Annual Comprehensive Financial Statements (ACFR) For the year ended June 30, 2024

Agenda Item F.1

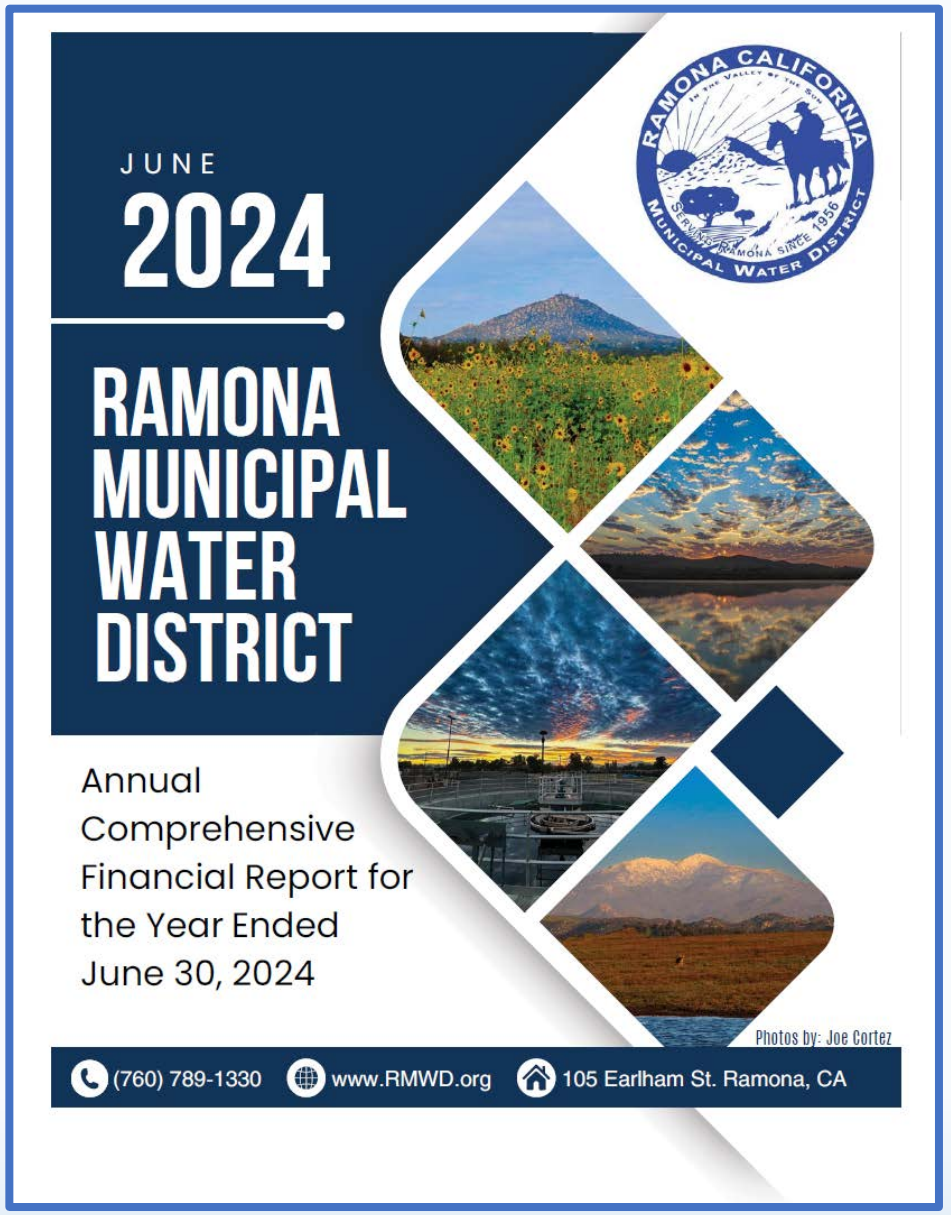
December 19, 2024

Comprehensive Format

- More transparency than what is required
- Historical illustrations
- Better financial disclosures
- Details into each division's performance
- Statistical details
- 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
- Auditors provide 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

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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 ended June 30, 2024, 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, 2024, 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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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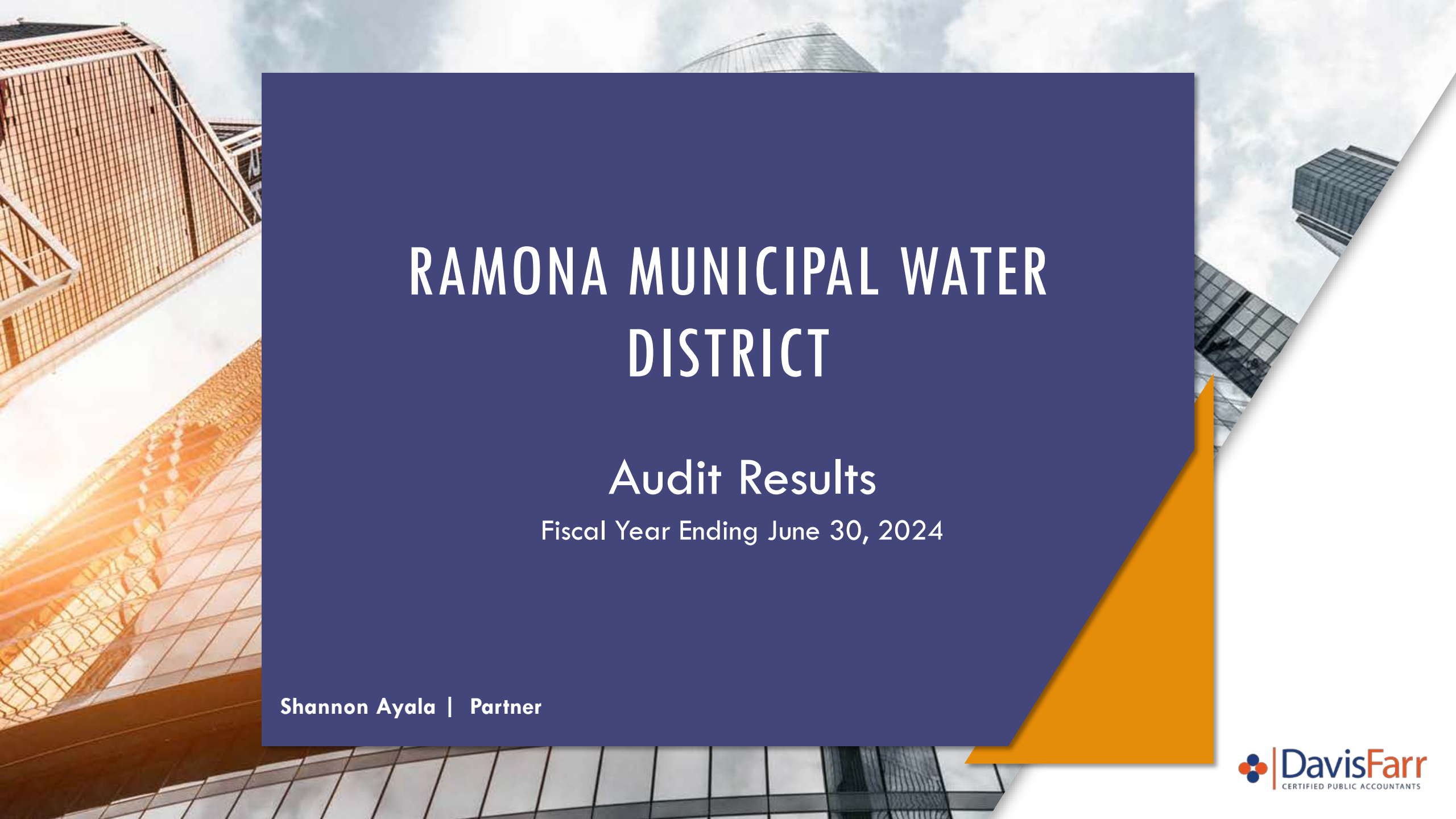

RAMONA MUNICIPAL WATER DISTRICT

Audit Results

Fiscal Year Ending June 30, 2024

Shannon Ayala | Partner

DavisFarr
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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

AUDIT REPORTS

Independent Auditor's Report – Unmodified Opinion dated November 7, 2024

Government Auditing Standards Opinion – No significant deficiencies or material weaknesses identified. One best practice recommendation noted.

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

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AUDIT RESULTS

Finance department well prepared for the audit

No material journal entries detected as a result of audit procedures

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AREAS OF AUDIT FOCUS

Capital Assets – Review of Construction in Progress

Compliance with Purchasing Policy

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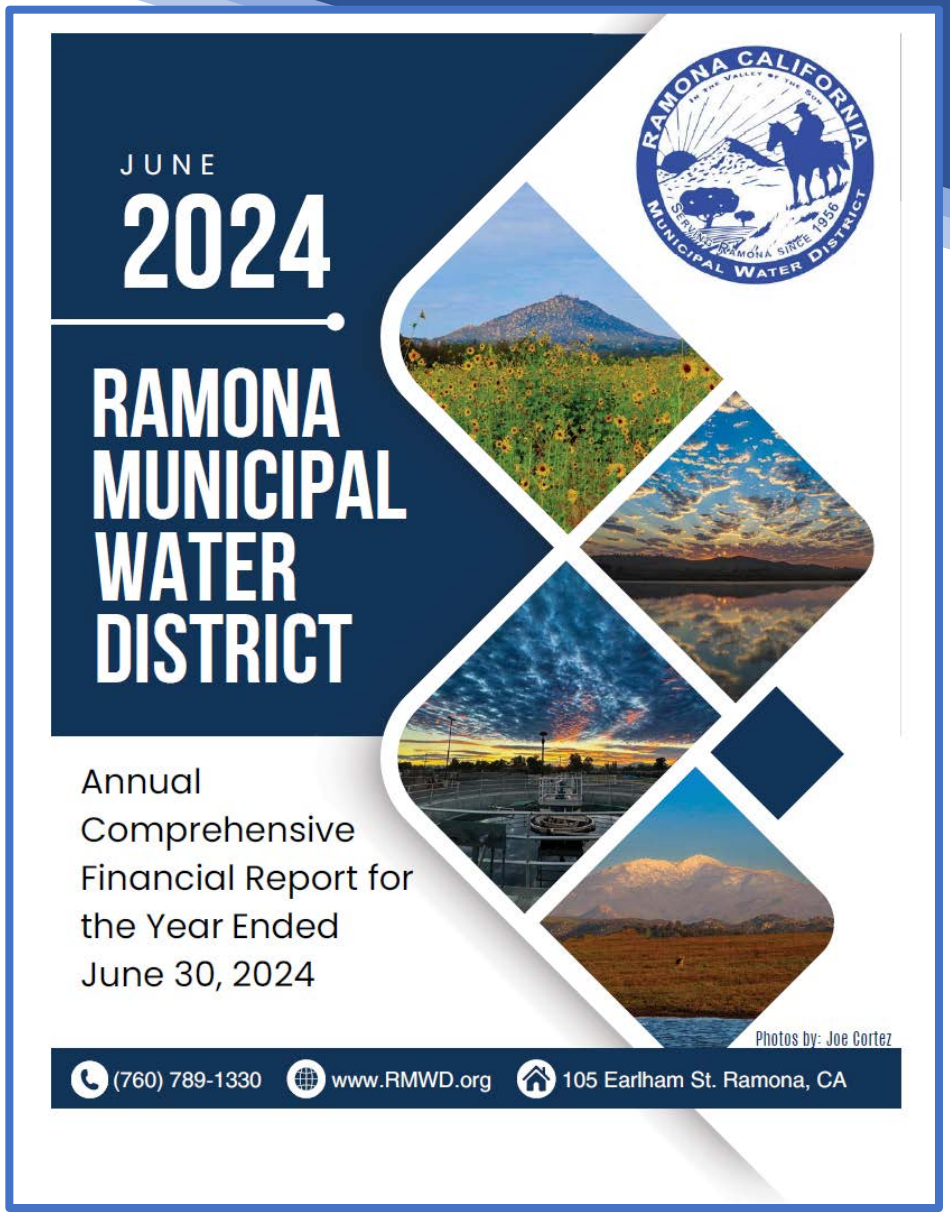
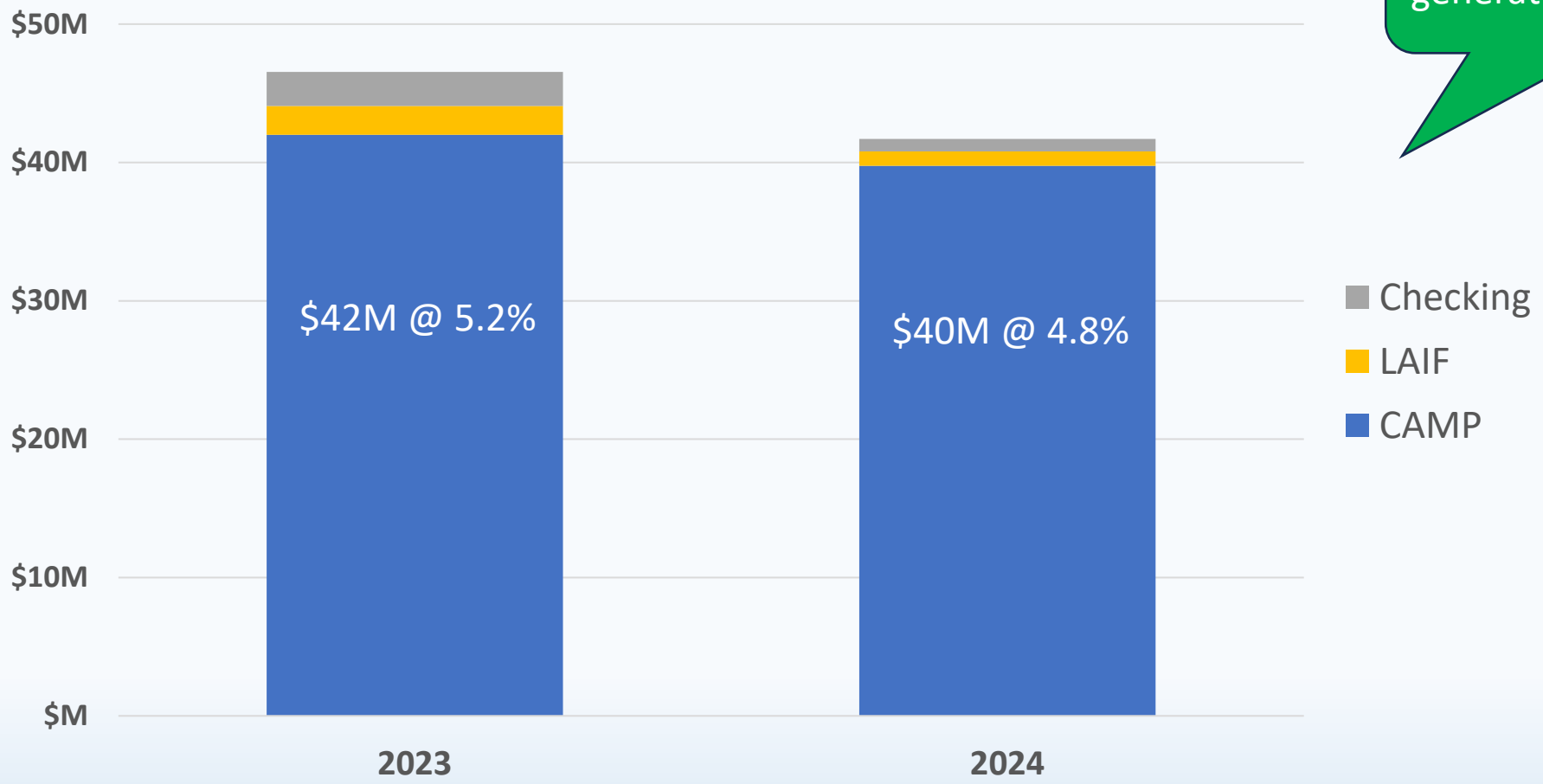
QUESTIONS?

2024 ACFR Highlights

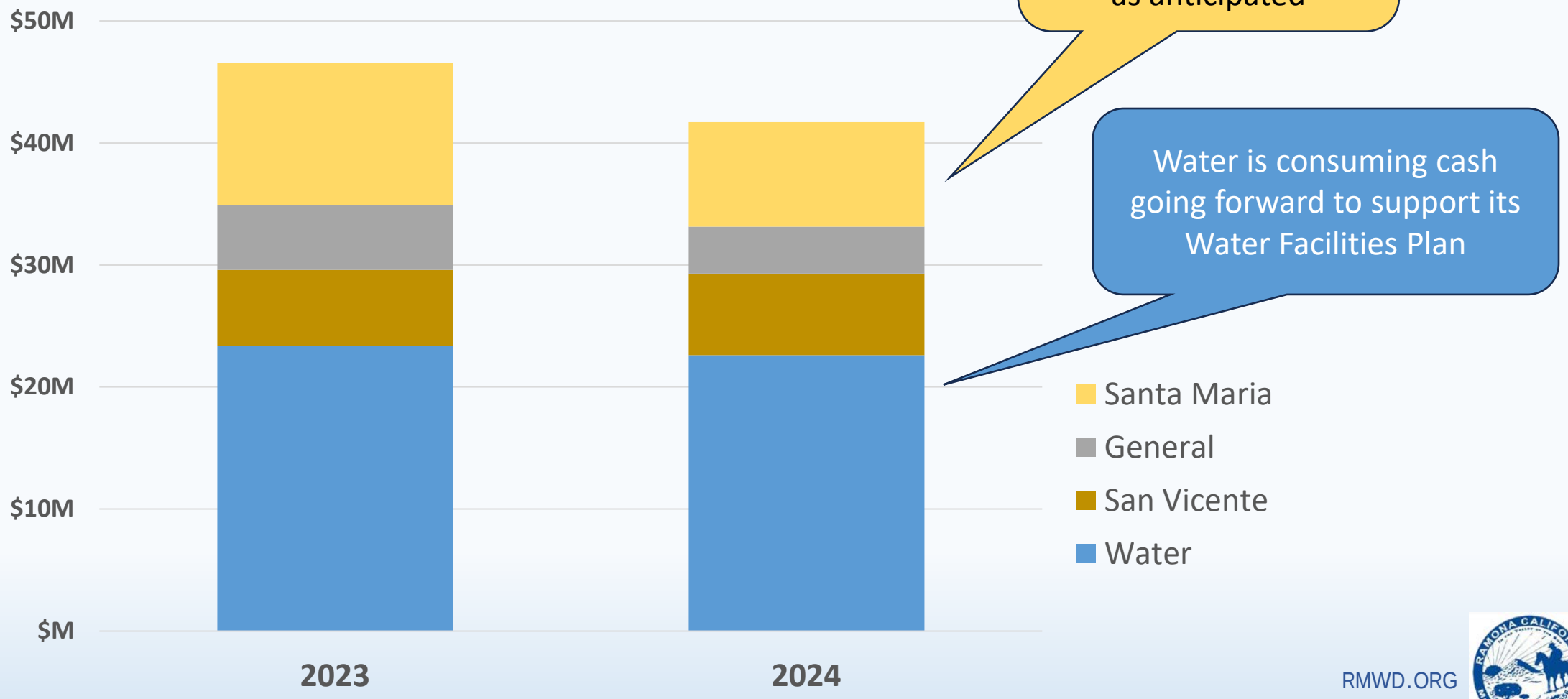


Cash and Investments: Portfolio

Cash actively managed to generate 4-5% return



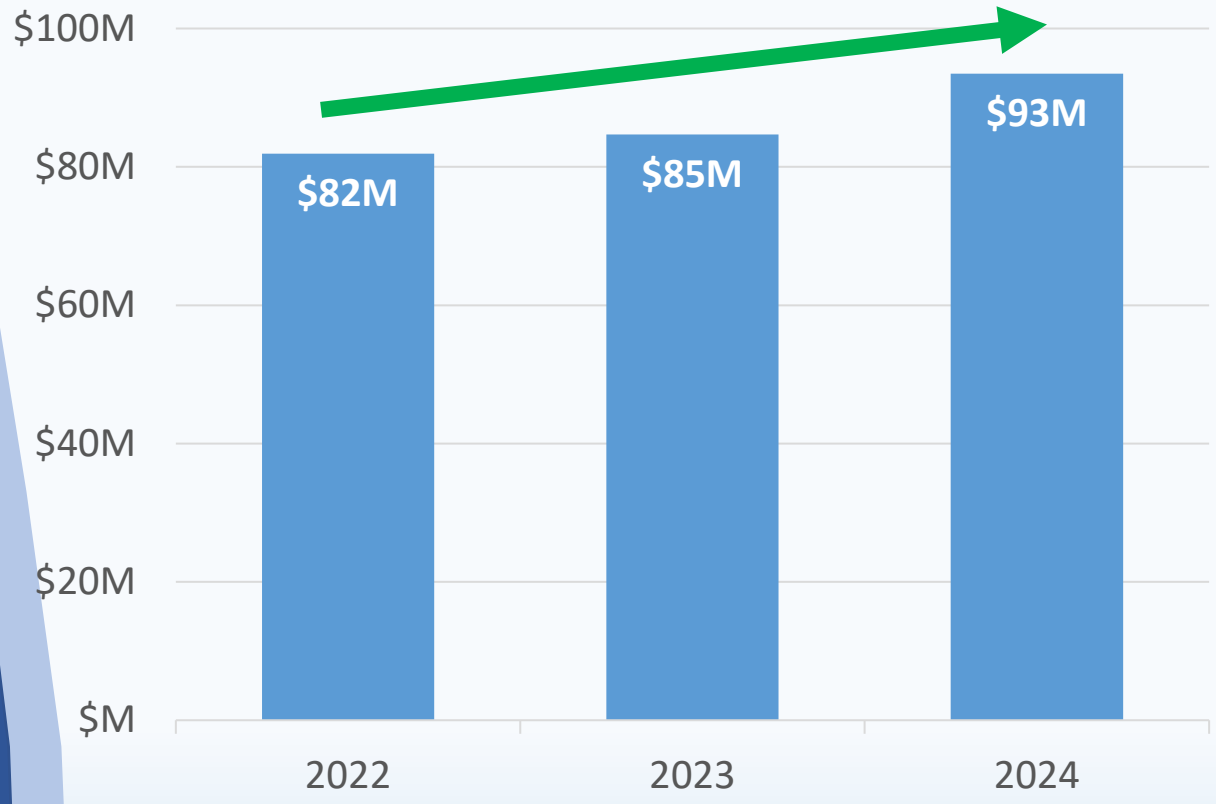
Cash and Investments: by Fund



Construction at the Santa Maria Treatment Facility consumed cash as anticipated

Water is consuming cash going forward to support its Water Facilities Plan

Capital Assets



2024 Additions Include:

$7.6M **Water Fund**

30” Pipeline Replacement Proj. (in progress)

4th, 12th St. Waterline Replacement

$4.2M **Santa Maria**

Influent Pump Station & Grit Removal Proj.

Effluent Transmission Pipe

$1.1M **Park Fund**

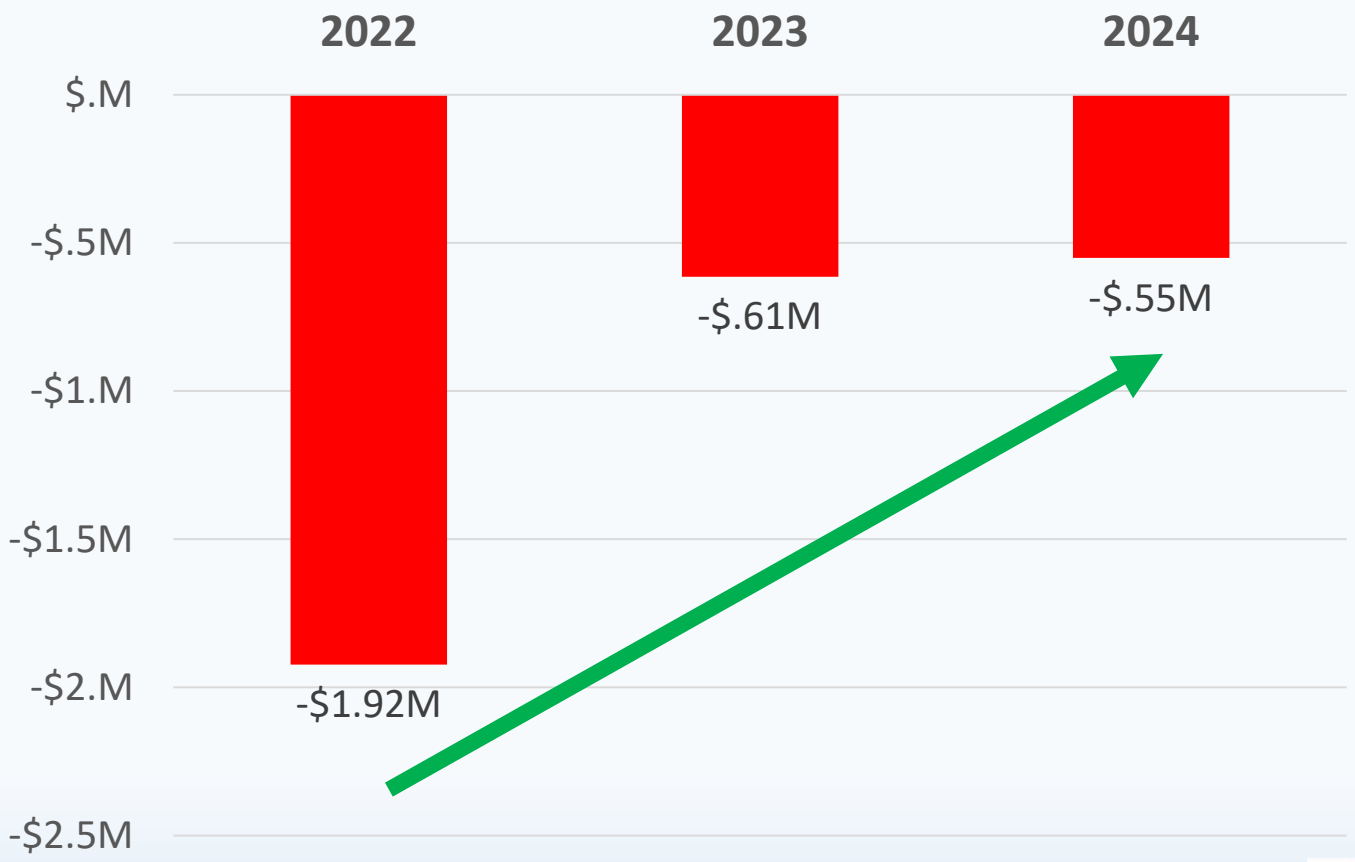
Sports Lighting and Scoreboard (in progress)

$0.5M **San Vicente**

Membrane, Filter Media, Manhole, Sludge Covers…

Other Post Employment Benefit (OPEB): Liability

- Opened trust fund in 2023
- Implemented plan to address liability
- Trust fund earnings will pay for significant portion of this plan, thereby saving the District over $432K
- Plan & trust are working as intended



Pension Liability

	2023	2024	$ Variance	% Variance
Net pension liability	$ (15,070,085)	$ (16,283,952)	$ (1,213,867)	8.1%

- 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 (6/30/2024)	11.0%
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%
3 Year Annualized	0.8%
5 Year Annualized	6.2%
10 Year Annualized	5.6%
20 Year Annualized	6.7%
30 Year Annualized	7.7%

Next Year

Current

Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023	$ Variance	% Variance
Operating revenues:				
Water sales and service fees	$ 16,950,688	$ 17,091,896	$ (141,208)	-0.8%
Fire and emergency medical service fees	-	399,216	(399,216)	-100.0%
Park service fees	165,293	-	165,293	
Sewer service fees	7,448,221	7,297,421	150,801	2.1%
Total Operating Revenues	24,564,202	24,788,533	(224,331)	-0.9%
Operating expenses				
Source of supply	8,087,718	7,460,527	627,191	8.4%
Systems	1,608,616	1,501,376	107,240	7.1%
Reservoirs and pumping	1,802,630	2,292,105	(489,475)	-21.4%
Transmission and distribution	1,880,543	2,157,884	(277,341)	-12.9%
Sewer services	4,475,074	4,179,647	295,427	7.1%
Safety services	-	1,005,656	(1,005,656)	-100.0%
Park services	697,965	172,784	525,180	304.0%
General and administrative	8,116,074	7,299,724	816,350	11.2%
Total Operating Expenses	26,668,620	26,069,704	598,917	2.3%
Other Revenues (Expenses)				
Property Taxes and Penalties	6,560,821	7,172,936	(612,115)	-8.5%
Investment gain (loss)	2,272,813	1,740,144	532,669	30.6%
Grant revenue	883,146	-	883,146	
Lease Income	201,142	194,481	6,661	3.4%
Other Revenue and Expenses	123,993	(404,835)	528,828	-130.6%
Capital contributions	57,685	73,823	(16,138)	-21.9%
Gain on Sale of Capital Assets	19,698	(2,327,973)	2,347,671	-100.8%
Assessment revenue	8,674	31,627	(22,953)	-72.6%
Depreciation	(4,802,929)	(5,018,357)	215,428	-4.3%
Interest Expense	(71,828)	(93,938)	22,110	-23.5%
Total Other Revenues (Expenses)	5,253,216	1,367,908	3,885,308	284.0%
Changes in Net Position	$ 3,148,797	$ 86,739	$ 3,062,058	3530.2%

Recommendation

Receive and file the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.