

Annual Comprehensive Financial Report

For Fiscal Years Ended June 30, 2021 & 2020



CARMICHAEL, CALIFORNIA

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Annual Comprehensive Financial Report

For Fiscal Years Ended June 30, 2021 & 2020



Carmichael, California

7837 Fair Oaks Blvd
Carmichael, CA 95608
www.carmichaelwd.org

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Table of Contents

Introductory Section	3
Letter Of Transmittal	4
Principal District Officials	8
Organizational Chart.....	9
Service Area.....	10
FINANCIAL SECTION	11
Independent Auditor's Report.....	12
Management's Discussion and Analysis.....	14
<i>Basic Financial Statements</i>	25
Statements of Net Position.....	26
Statements of Revenues, Expenses and Changes In Net Position.....	28
Statements of Cash Flows.....	29
Notes to the Basic Financial Statements	31
<i>Required Supplementary Information</i>	63
Schedule of Plan's Proportionate Share of the Net Pension Liability.....	64
Schedules of Contributions to the Pension Plan	65
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	66
Schedule of Contributions to the OPEB Plan	68
STATISTICAL SECTION	69
Description of Statistical Section.....	70
<i>Financial Trends</i>	71
Schedule of Net Position by Component	72
Schedule of Changes in Net Position	73
<i>Revenue Capacity</i>	75
Water Sales by Type of Customer	76
Principal Rate Payers 2021 And 2012	77
<i>Debt Capacity</i>	79
Ratios of Outstanding Debt by Type and Number of Connections.....	80
Schedule of Debt Service	81
<i>Demographic and Economic Information</i>	83
Demographic and Economic Statistics	84
Top Ten Employers.....	85
<i>Operating Information</i>	87
Operating Information.....	88

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Introductory Section

CARMICHAEL WATER DISTRICT LETTER OF TRANSMITTAL



7837 FAIR OAKS BOULEVARD
CARMICHAEL, CALIFORNIA 95608
TELEPHONE (916) 483-2452
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May 17, 2022

Members of the Board of Directors
Carmichael Water District

The Carmichael Water District (“District”) hereby submits the Annual Comprehensive Financial Report (ACFR) for the years ended June 30, 2021 and 2020. 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 ACFR includes the management’s discussion and analysis which should be read in conjunction with the transmittal letter. The District’s management’s 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 40,000. The District maintains over 160 miles of water lines and supplies an average of 2,940 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 or 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 2020 Master Plan followed the same approach looking ahead 10 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 throughout its system on a pay-as-you-go financial strategy. FY 2021-22 capital improvement projects include:

- Service Line Replacements
- Supervisory Control and Data Acquisition (SCADA) System Upgrade
- Water Treatment Plant Facility Improvements
- Aquifer Storage & Recovery (ASR) Well Project
- La Vista Tank Replacement Project

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 increase 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 2021-22, the District will continue the construction of the La Vista Tank Replacement project which includes a 3 MG tank, well, pump station, storm drain, and distribution system pipelines. This project was outlined in the District's Mater Plan as an important asset to the District's portfolio for existing and future water supply reliability. The District is also seeking grants from Federal and other State/local agencies in order to build more wells to counter a state-wide drought.

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 Districts 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 (planned system maintenance), debt obligations, designations and reserves. The Board approves the annual budget following an extensive budget process and public hearings.

The budget is reviewed monthly as part of the District's regular financial reporting process. Supplemental amendments to the budget, 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 mechanisms 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 requirements.

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 fiscal year - 2020-21 District operations. The auditor's report is included in the financial section of the Annual Comprehensive Financial Report.

Awards and Acknowledgments

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement in Financial Reporting is valid for a period of one year only. We believe that this report will meet the program requirements to receive the award from the Government Finance Officers Association (GFOA).

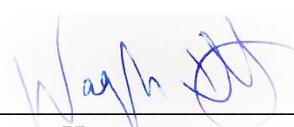
Acknowledgments

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

Respectfully submitted,



Cathy Lee
General Manager and Board Secretary



Waqas Hassan
Finance Manager and Board Treasurer

CARMICHAEL WATER DISTRICT PRINCIPAL DISTRICT OFFICIALS

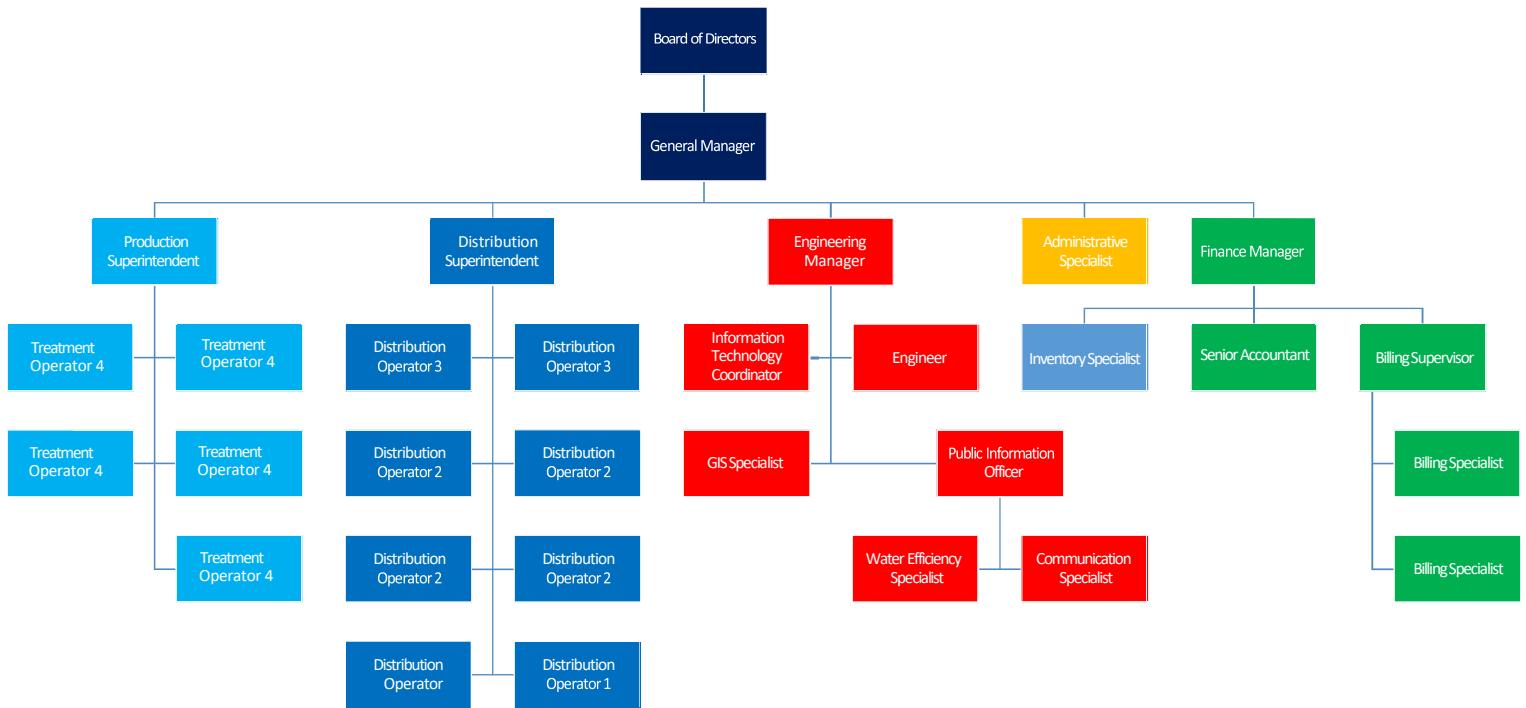
Board of Directors – Elected Officials

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

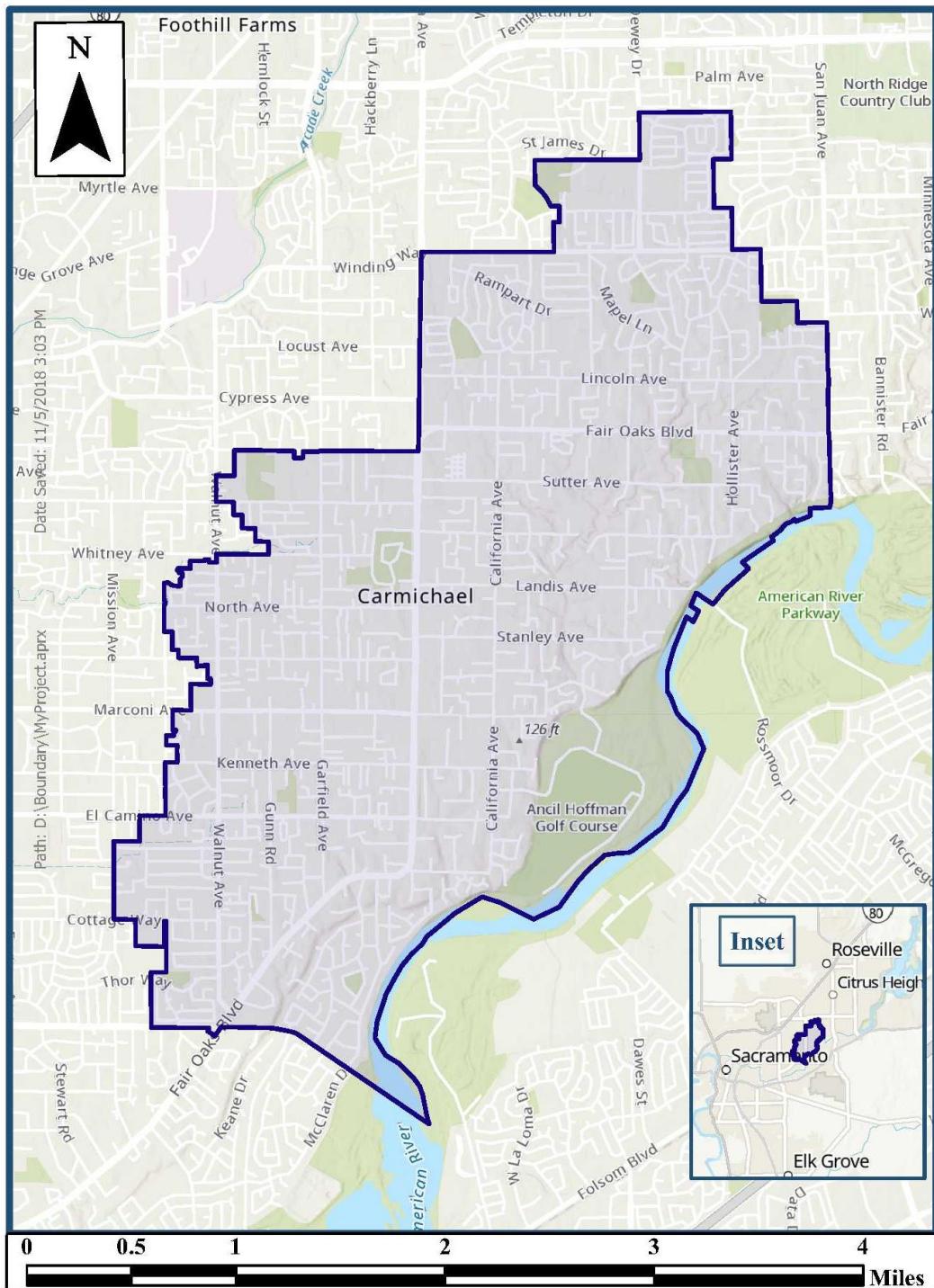
Staff – Appointed Officials

<u>Title</u>	<u>Name</u>
General Manager and Secretary	Cathy Lee
Finance Manager and Treasurer	Waqas Hassan

CARMICHAEL WATER DISTRICT ORGANIZATIONAL CHART



CARMICHAEL WATER DISTRICT SERVICE AREA





Financial Section

CARMICHAEL WATER DISTRICT INDEPENDENT AUDITOR'S REPORT



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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 statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 audits 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, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 64 to 68 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 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 of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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.

Leaf & Cole LLP

San Diego, California
May 17, 2022

CARMICHAEL WATER DISTRICT

MANAGEMENT's DISCUSSION AND ANALYSIS

This discussion and analysis is intended to serve as an introduction to 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 Carmichael Water District for the fiscal years ending June 30, 2021 and 2020.

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. 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 statements of revenues, expenses, and changes in net position measure 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 pension 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 in January 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. The District has a capacity sale receivable of \$2,800,000 and \$4,200,000 as of June 30, 2021 and 2020, respectively.

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 4,981 AFY and 5,052 AFY for the years ended June 30, 2021 and 2020, respectively. The District recognized operating revenue of \$919,389 and \$835,734 for the treatment and delivery of water to GSWC for the years ended June 30, 2021 and 2020, respectively.

Rate Increase

The five year rate structure for the District is detailed in the “2020 Business Plan and Water Rate and Capital Facilities Fees Study”. In 2021, Hildebrand Consulting, LLC updated the “Business Plan and Water Rate Study” portion which served as the basis for the District eliminating the use of a tiered rate structure. The study recommended 9.5% rate increases beginning January 1, 2021, 2022, 2023, 2024 and 2025. Although water consumption increased in fiscal year 2020-21 compared to the prior fiscal year, 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 by \$3,893,053 to end at \$58,958,821 at June 30, 2021 and increased by \$1,669,012 to end at \$55,065,768 at June 30, 2020. The significant increase in 2021 results from increased water sales including regional water transfers, decreased repairs and decrease interest expense.
- Total operating revenue for the District increased by \$1,133,492 in 2021 following an increase of \$902,278 in 2020.
- Total operating expenses decreased in 2021 by \$808,674. Operating expenses, not including depreciation, decreased by \$773,888. In the prior year, the District experienced significant increases in replacement of registers as part of the meter change-out program.
- Total cash and cash equivalents increased by \$1,544,511 in 2021. Operating cash decreased \$1,349,607, which can be attributed to cash provided by operating and investing activities being exceeded by the cash used by capital and related financing activities. Restricted cash decreased due to the proceeds of the 2019 Series A and Series B Certificates of Participation being used to fund capital projects.
- The District’s plan for reinvestment in infrastructure and replacement of aging assets continued with overall investment in capital assets of \$468,483 and construction in progress of \$3,686,096.
- Long-term debt, including current portion, decreased by \$1,678,776 due to the payments on the 2019 Certificates of Participation Series B.

Net Position

A summary of the District’s net position at June 30, 2021 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 \$3,893,053, from \$55,065,768 at June 30, 2020 and \$58,958,821 at June 30, 2021. Total liabilities decreased by \$2,230,879.

TABLE 1
Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current and other assets	\$ 36,833,847	\$ 36,542,372	\$ 21,135,292
Capital assets, net of depreciation	<u>61,416,812</u>	<u>59,523,688</u>	<u>56,040,447</u>
Total Assets	<u>98,250,659</u>	<u>96,066,060</u>	<u>77,175,739</u>
Deferred Outflows of Resources:			
Deferred amount on refunding	114,331	127,782	642,782
Pensions	978,032	1,443,916	1,012,057
Other post employment benefits (OPEB) contributions	<u>383,717</u>	<u>575,337</u>	<u>566,380</u>
Total Deferred Outflows	<u>1,476,080</u>	<u>2,147,035</u>	<u>2,221,219</u>
Liabilities:			
Current liabilities	2,985,241	3,035,071	2,142,807
Noncurrent liabilities	4,524,838	5,042,111	5,208,450
Long-term debt	<u>32,712,304</u>	<u>34,376,080</u>	<u>18,216,557</u>
Total Liabilities	<u>40,222,383</u>	<u>42,453,262</u>	<u>25,567,814</u>
Deferred Inflows of Resources:			
Pensions	339,325	418,626	420,200
Other post employment benefits (OPEB)	<u>206,210</u>	<u>275,439</u>	<u>12,188</u>
Total Deferred Inflows	<u>545,535</u>	<u>694,065</u>	<u>432,388</u>
Net Position:			
Net investment in capital assets	42,001,094	39,904,957	37,111,672
Restricted	599,345	486,637	2,520,252
Unrestricted	<u>16,358,382</u>	<u>14,674,174</u>	<u>13,764,832</u>
Total Net Position	<u>\$ 58,958,821</u>	<u>\$ 55,065,768</u>	<u>\$ 53,396,756</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 2021 results from the annual rate increases effective January 1, 2020 and 2021 and an 11% increase in consumptions. Capital revenues fluctuate from year to year depending on development within the District's boundaries.

Total expenses reflects a decrease from last year. Other operating expenses decreased \$808,674 over last year, due to a significant decrease in the number of registers installed as part of the meter change-out program. The decrease in interest expense results from the normal amortization of long-term debt.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 14,360,536	\$ 13,227,044	\$ 12,324,766
Nonoperating revenues	248,379	255,766	245,520
Capital contributions	119,070	197,634	64,322
Total Revenues	<u>14,727,985</u>	<u>13,680,444</u>	<u>12,634,608</u>
Depreciation	2,250,686	2,285,472	2,344,652
Other operating expenses	7,714,252	8,488,140	7,101,576
Nonoperating expenses	869,994	1,237,820	850,121
Total Expenses	<u>10,834,932</u>	<u>12,011,432</u>	<u>10,296,349</u>
Change in Net Position	3,893,053	1,669,012	2,338,259
Net Position at Beginning of Year	<u>55,065,768</u>	<u>53,396,756</u>	<u>51,058,497</u>
Net Position at End of Year	<u>\$ 58,958,821</u>	<u>\$ 55,065,768</u>	<u>\$ 53,396,756</u>

Revenues

Table 3 breaks down the operating revenues of the District. The District's operating revenues increased by \$1,132,492, for a total of \$14,360,536 as compared to 2020 operating revenue of \$13,227,044. Nearly all of the increase is in water sales and results from rebounding water consumption and the 5% rate increases implemented January 1, 2020 and 2021. 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water sales	\$ 13,331,681	\$ 12,279,163	\$ 11,392,509
Connections and other fees	109,466	112,147	78,714
Water treatment and delivery	919,389	835,734	853,543
Total Operating Revenue	<u>\$ 14,360,536</u>	<u>\$ 13,227,044</u>	<u>\$ 12,324,766</u>

Expenses

Total operating expenses for the year are shown below in Table 4. Operating expenses exclusive of depreciation decreased by \$773,888. Transmission and distribution costs decreased as in the prior year the District experienced significant increases in the number of registers installed as part of the meter change-out program. Pumping and treatment costs decreased due to repairs performed in the prior year on the Barrett School Well. Total other costs and expenses consisting of compensated absences expenses, pension expense adjustment, other post-employment benefits, and membrane expense decreased \$269,121. These other costs, with the exception of membrane expense, are not budgeted and result from required accrual adjustments.

TABLE 4
Operating Expenses

	<u>2021</u>	<u>2020</u>	<u>2019</u>
General and administrative	\$ 2,860,559	\$ 2,577,494	\$ 2,409,704
Transmission and distribution	1,539,061	2,119,602	1,729,627
Pumping and treatment	2,327,072	2,534,363	2,082,719
Other costs and expenses	987,560	1,256,681	879,526
Total Operating Expenses*	<u>\$ 7,714,252</u>	<u>\$ 8,488,140</u>	<u>\$ 7,101,576</u>

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 \$1,678,776. The decrease results from the District making principal payments on the 2019 Series B Certificates of Participation.

TABLE 5
Long – Term Debt

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Certificates of Participation	\$ 30,810,000	\$ 32,285,000	\$ 18,620,000
Unamortized premium	3,362,304	3,566,080	951,557
Total Long-Term Debt	<u>\$ 34,172,304</u>	<u>\$ 35,851,080</u>	<u>\$ 19,571,557</u>

Debt Service Coverage Ratio

The debt service coverage ratio is a measurement required by the 2019 COP bond indenture covenants. The ratio demonstrates the District's ability to meet its debt obligations. Table 6 provides the year-to-year comparison of the debt service ratio. The 2019 COP bond indenture covenants require a minimum 1.20 coverage ratio. This fiscal year, the District again complied with the covenants arriving at a comfortable 2.71 coverage ratio.

TABLE 6
Debt Service Coverage Ratio

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Revenues:</u>			
Water sales	\$ 13,331,681	\$ 12,279,163	\$ 11,392,509
Other revenue	1,277,234	1,203,647	1,177,777
Total Revenues	<u>14,608,915</u>	<u>13,482,810</u>	<u>12,570,286</u>
<u>Operating and Maintenance Expenses:</u>			
General and administrative services	2,860,559	2,577,494	2,409,704
Transmission and distribution	1,539,061	2,119,602	1,729,627
Pumping and treatment	2,327,072	2,534,363	2,082,719
Other costs and expenses	987,560	1,256,681	879,526
Total Operating and Maintenance Expenses*	<u>7,714,252</u>	<u>8,488,140</u>	<u>7,101,576</u>
Net Revenues	<u>\$ 6,894,663</u>	<u>\$ 4,994,670</u>	<u>\$ 5,468,710</u>
<u>Debt Service:</u>			
Certificates of Participation	\$ 2,539,828	\$ 2,311,530	\$ 2,186,350
Debt Service Coverage Ratio	2.71x	2.16x	2.50x

*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 \$4,008,981 in capital assets, including \$3,686,096, construction in progress. Significant projects include the Grant/Sue Pam/Whitney Mainline, the Stanley Avenue Pipeline and the La Vista Tank. See Note 5 of the audited financial statements for a summary of the capital asset activity.

TABLE 7
Capital Assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Capital Assets Not Being Depreciated:</u>			
Land, franchise and water rights	\$ 553,227	\$ 553,227	\$ 553,227
Construction-in-progress	<u>5,166,525</u>	<u>5,404,214</u>	<u>473,541</u>
Total Capital Assets Not Being Depreciated	<u>5,719,752</u>	<u>5,957,441</u>	<u>1,026,768</u>
<u>Capital Assets Being Depreciated:</u>			
Pumping plant	35,392,519	35,392,519	35,236,419
Transmission and distribution	66,800,007	62,626,523	62,129,268
Transportation/equipment	1,164,605	1,114,758	1,164,117
Building and improvements	10,640,982	10,640,982	10,474,570
Machinery and equipment	251,704	249,154	269,901
Information technology	942,124	930,909	1,936,199
Furniture and fixtures	112,194	102,620	102,620
Total Capital Assets Being Depreciated	<u>115,304,135</u>	<u>111,057,465</u>	<u>111,313,094</u>
Less: Accumulated depreciation	<u>(59,607,075)</u>	<u>(57,491,218)</u>	<u>(56,299,415)</u>
Net Capital Assets Being Depreciated	<u>55,697,060</u>	<u>53,566,247</u>	<u>55,013,679</u>
 Net Capital Assets	 <u>\$ 61,416,812</u>	 <u>\$ 59,523,688</u>	 <u>\$ 56,040,447</u>

Cash and Cash Equivalents

The District's cash position at June 30, 2021 is \$31,239,826, representing all cash held by the District, including cash held by the trustee. 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 investing activities. Certain capital and related financing activities were funded from restricted cash. Cash on hand is the imprest cash held for petty cash disbursements and the cash register change drawer.

Board – Designated Cash

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

Restricted Cash

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

Table 8
Cash and Cash Equivalents

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Cash - Unrestricted and Undesignated:</u>			
Operating cash	\$ 11,239,033	\$ 8,092,263	\$ 5,644,214
Cash on hand	1,000	1,980	1,980
Total Cash - Unrestricted and Undesignated	<u>11,240,033</u>	<u>8,094,243</u>	<u>5,646,194</u>
<u>Board - Designated Cash:</u>			
Membrane replacement fund	689,704	689,704	780,835
Operating reserve fund	3,568,489	3,783,814	3,730,432
Rate stabilization fund	500,000	536,347	527,364
Total Cash - Board Designated	<u>4,758,193</u>	<u>5,009,865</u>	<u>5,038,631</u>
Total Cash and Cash Equivalents	<u>15,998,226</u>	<u>13,104,108</u>	<u>10,684,825</u>
<u>Restricted Cash:</u>			
Capital assets	14,642,255	16,104,570	-
Debt service	14	6,775	2,238,289
Facility fees	599,331	479,862	281,962
Total Cash - Restricted	<u>15,241,600</u>	<u>16,591,207</u>	<u>2,520,251</u>
Total Cash and Investments	<u>\$ 31,239,826</u>	<u>\$ 29,695,315</u>	<u>\$ 13,205,076</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 fifth year of funding the OPEB through the trust. An additional \$200,000 and \$440,000 were contributed during the years ended June 30, 2021 and 2020, respectively. 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 make additional OPEB funding and premium payments 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 operating and maintenance expenses for the District coming in under budget by \$1,710,477.

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

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, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at (916) 483-2452.

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CARMICHAEL WATER DISTRICT

Basic Financial Statements

**CARMICHAEL WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets:</u> (Notes 1, 2 and 4)		
Cash and cash equivalents	\$ 15,998,226	\$ 13,104,108
Accounts receivable:		
Current services	2,141,597	2,011,392
Outside boundary	94,755	106,076
Other	20,895	-
Capacity sale	1,400,000	1,400,000
Accrued interest receivable	2,792	9,176
Inventory	319,145	347,922
Prepaid expenses	68,661	26,013
Total Current Assets	<u>20,046,071</u>	<u>17,004,687</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 3, 4, 5 and 6)		
Restricted Assets:		
Cash and cash equivalents	15,241,600	16,591,207
Total Restricted Assets	<u>15,241,600</u>	<u>16,591,207</u>
Capital Assets:		
Nondepreciable capital assets	5,719,752	5,957,441
Depreciable capital assets, net	55,697,060	53,566,247
Total Capital Assets	<u>61,416,812</u>	<u>59,523,688</u>
Other Assets:		
Noncurrent capacity sale receivable	1,400,000	2,800,000
Investment in electrical power	146,176	146,478
Total Long-term Receivables	<u>1,546,176</u>	<u>2,946,478</u>
Total Noncurrent Assets	<u>78,204,588</u>	<u>79,061,373</u>
TOTAL ASSETS	<u>98,250,659</u>	<u>96,066,060</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u> (Notes 1, 7, 9 and 10)		
Deferred outflows related to refunding	114,331	127,782
Deferred outflows related to pensions	1,120,572	1,443,916
Deferred outflows related to OPEB contributions	418,473	575,337
Total Deferred Outflows of Resources	<u>1,653,376</u>	<u>2,147,035</u>

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

CARMICHAEL WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES</u>		
Current Liabilities: (Notes 1, 7 and 8)		
Accounts payable	\$ 1,110,120	\$ 1,204,355
Accrued expenses and other liabilities	30,297	20,356
Unearned revenue	116,032	109,708
Accrued interest payable	175,217	179,725
Current portion of noncurrent liabilities	<u>1,553,575</u>	<u>1,520,927</u>
Total Current Liabilities	<u>2,985,241</u>	<u>3,035,071</u>
Noncurrent Liabilities: (Notes 1, 7, 8, 9 and 10)		
Certificates of participation, net of current portion	32,712,304	34,376,080
Compensated absences	56,591	150,441
Unearned lease revenue	119,259	120,674
Net pension liability	2,715,129	2,817,998
Net OPEB liability	1,633,859	1,952,998
Total Noncurrent Liabilities	<u>37,237,142</u>	<u>39,418,191</u>
Total Liabilities	<u>40,222,383</u>	<u>42,453,262</u>
DEFERRED INFLOWS OF RESOURCES: (Notes 1, 9 and 10)		
Deferred inflows related to pensions	481,865	418,626
Deferred inflows related to OPEB	240,966	275,439
Total Deferred Inflows of Resources	<u>722,831</u>	<u>694,065</u>
Commitments and Contingencies: (Notes 9, 10, 11 and 12)		
NET POSITION:		
Net investment in capital assets	42,001,094	39,904,957
Restricted for debt service	14	6,775
Restricted for capital facilities	599,331	479,862
Unrestricted	<u>16,358,382</u>	<u>14,674,174</u>
Total Net Position	<u>\$ 58,958,821</u>	<u>\$ 55,065,768</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues:</u>		
Retail water sales	\$ 13,331,681	\$ 12,279,163
Other fees and charges	109,466	112,147
Water treatment and delivery charges	919,389	835,734
Total Operating Revenues	<u>14,360,536</u>	<u>13,227,044</u>
<u>Operating Expenses:</u>		
General and administrative	2,814,357	2,621,140
Transmission and distribution	1,539,061	2,119,602
Pumping and treatment	2,327,072	2,534,363
Depreciation	2,250,686	2,285,472
Pension expense adjustment	683,775	718,394
Other post-employment benefits (OPEB)	186,969	203,511
Membrane expense	163,018	291,130
Total Operating Expenses	<u>9,964,938</u>	<u>10,773,612</u>
Operating Income	<u>4,395,598</u>	<u>2,453,432</u>
<u>Nonoperating Revenues (Expenses):</u>		
Other revenue	144,599	35,650
Income from investment in electrical power	14,962	13,338
Investment income earned	33,496	142,410
Reimbursements	41,707	48,895
Gain on disposal of capital assets	13,615	15,473
Interest expense	(869,994)	(1,237,820)
Total Nonoperating Revenues (Expenses)	<u>(621,615)</u>	<u>(982,054)</u>
Income Before Contributions	3,773,983	1,471,378
Capital Contributions	<u>119,070</u>	<u>197,634</u>
Change in Net Position	3,893,053	1,669,012
Net Position at Beginning of Year	<u>55,065,768</u>	<u>53,396,756</u>
NET POSITION AT END OF YEAR	<u>\$ 58,958,821</u>	<u>\$ 55,065,768</u>

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

**CARMICHAEL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>Cash Flow From Operating Activities:</u>		
Receipts from customers	\$ 15,805,648	\$ 14,388,902
Payments to suppliers for goods and services	(5,526,442)	(6,021,971)
Payments to employees for services	(2,238,887)	(2,754,385)
Net Cash Provided by Operating Activities	<u>8,040,319</u>	<u>5,612,546</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(4,154,579)	(5,105,673)
Proceeds from sale of capital assets	24,384	15,535
Proceeds from long-term debt	-	35,952,968
Principal paid on long-term debt	(1,678,776)	(19,673,445)
Deferred amount on refunding	13,451	515,000
Interest paid on long-term debt	(874,502)	(1,200,636)
Facility fees collected	119,070	197,634
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(6,550,952)</u>	<u>10,701,383</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from investments, net	39,880	160,470
Receipts from investment in electrical power	15,264	15,840
Net Cash Provided by Investing Activities	<u>55,144</u>	<u>176,310</u>
Net Increase in Cash and Cash Equivalents	1,544,511	16,490,239
Cash and Cash Equivalents at Beginning of Year	<u>29,695,315</u>	<u>13,205,076</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 31,239,826	\$ 29,695,315

(Continued)

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

CARMICHAEL WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Reconciliation of Operating Income to Net</u>		
<u>Cash Provided by Operating Activities:</u>		
Operating income	\$ 4,395,598	\$ 2,453,432
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	2,250,686	2,285,472
Amortization of unearned lease revenue	(1,415)	(1,414)
Change in assets and liabilities:		
Accounts receivable	(139,779)	(321,273)
Inventory	28,777	(16,282)
Prepaid expenses	(42,648)	152
Noncurrent capacity sale receivable	1,400,000	1,400,000
Deferred outflows related to pensions and OPEB	480,208	(440,816)
Accounts payable	(94,235)	202,886
Accrued expenses and other liabilities	9,941	(76,066)
Unearned revenue	6,324	9,227
Compensated absences	(46,202)	43,646
Net OPEB liability	(319,139)	(626,120)
Net pension liability	(102,869)	353,480
Deferred inflows related to pensions and OPEB	28,766	261,677
Other nonoperating revenue	186,306	84,545
Net Cash Provided by Operating Activities	<u>\$ 8,040,319</u>	<u>\$ 5,612,546</u>
<u>Cash and Cash Equivalents:</u>		
<u>Financial Statement Classification</u>		
Cash and cash equivalents	\$ 15,998,226	\$ 13,104,108
Restricted cash and cash equivalents	<u>15,241,600</u>	<u>16,591,207</u>
Total Cash and Cash Equivalents	<u>\$ 31,239,826</u>	<u>\$ 29,695,315</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Amortization of deferred amount on refunding	<u>\$ 13,451</u>	<u>\$ 65,646</u>

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

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 40,000. 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.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Additional capital contributions come in the form of facilities fees collected when a customer connects to the District's system.

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, 2021 and 2020.

Inventory

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

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 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 \$2,250,686 and \$2,285,472 for the years ended June 30, 2021 and 2020, respectively.

Amortization

Bond premiums are being amortized on the straight-line method over periods not to exceed debt maturities. Amortization of bond premiums totaled \$203,776 and \$145,976 for the years ended June 30, 2021 and 2020, respectively 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 \$13,451 and \$39,548 for the years ended June 30, 2021 and 2020, respectively and is included in interest expense.

Compensated Absences

Accumulated unpaid compensated absences totaling \$148,752 and \$194,954 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2021 and 2020, 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. 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 7, 9 and 10.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, 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 \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value \$49,970,445). The District has a \$2,500 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 \$55,000,000.

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 \$55,000,000.

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

Cyber Liability - Insured up to \$5,000,000 per claim and \$5,000,000 in the aggregate with retention ranging from \$10,000 - \$50,000 depending on the District's total revenues.

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 \$4,000,000 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 \$118,947 and \$121,774 for the years ended June 30, 2021 and 2020, respectively. There were no instances in the past three years where a settlement exceeded the District's Coverage.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Generally Accepted Accounting Principles 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, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

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 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, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

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, 2021 and 2020

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:

- 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 May 17, 2022, the date the financial statements were available to be issued.

Reclassification

The District has reclassified certain prior year information to conform with the current year presentation.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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	4,000,000	None
County Pooled Investments	N/A	None	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, 2021 and 2020

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 cash equivalents held by the District were comprised of the following at June 30:

	Maturity in Years		<u>2021 Total</u>	<u>2020 Total</u>
	<u>One Year or Less</u>	<u>1 - 5 Years</u>		
Cash on hand	\$ 1,000	\$ -	\$ 1,000	\$ 1,980
Deposits with financial institutions	29,294,716	-	29,294,716	27,760,615
California Local Agency Investment Fund (LAIF)	1,944,096	-	1,944,096	1,927,767
Money market mutual funds	14	-	14	4,953
Total Cash and Cash Equivalents	\$ 31,239,826	\$ -	\$ 31,239,826	\$ 29,695,315

Financial Statement Classification:

Current:			
Cash and cash equivalents		\$ 15,998,226	\$ 13,104,108
Restricted:			
Cash and cash equivalents		15,241,600	16,591,207
Total Cash and Cash Equivalents		\$ 31,239,826	\$ 29,695,315

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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 shorter 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, 2021

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</u> <u>Standard & Poor's</u>
California Local Agency Investment Fund (LAIF)	Not Rated
Money Market Mutual Funds	Not Rated

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 other than a \$4,000,000 limit or the amount invested with the California Local Agency Investment Fund. 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, 2021.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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, 2021, 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:

	<u>2021</u>	<u>2020</u>
<u>Investments:</u>		
Money Market Mutual Funds	\$ 14	\$ 4,953
Total Investments	<u>\$ 14</u>	<u>\$ 4,953</u>

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.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

Following is a detail at June 30:

	<u>2021</u>	<u>2020</u>
Deposits with financial institutions	\$ 29,294,716	\$ 27,760,615
Money market mutual funds	14	4,953
California Local Agency Investment Fund (LAIF)	1,944,096	1,927,767
Cash on hand	1,000	1,980
Total	\$ 31,239,826	\$ 29,695,315

NOTE 3 – RESTRICTED ASSETS

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

<u>Funding Source</u>	<u>Use</u>	<u>2021</u>	<u>2020</u>
Bond proceeds and interest earnings	Construction fund	\$ 14,642,255	\$ 16,104,570
Facility fees	Expansion of facilities	599,331	479,862
Bond proceeds and interest earnings	Debt service	14	6,775
		\$ 15,241,600	\$ 16,591,207

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, 2021, AR had paid \$6,600,000 to the District and will pay the remaining \$2,800,000 in annual payments of \$1,400,000 due on July 1 through 2022. The next payment is due July 1, 2021.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 5 – CAPITAL ASSETS

Capital assets consists of the following at June 30:

	2021			
	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not being depreciated:				
Land, franchises and water rights	\$ 553,227	\$ -	\$ -	\$ 553,227
Construction in progress	<u>5,404,214</u>	<u>3,686,096</u>	<u>(3,923,785)</u>	<u>5,166,525</u>
Total Capital Assets Not Being Depreciated	<u>5,957,441</u>	<u>3,686,096</u>	<u>(3,923,785)</u>	<u>5,719,752</u>
Capital assets being depreciated:				
Pumping plant	35,392,519	-	-	35,392,519
Transmission and distribution	62,626,523	4,185,867	(12,383)	66,800,007
Buildings and improvements	10,640,982	-	-	10,640,982
Transportation equipment	1,114,758	176,346	(126,499)	1,164,605
Information technology	930,909	11,215	-	942,124
Machinery and equipment	249,154	9,266	(6,716)	251,704
Furniture and fixtures	<u>102,620</u>	<u>9,574</u>	<u>-</u>	<u>112,194</u>
Total Capital Assets Being Depreciated	<u>111,057,465</u>	<u>4,392,268</u>	<u>(145,598)</u>	<u>115,304,135</u>
Less: Accumulated depreciation for:				
Pumping plant	(19,061,553)	(649,020)	-	(19,710,573)
Transmission and distribution	(31,244,947)	(1,169,819)	1,614	(32,413,152)
Buildings and improvements	(5,167,781)	(303,361)	-	(5,471,142)
Transportation equipment	(924,659)	(45,024)	126,499	(843,184)
Information technology	(841,402)	(57,003)	-	(898,405)
Machinery and equipment	(148,256)	(25,092)	6,716	(166,632)
Furniture and fixtures	<u>(102,620)</u>	<u>(1,367)</u>	<u>-</u>	<u>(103,987)</u>
Total Accumulated Depreciation	<u>(57,491,218)</u>	<u>(2,250,686)</u>	<u>134,829</u>	<u>(59,607,075)</u>
Net capital assets being depreciated	<u>53,566,247</u>	<u>2,141,582</u>	<u>(10,769)</u>	<u>55,697,060</u>
Net Capital Assets	<u>\$ 59,523,688</u>	<u>\$ 5,827,678</u>	<u>\$ (3,934,554)</u>	<u>\$ 61,416,812</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 5 – CAPITAL ASSETS (Continued)

	2020			
	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets not being depreciated:				
Land, franchises and water rights	\$ 553,227	\$ -	\$ -	\$ 553,227
Construction in progress	<u>473,541</u>	<u>5,285,262</u>	<u>(354,589)</u>	<u>5,404,214</u>
Total Capital Assets Not Being Depreciated	1,026,768	5,285,262	(354,589)	5,957,441
Capital assets being depreciated:				
Pumping plant	35,236,419	156,100	-	35,392,519
Transmission and distribution	62,129,268	499,015	(1,760)	62,626,523
Buildings and improvements	10,474,570	166,412	-	10,640,982
Transportation equipment	1,164,117	-	(49,359)	1,114,758
Information technology	1,936,199	16,575	(1,021,865)	930,909
Machinery and equipment	269,901	-	(20,747)	249,154
Furniture and fixtures	<u>102,620</u>	<u>-</u>	<u>-</u>	<u>102,620</u>
Total Capital Assets Being Depreciated	111,313,094	838,102	(1,093,731)	111,057,465
Less: Accumulated depreciation for:				
Pumping plant	(18,384,817)	(676,736)	-	(19,061,553)
Transmission and distribution	(30,040,580)	(1,206,065)	1,698	(31,244,947)
Buildings and improvements	(4,874,289)	(293,492)	-	(5,167,781)
Transportation equipment	(946,628)	(27,390)	49,359	(924,659)
Information technology	(1,808,349)	(54,918)	1,021,865	(841,402)
Machinery and equipment	(142,132)	(26,871)	20,747	(148,256)
Furniture and fixtures	<u>(102,620)</u>	<u>-</u>	<u>-</u>	<u>(102,620)</u>
Total Accumulated Depreciation	(56,299,415)	(2,285,472)	1,093,669	(57,491,218)
Net capital assets being depreciated	55,013,679	(1,447,370)	(62)	53,566,247
Net Capital Assets	\$ 56,040,447	\$ 3,837,892	\$ (354,651)	\$ 59,523,688

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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 0.069% 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 0.069% of the net losses of the Project, it also has the right to receive 0.069% 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 \$15,264 and \$15,840, and is included in income from investment in electrical power for the years ended June 30, 2021 and 2020, respectively. The agreement is effective through December 31, 2024.

The Project's unaudited financial statements as of and for the year ended June 30, 2021, 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:

	<u>2021</u>	<u>2020</u>
Statements of Net Position		
Assets	\$ 268,513,724	\$ 269,450,501
Liabilities	<u>(42,224,371)</u>	<u>(42,723,541)</u>
Net Position	<u>\$ 226,289,353</u>	<u>\$ 226,726,960</u>
Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues	\$ 16,427,668	\$ 13,722,106
Operating expenses	<u>(22,607,347)</u>	<u>(19,784,665)</u>
Operating loss	<u>(6,179,679)</u>	<u>(6,062,559)</u>
Nonoperating revenues (expenses)	<u>1,177</u>	<u>(19,661)</u>
Change in Net Position Before Adjustments	(6,178,502)	(6,082,220)
Adjustment to Net Position for Capital Improvements	<u>5,740,895</u>	<u>2,456,512</u>
Change in Net Position	<u>\$ (437,607)</u>	<u>\$ (3,625,708)</u>
District's Share of Net Position	<u>\$ 156,140</u>	<u>\$ 146,478</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liabilities consists of the following at June 30:

	2021				
	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
<u>Certificates of Participation:</u>					
2019 Series A	\$ 16,510,000	\$ -	\$ -	\$ 16,510,000	\$ -
2019 Series B	15,775,000	-	(1,475,000)	14,300,000	1,460,000
Unamortized premium	3,566,080	-	(203,776)	3,362,304	-
Total Long-Term Debt	<u>\$ 35,851,080</u>	<u>\$ -</u>	<u>\$ (1,678,776)</u>	<u>\$ 34,172,304</u>	<u>\$ 1,460,000</u>
<u>Other Noncurrent Liabilities:</u>					
Compensated absences	\$ 194,954	\$ 45,959	\$ (92,161)	\$ 148,752	\$ 92,161
Unearned lease revenue	122,088	-	(1,415)	120,673	1,414
Net pension liability	2,817,998	689,368	(792,237)	2,715,129	-
Net OPEB liability	1,952,998	186,969	(506,108)	1,633,859	-
Total Other Noncurrent Liabilities	<u>\$ 5,088,038</u>	<u>\$ 922,296</u>	<u>\$ (1,391,921)</u>	<u>\$ 4,618,413</u>	<u>\$ 93,575</u>
	2020				
	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
<u>Certificates of Participation:</u>					
2019 Series A	\$ -	\$ 16,510,000	\$ -	\$ 16,510,000	\$ -
2019 Series B	-	15,775,000	-	15,775,000	1,475,000
2010	18,620,000	-	(18,620,000)	-	-
Unamortized premium	951,557	3,667,968	(1,053,445)	3,566,080	-
Total Long-Term Debt	<u>\$ 19,571,557</u>	<u>\$ 35,952,968</u>	<u>\$ (19,673,445)</u>	<u>\$ 35,851,080</u>	<u>\$ 1,475,000</u>
<u>Other Noncurrent Liabilities:</u>					
Compensated absences	\$ 151,308	\$ 88,159	\$ (44,513)	\$ 194,954	\$ 44,513
Unearned lease revenue	123,502	-	(1,414)	122,088	1,414
Net pension liability	2,464,518	718,394	(364,914)	2,817,998	-
Net OPEB liability	2,579,118	203,511	(829,631)	1,952,998	-
Total Other Noncurrent Liabilities	<u>\$ 5,318,446</u>	<u>\$ 1,010,064</u>	<u>\$ (1,240,472)</u>	<u>\$ 5,088,038</u>	<u>\$ 45,927</u>

2019 Water Revenue Certificates of Participation Series A

In November 2019 the Corporation issued the 2019 Water Revenue Certificates of Participation Series A (Series A Certificates) to finance the acquisition and construction of certain water storage, pumping, treatment, transmission and appurtenant facilities for the water supply, treatment and distribution system of the District; and to pay certain costs incurred in connection with the execution and delivery of the Series A Certificates, including a original issue premium of \$3,667,968, which is being amortized over the life of the Series A Certificates. Amortization of the premium totaled \$203,776 and \$101,888 for the years ended June 30, 2021 and 2020, respectively and has been included as a reduction of interest expense.

The Series A Certificates have interest rates ranging from 4 - 5% with maturity dates from November 2030 through November 2037. The Series A Certificates outstanding totaled \$16,510,000 and \$16,510,000 at June 30, 2021 and 2020, respectively. Accrued interest payable on the Series A Certificates totaled \$119,267 and \$119,266 at June 30, 2021 and 2020, respectively.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 7 – NONCURRENT LIABILITIES (Continued)

2019 Water Revenue Refunding Certificates of Participation Series B

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

The District extinguished \$17,265,000 of 2010 Certificates through a refunding resulting in a defeasance of debt. Net proceeds of \$17,830,526 (after payment of issuance costs) were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010 Certificates. As a result the debt is considered defeased and the liability has been removed from long-term debt on the District's financial statements. (The 2010 Certificates outstanding at June 30, 2021 total \$-0-).

The Series B Certificates have interest rates ranging from 1.834% - 2.739% with maturity dates from November 2020 through November 2029. The Series B Certificates outstanding totaled \$14,300,000 and \$15,775,000 at June 30, 2021 and 2020, respectively. Accrued interest payable on the Series B Certificates totaled \$55,950 and \$60,459 at June 30, 2021 and 2020, respectively.

Although the refunding resulted in a deferred amount on refunding of \$134,507, the Corporation in effect reduced the aggregate debt service payments by \$4,187,218 over the next ten years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,583,903. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization of the 2010 deferred amount on refunding totaled \$13,451 and \$6,725 for the years ended June 30, 2021 and 2020, respectively and is included in interest expense. The deferred amount on refunding was \$114,331 and \$127,782 at June 30, 2021 and 2020, respectively.

The Series A Certificates and the Series B Certificates are jointly secured on a parity basis by the pledge of the revenues of the District's water system and certain funds and accounts created under the installment sale agreement and will be paid from said revenues and said funds and accounts without preference or priority with respect to one another. The obligation of the District to make such installment payments is a special obligation of the District payable solely from net revenues of the District's water system and said funds and accounts. The Installment Sale Agreement will require the District to fix, prescribe and collect rates fees and charges and manage the operation of the water system for each fiscal year so as to yield net revenues during such fiscal year ended of at least 120% of the annual debt service in such fiscal year. For the years ended June 30, 2021 and 2020, the District's net revenues were 271% and 216% of debt service payments, respectively.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 7 – NONCURRENT LIABILITIES (Continued)

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

Years Ended June 30	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,460,000	\$ 1,037,695
2023	1,485,000	1,009,705
2024	1,515,000	979,620
2025	1,545,000	947,131
2026	1,580,000	911,566
2027-2031	8,465,000	3,901,332
2032-2036	10,105,000	2,015,250
2037-2038	4,655,000	188,100
Total	\$ 30,810,000	\$ 10,990,399

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 \$120,673 and \$122,088 at June 30, 2021 and 2020, respectively.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Annual Comprehensive Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Carmichael Water District. The Carmichael Water District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Mics.). The Carmichael Water District does not have any rate plans in the safety risk pool

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided - The Plan 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 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. The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.908%	7.25%
Required employer contribution rates	11.816%	7.847%

In addition to the contribution rates above, the District was also required to make payments of \$-0- and \$147,423 toward its unfunded actuarial liability during the years ended June 30, 2021 and 2020, respectively.

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

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost 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. The Carmichael Water District's contributions to the miscellaneous risk pools for the year ended June 30, 2021 totaled \$405,654.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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 2021	Proportionate Share of Net Pension Liability 2020
Miscellaneous Risk Pool	\$ <u>2,715,129</u>	\$ <u>2,817,998</u>

The District's net pension liability for each risk pool is measured as the proportionate share of each 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, 2019, 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 risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans as of the valuation date, June 30, 2019.
- 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 of the risk pool as of the valuation date.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

The District's proportionate share of the net pension liability as of June 30, 2020, the measurement date, was calculated as follows:

- Each risk pool's total pension liability was computed at the measurement date, June 30, 2020, 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, 2020, was computed by subtracting the respective risk pool's fiduciary net position 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, 2020, 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, 2020, to obtain the total pension liability and fiduciary net position as of June 30, 2020. 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, 2019 and June 30, 2020, was as follows:

	<u>Miscellaneous Risk Pool</u>
Proportion at measurement date - June 30, 2019	0.070371%
Proportion at measurement date - June 30, 2020	<u>0.064369%</u>
Change - Increase (Decrease)	<u>(0.006002)%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$689,368. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 183,425	\$ -	\$ 234,527	\$ (18,143)
Changes of assumptions	-	25,422	160,764	(57,204)
Net difference between projected and actual earnings on pension plan investments	254,825	142,540	-	(65,087)
Adjustment due to difference in proportions	119,630	179,189	241,471	-
Differences between actual and required contributions	157,038	134,714	-	(278,192)
Contributions after measurement date	405,654	-	807,154	-
Total	<u>\$ 1,120,572</u>	<u>\$ 481,865</u>	<u>\$ 1,443,916</u>	<u>\$ (418,626)</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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
<u>June 30</u>	
2021	\$ 17,012
2022	87,413
2023	74,280
2024	54,348
Total	\$ 233,053

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Age and Length of 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, 2021 and 2020

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 the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2020 based on June 30, 2019 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the Public Employee's Benefit Fund (PERF). In making its decision, the CalPERS Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies.

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.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Asset Class</u>	<u>New Strategy Allocation</u>	<u>Real Return Years 1 - 10^(a)</u>	<u>Real Return Years 11 +^(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
	<u>100.0%</u>		

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

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

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:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Carmichael Water District's proportionate share of the Miscellaneous Risk Pool's net pension liability	\$ <u>4,845,732</u>	\$ <u>2,715,129</u>	\$ <u>954,678</u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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 and 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, 2021 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
Retirees employees entitled to but not yet receiving benefit payments	-
	<u><u>36</u></u>

Funding Policy/Contributions - The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The required contribution is based on 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, 2021, the District's cash contributions to the trust were \$200,000 and the benefit payments were \$183,717 resulting in total payments of \$383,717.

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Actuarial 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:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
All Equities	59.0000	7.7950
All Fixed Income	25.0000	4.5000
Treasury Inflation Protected Securities (TIPS)	5.0000	3.2500
Real Estate Investment Trusts	8.0000	7.5000
All Commodities	<u>3.0000</u>	<u>7.7950</u>
Total	<u>100.0000</u>	

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 2020	\$ 3,453,309	\$ 1,500,311	\$ 1,952,998
Changes recognized for the measurement period:			
Service cost	86,613	-	86,613
Interest	240,101	-	240,101
Contributions - employer	-	575,337	(575,337)
Net investment income	-	73,557	(73,557)
Benefit payments	(135,337)	(135,337)	-
Administrative expense	-	(917)	917
Other	2,124	-	2,124
Net Changes	<u>193,501</u>	<u>512,640</u>	<u>(319,139)</u>
Balance at June 30, 2021	<u><u>\$ 3,646,810</u></u>	<u><u>\$ 2,012,951</u></u>	<u><u>\$ 1,633,859</u></u>

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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	\$ 2,080,155	\$ 1,633,859	\$ 1,259,509

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	\$ 1,216,735	\$ 1,633,859	\$ 2,124,146

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, 2021, the District recognized OPEB expense of \$186,969. The District reported deferred outflows of resources related to OPEB from the following sources at June 30:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 383,717	\$ -	\$ 575,337	\$ -
Experience gains/losses	- -	240,966	- -	(270,810)
Net difference between projected and actual earnings on OPEB plan investments	34,756	- -	- -	(4,629)
Total	\$ 418,473	\$ 240,966	\$ 575,337	\$ (275,439)

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The \$383,717 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Measurement Date June 30</u>	<u>Deferred Outflows/(Inflows) Of Resources</u>
2022	\$ (20,272)
2023	(20,272)
2024	(17,225)
2025	(18,355)
Thereafter	(130,086)
Total	<u>\$ (206,210)</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Contracts

The District has entered into various contracts for the purchase of materials and construction of water facilities. The amounts contracted are based on the contractor's estimated cost of construction at June 30, 2021, the total unpaid amount on these contracts is approximately \$13,100,000.

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 \$919,389 and \$835,734 under the terms of this agreement during the years ended June 30, 2021 and 2020, respectively

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

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.

Coronavirus Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The District is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

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 effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. 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 were effective for reporting periods beginning after December 15, 2019. The effective date of this pronouncement has been postponed by 18 months by GASB Statement No. 95. The District has not determined the effects of this pronouncement 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 15, 2020. Earlier application is encouraged. The District has elected to implement this pronouncement and has not capitalized any interest cost in the years ended June 30, 2021 and 2020.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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, 2019. Earlier application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not have a material effect 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 effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 92

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 “Omnibus 2020”. The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 93

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Replacement of Interbank Offered Rates”. The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to 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, 2021 and 2020

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB No. 94

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Public - Private and Public - Public Partnerships and Availability Payment Arrangements”. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncements these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial assets for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

GASB No. 95

In May 2020 the Governmental Accounting Standards Board issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

GASB No. 96

In May 2020 the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. 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.

CARMICHAEL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB No. 97

In June 2020, the Governmental Accounting Standards issued Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No.14 and No. 84 and Supersession of GASB Statement No. 32”. This statement requires that for purposes of determining whether a primary government is financial accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority. The statement requires that a Section 457 plan be classified as either pension or other employee benefit plan depending on whether the plan meets the definition of a pension plan. This statement supersedes the remaining provisions of GASB Statement No. 32.



**CARMICHAEL
WATER DISTRICT**

*Required Supplementary
Information*

CARMICHAEL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

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

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Proportion of the Net Pension Liability	0.024954%	0.070371%	0.065394%	0.063790%	0.058553%
Proportionate Share of the Net Pension Liability	\$ 2,715,129	\$ 2,817,998	\$ 2,464,518	\$ 2,514,648	\$ 2,034,074
Covered Payroll - Measurement Period	\$ 2,055,406	\$ 1,975,298	\$ 2,031,070	\$ 1,854,585	\$ 1,822,452
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	132.10%	142.66%	121.34%	135.59%	111.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.04%	81.40%	82.74%	81.35%	82.90%
	Measurement Date June 30, 2015	Measurement Date June 30, 2014	Measurement Date June 30, 2013	Measurement Date June 30, 2012	Measurement Date June 30, 2011
Proportion of the Net Pension Liability	0.046392%	0.048538%	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability	\$ 1,272,753	\$ 1,199,609	\$ N/A	\$ N/A	\$ N/A
Covered Payroll - Measurement Period	\$ 1,756,975	\$ 1,760,777	\$ N/A	\$ N/A	\$ N/A
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	72.44%	68.13%	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.6%	79.82%	N/A	N/A	N/A

Notes to Schedules:

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, 2021

SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN YEARS

	June 30, 2021	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2017
Contractually Required Contribution (Actuarially Determined)	\$ 405,655	\$ 358,226	\$ 311,796	\$ 257,968	\$ 222,301
Contributions in Relation to the Actuarially Determined Contributions	(405,655)	(807,154)	(311,796)	(257,968)	(222,301)
Contributions Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ (448,928)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll - Fiscal Year	\$ 2,078,028	\$ 2,065,530	\$ 2,096,870	\$ 2,025,447	\$ 1,854,585
Contributions as a Percentage of Covered Payroll	19.52%	39.08%	14.87%	12.74%	11.99%
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Contractually Required Contribution (Actuarially Determined)	\$ 198,100	\$ 160,693	\$ N/A	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially Determined Contributions	(198,100)	(160,693)	N/A	N/A	N/A
Contributions Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Covered Payroll - Fiscal Year	\$ 1,822,452	\$ 1,756,975	\$ N/A	\$ N/A	\$ N/A
Contributions as a Percentage of Covered Payroll	10.87%	9.15%	N/A	N/A	N/A

Notes to Schedules:

Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation Date				June 30, 2015	June 30, 2016

Methods and assumptions used to determine contributions rates:

Valuation Cost Method	Entry age normal cost method
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, 2021

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

Measurement Period	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 86,613	\$ 79,528	\$ 77,400
Interest	240,101	246,402	234,160
Benefit payments	(135,337)	(135,113)	(122,291)
Experience gains/losses	2,124	(280,671)	-
Expended minus actual benefit payments	-	(18,058)	-
Net change in total OPEB liability	193,501	(107,912)	189,269
Total OPEB Liability - Beginning	<u>3,453,309</u>	<u>3,561,221</u>	<u>3,371,952</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 3,646,810</u></u>	<u><u>\$ 3,453,309</u></u>	<u><u>\$ 3,561,221</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 575,337	\$ 575,113	\$ 562,291
Net investment income	73,557	84,137	64,131
Benefit payments	(135,337)	(135,113)	(122,291)
Administrative expense	(917)	(289)	(1,086)
Other	-	(5,640)	-
Net Change in Plan Fiduciary Net Position	<u>512,640</u>	<u>518,208</u>	<u>503,045</u>
Plan Fiduciary Net Position - Beginning	<u>1,500,311</u>	<u>982,103</u>	<u>479,058</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 2,012,951</u></u>	<u><u>\$ 1,500,311</u></u>	<u><u>\$ 982,103</u></u>
District's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 1,633,859</u></u>	<u><u>\$ 1,952,998</u></u>	<u><u>\$ 2,579,118</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u><u>55.20%</u></u>	<u><u>43.45%</u></u>	<u><u>27.58%</u></u>
Covered-Employee Payroll - Measurement Period	<u><u>\$ 2,065,530</u></u>	<u><u>\$ 2,096,870</u></u>	<u><u>\$ 2,025,447</u></u>
Net OPEB Liability as Percentage of Covered-Employee Payroll	<u><u>79.10%</u></u>	<u><u>93.13%</u></u>	<u><u>127.34%</u></u>

Notes to Schedules:

Valuation Date	June 30, 2018	June 30, 2017
Measurement Period - Fiscal Year Ended	\$ 2,065,530	\$ 2,096,870
	June 30, 2019	June 30, 2018
	127.34%	127.34%

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, 2021

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
75,328	\$ N/A						
221,503	N/A						
(105,162)	N/A						
-	N/A						
-	N/A						
<u>191,669</u>	<u>N/A</u>						
3,180,283	N/A						
<u>\$3,371,952</u>	<u>\$ N/A</u>						
545,162	\$ N/A						
39,214	N/A						
(105,162)	N/A						
(156)	N/A						
-	N/A						
<u>479,058</u>	<u>N/A</u>						
-	N/A						
<u>479,058</u>	<u>\$ N/A</u>						
<u>2,892,894</u>	<u>\$ N/A</u>						
<u>14.21%</u>	<u>N/A</u>						
<u>1,854,584</u>	<u>\$ N/A</u>						
<u>155.99%</u>	<u>N/A</u>						

CARMICHAEL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutory Required Contributions - Employer Fiscal Year	\$ 135,337	\$ 135,113	\$ 126,380	\$ 105,162	\$ N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>(383,717)</u>	<u>(575,337)</u>	<u>(566,380)</u>	<u>(562,291)</u>	<u>N/A</u>
Contribution Deficiency (Excess)	<u>\$ 248,580</u>	<u>\$ (440,224)</u>	<u>\$ (440,000)</u>	<u>\$ (457,129)</u>	<u>\$ N/A</u>
Covered-Employee Payroll - Employer Fiscal Year	\$ 2,100,800	\$ 2,065,530	\$ 2,096,870	\$ 2,025,447	\$ N/A
Contributions as a Percentage of Covered-Employee Payroll	6.44%	6.54%	6.03%	5.19%	N/A
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutory Required Contributions - Employer Fiscal Year	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution Deficiency (Excess)	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered-Employee Payroll - Employer Fiscal Year	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedules:

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017

An actuarially determined contribution rate was not calculated. The required contributions report 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.



**CARMICHAEL
WATER DISTRICT**

Statistical Section

DESCRIPTION OF STATISTICAL SECTION

This section of the District's annual comprehensive financial statement report presents detailed information as a context for understanding what the information in the financial 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Position:					
Investment in Capital Assets	\$ 13,212,659	\$ 35,499,050	\$ 35,284,574	\$ 34,539,863	\$ 34,148,344
Restricted	2,482,788	2,449,216	2,258,493	2,290,249	2,360,084
Unrestricted	<u>2,358,733</u>	<u>4,013,869</u>	<u>4,855,264</u>	<u>3,449,234</u>	<u>4,953,092</u>
Total Net Position*	<u>\$ 18,054,180</u>	<u>\$ 41,962,135</u>	<u>\$ 42,398,331</u>	<u>\$ 40,279,346</u>	<u>\$ 41,461,520</u>

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Position:					
Investment in Capital Assets	\$ 35,032,600	\$ 35,823,870	\$ 37,111,672	\$ 39,904,957	\$ 42,001,094
Restricted	2,402,358	2,427,721	2,520,252	486,637	599,345
Unrestricted	<u>13,540,261</u>	<u>12,806,906</u>	<u>13,764,832</u>	<u>14,674,174</u>	<u>16,358,382</u>
Total Net Position*	<u>\$ 50,975,219</u>	<u>\$ 51,058,497</u>	<u>\$ 53,396,756</u>	<u>\$ 55,065,768</u>	<u>\$ 58,958,821</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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues:										
Water sales	\$ 8,896,233	\$ 9,912,458	\$ 9,624,391	\$ 8,843,732	\$ 9,319,543	\$ 9,863,394	\$ 10,859,913	\$ 11,392,509	\$ 12,279,163	\$ 13,331,681
Connection, tap, and other fees	43,297	33,721	42,357	59,058	51,174	54,928	53,627	78,714	112,147	109,466
Wholesale water sales, net	-	-	-	49,740	122,625	-	-	-	-	-
Capacity sales	-	-	-	-	-	9,400,000	-	-	-	-
Water treatment and delivery charges	-	-	-	-	-	413,720	817,991	853,543	835,734	919,389
Total Operating Revenues	8,939,530	9,946,179	9,666,748	8,952,530	9,493,342	19,732,042	11,731,531	12,324,766	13,227,044	14,360,536
Operating Expenses:										
General and administrative	2,303,993	2,258,123	2,723,270	2,400,500	2,224,824	2,991,231	3,185,882	2,424,011	2,621,140	2,814,357
Transmission and distribution	736,020	1,003,343	1,152,781	1,219,486	1,179,274	1,388,069	1,649,564	1,729,627	2,119,602	1,539,061
Pumping and treatment	1,725,362	1,871,412	1,799,359	2,004,962	2,343,249	2,664,920	2,306,629	2,082,719	2,534,363	2,327,072
Depreciation and amortization	3,189,802	2,597,394	2,603,442	2,546,331	2,492,258	2,375,778	2,337,538	2,344,652	2,285,472	2,250,686
Pension Expense Adjustment *	-	-	-	-	-	-	-	514,216	718,394	683,775
OPEB**	-	-	-	-	-	-	-	260,703	203,511	186,969
Membrane**	-	-	-	-	-	-	-	90,300	291,130	163,018
Total Operating Expenses	7,955,177	7,730,272	8,278,852	8,171,279	8,239,605	9,419,998	9,479,613	9,446,228	10,773,612	9,964,938
Net Income from Operations	984,353	2,215,907	1,387,896	781,251	1,253,737	10,312,044	2,251,918	2,878,538	2,453,432	4,395,598
Non-Operating Revenues (Expenses):										
Investment income earned	2,884	1,598	5,843	5,897	62,172	12,047	33,558	124,212	142,410	33,496
Other revenue	56,550	133,371	121,550	28,356	21,271	15,284	21,857	59,585	35,650	144,599
Income from investment in electrical power	14,491	13,614	11,926	13,699	16,221	11,116	14,161	13,800	13,338	14,962
Reimbursements	2,720	1,560	2,785	44,587	20,772	5,379	13,723	43,234	48,895	41,707
Pass-through grant payment	-	-	-	-	-	(723,188)	-	-	-	-
Gain (loss) on disposal of capital assets	22,610	(34,142)	(10,581)	(16,178)	7,174	(643)	(25,406)	4,689	15,473	13,615
Interest expense	(1,189,111)	(1,150,275)	(1,107,462)	(1,056,587)	(1,017,921)	(966,921)	(905,671)	(850,121)	(1,237,820)	(869,994)
Total Non-Operating Revenues (Expenses)	(1,089,856)	(1,034,274)	(975,939)	(980,226)	(890,311)	(1,646,926)	(847,778)	(604,601)	(982,054)	(621,615)
Income (Loss) Before Contributions	(105,503)	1,181,633	411,957	(198,975)	363,426	8,665,118	1,404,140	2,273,937	1,471,378	3,773,983
Capital Contributions:										
Capital Contributions	105,935	221,590	24,239	31,714	43,748	846,898	39,229	64,322	197,634	119,070
Capital grant revenue	-	-	-	-	775,000	1,683	-	-	-	-
Total Capital Contributions	105,935	221,590	24,239	31,714	818,748	848,581	39,229	64,322	197,634	119,070
Changes in Net Position*	\$ 432	\$ 1,403,223	\$ 436,196	\$ (167,261)	\$ 1,182,174	\$ 9,513,699	\$ 1,443,369	\$ 2,338,259	\$ 1,669,012	\$ 3,893,053

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

** Breakout began in FY 2019-2020 Audit

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Water Sales:					
Residential	\$ 7,815,341	\$ 8,799,289	\$ 8,463,689	\$ 7,762,144	\$ 8,188,150
Non-residential	<u>1,080,892</u>	<u>1,113,169</u>	<u>1,160,702</u>	<u>1,081,588</u>	<u>1,131,393</u>
Total Water Sales	\$ 8,896,233	\$ 9,912,458	\$ 9,624,391	\$ 8,843,732	\$ 9,319,543
Total Water Deliveries (AF)	9,801	10,276	9,640	7,867	6,947
Rate per Acre Foot (AF)	\$ 907.69	\$ 964.62	\$ 998.38	\$ 1,124.16	\$ 1,341.52
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Water Sales:					
Residential	\$ 8,595,948	\$ 9,458,984	\$ 9,194,894	\$ 9,889,638	\$ 11,611,894
Non-residential	<u>1,267,446</u>	<u>1,400,929</u>	<u>2,197,615</u>	<u>2,389,525</u>	<u>1,719,787</u>
Total Water Sales	\$ 9,863,394	\$ 10,859,913	\$ 11,392,509	\$ 12,279,163	\$ 13,331,681
Total Water Deliveries (AF)	7,652	8,400	8,137	8,855	9,490
Rate per Acre Foot (AF)	\$ 1,289.00	\$ 1,292.85	\$ 1,400.09	\$ 1,386.69	\$ 1,404.81

Source:
 District Administrative Department

CARMICHAEL WATER DISTRICT
PRINCIPAL RATE PAYERS 2021 AND 2012
CURRENT YEAR AND NINE YEARS PRIOR

Rate Payers	2021				2012			
	Revenues	Collected	Rank	Percent of	Revenues	Collected	Rank	Percent of
Carmichael Recreation & Park District	\$ 163,925	1		1.23%	\$ 65,741	4		0.74%
Ancil Hoffman Park	100,183	2		0.75%	114,622	1		1.29%
Vertus Properties Inc.	72,679	3		0.55%	56,096	7		0.63%
Del Campo High School	47,039	4		0.35%	36,658	2		0.41%
Hebel Living	40,528	5		0.30%	36,162	3		0.41%
FPA6 Carmichael Park LLC	39,357	6		0.30%	17,735	9		0.20%
M&M Properties	38,935	7		0.29%				
Linden Lane Apartments LLC	35,597	8		0.27%				
Carmichael Oaks	34,405	9		0.26%				
MP Core Vista Torre LLC	28,451	10		0.21%				
Heritage Oaks Apartments					25,339	5		0.28%
Lighthouse Carmichael Fair Oaks LP					24,051	6		0.27%
Oakpoint Apartments					19,334	8		0.22%
James Klein					17,516	10		0.20%
Total	\$ 601,099			4.51%	\$ 413,254			4.65%
Total Water Sales		\$ 13,331,681				\$ 8,896,233		

Source:
 District Finance Department

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**CARMICHAEL
WATER DISTRICT**

Debt Capacity

CARMICHAEL WATER DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE AND NUMBER OF
CONNECTIONS
LAST TEN YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt:					
2010 Certificates of Participation	\$28,298,783	\$27,165,608	\$26,002,433	\$24,809,257	\$23,571,082
2010 Subordinate Installment Sale Agreement	1,005,250	597,964	178,175	-	-
2019 Certificates of Participation Series A	-	-	-	-	-
2019 Certificates of Participation Series B	-	-	-	-	-
Unamortized Premium	-	-	-	-	-
Total Debt	\$29,304,033	\$27,763,572	\$26,180,608	\$24,809,257	\$23,571,082
Number of Service Connections	11,748	11,884	11,768	11,607	11,693
Debt Per Capita	2,494.38	2,336.21	2,224.73	2,137.44	2,015.83

Source:

District Administrative Department

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt:					
2010 Certificates of Participation	\$22,297,907	\$20,964,732	\$18,620,000	\$ -	\$ -
2010 Subordinate Installment Sale Agreement	-	-	-	-	-
2019 Certificates of Participation Series A	-	-	-	16,510,000	16,510,000
2019 Certificates of Participation Series B	-	-	-	15,775,000	14,300,000
Unamortized Premium	-	-	951,557	3,566,080	3,362,304
Total Debt	\$22,297,907	\$20,964,732	\$19,571,557	\$35,851,080	\$34,172,304
Number of Service Connections	11,685	11,912	11,918	11,922	11,948
Debt Per Capita	1,908.25	1,759.97	1,642.18	3,007.14	2,860.09

Source:

District Administrative Department

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Revenue	\$ 4,174,154	\$ 4,936,774	\$ 3,991,338	\$ 3,327,582	\$ 3,866,431
Debt Service	2,198,775	2,197,962	2,198,775	2,190,550	2,196,200
Coverage	190%	225%	182%	152%	176%
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Revenue	\$ 12,733,331	\$ 4,672,755	\$ 5,468,710	\$ 4,994,670	\$ 6,894,663
Debt Service	2,184,325	2,183,575	2,186,350	2,311,530	2,539,828
Coverage	583%	214%	250%	216%	271%

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Personal Income ^{(1)**}	\$60,264,004	\$62,592,345	\$66,707,690	\$71,532,171	\$73,922,295
Population ⁽¹⁾	1,446,585	1,459,474	1,477,522	1,496,130	1,513,260
Per Capita Personal Income ⁽¹⁾	\$41,659	\$42,887	\$45,148	\$47,811	\$48,850
Unemployment Rate ⁽²⁾	10.5%	8.9%	7.3%	6.0%	5.4%
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Personal Income ^{(1)**}	\$76,832,120	\$80,969,087	\$85,775,621	\$90,908,707	N/A
Population ⁽¹⁾	1,530,615	1,540,975	1,552,050	1,559,139	N/A
Per Capita Personal Income ⁽¹⁾	\$50,197	\$52,544	\$55,266	\$58,307	N/A
Unemployment Rate ⁽²⁾	4.7%	3.8%	3.7%	9.3%	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	2021**			2012**		
	Total Employee	Rank	Percent of Total Employed	Total Employee	Rank	Percent of Total Employed
UC Davis Health System	14,618	1	2.18%			
Kaiser Permanente	12,078	2	1.80	9,932	1	1.67%
Dignity/ Mercy Health	10,888	3	1.63			
Sutter Health Sacramento Sierra Region	10,764	4	1.61	9,609	2	1.62
Intel Corp.	5,992	5	0.90	6,147	4	1.03
Raley's Inc./Bel Air	3,394	6	0.51			
VSP Global	2,834	7	0.42			
Sacramento Municipal Utility	2,099	8	0.31			
Siemens Mobiltiy Inc.	2,000	9	0.30			
Safeway	1,823	10	0.27			
CHW/Mercy Health Care				7,107	3	1.20
Hewlett-Packard				3,500	5	0.59
Wells Fargo & Co				2,986	6	0.50
Health Net of California				2,440	7	0.41
Cache Creek Casino Resort				2,376	8	0.40
Pacific Gas and Electric Co				2,060	9	0.35
Thunder Valley Casino Resort				2,025	10	0.34
Total	66,490		9.93%	48,182		8.11%
Total Employed by Sacramento County⁽²⁾	707,200			679,900		

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

Sources:

⁽¹⁾Sacramento Business Journal

⁽²⁾California State Employment Development Department

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**CARMICHAEL
WATER DISTRICT**

Operating Information

CARMICHAEL WATER DISTRICT
OPERATING INFORMATION
LAST TEN YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water Services:										
Number of Service Connections	11,748	11,884	11,768	11,607	11,693	11,685	11,912	11,918	11,922	11,948
Annual Demand in AF	9,801	10,276	9,640	7,867	6,947	7,652	8,400	8,137	8,855	9,490
Average Daily Demand in MGD	8.75	9.17	8.61	7.02	6.20	6.83	7.50	7.25	7.87	8.45
Maximum Day Demand in MGD	15.52	16.82	16.62	13.22	11.36	13.25	14.02	13.40	13.80	14.46
Leak Repairs:										
Main Lines	59	55	54	52	35	43	43	35	28	20
Service Lines	98	100	95	93	68	72	61	50	65	56
Meters:										
Replacement	702	239	18	8	1,089	293	1,156	37	41	915
Register Change Outs	25	82	359	1,129	76	720	1,369	3,297	4,865	10
Service Lines:										
Replacement	96	76	119	143	74	78	92	97	110	53
Main Line Valves:										
Replacement	1	12	12	5	11	4	2	10	6	30
Hydrants:										
Replacement	7	11	3	13	1	6	2	6	7	4
Main Lines:										
Replacement Projects								1		
Major Facilities:										
Wells	5	5	5	5	5	5	5	4	4	5
Tank	2	2	2	2	2	2	2	2	2	2
Booster Station	2	2	2	2	2	2	2	2	2	2
Pressure Regulation Valves	2	2	2	2	2	2	2	2	2	2
Miles of Pipeline*	154	154	154	154	154	154	154	154	160	160
Personnel (FTE)										
Admin Services	12	12	12	13	13	14	14	14	14	14
Production	8	8	8	8	8	9	9	6	6	6
Distribution	5	5	6	5	5	6	6	9	9	9
Total (FTE)	25	25	26	26	26	29	29	29	29	29

*This information was not tracked until 2016.



Carmichael, California