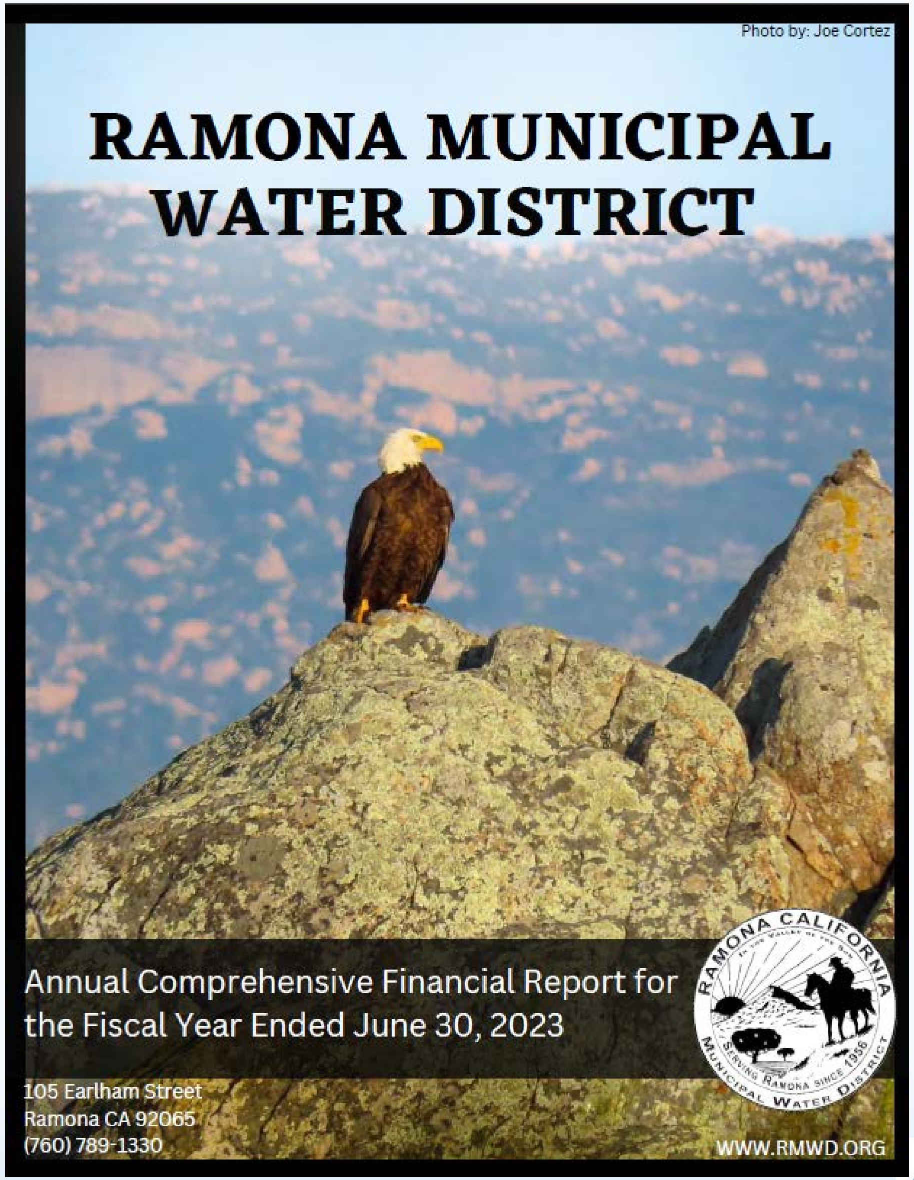
Annual Comprehensive Financial Statements (ACFR) For the year ended June 30, 2023

Board of Directors

December 12, 2023

ACFR vs Basic Financials

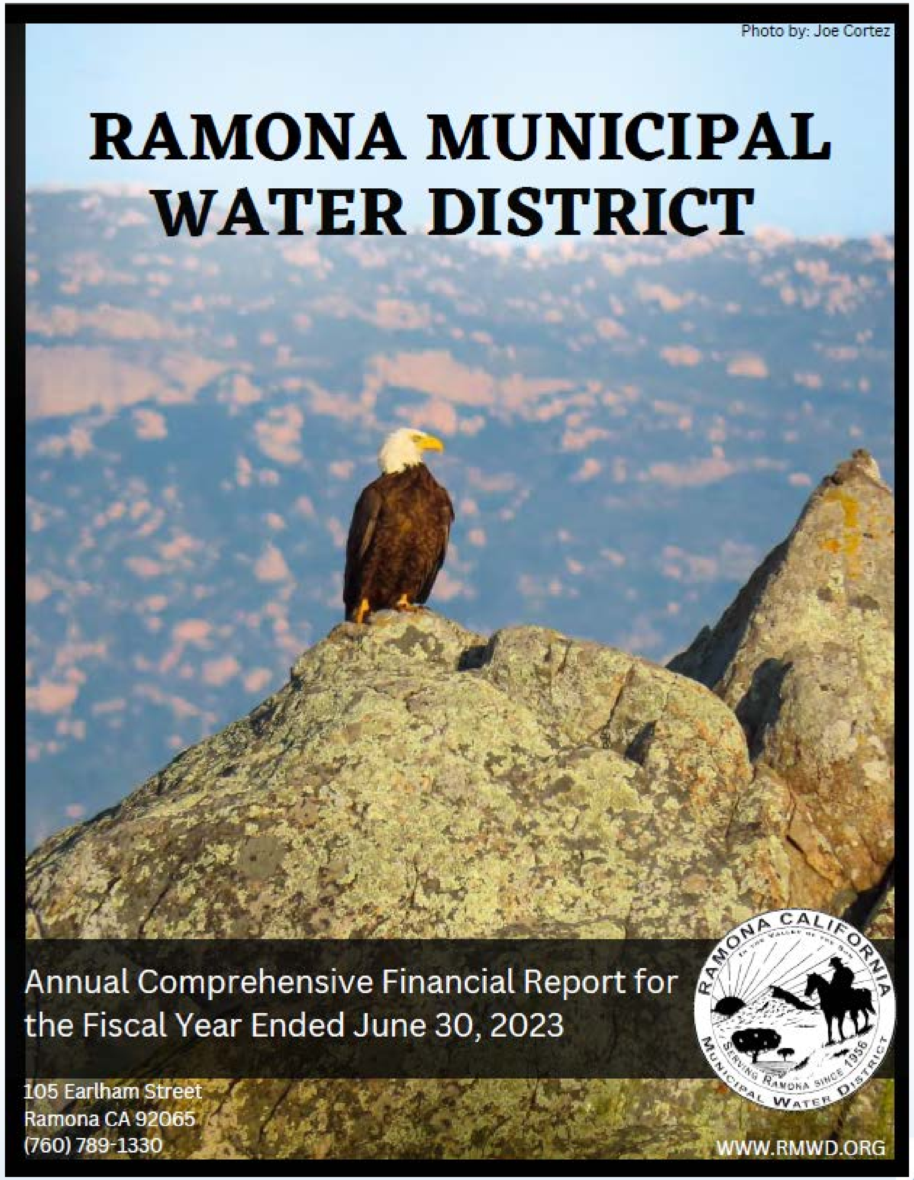
- Significantly more transparent
- New in-depth introductory section
- Better financial disclosures
- New breakdown by division
- New statistical section
- Financial, demographic, and operating trend data going back 10 years



ACFR Audited by Independent Party

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

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



Audit Process

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

- Eight-month process including several days onsite

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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 ended June 30, 2023, 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, 2023, 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 opinion.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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RAMONA MUNICIPAL WATER DISTRICT

Audit Results

Fiscal Year Ending June 30, 2023

Shannon Ayala | Partner

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Responsibilities of auditor

- Audit the District's financial statements in accordance with US Generally Accepted Auditing Standards and *Government Auditing Standards*
- Plan the audit to express an opinion as to whether *managements* financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles (GAAP)
  - Provide reasonable assurance, not absolute
  - Unmodified opinion expressed

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Audit Reports

Independent Auditor’s Report – Unmodified Opinion dated November 22, 2023

Government Auditing Standards Opinion – No significant deficiencies or material weaknesses identified

Communication to those in Governance Letter – End of Audit Letter – No significant items to note

Audit Results

Finance department well prepared for the audit

No journal entries detected as a result of audit procedures

Areas of audit focus

Implementation of Governmental Accounting Standards Board. No. 96 – Subscription Based IT Arrangements

Capital Assets – Review of Construction in Progress

Divesture of Fire Services – Review of Agreement, Transfer of Assets and Payments Made

Benford's Law Testing – Testing of Cash Disbursements with data mining software

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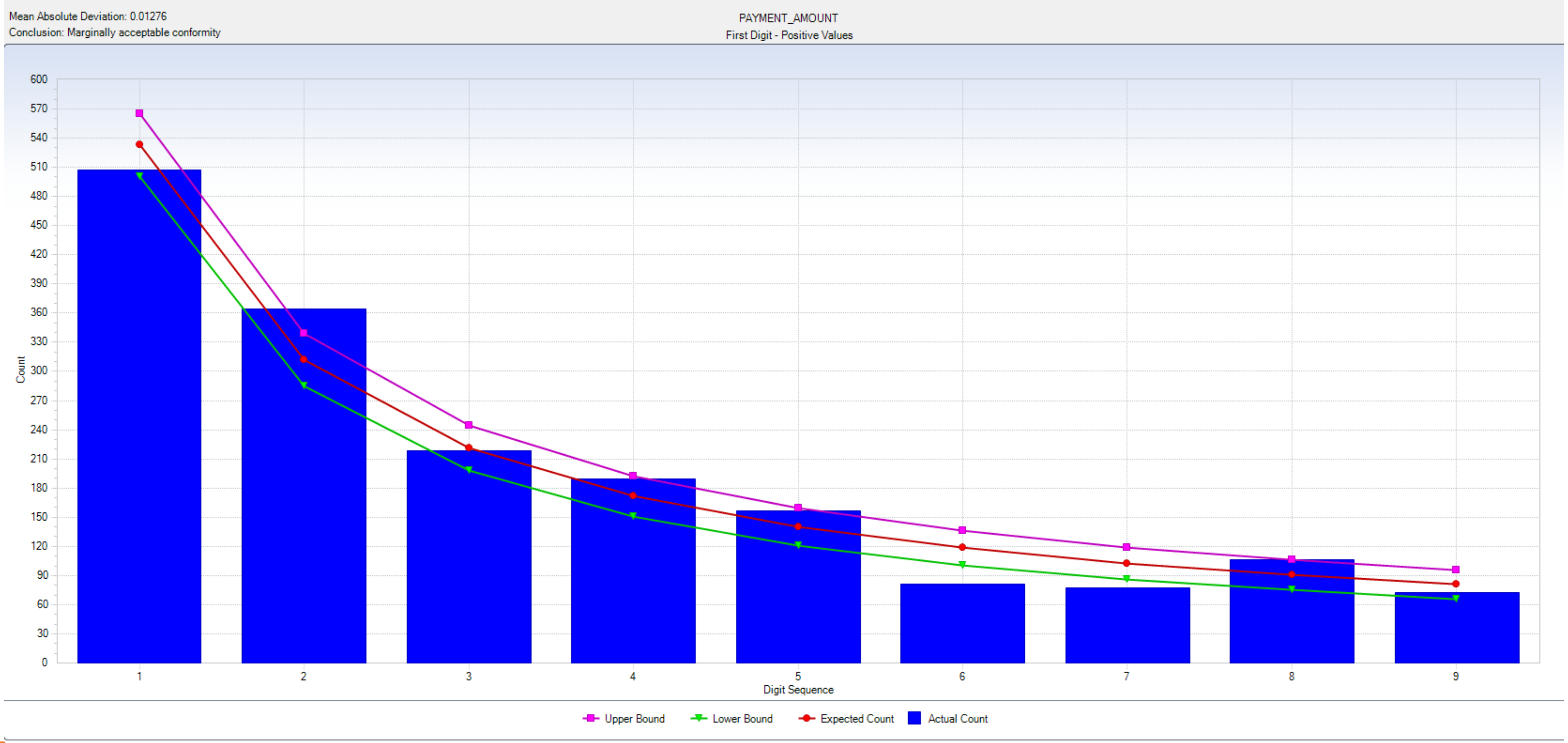
Benford’s law testing



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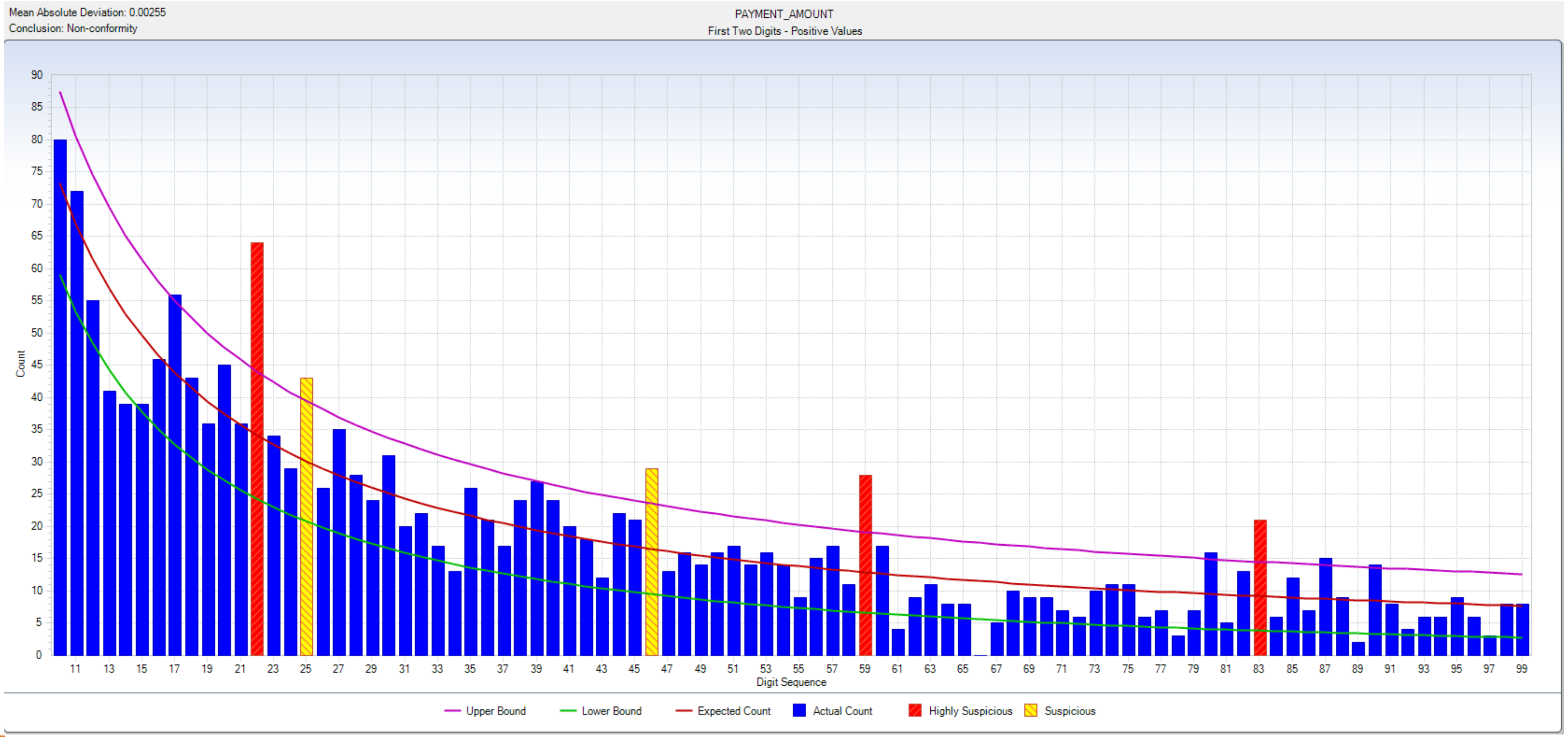
Benford’s law testing



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Questions?

Statement of Net Position

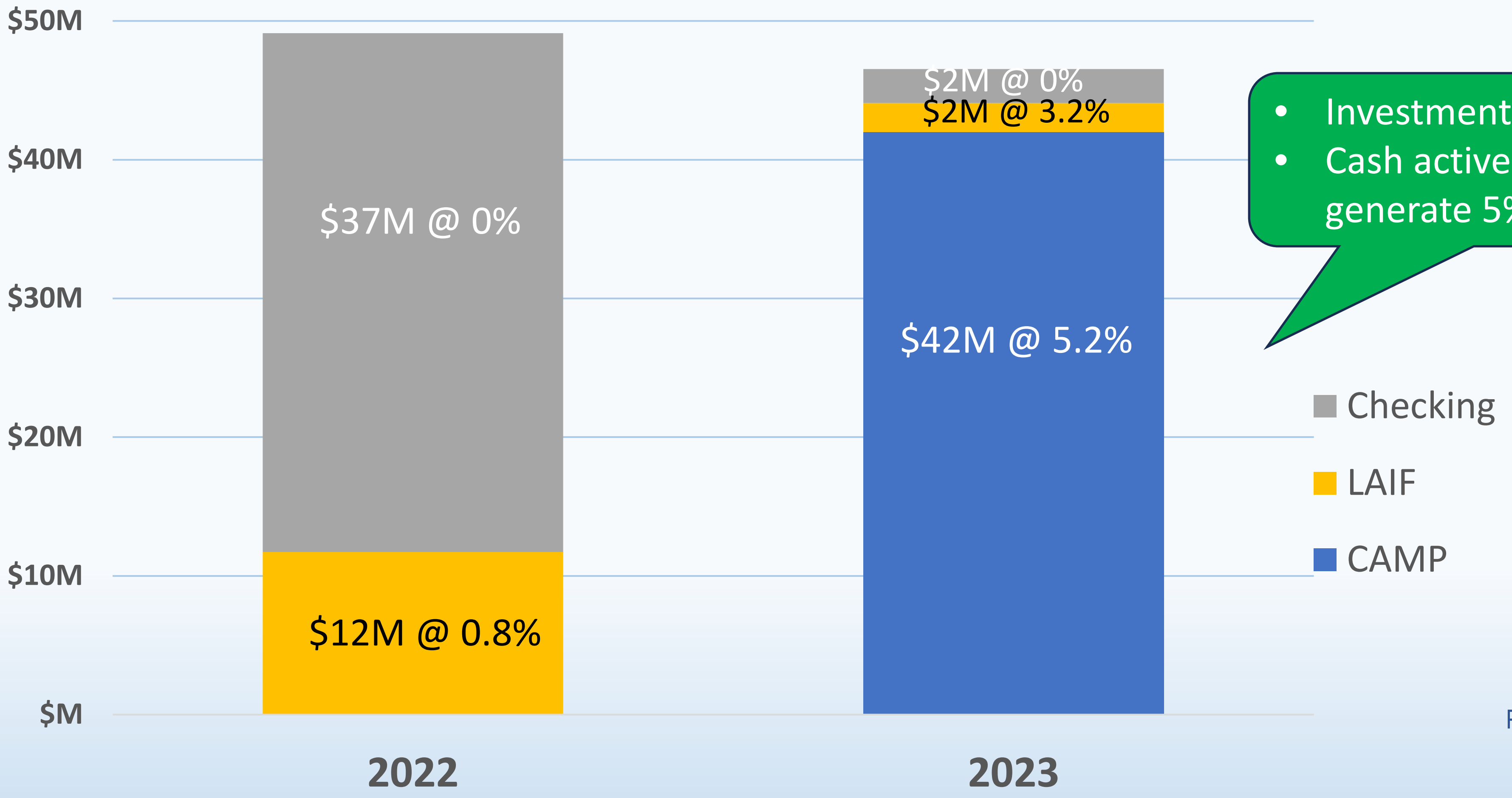
		2023	2022	$ Variance	% Variance
	Assets				
1	Cash and investments	$ 46,537,504	$ 49,134,303	$ (2,596,799)	-5.3%
	Accounts & other receivables	1,778,223	2,954,028	(1,175,805)	-39.8%
	Inventories	3,125,300	2,570,198	555,102	21.6%
2	Capital Assets, Net	84,692,611	81,905,045	2,787,566	3.4%
	Lease Receivable	2,412,492	2,565,378	(152,886)	-6.0%
	Total Assets	138,546,130	139,128,952	(582,822)	-0.4%
	Deferred outflows of resources	8,960,787	3,273,514	5,687,273	173.7%
	Liabilities				
	Accounts & other payables	4,237,139	4,009,142	227,997	5.7%
	Notes, contracts, and leases payable	2,662,510	3,419,638	(757,128)	-22.1%
	Compensated absences	807,484	779,671	27,813	3.6%
3	OPEB liability	613,937	1,922,450	(1,308,513)	-68.1%
4	Net pension liability	15,070,085	4,605,509	10,464,576	227.2%
	Total Liabilities	23,391,155	14,736,410	8,654,745	58.7%
	Deferred Inflows of resources	6,130,197	9,767,230	(3,637,033)	-37.2%
	Net Position	$ 117,985,565	$ 117,898,826	$ 86,739	0.1%

Statement of Revenues, Expenses, and Changes in Net Position

		2023	2022	$ Variance	% Variance
	Operating revenues:				
1	Water sales and service fees	$ 17,091,896	$ 18,967,399	$ (1,875,503)	-9.9%
2	Fire and emergency medical service fees	399,216	3,798,746	(3,399,530)	-89.5%
	Sewer service fees	7,297,421	7,962,978	(665,557)	-8.4%
	Total Operating Revenues	24,788,533	30,729,123	(5,940,590)	-19.3%
	Operating expenses				
	Source of supply	7,460,527	8,538,686	(1,078,158)	-12.6%
	Systems	1,501,376	1,417,615	83,761	5.9%
3	Reservoirs and pumping	2,292,105	2,095,163	196,941	9.4%
	Transmission and distribution	2,157,884	2,412,735	(254,851)	-10.6%
	Sewer services	4,179,647	3,384,052	795,594	23.5%
4	Safety services	1,005,656	6,344,517	(5,338,861)	-84.1%
	Park services	172,784	185,584	(12,800)	-6.9%
5	General and administrative	7,299,724	4,570,231	2,729,493	59.7%
	Total Operating Expenses (Before Depreciation)	26,069,704	28,948,585	(2,878,881)	-9.9%
	Other Revenues (Expenses)				
	Property Taxes and Penalties	7,172,936	7,466,676	(293,740)	-3.9%
6	Investment gain (loss)	1,740,144	(261,284)	2,001,428	-766.0%
	Lease Income	194,481	186,201	8,280	100.0%
7	Capital contributions	73,823	775,562	(701,739)	-90.5%
	Assessment revenue	31,627	284,521	(252,894)	-88.9%
	Depreciation	(5,018,357)	(5,199,615)	181,257	-3.5%
8	Loss on disposal of capital assets	(2,327,973)	-	(2,327,973)	-100.0%
	Other Revenue and Expenses	(404,835)	638,327	(1,043,162)	-163.4%
	Interest Expense	(93,938)	(107,303)	13,365	-12.5%
	Total Other Revenues (Expenses)	1,367,908	3,783,086	(2,415,178)	-63.8%
	Changes in Net Position	$ 86,738	$ 5,563,624	$ (5,476,887)	-98.4%

Cash and Investments: Portfolio

	2022	2023	$ Variance
Investment gain (loss)	$ (261,284)	$ 1,740,144	$ 2,001,428

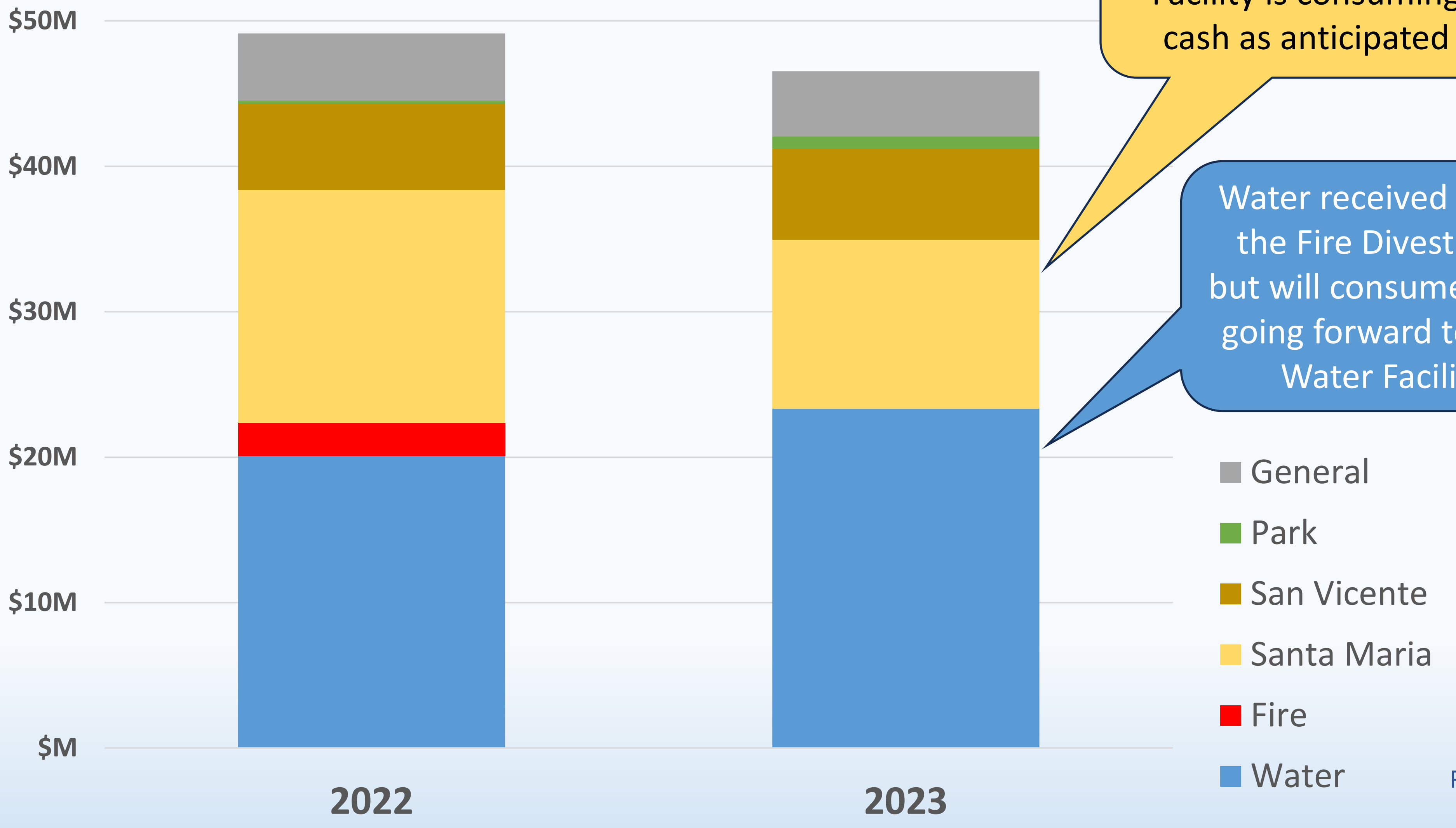


- Investment Policy revised
- Cash actively managed to generate 5%+ returns

Cash and Investments: by Fund

Construction at the Santa Maria Treatment Facility is consuming cash as anticipated

Water received benefit from the Fire Divestiture effort, but will consume cash quickly going forward to support its Water Facilities Plan



Capital Assets: Additions

	2022		2023		$ Variance		% Variance
Capital Assets, Net	$	81,905,045	$	84,692,611	$	2,787,566	3.4%

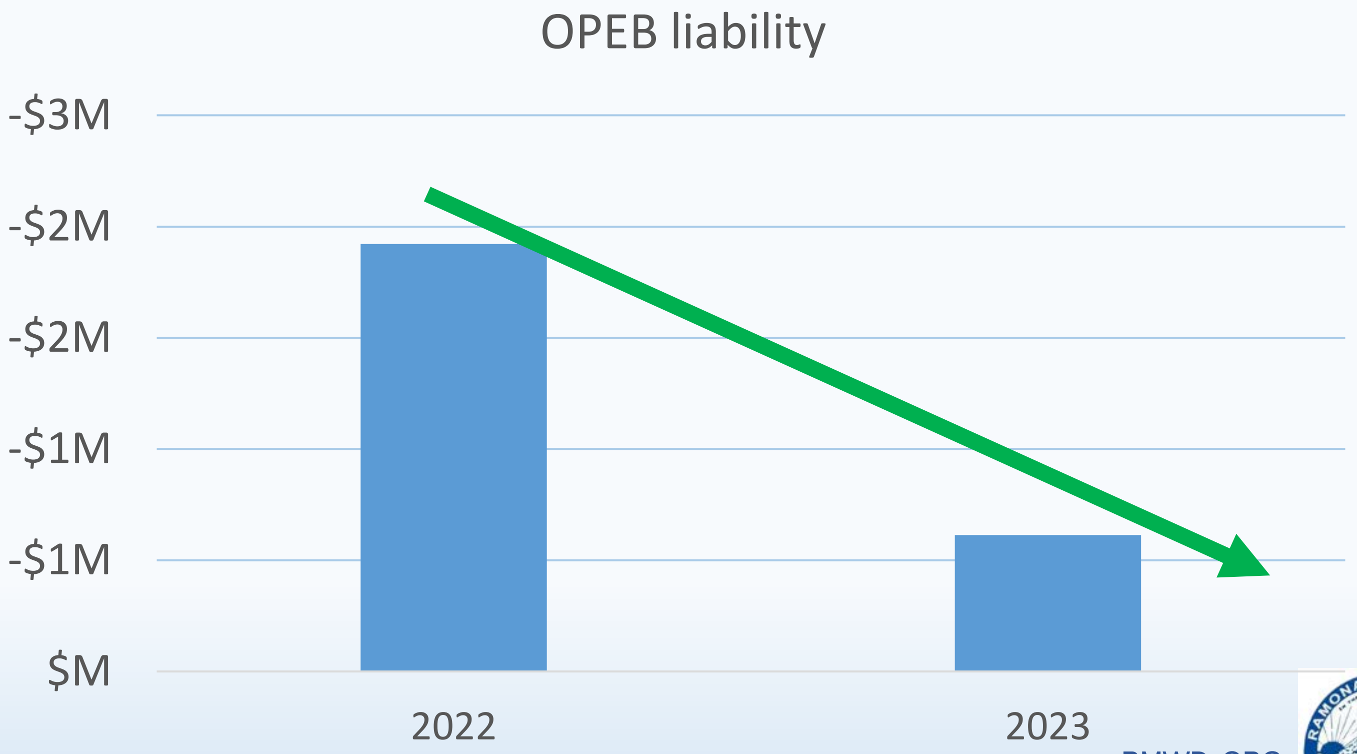
Additions Include

$6.1M	Santa Maria Sewer	Influent Pump Station & Grit Removal Project Effluent Transmission Pipeline Project
$2.9M	Water Fund	B, E, 4th, 5th, 9th,12th St. Cast Iron Replacement Tank & Reservoir Rehabilitation Pressure Reducing Valve Projects
$0.3M	San Vicente Sewer	Collection System I&I Rehab Project 8” Spray Field Force Main Replacement
$0.3M	Park	Bathrooms Rehab Parking Lot Rehab Media Equipment Replacement

Other Post Employment Benefit (OPEB): Liability

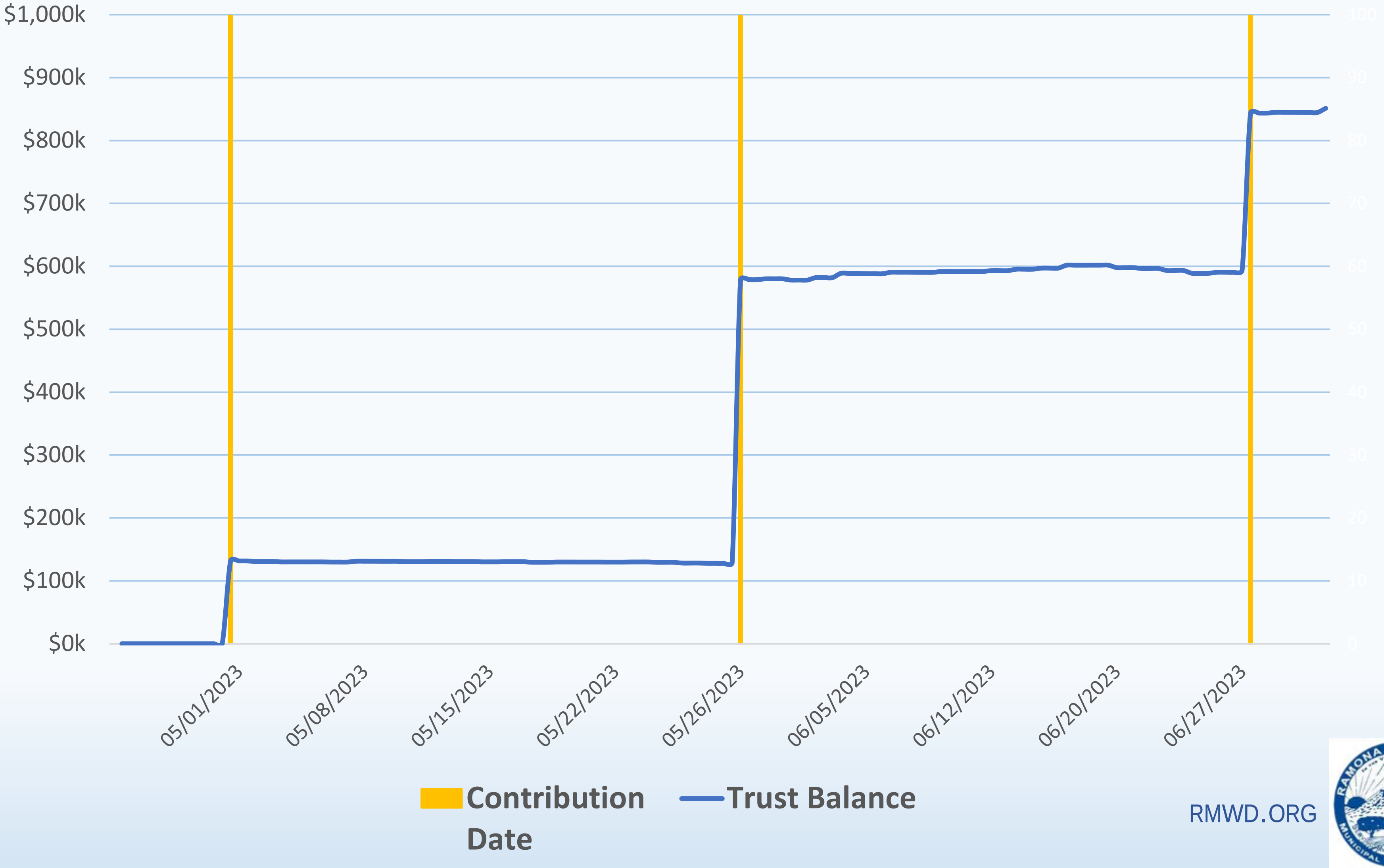
	2022		2023		$ Variance		% Variance
OPEB liability	$	(1,922,450)	$	(613,937)	$	1,308,513	-68.1%

- Opened trust fund
- Implemented plan to address liability
- Trust fund earnings will pay for significant portion of this plan, thereby saving the District over $432Ka



Other Post Employment Benefit (OPEB): Trust

- Trust fund's financial performance is monitored regularly
- Currently performing better than expected



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Pension Liability

	2022	2023	$ Variance	% Variance
Net pension liability	$ (4,605,509)	$ (15,070,085)	$ (10,464,576)	227.2%

- Fluctuation driven by CalPERS investment performance
- CalPERS investment return target: 6.8%
- Year to year fluctuations expected. Annualized long-term returns still healthy.

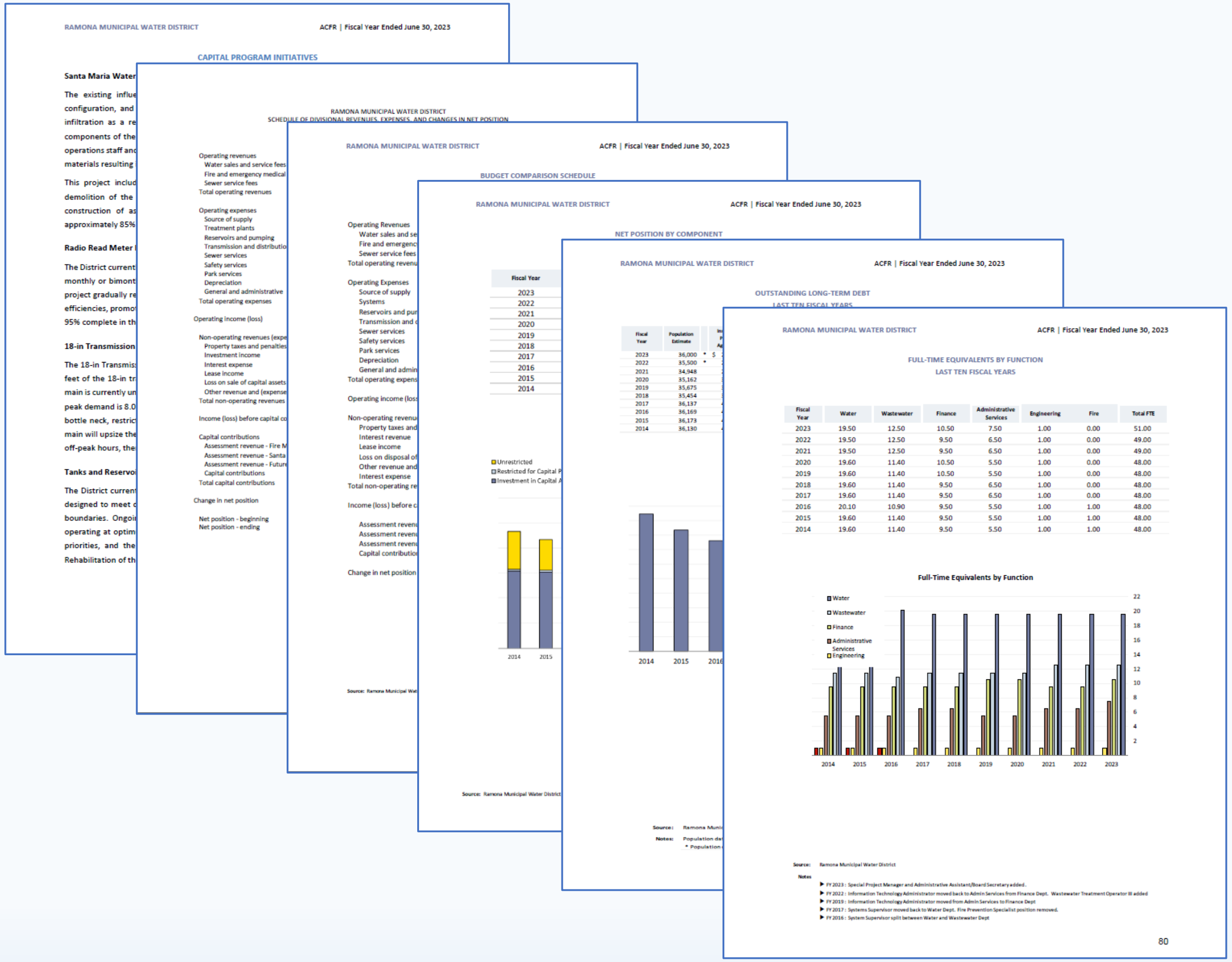
Net Investment Return	
1 Year (6/30/2023)	6.4%
1 Year (6/30/2022)	-6.1%
1 Year (6/30/2021)	21.3%
1 Year (6/30/2020)	4.7%
1 Year (6/30/2019)	6.7%
1 Year (6/30/2018)	8.6%
1 Year (6/30/2017)	11.2%
1 Year (6/30/2016)	0.6%
1 Year (6/30/2015)	2.4%
1 Year (6/30/2014)	18.4%
3 Year Annualized	5.5%
5 Year Annualized	5.3%
10 Year Annualized	6.3%
20 Year Annualized	7.0%
30 Year Annualized	7.5%

Next Year

Current

New This Year

- Comprehensive historical illustrations
- More data documented and made public



Looking Forward

- Submit 2023 ACFR to the Government Finance Officer's Association (GFOA) for financial transparency review
- Water Rate & Fee Study
- Pension liability discussions

Recommendation

Receive and file the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.