Financial Statements
For the year ended June 30, 2022

Board of Directors

December 13, 2022

Recommendation

Accept the audited financial statements for the fiscal year ended June 30, 2022.

RAMONA MUNICIPAL WATER DISTRICT

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2022

RMWD Financial Statements

- Management bears the responsibility of these financial statements and related internal controls

- Independent, third-party, evaluation of our financial reporting

RAMONA MUNICIPAL WATER DISTRICT

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2022

Audit Process

- Transaction testing, sample testing 3rd party confirmations, analytics, reasonableness testing, interviews and more

- Six-month process including 13 days onsite

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Independent Auditor's Report

Board of Directors
Ramona Municipal Water District
Ramona, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ramona Municipal Water District (the "District"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in note 14 to the financial statements, during the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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RAMONA MUNICIPAL WATER DISTRICT

AUDIT RESULT

FISCAL YEAR ENDED JUNE 30, 2022

December 13, 2022

Audit Reports

- Basic Financial Statements
  - Unmodified opinion dated November 22, 2022
  - The financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles
- Government Auditing Standards Opinion
- Letter to Those in Governance

Audit Results

- Finance staff was prepared for the audit
- One material audit adjustments detected as a result of the audit procedures
- Noted no instances of noncompliance with laws and regulations that are direct and material to the financial statements
- Significant deficiency in internal controls related to material audit adjustment

Areas of Audit Focus

- GASB 87 Implementation
- Inventory Observation
- Capital Assets
- Utility Billing

Questions?

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New This Year

- Comparative information provided for the first time since 2014
- GASB No. 87 – New Lease Disclosure

10. LEASES

Cell Site Leases

The District has entered into 7 cell site leases with lease terms ranging from less than four year to 24 years. The lessees are required to make monthly fixed payments ranging from $336 to $3,360, with annual discount rates of 3.30%. The leases have up to two extension options ranging from 2 year to 20 years. As of June 30, 2022, the lease receivable is $2,565,378 and deferred inflows of resources is $2,521,591. The District recognized $186,201 of lease revenue during the fiscal year.

As of the fiscal year ended June 30, 2022, the District reported aggregate maturities of lease receivables and deferred inflows as follows:

Year Ending June 30,	Lease Receivable	Deferred Inflow
2023	$ 152,886	186,012
2024	159,395	186,012
2025	166,165	186,012
2026	138,467	156,545
2027	125,988	141,768
Thereafter	1,822,477	1,665,242
	$ 2,565,378	2,521,591

RAMONA MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2022
(with comparative information as of June 30, 2021)

	2022	2021
Current assets		
Cash and investments (note 3)	$ 49,134,303	49,424,332
Accounts receivable, net	1,911,045	1,854,362
Taxes receivable	62,677	38,585
Interest receivable	70,949	26,782
Lease receivable - current (note 10)	153,046	-
Other receivables	909,357	799,708
Inventories	2,570,198	2,377,288
Total current assets	54,811,575	54,521,057
Non-current assets		
Capital assets - not depreciated (note 4)	20,915,504	23,058,470
Capital assets - depreciated, net (note 4)	60,989,541	55,626,045
Lease receivable - non-current (note 10)	2,412,332	
Total non-current assets	84,317,377	78,684,515
Total assets	139,128,952	133,205,572
Deferred outflows of resources		
Pension related (note 6)	2,899,831	3,319,595
OPEB related (note 7)	373,683	335,949
Total deferred outflows of resources	3,273,514	3,655,544
Current liabilities		
Accounts payable	3,476,402	3,247,603
Deposits payable	319,031	283,949
Accrued payroll	194,297	166,805
Accrued interest	19,412	21,680
Current compensated absences (note 5)	194,918	201,481
Current portion of long term debt (note 5)	565,630	536,005
Total current liabilities	4,769,690	4,526,310
Non-current liabilities		
Compensated absences, less current portion (note 5)	584,753	604,444
Long term debt, less current portion (note 5)	2,854,008	3,373,165
Net pension liability (note 6)	4,605,509	12,383,420
Total OPEB liability (note 7)	1,922,450	2,073,306
Total non-current liabilities	9,966,720	18,434,335
Total liabilities	14,736,410	22,960,645
Deferred inflows of resources		
Pension related (note 6)	6,869,314	1,602,939
OPEB related (note 7)	376,325	31,276
Lease related (note 10)	2,521,591	
Total deferred inflows of resources	9,767,230	1,634,215
Net position		
Net investment in capital assets	78,485,407	74,775,345
Restricted for capital projects	2,872,401	3,369,824
Unrestricted	36,541,018	34,121,087
Total net position	$ 117,898,826	112,266,256

See accompanying notes to the financial statements
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Statement of Net Position

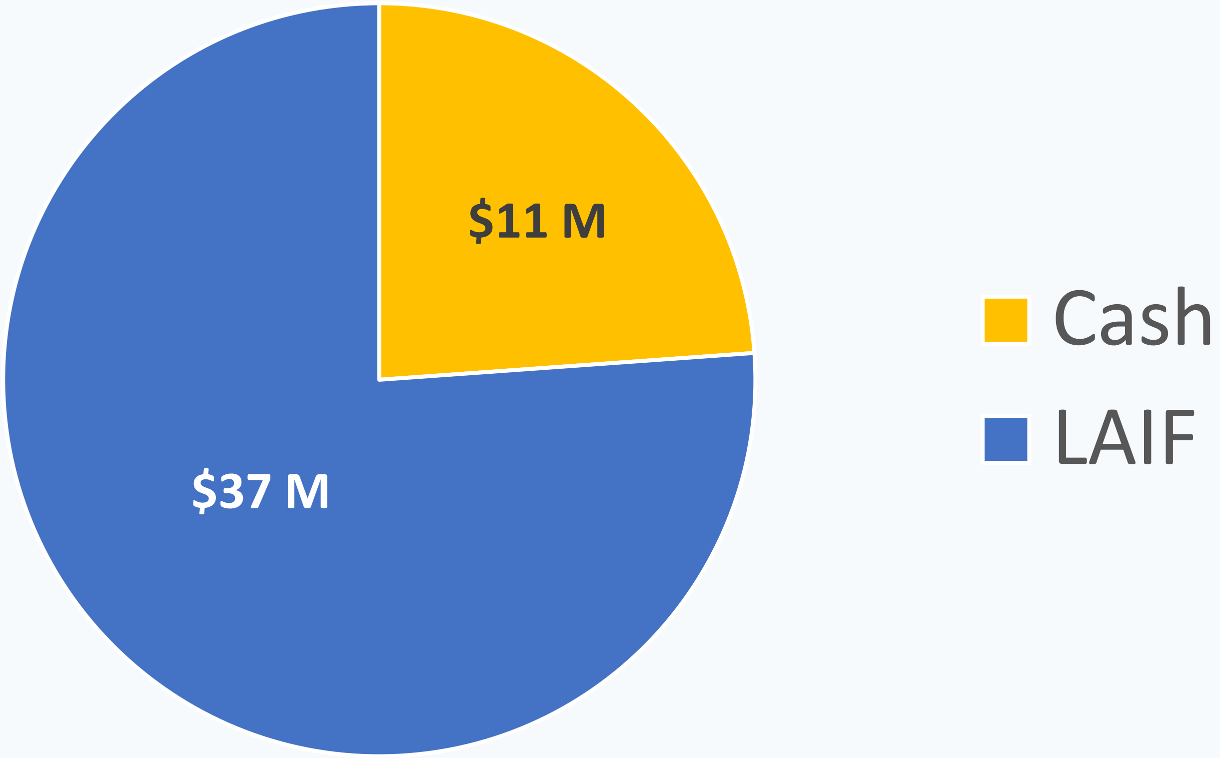
	2022	2021	$ Variance	% Variance
Assets				
Cash and investments	$ 49,134,303	$ 49,424,332	$ (290,029)	-0.6%
Accounts & other receivables	2,954,028	2,719,436	234,592	8.6%
Inventories	2,570,198	2,377,288	192,910	8.1%
Capital Assets, Net	81,905,045	78,684,515	3,220,530	4.1%
Lease Receivable	2,565,378	-	2,565,378	100.0%
Total Assets	139,128,952	133,205,571	5,923,381	4.4%
Deferred outflows of resources	3,273,514	3,655,544	(382,030)	-10.5%
Liabilities				
Accounts & other payables	4,009,142	3,788,824	220,318	5.8%
Notes, contracts, and leases payable	3,419,638	3,909,170	(489,532)	-12.5%
Compensated absences	779,671	805,925	(26,254)	-3.3%
OPEB liability	1,922,450	2,073,306	(150,856)	-7.3%
Net pension liability	4,605,509	12,383,420	(7,777,911)	-62.8%
Total Liabilities	14,736,410	22,960,645	(8,224,235)	-35.8%
Deferred Inflows of resources	9,767,230	1,634,215	8,133,015	497.7%
Net Position	$ 117,898,826	$ 112,266,256	$ 5,632,570	5.0%

Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021	$ Variance	% Variance
Operating revenues:				
Water sales and service fees	$ 18,967,399	$ 20,151,044	$ (1,183,645)	-5.9%
Fire and emergency medical service fees	3,798,746	3,968,947	(170,201)	-4.3%
Sewer service fees	7,962,978	7,953,199	9,779	0.1%
Total Operating Revenues	30,729,123	32,073,190	(1,344,067)	-4.2%
Operating expenses				
Source of supply	8,538,686	8,762,451	(223,765)	-2.6%
Systems	1,417,615	1,338,537	79,078	5.9%
Reservoirs and pumping	2,095,163	1,703,207	391,956	23.0%
Transmission and distribution	2,412,735	2,376,122	36,613	1.5%
Sewer services	3,384,052	3,480,186	(96,134)	-2.8%
Safety services	6,344,517	5,324,754	1,019,763	19.2%
Park services	185,584	182,315	3,269	1.8%
General and administrative	4,570,231	8,043,319	(3,473,088)	-43.2%
Total Operating Expenses (Before Depreciation)	28,948,585	31,210,891	(2,262,306)	-7.2%
Other Revenues (Expenses)				
Property Taxes and Penalties	7,466,676	7,125,115	341,561	4.8%
Capital contributions	775,562	195,942	579,620	295.8%
Other Revenue and Expenses	638,327	655,831	(17,504)	-2.7%
Assessment revenue	284,521	66,876	217,645	325.4%
Lease Income	186,201	-	186,201	100.0%
Depreciation	(5,199,615)	(5,353,120)	153,505	-2.9%
Investment gain (loss)	(261,284)	183,627	(444,911)	-242.3%
Interest Expense	(107,303)	(93,174)	(14,129)	15.2%
Total Other Revenues (Expenses)	3,783,086	2,781,097	1,001,989	36.0%
Changes in Net Position	$ 5,563,624	$ 3,643,396	$ 1,920,228	52.7%

Cash and Investments

- LAIF recognized an unrealized loss in 2022
- Alternative, safe, liquid options are available with better results
- Consider the California Asset Management Plan (CAMP) ?



Capital Assets

	2022	2021	$ Variance	% Variance
Capital Assets, Net	$ 81,905,045	$ 78,684,515	$ 3,220,530	4.1%

<u>Additions Include</u>

$2.6M	Water Fund	B, E, 5th, 9th St. Cast Iron Replacement Water Meter Replacements Tank & Reservoir Rehabilitation
$3.5M	San Vicente Sewer	Pipeline Replacement Collection System Rehab Spray Fields Project & Land
$2.4M	Santa Maria Sewer	Influent Pump Station Grit Removal Project
$0.3M	Park, Fire & General	

Capital Assets

	Depreciable Capital Assets	Accumulated Depreciation	Net Capital Assets	Depreciated %	Remaining %
Water property, plant, lines & equipment	$ 121,436,756	$ (75,942,887)	$ 45,493,869	63%	37%
Fire protection property, buildings, and equipment	5,675,181	(4,378,574)	1,296,607	77%	23%
Park buildings and equipment	1,864,190	(1,844,906)	19,284	99%	1%
San Vicente Sewer system	24,709,758	(17,925,102)	6,784,656	73%	27%
Santa Maria Sewer system	20,461,779	(14,078,249)	6,383,530	69%	31%
Leased capital assets	1,353,460	(341,865)	1,011,595	25%	75%
Total	$ 175,501,124	$ (114,511,583)	$ 60,989,541	65%	35%

Pension Liability

	2022	2021	$ Variance	% Variance
Net pension liability	$ (4,605,509)	$ (12,383,420)	$ 7,777,911	62.8%

- Fluctuation driven by CalPERS investment performance
- Investment return target: 6.8%

Net Investment Return		
1 Year (6/30/2022)	-6.1%	Next Year
1 Year (6/30/2021)	21.3%	Current
1 Year (6/30/2020)	4.7%	
1 Year (6/30/2019)	6.7%	
1 Year (6/30/2018)	8.6%	
1 Year (6/30/2017)	11.2%	
1 Year (6/30/2016)	0.6%	
1 Year (6/30/2015)	2.4%	
1 Year (6/30/2014)	18.4%	
3 Year Annualized	6.0%	
5 Year Annualized	6.7%	
10 Year Annualized	7.7%	
20 Year Annualized	6.9%	
30 Year Annualized	7.7%	

OPEB Liability

	2022	2021	$ Variance	% Variance
OPEB liability	$ (1,922,450)	$ (2,073,306)	$ 150,856	7.3%

- Current investment return target: 1.61%
- Fully funded OPEB Trust fund would save District $430K in interest

Looking Forward

- Fire divesture
- Opportunities to provide more transparency and historical perspective of where we’ve been
- Many long-term planning discussions

Recommendation

Accept the audited financial statements for the fiscal year ended June 30, 2022.

RAMONA MUNICIPAL WATER DISTRICT

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2022