

Comprehensive Annual Financial Report

For Fiscal Years Ended June 30, 2019 & 2018



Carmichael, California

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Comprehensive Annual Financial Report

For Fiscal Years Ended June 30, 2019 & 2018



Carmichael, California

Prepared by:
The Administrative Services Department

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Carmichael, CA 95608
www.carmichaelwd.org

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Introductory Section

CARMICHAEL WATER DISTRICT LETTER OF TRANSMITTAL



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CARMICHAEL, CALIFORNIA 95608
TELEPHONE (916) 483-2452
FAX (916)483-5509

October 11, 2019

Members of the Board of Directors
Carmichael Water District

The Carmichael Water District (“District”) hereby submits the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2019 and 2018. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The CAFR includes the management discussion and analysis which should be read in conjunction with the transmittal letter. The District’s management discussion and analysis can be found immediately following the independent auditor’s report.

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.

District History and Service Description

The Carmichael Irrigation District held its first official meeting on February 8, 1916 and was the first irrigation district established in Sacramento County under the Wright Irrigation Act of 1887. The District changed its name to Carmichael Water District in the 1980s. 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 District services approximately eight square miles with a population of over 38,000. The District maintains over 154 miles of water lines and supplies an average of 2,650 million gallons of water annually to its customers. 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.

Mission Statement

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

Economic Condition and Outlook

As the District is primarily built out, it does not depend on new growth to maintain revenue. The District continues the practice of establishing rates and funds that support the expected and unexpected expense fluctuations encountered year to year. The District investigates opportunities to increase the District’s financial position, whether it is outside District boundary water sales, interties with neighboring agencies, or partnerships with public and private entities.

Significant Projects and Future Plans

Infrastructure and Delivery System

The District completed a comprehensive 100 year Master Plan in 2003 that provided a perspective on the backlog of unfunded infrastructure replacement liabilities and a strategy for resolving the long-term sustainability of the District. The updated 2015 Master Plan followed the same approach looking ahead 50 years and included a 10 year detailed capital improvement strategy. The Plan continues to guide the capital projects of the District.

The District continues to invest in repair and replacement of aging infrastructure and facilities throughout its system on a pay-as-you-go financial strategy. FY 2019-2020 capital improvement projects include:

- Accelerated radio read meter register replacement
- Service line replacement
- 10 Year Mainline Project Schedule
- Water Treatment Plant Facility Improvements
- District Office Improvements
- La Vista Tank Project Design

Water supply – Cooperative Efforts

Dry year and emergency water supply are critical to the District’s ability to meet customer water demand. The District is continually partnering with others to ensure safe and reliable water supply for its customers and increased revenue to ratepayers:

- 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

Future Plans

During FY 2019-2020 the District will complete La Vista Reservoir and Well Site Design and to determine the phasing approach and funding source for a 3 MG tank, well, 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.

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 to 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.

Budgetary Control

The District's budget is a one year financial plan that follows closely with the District's Master Plan and Business Plan Efforts. The fiscal year budget is an annual plan detailing the revenue requirements necessary to support the operation and maintenance expenses, capital improvements, debt obligations, designations and reserves. The Board approves the annual budget following an extensive budget process and public hearing.

The budget is reviewed monthly as part of the District's regular financial reporting process. Supplemental amendments to the budgets, transfers within budget categories, or transfers from reserves are approved by the Board.

Reserve Policy

The purpose of the reserve policy is 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.

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.

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to ensure its assets are protected from loss, theft, or misuse. Internal control composition is designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and other reporting.

The internal control structure is designed to:

1. Provide reasonable, but not absolute, assurance these objectives are met:
 - a. The cost of the control should not exceed the benefits likely to be derived; and
 - b. The evaluation of costs and benefits requires estimates and judgments by management.
2. Ensure transactions are executed in accordance with management's authorization; and
3. Ensure transactions are recorded properly.

Other Information

Independent Audit

California Government Code Section 26909 requires independent annual audits to be conducted for special districts. Leaf & Cole, LLP was selected to conduct the annual audit of 2019 District operations. The auditor's report is included in the financial section of the Comprehensive Annual Financial Report.

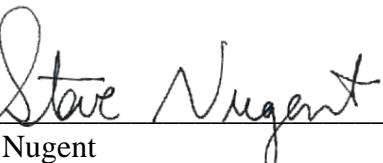
Awards and Acknowledgments

The Government Finance Officer Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Carmichael Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

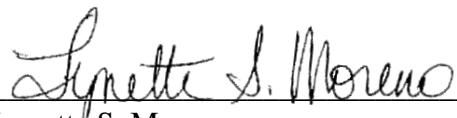
A Certificate of Achievement is valid for a period of one year only. We believe that this report will meet the program requirements to receive the award. We believe that our current comprehensive annual financial report continues to meet the requirements of the GFOA Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Preparation of the CAFR was accomplished by the combined efforts of District staff. We appreciate the dedication and professionalism that our staff members bring to Carmichael Water District. Additionally, we would like to thank the District Board of Directors for their interest and support in planning and conducting the financial operations of the District.

Respectfully submitted,



Steve Nugent
General Manager and Board Secretary



Lynette S. Moreno
Assistant Manager and Board Treasurer

CARMICHAEL WATER DISTRICT PRINCIPAL DISTRICT OFFICIALS

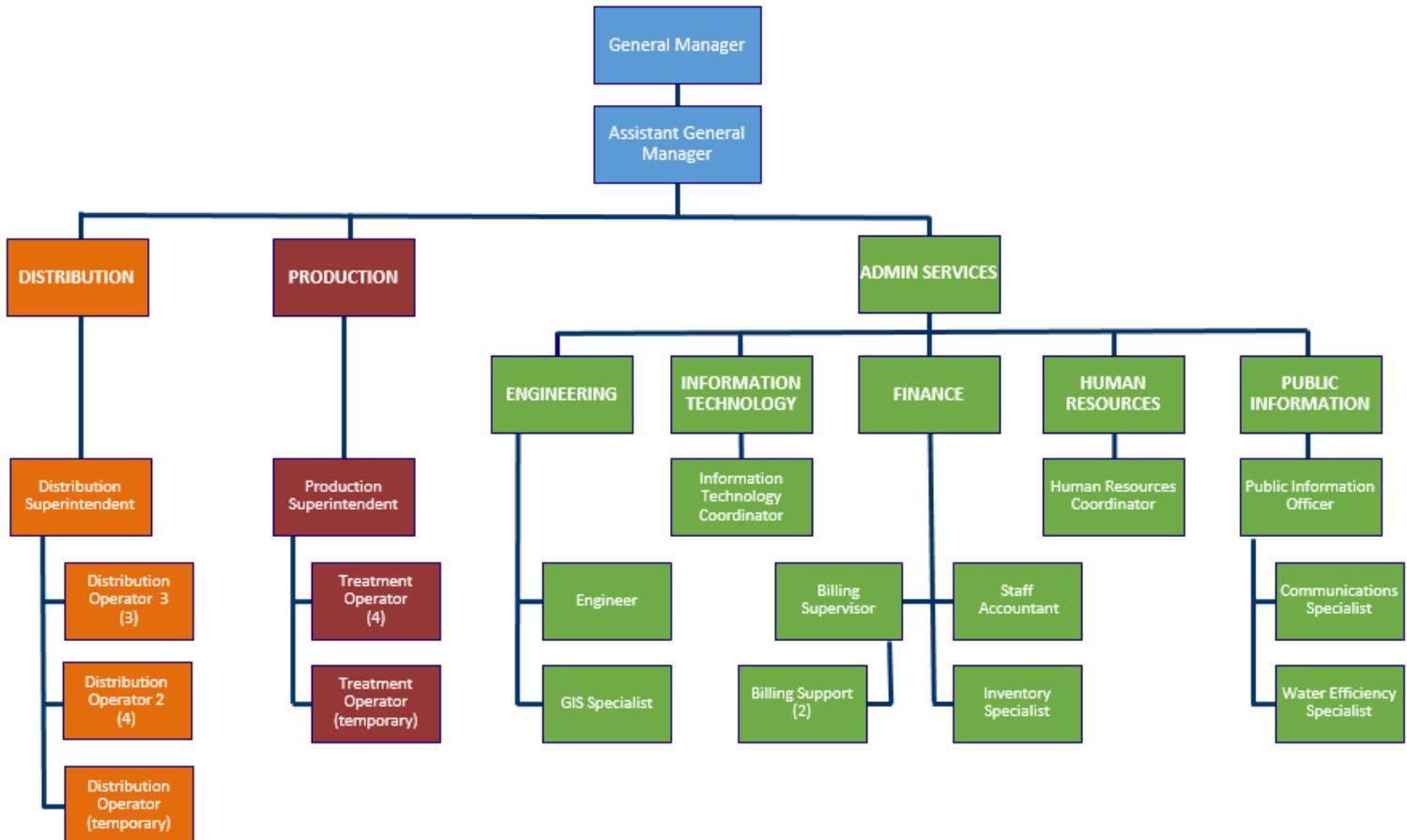
Board of Directors – Elected Officials

<u>Name</u>	<u>Title</u>	<u>Division</u>
George “Roy” Leidy	President	Division 1
Mark R. Emmerson	Director	Division 2
Jeff Nelson	Director	Division 3
Ron Greenwood	Vice-President	Division 4
Paul Selsky	Director	Division 5

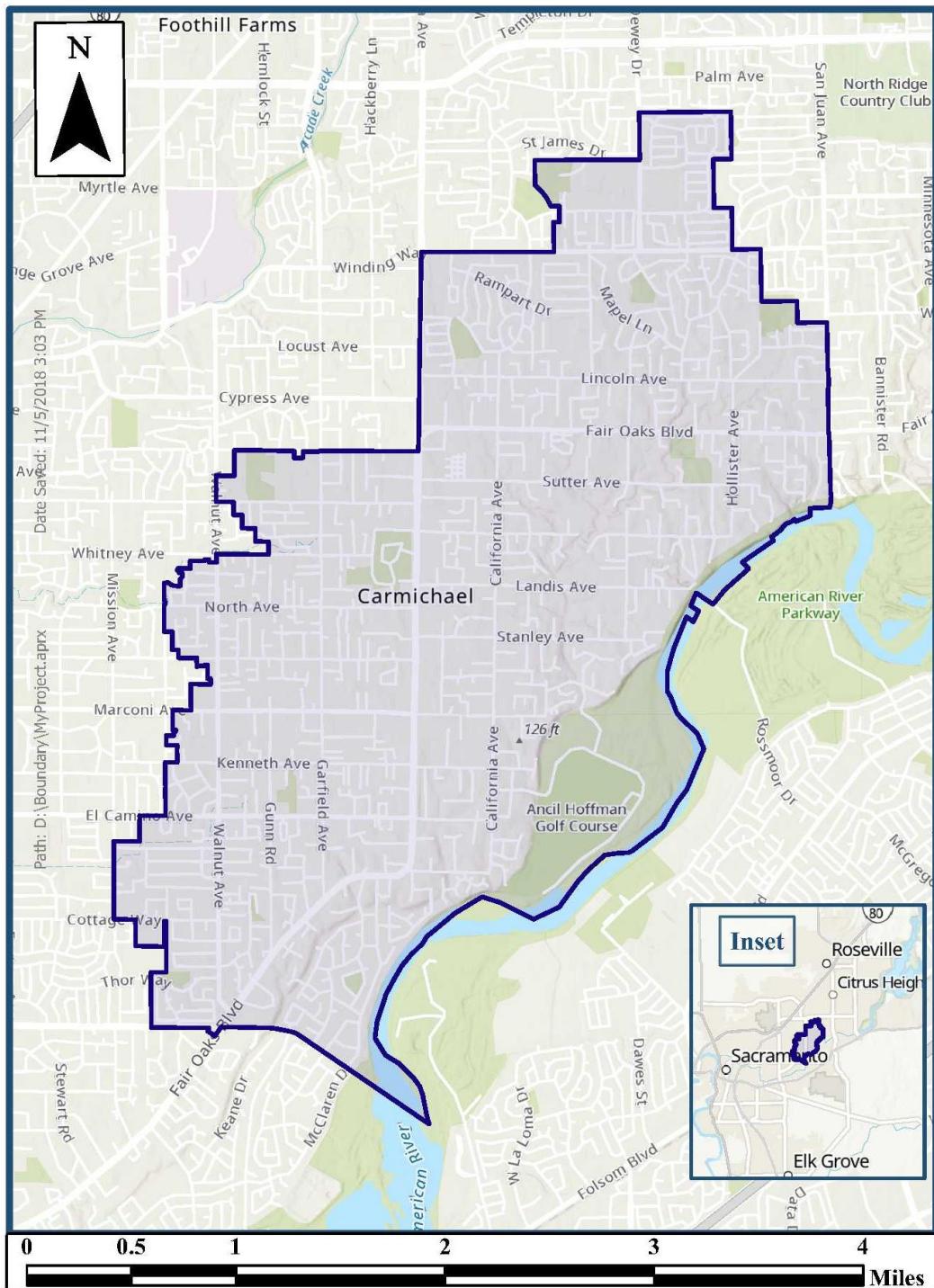
Staff – Appointed Officials

<u>Title</u>	<u>Name</u>
General Manager and Secretary	Steve Nugent
Assistant General Manager and Treasurer	Lynette S. Moreno

CARMICHAEL WATER DISTRICT ORGANIZATIONAL CHART



CARMICHAEL WATER DISTRICT SERVICE AREA



**CARMICHAEL WATER DISTRICT
CERTIFICATE OF ACHIEVEMENT**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Carmichael Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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Financial Section

CARMICHAEL WATER DISTRICT INDEPENDENT AUDITOR'S REPORT



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Certified Public Accountants
A Partnership of Professional Corporations

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To the Board of Directors
Carmichael Water District
7837 Fair Oaks Boulevard
Carmichael, California 95608

We have audited the accompanying financial statements of Carmichael Water District, which comprise the statement of net position as of June 30, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Carmichael Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carmichael Water District, as of June 30, 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of Carmichael Water District as of June 30, 2018 were audited by other auditors whose report dated November 6, 2018 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 63 to 67 as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the 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 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 on 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 an opinion on the financial statements of Carmichael Water District. The introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

San Diego, California
October 11, 2019

CARMICHAEL WATER DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis is intended to serve as an introduction to the Carmichael Water District's (District) financial statements, which are comprised of the financial statements and notes to the financial statements. The District's financial statements are designed to provide readers with a broad overview of the finances of the Carmichael Water District for the fiscal year (FY) ending June 30, 2019.

Financial Statements

This discussion and analysis 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 Carmichael Water District operates as a public utility and maintains its accounting records in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Government Accounting Standards Board (GASB). 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

The statements of net position 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. Net position may be displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statements of net position provide the basis of computing rate of return, evaluating the capital structure of the District, and assessing its liquidity and financial flexibility.

The statements of revenues, expenses and changes in net position present information which shows how the District's net position changed during the year. 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 statement of revenues, expenses, and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statements of cash flows provide information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- 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 material disclosures required by generally accepted accounting principles that are not otherwise present 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 retirement and OPEB funding schedules.

Outside Boundary Sales

The District worked with Golden State Water Company ("GSWC") and Aerojet Rocketdyne ("AR") on a cooperative pipeline project - 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 on January 1, 2017. The Project was funded by AR 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, 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 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 to be received by the District on July 1, 2022. However, there is no penalty for early pay-off by AR. As of June 30, 2019 and 2018, the District has a capacity sale receivable of \$5,600,000.

The District also recognizes revenue from the treatment and delivery of 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 5,039 AFY and 5,043 AFY for the years ended June 30, 2019 and 2018, respectively. The District recognized operating revenue of \$853,346 and \$853,543 for the treatment and delivery of water to GSWC for the years ended June 30, 2019 and 2018, respectively.

Rate Increase

The five year rate structure for the District is detailed in the “2015 Master Plan, Business Plan and Water Rate Study”. In 2016, The Reed Group 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 District implemented 5% rate increases beginning January 1, 2017, 2018 and 2019. Although water consumption increased in 2019 compared to 2018, the District’s customers are still using less water than they did prior to the drought. The increase in rates is a necessary measure to combat the continued overall decline in water consumption and helps ensure the long-term financial success of the District.

- The District’s total net position increased \$2,338,259 to end at \$53,396,756 at June 30, 2019 and increased \$1,443,369 to end at \$51,058,497 at June 30, 2018. The significant increase in 2019 results from continuing outside boundary sales, the annual rate increase, increased investment income along with a reduction in interest expense.
- Total operating revenue for the District increased \$593,235 in 2019 following a decrease of \$8,000,511 in 2018 due to the sale of capacity in 2017.
- Total operating expenses decreased in 2019 by \$33,385. Operating expenses, not including depreciation, decreased \$40,499.
- Total cash and cash equivalents increased by \$1,053,528 in 2019. Operating cash posted the largest gain with an increase of \$960,998, which can be attributed to cash provided by operating and financing activities exceeding the cash used by capital and related financing activities. Restricted facility fees cash had a slight increase due to construction projects requiring connections to the District’s distribution infrastructure.
- The District’s plan for reinvestment in infrastructure and replacement of aging assets continued with overall investment in capital assets of \$653,768 and construction in progress of \$1,653,994.
- Long-term debt, including current portion, decreased by \$1,305,000 due to the annual principal payment on the 2010 Certificates of Participation.

Net Position

A summary of the District's net position as of June 30, 2019 is presented in Table 1, reflecting the underlying assets and liabilities impacting this year's increase in net position. The financial condition of the District improved over last year with an increase of \$2,338,259, from \$51,058,497 in 2018 and \$53,396,756 in 2019. Current and other assets increased by \$863,611 over last year with most significant change occurring in cash and cash equivalents.

As a result of GASB Statement 75 that was first implemented in fiscal year 2018, net deferred outflows and inflows increased in 2018 which also increased total net position.

TABLE 1
Net Position

	2019	2018	2017
Assets:			
Current and other assets	\$ 21,135,292	\$ 20,271,681	\$ 19,460,823
Capital assets, net of depreciation	<u>56,040,447</u>	<u>56,080,177</u>	<u>56,556,434</u>
Total Assets	<u>77,175,739</u>	<u>76,351,858</u>	<u>76,017,257</u>
Deferred Outflows of Resources:			
Deferred amount on refunding	642,782	708,428	774,073
Pensions	1,012,057	1,175,018	993,943
Other post employment benefits (OPEB)	<u>566,380</u>	<u>562,291</u>	<u>-</u>
Total Deferred Outflows	<u>2,221,219</u>	<u>2,445,737</u>	<u>1,768,016</u>
Liabilities:			
Current liabilities	2,142,807	2,195,400	2,008,354
Non current liabilities	5,208,450	5,571,431	3,560,121
Long-term debt	<u>18,216,557</u>	<u>19,659,732</u>	<u>21,052,907</u>
Total Liabilities	<u>25,567,814</u>	<u>27,426,563</u>	<u>26,621,382</u>
Deferred Inflows of Resources:			
Pensions	420,200	312,535	188,672
Other post employment benefits (OPEB)	<u>12,188</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows	<u>432,388</u>	<u>312,535</u>	<u>188,672</u>
Net Position:			
Net investment in capital assets	37,111,672	35,823,870	35,032,600
Restricted	2,520,252	2,427,721	2,402,358
Unrestricted	<u>13,764,832</u>	<u>12,806,906</u>	<u>13,540,261</u>
Total Net Position	<u>\$ 53,396,756</u>	<u>\$ 51,058,497</u>	<u>\$ 50,975,219</u>

Changes in Net Position

Table 2 below reflects the underlying revenue and expense sources of the increase in net position. The increase in operating revenues in 2019 results from continuing outside boundary sales, the annual rate increase, and regional water transfers. The majority of the revenue decrease between 2018 and 2017 can be attributed to the recording of \$9,400,000 in capacity sale revenue in 2017. An improvement in water sales revenue in 2019 over 2018 is due to the rate increases that became effective January 1, 2018 and 2019. Rebounding water consumption by the District's customers coupled with the 5% increases in water rates served to provide an increase in water sales. The decrease in capital revenue between 2018 and 2017 is due to the contributed capital associated with the American River Pipeline Project in 2017.

Total expenses reflects a decrease over last year. While operating departmental expenses increased slightly over last year, the pension expense adjustment, and membrane expense decreased in 2019. The decline in interest expense on the 2010 COP bonds helped to decrease total nonoperating expenses.

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2019	2018	2017
Operating revenues	\$ 12,324,766	\$ 11,731,531	\$ 19,732,042
Non-operating revenues	245,520	83,299	43,825
Capital revenues	64,322	39,229	848,581
Total Revenues	<u>12,634,608</u>	<u>11,854,059</u>	<u>20,624,448</u>
Depreciation	2,344,652	2,337,538	2,375,778
Operating expenses	7,101,576	7,142,075	7,044,220
Non-operating expenses	850,121	931,077	1,690,751
Total Expenses	<u>10,296,349</u>	<u>10,410,690</u>	<u>11,110,749</u>
Change in Net Position	2,338,259	1,443,369	9,513,699
Net Position at Beginning of Year	51,058,497	50,975,219	41,461,520
Restatement	-	(1,360,091)	-
Net Position at End of Year	<u>\$ 53,396,756</u>	<u>\$ 51,058,497</u>	<u>\$ 50,975,219</u>

Revenues

Table 3 breaks down the operating revenues of the District. The District's operating revenues increased by \$593,235, for a total \$12,324,766 as compared to 2018 operating revenue of \$11,731,531. Rebounding water consumption, the 5% rate increases implemented January 1, 2018 and 2019 continued outside boundary sales, and regional water transfers attributed to an increase in water sales of \$532,596. The table below illustrates the District's commitment 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.

TABLE 3
Operating Revenues

	2019	2018	2017
Water sales	\$ 11,392,509	\$ 10,859,913	\$ 9,863,394
Connections and other fees	78,714	53,627	54,928
Capacity sales	-	-	9,400,000
Water treatment and delivery	853,543	817,991	413,720
Total Operating Revenue	<u>12,324,766</u>	<u>11,731,531</u>	<u>19,732,042</u>

Expenses

Total operating expenses for the year are shown below in Table 4. Financial services department was combined with administrative services in 2018. Operating expenses decreased by \$40,499. Total other costs and expenses consisting of compensated absences expenses, pension expense adjustment, other post-employment benefits, and membrane expense decreased \$270,426. These other costs, with the exception of membrane expense, are not budgeted and result from required accrual adjustments.

TABLE 4
Operating Expenses

	2019	2018	2017
General and administrative	\$ 2,562,504	\$ 2,493,848	\$ 2,047,067
Financial services	-	-	577,342
Transmission and distribution	1,804,729	1,649,564	1,388,069
Pumping and treatment	2,148,987	2,142,881	2,024,279
Pipeline demo and enviro restoration	-	-	626,475
Other costs and expenses	585,356	855,782	380,988
Total Operating Expenses*	<u>\$ 7,101,576</u>	<u>\$ 7,142,075</u>	<u>\$ 7,044,220</u>

**Excludes depreciation expense*

Long – Term Debt

Table 5 provides the details of the District's long-term debt and related unamortized premium. Total long-term debt decreased this year by \$1,393,175. The decrease of \$1,305,000 was the annual principal installment payment on the 2010 Certificate of Participation (COP). The remainder of the decrease of \$88,175 is the amortization of the premium received on the sale of the 2010 COP's. The District did not enter into any new long-term debt this year. See Note 7 of the audited financial statements for additional information on long-term debt.

TABLE 5
Long – Term Debt

	2019	2018	2017
2010 Certificates of Participation	\$ 18,620,000	\$ 19,925,000	\$ 21,170,000
Unamortized Premium	951,557	1,039,732	1,127,907
Total Long-Term Debt	<u>\$ 19,571,557</u>	<u>\$ 20,964,732</u>	<u>\$ 22,297,907</u>

Debt Service Coverage Ratio

The debt service coverage ratio is a measurement required by the 2010 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 2010 COP bond covenants require a minimum 1.20 coverage ratio. This fiscal year, the District again complied with the covenants arriving at a comfortable 2.50 coverage ratio.

TABLE 6
Debt Service Coverage Ratio

	2019	2018	2017
REVENUES			
Water sales	\$ 11,392,509	\$ 10,859,913	\$ 9,863,394
Other revenue	1,177,777	954,917	9,914,157
Total Revenues	12,570,286	11,814,830	19,777,551
O&M EXPENSES			
General and administrative services	2,562,054	2,493,848	2,047,067
Transmission and distribution	1,804,729	1,649,564	1,388,069
Pumping and treatment	2,148,987	2,142,881	2,024,279
Financial services	-	-	577,342
Pipeline demo and environmental restoration	-	-	626,475
Other costs and expenses	585,806	855,782	380,988
Total O&M Expenses*	7,101,576	7,142,075	7,044,220
NET REVENUES	\$ 5,468,710	\$ 4,672,755	\$ 12,733,331
DEBT SERVICE			
Certificates of Participation	\$ 2,186,350	\$ 2,183,575	\$ 2,184,325
Debt Service Coverage Ratio	2.50x	2.14x	5.83x

*Excludes depreciation expense

Capital Assets

The District continued its strategic plan to allocate resources to replace aging assets and invest in infrastructure. Table 7 is a listing of the District's capital assets. This year, the District invested \$2,307,762 in capital assets, including \$1,477,561 was invested in transmission and distribution, \$248,062 in buildings and improvements, and \$183,728 in pumping plant. As of the end of the year, construction in progress consisted of the Sacramento Suburban Water District Intertie, the Fair Oaks Boulevard Improvement Phase 3 and several smaller projects. See Note 5 of the audited financial statements for a summary of the capital asset activity.

TABLE 7
Capital Assets

	2019	2018	2017
Capital Assets Not Being Depreciated:			
Land, franchises and water rights	\$ 553,227	\$ 553,227	\$ 546,488
Construction-in-progress	473,541	208,120	359,519
Total capital assets not being depreciated	<u>1,026,768</u>	<u>761,347</u>	<u>906,007</u>
Capital Assets Being Depreciated:			
Pumping and treatment	35,236,419	35,052,691	36,051,773
Transmission and distribution	62,129,268	62,467,340	64,542,110
Transportation/equipment	1,164,117	1,147,828	1,126,536
Building and improvements	10,474,570	10,226,508	10,026,892
Machinery and equipment	269,901	238,321	213,793
Information technology	1,936,199	1,890,953	1,784,493
Furniture and fixtures	102,620	102,620	102,620
Total Capital Assets Being Depreciated	<u>111,313,094</u>	<u>111,126,261</u>	<u>113,848,217</u>
Less: Accumulated Depreciation	<u>(56,299,415)</u>	<u>(55,807,431)</u>	<u>(58,197,790)</u>
Net Capital Assets Being Depreciated	<u>55,013,679</u>	<u>55,318,830</u>	<u>55,650,427</u>
Net Capital Assets	<u><u>\$ 56,040,447</u></u>	<u><u>\$ 56,080,177</u></u>	<u><u>\$ 56,556,434</u></u>

Cash and Cash Equivalents

The District's cash position at June 30, 2019 is \$13,205,076, representing all cash held by the District and/or by the trustee to serve the financial needs of the District. Table 8 is a detailed listing of the components of the cash position. See Note 2 of the audited financial statements for additional information.

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. Operating cash increased this year as a result of cash provided by operating and financing activities exceeding the cash used by capital and related financing activities. There were no new debt issuances this year. 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 debt service account is held by the 2010 COP bond trustee and represents the debt service reserve required by debt covenants restricting its usage to debt service payments. This year, the debt service funds have increased due to higher investment returns. 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 expenses by law.

Table 8
Cash and Cash Equivalents

	2019	2018	2017
Cash – Unrestricted and Undesignated:			
Operating cash	\$ 5,644,214	\$ 5,309,807	\$ 4,794,431
Cash on hand	1,980	2,000	2,000
Total Cash – Unrestricted and Undesignated	<u>5,646,194</u>	<u>5,311,807</u>	<u>4,796,431</u>
Board - Designated Cash:			
Membrane replacement fund	780,835	580,835	541,679
Operating reserve fund	3,730,432	3,316,836	1,311,819
Rate stabilization fund	527,364	514,349	508,342
Total Cash – Board Designated	<u>5,038,631</u>	<u>4,412,020</u>	<u>2,361,840</u>
Total Cash and Cash Equivalents:	<u>10,684,825</u>	<u>9,723,827</u>	<u>7,158,271</u>
Restricted cash			
Debt service funds, 2010 COP	2,238,289	2,210,254	2,212,393
Facility fees	281,962	217,467	189,965
Total Cash – Restricted	<u>2,520,251</u>	<u>2,427,721</u>	<u>2,402,358</u>
Total Cash and Investments	<u>\$ 13,205,076</u>	<u>\$ 12,151,548</u>	<u>\$ 9,560,629</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. This is the third year of funding the OPEB through the trust at an annual rate of \$440,000. In addition, the District is paying the annual retiree medical premiums through the annual budget which reduces the District's OPEB liability. The plan is to continue to maintain the annual OPEB funding and premium payments at the current level and reassess the fund value, liability and funding level on an ongoing basis with each actuarial assessment.

Economic Factors

The District's Board of Directors and management staff consider many factors when setting the fiscal year budget. Management staff continually monitors all expenses to ensure that overall expenses stay within budget. Closely monitoring these expenses resulted in the total approved operating and maintenance budget for the District coming in under budget by \$1,408,611.

Conservation

On May 5, 2015 the State Water Resources Control Board (SWRCB) adopted an emergency regulation requiring an immediate 25 percent reduction in overall potable urban water use statewide in response to statewide drought conditions with a specific 26% reduction goal established for Carmichael Water District. On April 7, 2017 Governor Brown lifted the emergency regulation. The District has since been operating under normal water conservation conditions. Water conservation continues to be a focus of the SWRCB with recently enacted legislation focused on long-term water use reductions. The District has continued to monitor and provide input on the new regulations that will have future financial impacts.

Long-Term Infrastructure Liability and Planning

The District has been proactive in infrastructure replacement efforts by replacing aging pipelines and failing water service lines while also completing an accelerated meter retrofit program. Recent 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. Although reduced water use is an important part of a modern and responsibly managed utility, it also can present challenges in managing the cost of service and maintaining sufficient revenue.

The “2015 Master Plan, Business Plan and Water Rate Study” provided the analysis, findings, and recommendations for the ongoing operation and maintenance of the District and its assets. The “2016 Business Plan and Water Rate Study”, which was updated by The Reed Group, also identified recommended investments and scheduled implementation for a ten year planning window.

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 staff must monitor and adjust infrastructure replacement annually based on District needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the District at 7837 Fair Oaks Boulevard, Carmichael, California, 95608, call (916) 483-2452, or visit our website at www.carmichaelwd.org.

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**CARMICHAEL
WATER DISTRICT**

Basic Financial Statements

**CARMICHAEL WATER DISTRICT
STATEMENTS OF NET POSITION**

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets: (Notes 1, 2, and 4)		
Cash and cash equivalents	\$ 10,684,825	\$ 9,723,827
Accounts receivable:		
Current services	1,713,638	1,709,361
Outside boundary	75,817	70,865
Grants	-	38,062
Other	6,740	1,491
Capacity sale	1,400,000	-
Accrued interest receivable	27,236	19,813
Inventory	331,640	426,576
Prepaid expenses	26,165	102,369
	Total Current Assets	14,266,061
	14,266,061	12,092,364
Noncurrent Assets: (Notes 1, 2, 3, 4, 5 and 6)		
Restricted assets:		
Cash and cash equivalents	2,520,251	2,427,721
	Total Restricted Assets	2,520,251
	2,520,251	2,427,721
Capital Assets:		
Nondepreciable capital assets	1,026,768	761,347
Depreciable capital assets, net	55,013,679	55,318,830
	Total Capital Assets	56,040,447
	56,040,447	56,080,177
Other Assets:		
Noncurrent capacity sale receivable	4,200,000	5,600,000
Investment in electrical power	148,980	151,596
	Total Long-term Receivables	4,348,980
	4,348,980	5,751,596
	Total Noncurrent Assets	62,909,678
	62,909,678	64,259,494
	TOTAL ASSETS	77,175,739
	77,175,739	76,351,858
DEFERRED OUTFLOWS OF RESOURCES (Notes 1, 7 and 9)		
Deferred outflows related to refunding	642,782	708,428
Deferred outflows related to pensions	1,012,057	1,175,018
Deferred outflows related to OPEB contributions	566,380	562,291
	TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,221,219
	2,221,219	2,445,737

Continued

CARMICHAEL WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2019 and 2018

	2019	2018
LIABILITIES		
Current Liabilities: (Notes 1, 7, and 8)		
Accounts payable	\$ 338,367	\$ 328,590
Accrued expenses and other liabilities	96,422	92,182
Unearned revenue	100,481	186,541
Accrued interest payable	142,541	151,242
Retention payable	-	33,817
Current portion of noncurrent liabilities	<u>1,464,996</u>	<u>1,403,028</u>
	<u>2,142,807</u>	<u>2,195,400</u>
Noncurrent Liabilities: (Notes 1, 7, 8, 9 and 10)		
Certificates of participation, net of current portion	18,216,557	19,659,732
Compensated absences	42,726	40,387
Unearned lease revenue	122,088	123,502
Net pension liability	2,464,518	2,514,648
Net OPEB liability	<u>2,579,118</u>	<u>2,892,894</u>
	<u>23,425,007</u>	<u>25,231,163</u>
	<u>TOTAL LIABILITIES</u>	<u>25,567,814</u>
DEFERRED INFLOWS OF RESOURCES (Notes 1, 9 and 10)		
Deferred inflows related to pensions	420,200	312,535
Deferred inflows related to OPEB	<u>12,188</u>	-
	<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>432,388</u>
Commitments and Contingencies (Notes 9, 10, 11, and 12)		
NET POSITION (Note 13)		
Net investment in capital assets	37,111,672	35,823,870
Restricted for debt service	2,238,290	2,210,255
Restricted for capital facilities	281,962	217,466
Unrestricted	<u>13,764,832</u>	<u>12,806,906</u>
	<u>TOTAL NET POSITION</u>	<u>\$ 53,396,756</u>
	<u>\$ 51,058,497</u>	

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

CARMICHAEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Retail water sales	\$ 11,392,509	\$ 10,859,913
Connection and other fees	78,714	53,627
Water treatment and delivery charges	853,543	817,991
	TOTAL OPERATING REVENUES	12,324,766
	11,731,531	
OPERATING EXPENSES		
General and administrative	2,562,054	2,493,848
Transmission and distribution	1,804,729	1,649,564
Pumping and treatment	2,148,987	2,142,881
Depreciation	2,344,652	2,337,538
Compensated absences expense	14,307	10,899
Pension expense adjustment	220,496	423,362
Other post-employment benefits (OPEB)	260,703	257,773
Membrane expense	90,300	163,748
	TOTAL OPERATING EXPENSES	9,446,228
	9,479,613	
	OPERATING INCOME	2,878,538
	2,251,918	
NONOPERATING REVENUES (EXPENSES)		
Other revenue	59,585	21,857
Income from investment in electrical power	13,800	14,161
Investment income earned	124,212	33,558
Reimbursements	43,234	13,723
Gain (loss) on disposal of capital assets	4,689	(25,406)
Interest expense	(850,121)	(905,671)
	TOTAL NONOPERATING REVENUES (EXPENSES)	(604,601)
	(847,778)	
INCOME BEFORE CONTRIBUTIONS	2,273,937	1,404,140
CAPITAL CONTRIBUTIONS	64,322	39,229
CHANGE IN NET POSITION	2,338,259	1,443,369
NET POSITION AT BEGINNING OF YEAR, AS RESTATED (Note 13)	51,058,497	49,615,128
NET POSITION AT END OF YEAR	\$ 53,396,756	\$ 51,058,497

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

CARMICHAEL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 12,449,755	\$ 13,367,686
Payments to suppliers for goods and services	(4,853,424)	(4,962,702)
Payments to employees for services	(2,253,746)	(1,828,012)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,342,585</u>	<u>6,576,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and construction of capital assets	(2,307,762)	(1,886,197)
Proceeds from sale of capital assets	7,529	11,374
Principal paid on long-term debt	(1,305,000)	(1,245,000)
Interest paid on long-term debt	(881,351)	(938,576)
Facility fees collected	<u>64,322</u>	<u>27,365</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,422,262)</u>	<u>(4,031,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments, net	116,789	27,989
Receipts from investment in electrical power	<u>16,416</u>	<u>16,992</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>133,205</u>	<u>44,981</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,053,528	2,590,919
Cash and Cash Equivalents at Beginning of Year	<u>12,151,548</u>	<u>9,560,629</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,205,076</u>	<u>\$ 12,151,548</u>

Continued

CARMICHAEL WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income		
	\$ 2,878,538	\$ 2,251,918
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,344,652	2,337,538
Amortization of unearned lease revenue	(1,414)	-
Change in assets and liabilities:		
Accounts receivable	(14,478)	106,549
Grants receivable	38,062	13,750
Inventory	94,936	210,961
Prepaid expense	76,204	51,539
Noncurrent capacity sale receivable	-	1,400,000
Deferred outflows	158,872	(743,366)
Accounts payable	9,777	(38,177)
Accrued expenses and other liabilities	4,240	(25,174)
Unearned revenue	(86,060)	82,868
Retention payable	(33,817)	21,290
Compensated absences	14,307	10,900
Net OPEB obligation	(313,776)	257,773
Net pension obligation	(50,130)	480,574
Deferred inflows	119,853	123,863
Other nonoperating revenue	<u>102,819</u>	<u>34,166</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 5,342,585</u></u>	<u><u>\$ 6,576,972</u></u>
CASH AND CASH EQUIVALENTS		
FINANCIAL STATEMENT CLASSIFICATION		
Cash and cash equivalents	\$ 10,684,825	\$ 9,723,827
Restricted cash and cash equivalents	<u>2,520,251</u>	<u>2,427,721</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 13,205,076</u></u>	<u><u>\$ 12,151,548</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Amortization of deferred amortization on refunding	<u><u>\$ 65,646</u></u>	<u><u>\$ 65,645</u></u>
Receipt of contributed assets	<u><u>\$ -</u></u>	<u><u>\$ 11,864</u></u>

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

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Carmichael Water District (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 38,000. 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 criteria used in determining the scope of the reporting entity is based on the provisions of GASB Cod. Sec. 2100 “Defining the Financial Reporting Entity.” The District is the primary government unit. Component units are those entities, which are financially accountable to the primary government, either because the District appoints a voting majority of the component units board or because the component unit will provide a financial benefit or impose a financial burden on the District. The Carmichael Water District includes the accounts of the District and the Carmichael Water District Financing Corporation.

The Carmichael Water District Financing Corporation (the Corporation) was organized on April 16, 1999 pursuant to the Government Code of the State of California (Title 1, Division 7, Section 6500 of the California Government Code) as a Joint Powers Agency, solely for the purpose of providing financial assistance to the District. The District has accounted for the Corporation as a blended component unit. Despite being legally separate, the Corporation is so intertwined with the District that the Corporation is in substance part of the District’s operations. Accordingly, the Corporation is included within the financial statements of the District.

Significant Accounting Policies

A summary of the District’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Water lines may be 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.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103 “Proprietary Fund Accounting and Financial Reporting” and as a consequence will continue to apply GASB statements and interpretations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

Revenue Recognition

The District recognizes revenues from water sales and other revenues when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales and tap fees and other revenues to be operating revenues.

Investments

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

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, 2019 and 2018.

Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at weighted average cost.

Capital Assets

Capital assets purchased or acquired with an initial, individual cost exceeding \$1,500 to \$10,000 and an estimated useful life of more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon sale or disposition maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Pumping plant	10 - 50 years
Transmission and distribution	10 - 75 years
Buildings and improvements	10 - 40 years
Transportation equipment	7 - 20 years
Information technology	3 - 7 years
Machinery and equipment	5 - 7 years
Furniture and fixtures	5 - 10 years

Depreciation totaled \$2,344,652 and \$2,337,538 for the years ended June 30, 2019 and 2018, respectively.

Interest

The District incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2019 and 2018.

Amortization

Bond premiums are being amortized on the straight-line method over periods not to exceed debt maturities. Amortization of bond premiums totaled \$88,175 for the years ended June 30, 2019 and 2018, and is included as a reduction of interest expense. The deferred amount on refunding is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the deferred amount on refunding totaled \$65,646 and \$65,645 for the years ended June 30, 2019 and 2018, respectively and is included in interest expense.

Compensated Absences

Accumulated unpaid compensated absences totaling \$151,308 and \$137,001 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2019 and 2018, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows of resources include a deferred amount on refunding. Deferred outflows of resources and deferred inflows of resources are more fully described in Notes 9 and 10.

Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2019, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$5,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000 (total insurable value \$49,488,539). The District has a \$50,000 deductible for buildings, personal property and fixed equipment, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

General and Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000.

Fidelity Bond - The Insurance Authority has pooled self-insurance up to \$100,000. The District has a \$1,000 deductible.

Workers' Compensation - Insured up to the statutory limits; the Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage up to the statutory limits for workers' compensation and \$2,000,000 for employer's liability.

The District pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. The District's insurance expense was \$102,209 and \$117,654 for the years ended June 30, 2019 and 2018, respectively. There were no instances in the past three years where a settlement exceeded the District's Coverage.

Pensions

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

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

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 Other Postemployment Benefit Programs of the Carmichael Water District (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of net position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Certificates of deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided by LAIF.
- Investments in Money Market Mutual Funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets or the measurement date.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or exposure through October 11, 2019, the date the financial statements were available to be issued.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None
LAIF	N/A	\$4,000,000	None

The District's investment policy is more restrictive than the Government Code. The policy restricts the District from investing more than \$4,000,000 in LAIF. In addition, staff is directed to maintain an average annual balance not to exceed \$3,500,000.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreements; rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

Cash and investments held by the District were comprised of the following at June 30:

	Maturity in Years			
	One Year or Less	1 – 5 Years	2019 Total	2018 Total
Cash on hand	\$ 1,980	\$ -	\$ 1,980	\$ 2,000
Deposits with financial institutions	9,081,360	-	9,081,360	8,097,624
California Local Agency Investment Fund (LAIF)	1,883,446	-	1,883,446	1,841,670
Certificates of deposit	978,209	1,234,994	2,213,203	2,178,618
Money market mutual funds	25,087	-	25,087	31,636
Total Cash and Investments	\$ 11,970,082	\$ 1,234,994	\$ 13,205,076	\$ 12,151,548

Financial Statement Classification:

Current:

Cash and cash equivalents	\$ 10,684,825	\$ 9,723,827
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Restricted:

Cash and cash equivalents	2,520,251	2,427,721
Total Cash and Investments	\$ 13,205,076	\$ 12,151,548

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to 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. The District manages its exposure to interest rate risk 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 over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2019.

Disclosures Relating to 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 actual rating as of the year end for each investment type.

<u>Investment</u>	<u>Rating as of Year End Standard & Poor's</u>
Certificates of Deposit	Not Rated
California Local Agency Investment Fund (LAIF)	Not Rated
Money Market Mutual Funds	AAAm

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District holds no investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2019.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District 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 or investments, other than the following provision for deposits: The California Government Code requires that a 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2019, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The following investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities at June 30:

	2019	2018
Investments:		
Certificates of Deposit	\$ 2,213,203	\$ 2,178,618
Money Market Mutual Funds	25,087	31,636
Total Investments	\$ 2,238,290	\$ 2,210,254

Investment in State Investment Pool

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. 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.

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30:

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Following is a detail at June 30:

	2019	2018
Deposits with financial institutions	\$ 9,081,360	\$ 8,097,624
Money market mutual funds	25,087	31,636
California Local Agency Investment Fund (LAIF)	1,883,446	1,841,670
Certificates of deposit	2,213,203	2,178,618
Cash on hand	1,980	2,000
Total	\$ 13,205,076	\$ 12,151,548

NOTE 3 – RESTRICTED ASSETS

Restricted assets were provided by, and are to be used for, the following at June 30:

Funding Source	Use	2019	2018
Bonds proceeds and interest earnings	Reserve fund	\$ 2,238,083	\$ 2,209,768
Facility fees	Expansion of facilities	281,962	217,467
Bond proceeds and interest earnings	Debt Service	206	486
		\$ 2,520,251	\$ 2,427,721

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

NOTE 4 – CAPACITY SALE RECEIVABLE

The District entered into a Capacity Sale Agreement with Aerojet Rocketdyne (AR) to purchase rights to capacity in the District's Water Treatment Plant (BWTP) on behalf of Golden State Water Company. AR will pay the District a \$9,400,000 capacity fee over a six year period. As of June 30, 2019, AR had paid \$3,800,000 to the District and will pay the remaining \$5,600,000 in annual payments of \$1,400,000 due on July 1 through 2022. The next payment is due July 1, 2019.

In connection with the sale of capacity, the District converted a portion of its outstanding 2010 Certificates of Participation from governmental bonds to tax-exempt private activity bonds. As a result of this action, \$8,315,000 of the Certificates were treated as reissued for federal tax purposes on August 24, 2016. There was no effect on the tax-exempt status of the bonds and the remaining principal and interest due remained unchanged due to the bond conversion.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 5 – CAPITAL ASSETS

Capital assets consists of the following at June 30:

	2019			
	Balance at June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land, franchises and water rights	\$ 553,227	\$ -	\$ -	\$ 553,227
Construction in progress	208,120	1,653,994	(1,388,573)	473,541
Total Capital Assets Not Being Depreciated	<u>761,347</u>	<u>1,653,994</u>	<u>(1,388,573)</u>	<u>1,026,768</u>
Capital assets being depreciated:				
Pumping plant	35,052,691	183,728	-	35,236,419
Transmission and distribution	62,467,340	1,477,561	(1,815,633)	62,129,268
Buildings and improvements	10,226,508	248,062	-	10,474,570
Transportation equipment	1,147,828	56,164	(39,875)	1,164,117
Information technology	1,890,953	45,246	-	1,936,199
Machinery and equipment	238,321	31,580	-	269,901
Furniture and fixtures	102,620	-	-	102,620
Total Capital Assets Being Depreciated	<u>111,126,261</u>	<u>2,042,341</u>	<u>(1,855,508)</u>	<u>111,313,094</u>

After the restatement described in Note 13 of the financial statements, capital assets consists of the following at June 30:

	2019			
	Balance at June 30, 2018	Additions	Deletions	Balance June 30, 2019
Less: Accumulated depreciation for:				
Pumping plant	\$ (17,689,161)	\$ (695,656)	\$ -	\$ (18,384,817)
Transmission and distribution	(30,593,579)	(1,259,794)	1,812,793	(30,040,580)
Buildings and improvements	(4,582,789)	(291,500)	-	(4,874,289)
Transportation equipment	(960,049)	(26,454)	39,875	(946,628)
Information technology	(1,759,692)	(48,657)	-	(1,808,349)
Machinery and equipment	(119,541)	(22,591)	-	(142,132)
Furniture and fixtures	(102,620)	-	-	(102,620)
Total Accumulated Depreciated	<u>(55,807,431)</u>	<u>(2,344,652)</u>	<u>1,852,668</u>	<u>(56,299,415)</u>
Net capital assets being depreciated	<u>55,318,830</u>	<u>(302,311)</u>	<u>(2,840)</u>	<u>55,013,679</u>
Net Capital Assets	\$ 56,080,177	\$ 1,351,683	\$ (1,391,413)	\$ 56,040,447

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 5 – CAPITAL ASSETS (Continued)

	2018			
	Balance at June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land, franchises and water rights	\$ 546,488	\$ 6,739	\$ -	\$ 553,227
Construction in progress	359,519	1,233,924	(1,385,323)	208,120
Total Capital Assets Not Being Depreciated	906,007	1,240,663	(1,385,323)	761,347
Capital assets being depreciated:				
Pumping plant	36,051,773	97,220	(1,096,302)	35,052,691
Transmission and distribution	64,542,110	1,572,298	(3,647,068)	62,467,340
Buildings and improvements	10,026,892	199,616	-	10,226,508
Transportation equipment	1,126,536	21,292	-	1,147,828
Information technology	1,784,493	106,460	-	1,890,953
Machinery and equipment	213,793	45,835	(21,307)	238,321
Furniture and fixtures	102,620	-	-	102,620
Total Capital Assets Being Depreciated	113,848,217	2,042,721	(4,764,677)	111,126,261
Less: Accumulated depreciation for:				
Pumping plant	(18,090,623)	(694,841)	1,096,303	(17,689,161)
Transmission and distribution	(32,885,540)	(1,318,326)	3,610,287	(30,593,579)
Buildings and improvements	(4,324,360)	(258,429)	-	(4,582,789)
Transportation equipment	(934,015)	(26,034)	-	(960,049)
Information technology	(1,738,166)	(21,526)	-	(1,759,692)
Machinery and equipment	(122,466)	(18,382)	21,307	(119,541)
Furniture and fixtures	(102,620)	-	-	(102,620)
Total Accumulated Depreciated	(58,197,790)	(2,337,538)	4,727,897	(55,807,431)
Net capital assets being depreciated	55,650,427	(294,817)	(36,780)	55,318,830
Net Capital Assets	\$ 56,556,434	\$ 945,846	\$ (1,422,103)	\$ 56,080,177

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 6 – 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 receives an allocation of 1 MW (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 0.067% equity interest in the net position of the Project as defined in the Long-Term Participation Agreement. The District also has an obligation to finance 0.067% of the net losses of the Project, it also has the right to receive 0.067% of the operating results of the project income. The District is billed monthly for its share of the operations and maintenance costs of the Project. The District's net investment and its share of the operating results of the Project are reported as Investment in Electrical Power.

On January 1, 2006, the District entered into an agreement to lease its share of transmission capacity to the Sacramento Municipal Utility District. The amount of cash receipts generated from the transmission lease was \$16,416 and \$16,992, and is included in income from investment in electrical power for the years ended June 30, 2019 and 2018, respectively. The agreement is effective through December 31, 2024.

The Project's unaudited financial statements as of and for the year ended June 30, 2019, 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 year ended June 30:

	2019	2018
Statements of Net Position		
Assets	\$ 266,776,508	\$ 265,954,164
Liabilities	(36,423,840)	(31,809,855)
Net Position	\$ 230,352,668	\$ 234,144,309
Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues	\$ 11,608,589	\$ 14,025,630
Operating expenses	(19,022,324)	(20,562,890)
Operating loss	(7,413,735)	(6,537,260)
Nonoperating revenues	1,345,303	582,410
Change in Net Position Before Adjustments	(6,068,432)	(5,954,850)
Adjustment to Net Position for Capital Improvements	2,276,791	1,851,731
Change in Net Position	\$ (3,791,641)	\$ (4,103,119)
District's Share of Net Position	\$ 148,980	\$ 151,596

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liabilities consists of the following at June 30:

	2019				
	Balance at June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Long-Term Debt:					
2010 Certificates of Participation	\$ 19,925,000	\$ -	\$ (1,305,000)	\$ 18,620,000	\$ 1,355,000
Unamortized premium	1,039,732	-	(88,175)	951,557	-
Total Long-Term Debt	<u>\$ 20,964,732</u>	<u>\$ -</u>	<u>\$ (1,393,175)</u>	<u>\$ 19,571,557</u>	<u>\$ 1,355,000</u>
Other Noncurrent Liabilities:					
Compensated absences	\$ 137,001	\$ 122,889	\$ (108,582)	\$ 151,308	\$ 108,582
Unearned lease revenue	124,916	-	(1,414)	123,502	1,414
Net pension liability	2,514,648	532,292	(582,422)	2,464,518	-
Net OPEB liability	2,892,894	260,703	(574,479)	2,579,118	-
Total Other Noncurrent Liabilities	<u>\$ 5,669,459</u>	<u>\$ 915,884</u>	<u>\$ (1,266,897)</u>	<u>\$ 5,318,446</u>	<u>\$ 109,996</u>
	2018				
	Balance at June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Long-Term Debt:					
2010 Certificates of Participation	\$ 21,170,000	\$ -	\$ (1,245,000)	\$ 19,925,000	\$ 1,305,000
Unamortized premium	1,127,907	-	(88,175)	1,039,732	-
Total Long-Term Debt	<u>\$ 22,297,907</u>	<u>\$ -</u>	<u>\$ (1,333,175)</u>	<u>\$ 20,964,732</u>	<u>\$ 1,305,000</u>
Other Noncurrent Liabilities:					
Compensated absences	\$ 126,101	\$ 107,514	\$ (96,614)	\$ 137,001	\$ 96,614
Unearned lease revenue	126,330	-	(1,414)	124,916	1,414
Net pension liability	2,034,074	480,574	-	2,514,648	-
Net OPEB liability	3,180,283	296,831	(584,220)	2,892,894	-
Total Other Noncurrent Liabilities	<u>\$ 5,466,788</u>	<u>\$ 884,919</u>	<u>\$ (682,248)</u>	<u>\$ 5,669,459</u>	<u>\$ 98,028</u>

2010 Water Revenue Refunding Certificates of Participation

In March 2010, the Corporation issued the 2010 Water Revenue Refunding Certificates of Participation to refund the previously outstanding 1999 Water Revenue Certificates of Participation, fund a reserve fund and pay the cost of issuance as well as a net original issue premium of \$1,763,503. The net original issue premium is being amortized over life of remaining debt. Amortization of the premium totaled \$88,175 for the years ended June 30, 2019 and 2018, and is included as a reduction of interest expense.

Although the refunding resulted in deferred amount on refunding of \$1,247,270, the Corporation in effect reduced the aggregate debt service payments by approximately \$3,253,000 over the next nineteen years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$2,334,692. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$65,646 and \$65,645 for the years ended June 30, 2019 and 2018, respectively and is included in interest expense. The deferred amount on refunding was \$642,782 and \$708,428 at June 30, 2019 and 2018, respectively.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 7 – NONCURRENT LIABILITIES (Continued)

The 2010 Water Revenue Refunding Certificates of Participation are obligations of the Corporation payable solely from payments received from the District pursuant to an Installment Purchase Agreement (Senior Installment Sale Agreement) between the Corporation and the District. The obligation of the District to make installment payments is payable solely from net revenues of the District's water system and certain funds and accounts created under the Installment Purchase Agreement. The Installment Purchase Agreement will require the District to agree to fix, prescribe, and collect rates and charges for its water service which will be at least sufficient to yield each fiscal year net revenues equal to 120% of the annual debt service in such fiscal year. At June 30, 2019 and 2018, the District's net revenues were 250% and 214% of debt service payments, respectively.

The 2010 Water Revenue Refunding Certificates of Participation have interest rates ranging from 2.5% to 5.0% with maturities through the fiscal year ending June 30, 2027. The 2010 Water Revenue Refunding Certificates of Participation outstanding totaled \$18,620,000 and \$19,925,000 at June 30, 2019 and 2018, respectively. Accrued interest payable totaled \$142,541 and \$151,242 at June 30, 2019 and 2018, respectively.

Debt service requirements on the certificates of participation are as follows:

Years Ended June 30	Principal	Interest
2020	\$ 1,355,000	\$ 828,150
2021	1,410,000	772,850
2022	1,470,000	707,900
2023	1,540,000	640,350
2024	1,605,000	577,450
2025-2029	9,135,000	1,702,550
2030	2,105,000	52,625
Total	<u><u>\$ 18,620,000</u></u>	<u><u>\$ 5,281,875</u></u>

NOTE 8 – UNEARNED LEASE REVENUE

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 earns \$1,414 annually through October 2106. The unearned lease revenue totaled \$122,088 and \$123,502 at June 30, 2019 and 2018, respectively.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plans

Plan Description - All qualified employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The Plan consists of the Miscellaneous Plan and the PEPRA Miscellaneous Plan.

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. Miscellaneous Plan members with five years of service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability retirement benefits after five years of service. The death benefit is the basic death benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement law per contract. The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Hire date	On or prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 – 63	52 – 67
Monthly benefits, as % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.902%	6.5%
Required employer contribution rates	10.411%	7.383%

In addition to the contribution rates above, the District was also required to make payments of \$107,544 and \$67,944 toward its unfunded actuarial liability during the years ended June 30, 2019 and 2018, respectively.

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

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30:

	Proportionate Share of Net Pension Liability 2019	Proportionate Share of Net Pension Liability 2018
Miscellaneous Risk Pool	\$ 2,464,518	\$ 2,514,648

The District's net pension liability for the risk pool is measured as the proportionate share of the risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2017, the valuation date, was calculated as follows:

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous. Estimates of the total pension liability and the fiduciary net position were first determined as of the valuation date, June 30, 2017.
- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability as of the valuation date.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

The District's proportionate share of the net pension liability as of June 30, 2018, the measurement date, was calculated as follows:

- Each risk pool's total pension liability was computed at the measurement date, June 30, 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net pension from its total pension liability.
- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2018. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability as of June 30, 2017 and June 30, 2018, was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2017	0.063790%
Proportion at measurement date - June 30, 2018	0.065394%
Change - Increase (Decrease)	<u>0.001604%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$532,292. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 122,220	\$ (41,416)	\$ 2,941	\$ (64,944)
Changes of assumption	361,718	(88,986)	562,672	(27,811)
Net difference between projected and actual earnings on pension plan investments	-	(25,082)	117,943	-
Adjustment due to difference in proportions	216,343	-	233,494	-
Differences between actual and required contributions	-	(264,716)	-	-
Contributions after measure date	311,796	-	257,968	(219,780)
Total	<u>\$ 1,012,057</u>	<u>\$ (420,200)</u>	<u>\$ 1,175,018</u>	<u>\$ (312,535)</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date	Deferred Outflows/(Inflows) Of Resources
June 30	
2019	\$ 258,039
2020	163,877
2021	(111,349)
2022	(30,506)
Total	\$ 280,061

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Miscellaneous

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' membership data for all funds

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the test revealed that none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for measurement Date June 30, 2018 based on June 30, 2017 Valuations*, 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-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	New Strategy Allocation	Real Return Years 1 – 20 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.0%	4.8%	5.98%
Fixed Income	28.0	1.0	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.3	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.0	(0.92)
	100.0%		

^(a) An expected inflation of 2.0% used for this period

^(b) An expected inflation of 2.92% used for this period

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the District's 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 of the risk pool as of the measurement date, calculated using the discount rate, 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Carmichael Water District's proportionate share of the Miscellaneous Risk Pool's net pension liability	<u>\$ 4,395,475</u>	<u>\$ 2,464,518</u>	<u>\$ 870,544</u>

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan Description - The District administers a single-employer defined benefit other postemployment healthcare (OPEB) plan providing health plan coverage to eligible retired employees and their eligible dependents. The District offers retirees the option to obtain coverage under the same medical plan as its active employees if such coverage is offered by the plan. Employees become eligible to retire after age 50-52 (Miscellaneous - PEPRA) with at least 5 years of District eligible service and become eligible to receive healthcare benefits if they have an additional 5 years of service with any contracting PERS agency for a total of 10 years of CalPERS eligible service. 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 ad Publications.

Benefits Provided - The Plan provides healthcare benefits for eligible retirees, surviving spouses and their dependents. Benefits are provided through CalPERS. The cost of the benefits are based on the vesting schedule. Retirees and active employees may contribute to the plan if selected coverage is higher than the cap.

Employees Covered - As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan.:

Active employees	27
Retirees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
	<u>36</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy/Contributions - The contribution requirement of plan members and the District are established and may be amended by the Board of Directors. The required contribution is based on pay-as-you-go financing requirements. The District started funding discretionary annual payments into the trust in September 2016. During the fiscal year ended June 30, 2019, the District's cash contributions to the trust were \$440,000 and the benefit payments were \$126,380 resulting in total payments of \$566,380.

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	7.00%
Mortality Rate	Derived using CalPERS' Membership Data
Pre-Retirement Turnover	Derived using CalPERS' Membership Data
Healthcare Trend Rate	4% Annually

Mortality information for active and retired employees was based on 2009 CalPERS tables. The pre-retirement turnover information was developed based on the 2009 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:

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
U.S. Large Cap	43.0000	7.7950
U.S. Small Cap	23.0000	7.7950
Long-Term Corporate Bonds	12.0000	5.2950
Long-Term Government Bonds	6.0000	4.5000
Treasury Inflation Protected Securities (TIPS)	5.0000	7.7950
U.S. Real Estate	8.0000	7.7950
All Commodities	3.0000	7.7950
Total	<u>100.0000</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that the District will continue to fund the actuarial determined contribution each year. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return of OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Use of Age Adjusted Premium

In the opinion of management and the consulting actuary, use of age-adjusted premiums for the CalPERS medical plan would result in an overstatement of OPEB Expense and Total OPEB Liability (TOL) to the extent that the District continues to participate in the CalPERS medical plan and that the rate structure of the CalPERS medical plan continues in its current form (i.e. with no rate distinction between active employees and retirees). In addition to the potential overstatement of OPEB costs and liabilities, the District's policy of funding OPEB obligations could lead to an inability of the District to recover overfunded assets. As such the District has elected to base retiree costs on actual claim costs rather than age adjusted premiums.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) – (b)
Balance at June 30, 2018	\$ 3,371,952	\$ 479,058	\$ 2,892,894
Changes recognized for the measurement period:			
Service cost	77,400	-	77,400
Interest	234,160	-	234,160
Contributions – employer	-	562,291	(562,291)
Net investment income	-	64,131	(64,131)
Benefit payments	(122,291)	(122,291)	-
Administrative expense	-	(1,086)	1,086
Net Changes	189,269	503,045	(313,776)
Balance at June 30, 2019	<u>\$ 3,561,221</u>	<u>\$ 982,103</u>	<u>\$ 2,579,118</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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 one percentage point lower or one percentage-point higher than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	<u>\$ 3,002,640</u>	<u>\$ 2,579,118</u>	<u>\$ 2,223,607</u>

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 one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	<u>\$ 2,183,683</u>	<u>\$ 2,579,118</u>	<u>\$ 3,041,825</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Plan Fiduciary Net Position

The California Public Employees' Retirement System's California Employers' Retirement Benefit Trust (CERBT) issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, Post Office Box 942703, Sacramento, California 94429-2703.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$260,703. The District reported deferred outflows of resources related to OPEB from the following sources at June 30:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 566,380	\$ -	\$ 562,291	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	12,188	-	-
Total	\$ 566,380	\$ 12,188	\$ 562,291	\$ -

The \$566,380 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Date June 30	Deferred Outflows/(Inflows) Of Resources
2020	\$ (3,047)
2021	(3,047)
2022	(3,047)
2023	(3,047)
Total	\$ (12,188)

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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 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 BWTP and intake structures; 3) the costs incurred by the District for the replacement of membranes at the BWTP. The District billed GSWC \$853,347 and \$817,991 under the terms of this agreement during the years ended June 30, 2019 and 2018, 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.

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 "Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 “Fiduciary Activities”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 86

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 “Certain Debt Extinguishment Issues”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 “Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 “Conduit Debt Obligations”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

NOTE 13 – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement required the District to recognize in its financial statements the net OPEB liability, deferred outflows of resources and deferred inflows of resources for the District’s OPEB plan. Due to implementation of this Statement, the net position decreased as follows:

Net Position June 30, 2017, as Originally Stated	\$ 50,975,219
Increase in deferred outflows of resources	545,162
Increase in net OPEB liability	(1,905,253)
Net Position June 30, 2017, as Restated	<u>\$ 49,615,128</u>

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**CARMICHAEL
WATER DISTRICT**

*Required Supplementary
Information*

CARMICHAEL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

**SCHEDULE OF THE NET PROPORTIONATE SHARE OF THE
PENSION LIABILITY
LAST TEN YEARS**

	Measurement Date	Measurement Date	Measurement Date
	June 30, 2018	June 30, 2017	June 30, 2016
Proportion of the Net Pension Liability	0.065394%	0.063790%	0.058553%
Proportionate Share of the Net Pension Liability	\$ 2,464,518	\$ 2,514,648	\$ 2,034,074
Covered Payroll - Measurement Period	\$ 2,031,070	\$ 1,854,585	\$ 1,822,452
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	121.13%	130.67%	111.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.74%	81.35%	82.90%
	Measurement Date	Measurement Date	
	June 30, 2015	June 30, 2014	
Proportion of the Net Pension Liability	0.046392%	0.048538%	
Proportionate Share of the Net Pension Liability	\$ 1,272,753	\$ 1,199,609	
Covered Payroll - Measurement Period	\$ 1,756,975	\$ 1,760,777	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	72.44%	68.13%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.40%	79.82%	

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in Assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and to 7.65% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

CARMICHAEL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN YEARS

	June 30, 2019	June 30, 2018	June 30, 2017
Contractually Required Contribution (Actuarially Determined)	\$ 311,796	\$ 257,968	\$ 222,301
Contributions in Relation to the Actuarially Determined Contributions	<u>(311,796)</u>	<u>(257,968)</u>	<u>(222,301)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll - Fiscal Year	<u>\$ 2,096,870</u>	<u>\$ 2,025,447</u>	<u>\$ 1,854,585</u>
Contributions as a Percentage of Covered Payroll	14.87%	12.74%	11.98%
Notes to Schedule:			
Valuation Date:	June 30, 2019	June 30, 2018	June 30, 2017
	June 30, 2016	June 30, 2015	
Contractually Required Contribution (Actuarially Determined)	\$ 198,100	\$ 160,692	
Contributions in Relation to the Actuarially Determined Contributions	<u>(198,100)</u>	<u>(160,692)</u>	
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered Payroll - Fiscal Year	<u>\$ 1,822,452</u>	<u>\$ 1,756,975</u>	
Contributions as a Percentage of Covered Payroll	10.86%	9.15%	
Notes to Schedule:			
Valuation Date:	June 30, 2016	June 30, 2015	

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.0%, average, including inflation of 2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

CARMICHAEL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>
Measurement Period		
Total OPEB liability:		
Service cost	\$ 77,400	\$ 75,328
Interest	234,160	221,503
Benefit payments	<u>(122,291)</u>	<u>(105,162)</u>
Net change in total OPEB liability	189,269	191,669
Total OPEB Liability - Beginning	<u>3,371,952</u>	<u>3,180,283</u>
Total OPEB Liability - Ending (a)	<u>\$ 3,561,221</u>	<u>\$ 3,371,952</u>
Plan Fiduciary Net Position:		
Contributions - Employer	\$ 562,291	\$ 545,162
Net investment income	64,131	39,214
Benefit payments	<u>(122,291)</u>	<u>(105,162)</u>
Administrative expenses	<u>(1,086)</u>	<u>(156)</u>
Net Change in Plan Fiduciary Net Position	503,045	479,058
Plan Fiduciary Net Position - Beginning	<u>479,058</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 982,103</u>	<u>\$ 479,058</u>
District's Net OPEB Liability - Ending (a)-(b)	<u>\$ 2,579,118</u>	<u>\$ 2,892,894</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>27.58%</u>	<u>14.21%</u>
Covered-Employee Payroll - Measurement Period	<u>\$ 2,025,447</u>	<u>\$ 1,854,584</u>
Net OPEB Liability as Percentage of Covered-Employee Payroll	<u>127.34%</u>	<u>155.99%</u>

Notes to Schedules:

Valuation Date	June 30, 2017	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2018	June 30, 2017

Benefit Changes: None.

Changes in Assumptions: During 2018, the discount rate was changed from 7.5% to 7.0%.

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
For the Year Ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
LAST TEN YEARS

	<u>2019</u>	<u>2018</u>
Statutorily Required Contribution - Employer Fiscal Year	\$ 126,380	\$ 105,162
Contributions in Relation to the Actuarially Determined Contributions	(566,380)	(562,291)
Contribution Deficiency (Excess)	<u>\$ (440,000)</u>	<u>\$ (457,129)</u>
 Covered-Employee Payroll - Employer Fiscal Year	 \$ 2,096,870	 \$ 2,025,447
Contributions as a Percentage of Covered-Employee Payroll	6.03%	5.19%

Notes to Schedule:

Valuation date	June 30, 2017
Measurement period - Fiscal Year Ended	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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**CARMICHAEL
WATER DISTRICT**

Statistical Section

DESCRIPTION OF STATISTICAL SECTION

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

Financial Trends

These schedules contain 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-sources of 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

This schedule offers 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 service the District provides and activities it performs.



**CARMICHAEL
WATER DISTRICT**

Financial Trends

CARMICHAEL WATER DISTRICT
SCHEDULE OF NET POSITION BY COMPONENT
(ACCRUAL BASIS OF ACCOUNTING)
LAST TEN YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Position:					
Investment in Capital Assets	\$ 14,016,546	\$ 13,904,074	\$ 13,212,659	\$ 35,499,050	\$ 35,284,574
Restricted	2,445,917	2,452,846	2,482,788	2,449,216	2,258,493
Unrestricted	<u>3,227,588</u>	<u>2,038,147</u>	<u>2,358,733</u>	<u>4,013,869</u>	<u>4,855,264</u>
Total Net Position*	<u><u>\$ 19,690,051</u></u>	<u><u>\$ 18,395,067</u></u>	<u><u>\$ 18,054,180</u></u>	<u><u>\$ 41,962,135</u></u>	<u><u>\$ 42,398,331</u></u>

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Position:					
Investment in Capital Assets	\$ 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><u>\$ 40,279,346</u></u>	<u><u>\$ 41,461,520</u></u>	<u><u>\$ 50,975,219</u></u>	<u><u>\$ 51,058,497</u></u>	<u><u>\$ 53,396,756</u></u>

*2012 net position restated due to the implementation of GASB 65.

*2013 net position was restated upon completion of a multi-year long project that examined the existence, condition, and cost basis of the District's existing capital assets.

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

Source:

District Administrative Department

CARMICHAEL WATER DISTRICT
SCHEDULE OF CHANGES IN NET POSITION
(ACCRUAL BASIS OF ACCOUNTING)
LAST TEN YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues:										
Water sales	\$ 8,042,085	\$ 8,117,277	\$8,896,233	\$ 9,912,458	\$ 9,624,391	\$ 8,843,732	\$ 9,319,543	\$ 9,863,394	\$ 10,859,913	\$ 11,392,509
Connection, tap, and other fees	44,188	42,927	43,297	33,721	42,357	59,058	51,174	54,928	53,627	78,714
Wholesale water sales, net	-	-	-	-	-	49,740	122,625	-	9,400,000	-
Capacity sales	-	-	-	-	-	-	-	-	-	-
Water treatment and delivery charges	-	-	-	-	-	-	-	413,720	817,991	853,543
Total Operating Revenues	8,086,273	8,160,204	8,939,530	9,946,179	9,666,748	8,952,530	9,493,342	19,732,042	11,731,531	12,324,766
Operating Expenses:										
General and administrative	\$ 2,221,206	\$ 2,456,377	\$2,303,993	\$ 2,258,123	\$ 2,723,270	\$ 2,400,500	\$ 2,224,824	\$ 2,991,231	\$ 3,185,882	\$ 3,057,560
Transmission and distribution	995,998	956,844	736,020	1,003,343	1,152,781	1,219,486	1,179,274	1,388,069	1,649,564	1,804,729
Pumping and treatment	1,674,359	1,727,297	1,725,362	1,871,412	1,799,359	2,004,962	2,343,249	2,664,920	2,306,665	2,239,287
Depreciation and amortization	3,614,595	3,530,755	3,189,802	2,597,394	2,603,442	2,546,331	2,492,258	2,375,778	2,337,538	2,344,652
Total Operating Expenses	8,506,158	8,671,273	7,955,177	7,730,272	8,278,852	8,171,279	8,239,605	9,419,998	9,479,613	9,446,228
Net Income from Operations	(419,885)	(511,069)	984,353	2,215,907	1,387,896	781,251	1,253,737	10,312,044	2,251,918	2,878,538
Non-Operating Revenues (Expenses):										
Investment income earned	128,204	4,081	2,884	1,598	5,843	5,897	62,172	12,047	33,558	124,212
Other revenue	61,661	22,342	56,550	133,371	121,550	28,356	21,271	15,284	21,857	59,585
Income from investment in electrical power	15,656	14,300	14,491	13,614	11,926	13,699	16,221	11,116	14,161	13,800
Reimbursements	6,465	2,130	2,720	1,560	2,785	44,587	20,772	5,379	13,723	43,234
Pass-through grant payment	-	-	-	-	-	-	-	(723,188)	-	-
Gain (loss) on disposal of capital assets	(67,526)	-	22,610	(34,142)	(10,581)	(16,178)	7,174	(643)	(25,406)	4,689
Interest expense	(1,530,177)	(1,290,117)	(1,189,111)	(1,150,275)	(1,107,462)	(1,056,587)	(1,017,921)	(966,921)	(905,671)	(850,121)
Total Non-Operating Revenues (Expenses)	(1,385,717)	(1,247,264)	(1,089,856)	(1,034,274)	(975,939)	(980,226)	(890,311)	(1,646,926)	(847,778)	(604,601)
Income (Loss) Before Contributions	(1,805,602)	(1,758,333)	(105,503)	1,181,633	411,957	(198,975)	363,426	8,665,118	1,404,140	2,273,937
Capital Contributions:										
Capital Contributions	150,088	463,349	105,935	221,590	24,239	31,714	43,748	846,898	39,229	64,322
Capital grant revenue	-	-	-	-	-	-	775,000	1,683	-	-
Total Capital Contributions	150,088	463,349	105,935	221,590	24,239	31,714	818,748	848,581	39,229	64,322
Changes in Net Position*	<u>\$1,655,514</u>	<u>\$(1,294,984)</u>	<u>\$ 432</u>	<u>\$ 1,403,223</u>	<u>\$ 436,196</u>	<u>\$ (167,261)</u>	<u>\$ 1,182,174</u>	<u>\$ 9,513,699</u>	<u>\$ 1,443,369</u>	<u>\$ 2,338,259</u>

Source:
District Administrative Department

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**CARMICHAEL
WATER DISTRICT**

Revenue Capacity

CARMICHAEL WATER DISTRICT
WATER SALES BY TYPE OF CUSTOMER
(ACCRUAL BASIS OF ACCOUNTING)
LAST TEN YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Sales:					
Residential	\$ 6,640,350	\$ 7,039,303	\$ 7,815,341	\$ 8,799,289	\$ 8,463,689
Non-residential	<u>1,401,735</u>	<u>1,077,974</u>	<u>1,080,892</u>	<u>1,113,169</u>	<u>1,160,702</u>
Total Water Sales	\$ 8,042,085	\$ 8,117,277	\$ 8,896,233	\$ 9,912,458	\$ 9,624,391
Total Water Deliveries (AF)	9,981	9,531	9,801	10,276	9,640
Rate per Acre Foot (AF)	\$ 805.74	\$ 851.67	\$ 907.69	\$ 964.62	\$ 998.38

	<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>1,206,467</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	7,652	8,400	8,137
Rate per Acre Foot (AF)	\$ 1,124.16	\$ 1,341.52	\$ 1,289.00	\$ 1,292.85	\$ 1,400.09

Source:
 District Administrative Department

CARMICHAEL WATER DISTRICT
PRINCIPAL RATE PAYERS 2019 AND 2010
CURRENT YEAR AND NINE YEARS PRIOR

Rate Payers	2019			2010		
	Revenues	Percent of Total Water Sales	Revenues	Percent of Total Water Sales		
	Collected	Rank		Collected	Rank	
Carmichael Recreation & Park District	\$ 120,400	1	1.07%	\$ 73,507	2	0.91%
Ancil Hoffman Park	96,733	2	0.86%	170,584	1	2.12%
Del Campo High School	46,182	3	0.41%	33,996	3	0.42%
Vertus Properties Inc.	38,790	4	0.34%	20,954	5	0.26%
Hebel Living	37,953	5	0.34%	29,650	4	0.37%
Carmichael Park Apartments LLC	36,269	6	0.32%	16,687	9	0.21%
Carmichael Oaks	34,143	7	0.30%			
M&M Properties	29,835	8	0.27%	15,869	10	0.20%
Linden Lane Apartments LLC	28,880	9	0.26%			
Avenue5 Residential	28,143	10	0.25%			
Heritage Oaks Apartments				19,775	6	0.25%
Lighthouse Carmichael Fair Oaks LP				19,111	7	0.24%
Oakpoint Apartments				18,378	8	0.23%
Total	\$ 497,328		4.42%	\$ 418,512		5.20%
Total Water Sales	\$ 11,256,709			\$ 8,042,085		

Source:
 District Administrative Department

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**CARMICHAEL
WATER DISTRICT**

Debt Capacity

CARMICHAEL WATER DISTRICT
RATIOS OF O/S DEBT BY TYPE AND NUMBER OF CONNECTIONS
LAST TEN YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt:					
1999 Certificates of Participation	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Certificates of Participation	29,061,539	29,406,958	28,298,783	27,165,608	26,002,433
2010 Subordinate Installment Sale Agreement	<u>1,782,011</u>	<u>1,399,599</u>	<u>1,005,250</u>	<u>597,964</u>	<u>178,175</u>
Total Debt	<u>\$30,843,550</u>	<u>\$30,806,557</u>	<u>\$29,304,033</u>	<u>\$27,763,572</u>	<u>\$26,180,608</u>
Number of Service Connections	11,330	11,215	11,748	11,884	11,768
Debt Per Capita	2,722.29	2,746.91	2,494.38	2,336.21	2,224.73

Source:
 District Administrative Department

	<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	19,571,557
2010 Subordinate Installment Sale Agreement	- -	- -	- -	- -	- -
Total Debt	<u>\$24,809,257</u>	<u>\$23,571,082</u>	<u>\$22,297,907</u>	<u>\$20,964,732</u>	<u>\$19,571,557</u>
Number of Service Connections	11,607	11,693	11,685	11,912	11,918
Debt Per Capita	2,137.44	2,015.83	1,908.25	1,759.97	1,642.18

Source:
 District Administrative Department

**CARMICHAEL WATER DISTRICT
SCHEDULE OF DEBT SERVICE
LAST TEN YEARS**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Revenue	\$ 3,489,258	\$ 3,062,539	\$ 4,174,154	\$ 4,936,774	\$ 3,991,338
Debt Service	2,361,776	2,152,089	2,198,775	2,197,962	2,198,775
Coverage	148%	142%	190%	225%	182%
	<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%

Source:
District Administrative Services Department

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**CARMICHAEL
WATER DISTRICT**

*Demographic and Economic
Information*

CARMICHAEL WATER DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS*
LAST TEN YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Personal Income ^{(1)**}	\$52,125,588	\$54,954,529	\$60,264,004	\$62,592,345	\$66,707,690
Population ⁽¹⁾	1,421,651	1,434,506	1,446,585	1,459,474	1,477,522
Per Capita Personal Income ⁽¹⁾	\$38,776	\$40,394	\$41,659	\$42,887	\$45,148
Unemployment Rate ⁽²⁾	12.6%	12.1%	10.5%	8.9%	7.3%
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Income ^{(1)**}	\$71,532,171	\$73,922,295	\$76,922,295	N/A	N/A
Population ⁽¹⁾	1,496,130	1,513,260	1,530,615	N/A	N/A
Per Capita Personal Income ⁽¹⁾	\$47,811	\$48,850	\$50,197	N/A	N/A
Unemployment Rate ⁽²⁾	6.0%	5.4%	4.7%	3.8%	N/A

*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.

**Amounts are expressed in thousands.

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

Employers	2018**			2009**		
	Total Employee	Rank	Percent of Total Employed	Total Employee	Rank	Percent of Total Employed
State of California	75,801	1		73,273	1	12.27%
UC Davis Health System	12,840	2		8,496	3	1.42%
Sacramento County	12,208	3		13,304	2	2.23%
Kaiser Permanente	11,005	4		7,979	4	1.34%
U.S. Government	10,325	5				
Sutter Health	8,177	6		7,314	5	1.23%
Dignity Health	7,000	7		5,922	9	0.99%
Elk Grove Unified School District	6,210	8		6,391	7	1.07%
Intel Corp.	6,000	9		6,000	8	1.01%
Apple Inc.	5,000	10				
Sacramento City Unified School District				6,500	6	1.09%
San Juan Unified School District				5,190	10	0.87%
Total	154,566		22.26%	140,369		23.51%
Total Employed by Sacramento County⁽²⁾	694,400			597,000		

*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.

**Data for 2019 unavailable.

Sources:

⁽¹⁾Sacramento Business Journal

⁽²⁾California State Employment Development Department

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**CARMICHAEL
WATER DISTRICT**

Operating Information

CARMICHAEL WATER DISTRICT
OPERATING INFORMATION
LAST TEN YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Services:										
Number of Service Connections	11,330	11,215	11,748	11,884	11,768	11,607	11,693	11,685	11,912	11,918
Annual Demand in AF	9,981	9,531	9,801	10,276	9,640	7,867	6,947	7,652	8,400	8,137
Average Daily Demand in MGD	8.91	8.51	8.75	9.17	8.61	7.02	6.20	6.83	7.50	7.25
Maximum Day Demand in MGD	18.43	17.21	15.52	16.82	16.62	13.22	11.36	13.25	14.02	13.40
Leak Repairs:										
Main Lines	46	45	59	55	54	52	35	43	43	35
Service Lines	139	160	98	100	95	93	68	72	61	50
Meters:										
Replacement	1,107	489	702	239	18	8	1,089	293	1,156	37
Register Change Outs	28	-	25	82	359	1,129	76	720	1,369	3,297
Service Lines:										
Replacement	71	70	96	76	119	143	74	78	92	97
Main Line Valves:										
Replacement	1	10	1	12	12	5	11	4	2	10
Hydrants:										
Replacement	5	5	7	11	3	13	1	6	2	6
Major Facilities:										
Wells	5	5	5	5	5	5	5	5	5	4
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	154	154	154	154.21	154.25
Personnel (FTE)										
Admin Services	13	14	12	12	12	13	13	14	14	14
Production	5	5	5	5	6	5	5	6	6	6
Distribution	11	11	8	8	8	8	8	9	9	9
Total (FTE)	29	30	25	25	26	26	26	29	29	29

*This information was not tracked until 2016.

Source:

District Administrative Services Department



Carmichael, California

Prepared by:

The Administrative Services Department