connections Last Ten Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt:					
1999 Certificates of Participation	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Certificates of Participation	24,809,257	23,571,082	22,297,907	20,964,732	18,620,000
2010 Subordinate Installment Sale Agreement	-	-	-	-	-
2019 Certificates of Participation Series A	-	-	-	-	-
2019 Certificates of Participation Series B	-	-	-	-	-
Unamortized Premium	-	-	-	-	951,557
Total Debt	\$ 24,809,257	\$ 23,571,082	\$ 22,297,907	\$ 20,964,732	\$ 19,571,557
Number of Service Connections	11,607	11,693	11,685	11,912	11,918
Debt Per Connection	2,137.44	2,015.83	1,908.25	1,759.97	1,642.18

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Debt:					
1999 Certificates of Participation	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Certificates of Participation	-	-	-	-	-
2010 Subordinate Installment Sale Agreement	-	-	-	-	-
2019 Certificates of Participation Series A	16,510,000	16,510,000	16,510,000	16,510,000	16,510,000
2019 Certificates of Participation Series B	15,775,000	14,300,000	12,840,000	11,355,000	9,840,000
Unamortized Premium	3,566,080	3,362,304	3,158,528	2,954,752	2,750,976
Total Debt	\$ 35,851,080	\$ 34,172,304	\$ 32,508,528	\$ 30,819,752	\$ 29,100,976
Number of Service Connections	11,922	11,948	11,949	11,957	11,996
Debt Per Connection	3,007.14	2,860.09	2,720.61	2,577.55	2,425.89

Source:
District Administrative Department

CARMICHAEL WATER DISTRICT
Schedule of Debt Service
Last Ten Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Revenue	\$ 3,327,582	\$ 3,866,431	\$ 12,733,331	\$ 4,672,755	\$ 5,468,710
Debt Service	2,190,550	2,196,200	2,184,325	2,183,575	2,186,350
Coverage	152%	176%	583%	214%	250%

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net Revenue	\$ 4,994,670	\$ 6,894,663	\$ 7,180,909	\$ 9,870,524	\$ 11,001,782
Debt Service	2,311,530	2,539,828	2,497,694	2,494,705	2,494,620
Coverage	216%	271%	287%	396%	441%

Source:
District Administrative Department

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Demographic and Economic Information

CARMICHAEL WATER DISTRICT Demographic and Economic Statistics Last Ten Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Personal Income ^{(1)*}	\$ 66,707,690	\$ 41,532,171	\$ 73,922,295	\$ 76,832,120	\$ 80,969,087
Population ⁽¹⁾	1,477,522	1,496,130	1,513,260	1,530,615	1,540,975
Per Capita Personal Income ⁽¹⁾	\$ 45,148	\$ 47,811	\$ 48,850	\$ 50,197	\$ 52,544
Unemployment Rate ⁽²⁾	7.3%	6.0%	5.4%	4.7%	3.8%

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Personal Income ^{(1)*}	\$ 85,775,621	\$ 90,908,707	\$ 98,241,828	\$ 97,517,936	\$ 10,314,349
Population ⁽¹⁾	1,552,050	1,559,139	1,589,921	1,584,169	1,584,288
Per Capita Personal Income ⁽¹⁾	\$ 55,266	\$ 58,307	\$ 61,829	\$ 61,558	\$ 65,104
Unemployment Rate ⁽²⁾	3.7%	9.3%	7.0%	3.9%	4.4%

*Amounts are expressed in thousands.

**Information on Demographic and Economic statistics are for the County of Sacramento since Carmichael is unincorporated and is reported under the County of Sacramento. Separate demographic and economic statistical information for Carmichael are not available.

Sources:

⁽¹⁾Bureau of Economic Analysis, US Department of Commerce

⁽²⁾California State Employment Development Department

CARMICHAEL WATER DISTRICT

Top Ten Employers

Current Year and Nine Years Prior

<u>Employers</u>	June 30, 2024*			June 30, 2015*		
	Total <u>Employee</u>	<u>Rank</u>	Percent of <u>Total Employed</u>	Total <u>Employee</u>	<u>Rank</u>	Percent of <u>Total Employed</u>
UC Davis Health System	16,075	1	2.29%	9,905	1	1.57%
Kaiser Permanente	11,856	2	1.69	5,421	5	86.00%
Sutter/ California Health Services	10,129	3	1.44	7,352	2	1.16
Dignity/ Mercy Healthcare	7,353	4	1.05	6,212	3	0.98
Intel Corporation	4,300	5	0.61	6,000	4	0.95
Raley's Inc./ Bel Air	2,624	6	0.37	3,289	6	0.52
Siemens Mobiltiy Inc.	2,500	7	0.36			
Safeway	1,874	8	0.27			
Golden 1 Credit Union	1,679	9	0.24			
Pacific Gas and Electric Co	1,370	10	0.19			
Apple Inc.				2,500	7	0.40
VSP Global				2,382	8	0.38
Health Net of California				2,299	9	0.36
Wells Fargo & Co				2,198	10	0.35
Total	<u>59,760</u>		<u>8.51%</u>	<u>47,558</u>		<u>7.53%</u>
Total Employed by Sacramento County ⁽²⁾	698,300			686,300		

*Information on Demographic and Economic statistics are for the County of Sacramento since Carmichael is unincorporated and is reported under the County of Sacramento. Separate demographic and economic statistical information for Carmichael are not available.

Sources:

⁽¹⁾Sacramento Business Journal

⁽²⁾California State Employment Development Department

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Operating Information

CARMICHAEL WATER DISTRICT

Operating Information

Last Ten Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Water Services:										
Number of Service Connections	11,607	11,693	11,685	11,912	11,918	11,922	11,948	11,949	11,957	11,996
Annual Demand in AF	7,867	6,947	7,652	8,400	8,137	8,855	9,490	8,467	8,088	8,322
Average Daily Demand in MGD	7.02	6.20	6.83	7.50	7.25	7.87	8.45	7.47	7.22	7.40
Maximum Day Demand in MGD	13.22	11.36	13.25	14.02	13.40	13.80	14.46	13.40	12.94	13.57
Leak Repairs:										
Main Lines	52	35	43	43	35	28	20	18	35	16
Service Lines	93	68	72	61	50	65	56	51	88	61
Meters:										
Replacement	8	1,089	293	1,156	37	41	915	1,141	1,345	458
Register Change Outs	1,129	76	720	1,369	3,297	4,865	10	24	53	73
Service Lines:										
Replacement	143	74	78	92	97	110	53	91	129	94
Main Line Valves:										
Replacement	5	11	4	2	10	6	30	8	6	5
Hydrants:										
Replacement	13	1	6	2	6	7	4	2	1	3
Main Lines:										
Replacement Projects				1					1	2
Major Facilities:										
Wells	5	5	5	5	4	4	5	5	5	5
Tank	2	2	2	2	2	2	2	2	2	2
Booster Station	2	2	2	2	2	2	2	2	2	2
Pressure Regulation Valves	2	2	2	2	2	2	2	2	2	2
Miles of Pipeline	154	154	154	154	154	160	160	156	156	156
Personnel (FTE)										
Admin Services	13	13	14	14	14	14	14	13	13	14
Production	8	8	9	9	6	6	6	5	6	6
Distribution	5	5	6	6	9	9	9	8	7	7
Retired Annuity										0.5
Total (FTE)	26	26	29	29	29	29	29	26	26	27.5

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Carmichael, California