Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2025

Agenda Item F.1

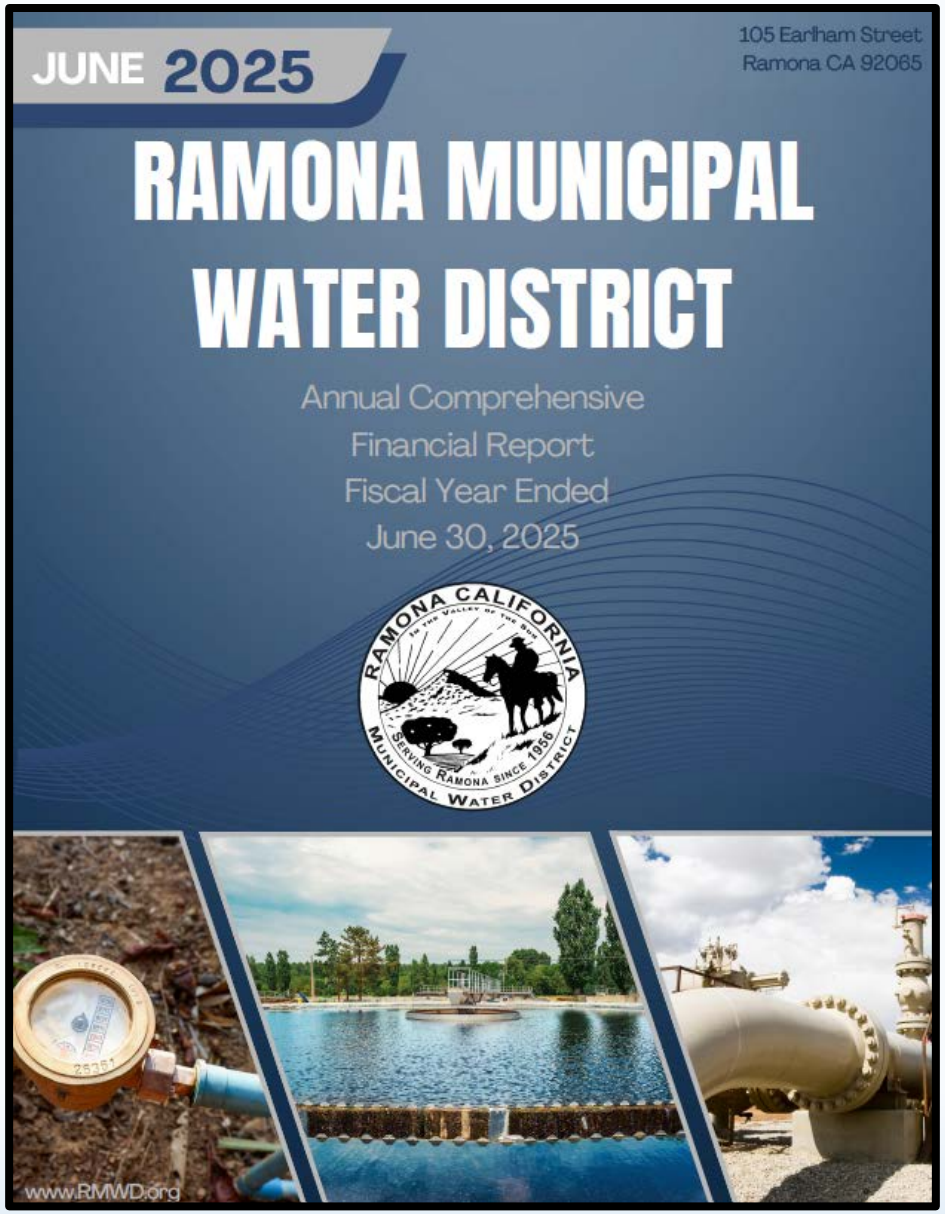
December 9, 2025

Comprehensive Format

- More transparency than what is required
- Historical illustrations
- Better financial disclosures
- Details into each division's performance
- 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, 2025, 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, 2025, 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.

Emphasis of Matter

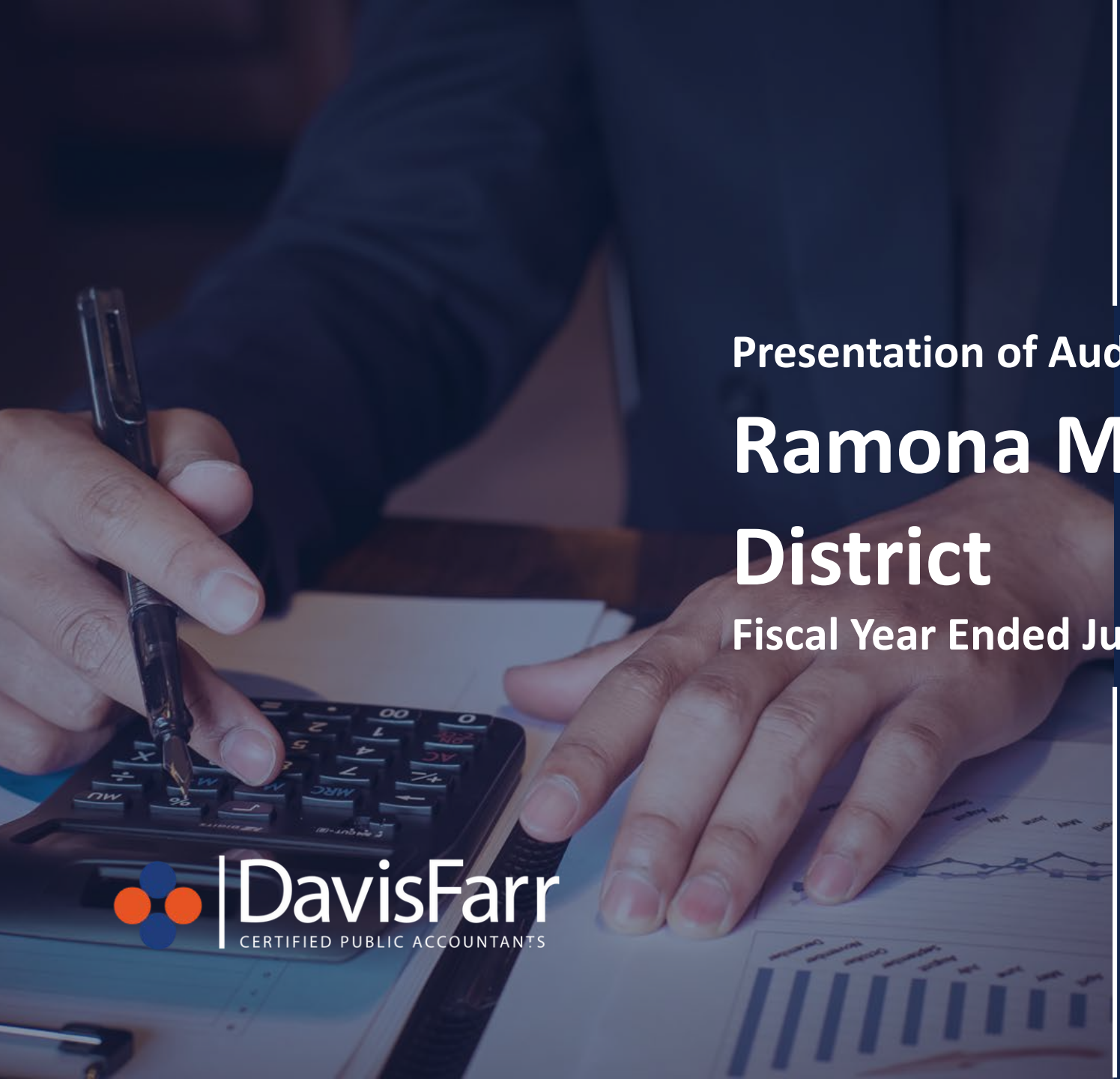
As described further in Note 2 to the financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

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.

17



Presentation of Audit Results ⟶

Ramona Municipal Water District

Fiscal Year Ended June 30,2025

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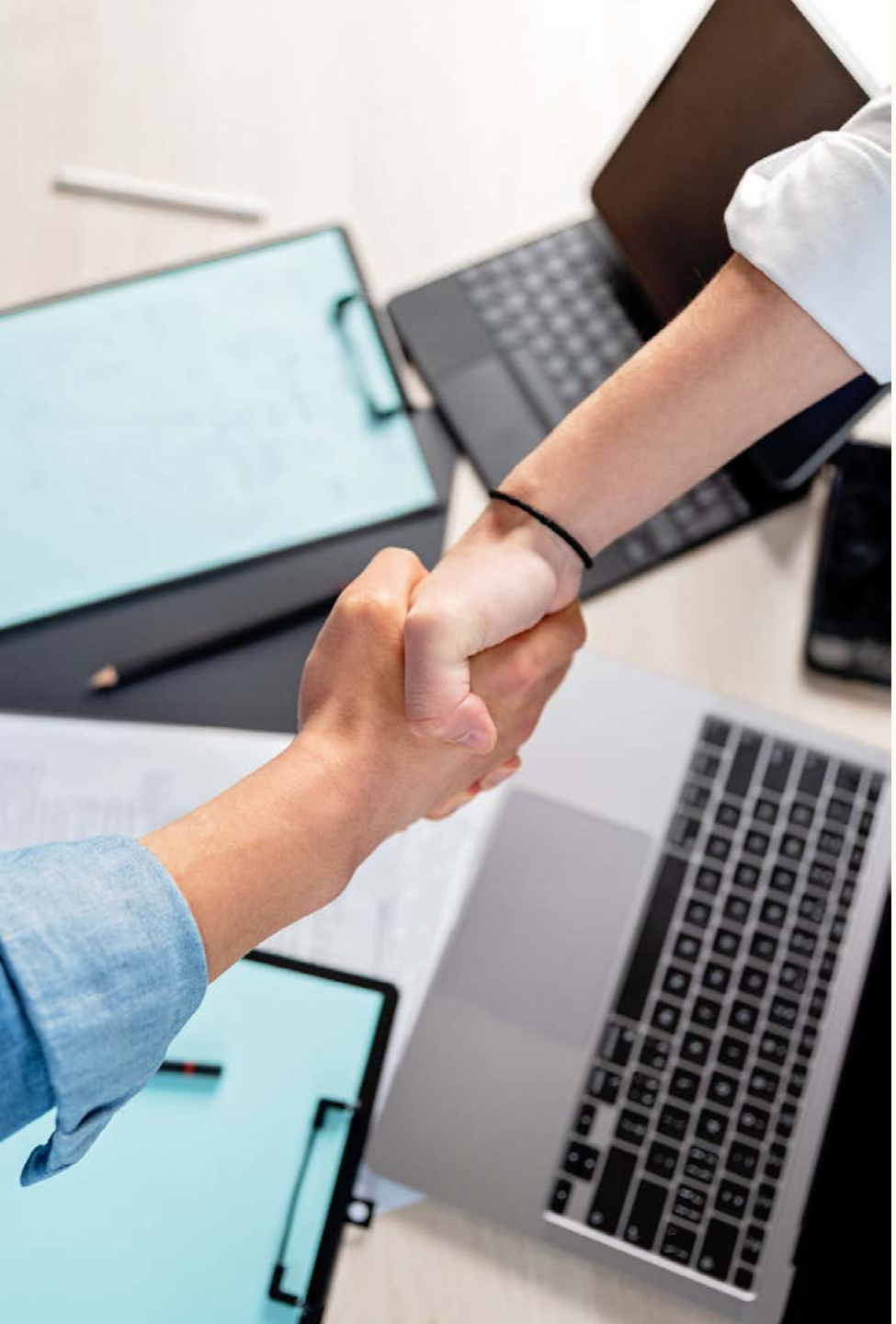
Presented by: Shannon Ayala, CPA | PARTNER

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



Audit Reports

- Independent Auditor's Report - Unmodified audit opinion dated October 10, 2025
  - Financial statements are fairly stated in all material respects
  - Emphasis of matter paragraph due to implementation of new accounting standard. Our opinion is not modified with respect to this matter.

- Communication to Those in Governance
- Government Auditing Standards Opinion – No significant deficiencies or material weaknesses

Areas of Audit Focus

Standard Approach

Standard approach includes substantively testing all material assets and liabilities and analytically testing all material revenues and expenses.

Materiality

Materiality is 2% of revenue.

Additional Areas of Focus

- Implementation of GASB 101 – Compensated Absences
- Revenue Recognition

Audit Results

- Finance department well prepared for the audit
- No material journal entries detected as a result of audit procedures
- No instances of noncompliance identified

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Presentation of Audit Results ⟶

THANK YOU FOR YOUR TIME

Fiscal Year Ended June 30,2025

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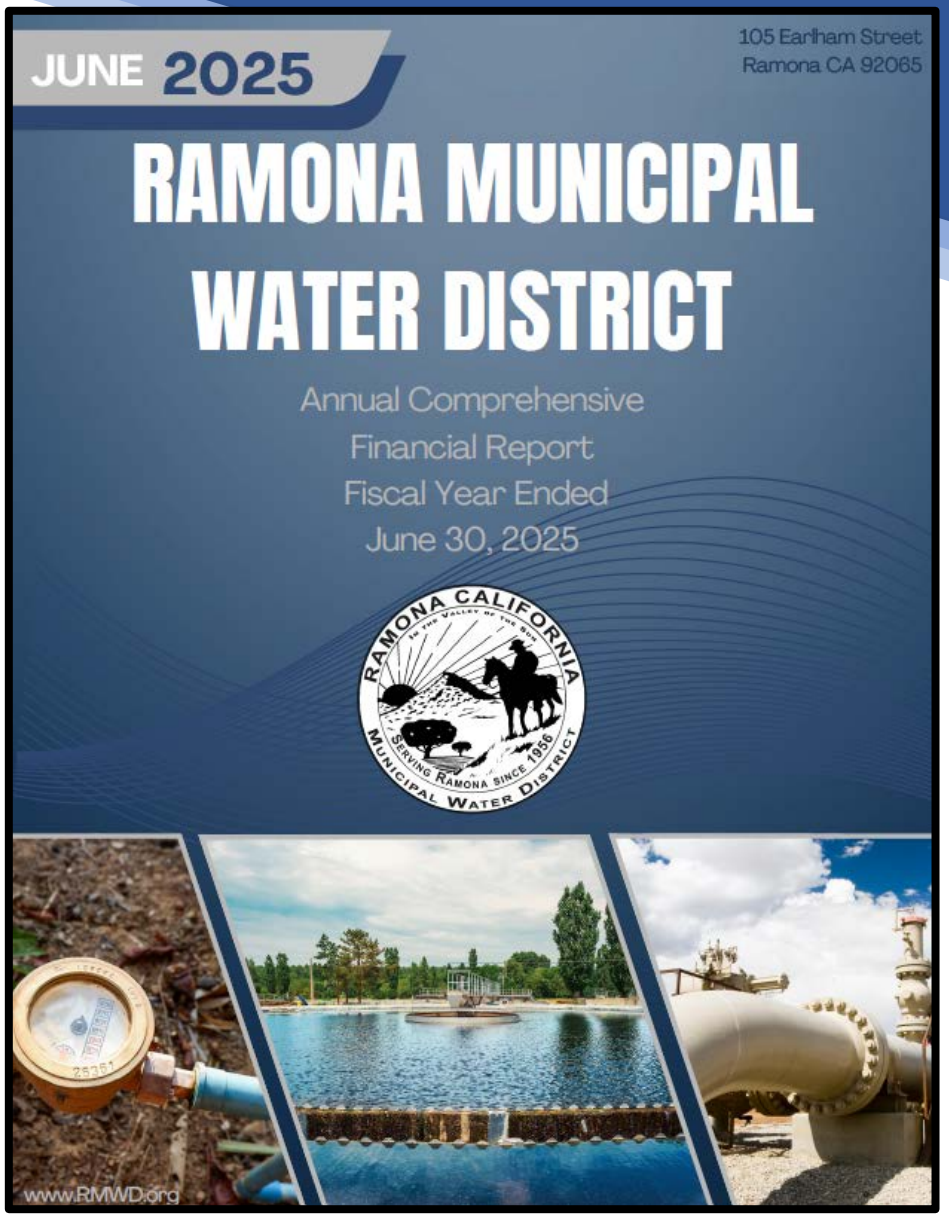
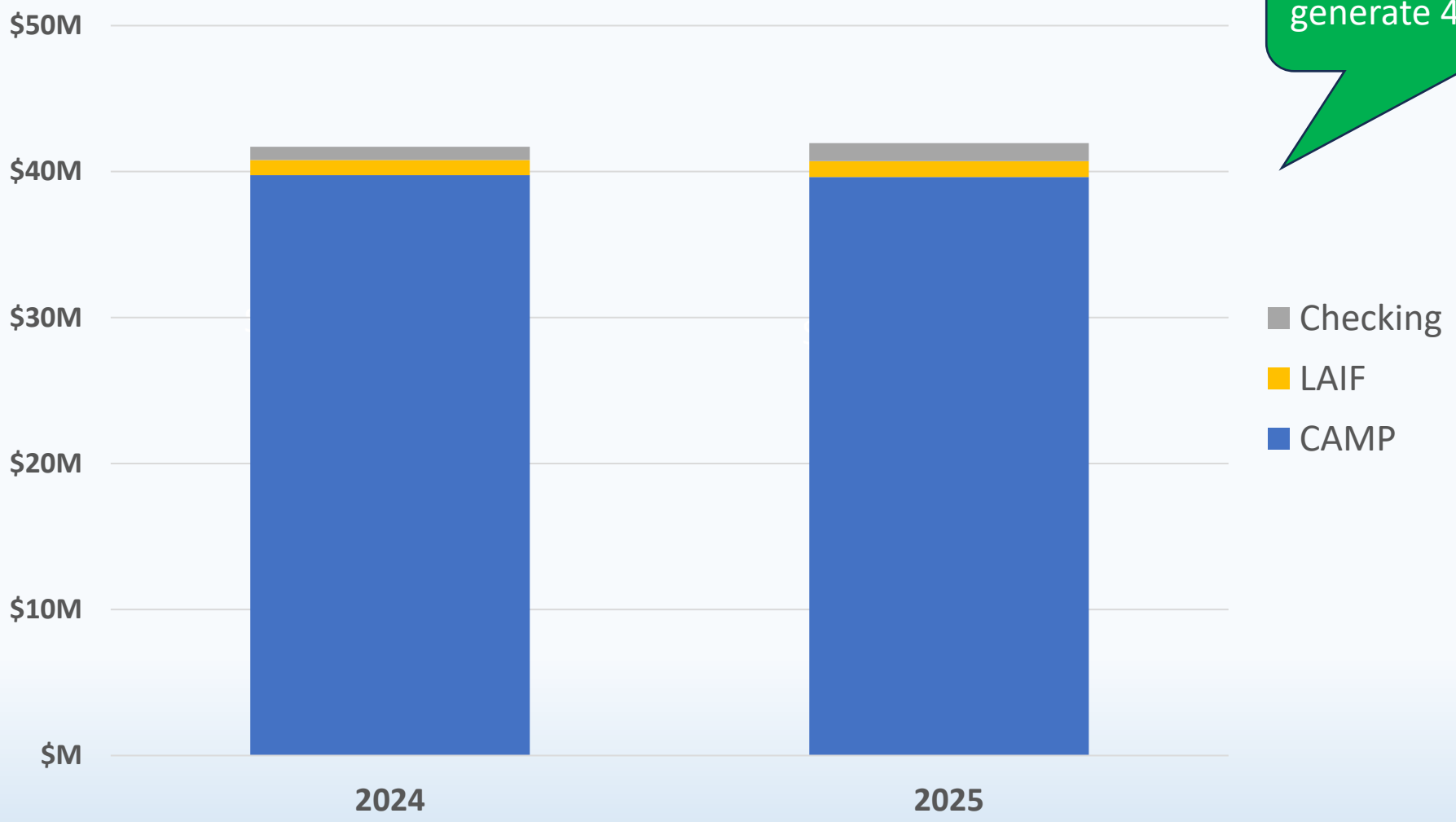
2025 ACFR Highlights



Cash and Investments: Portfolio

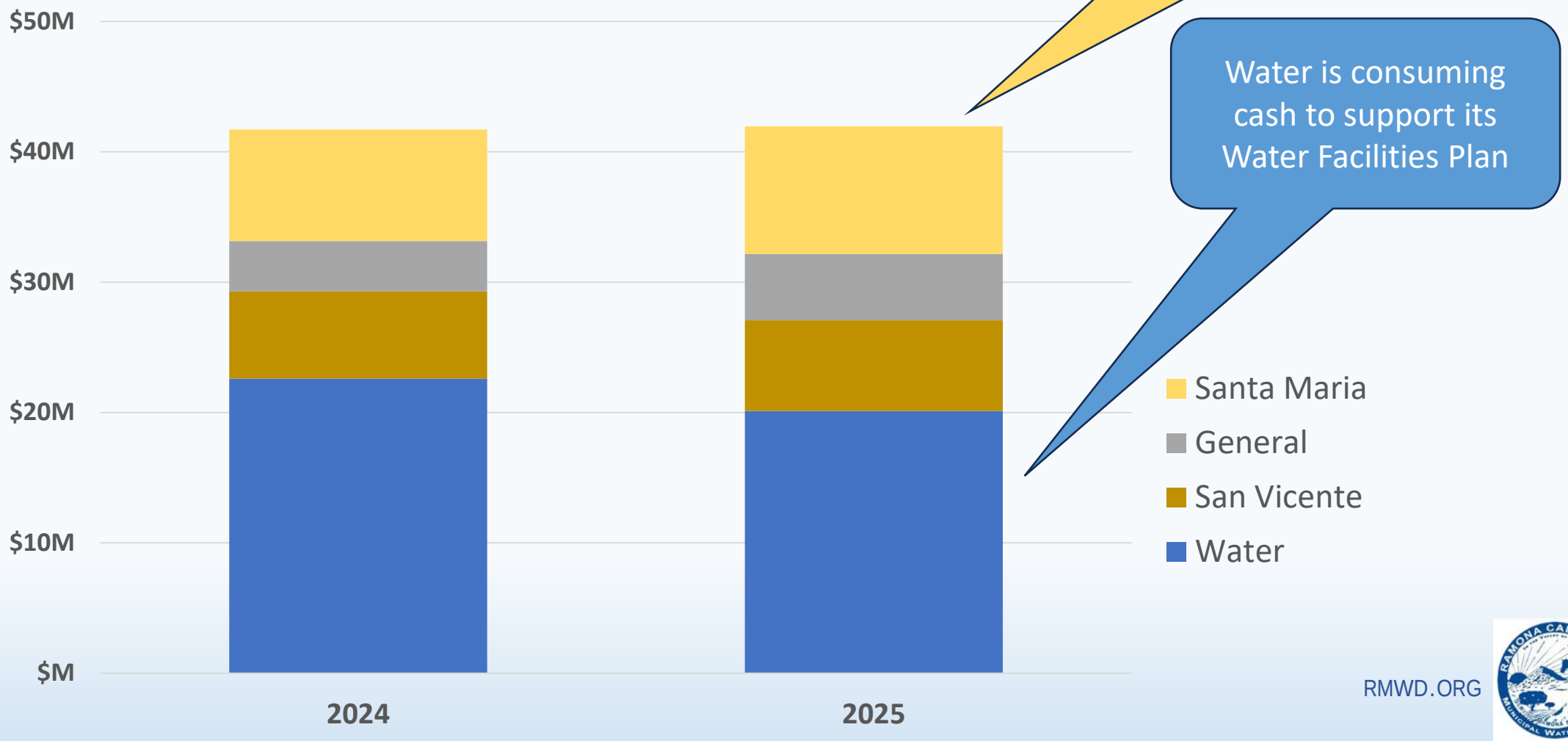


Cash actively managed to generate 4%+ return

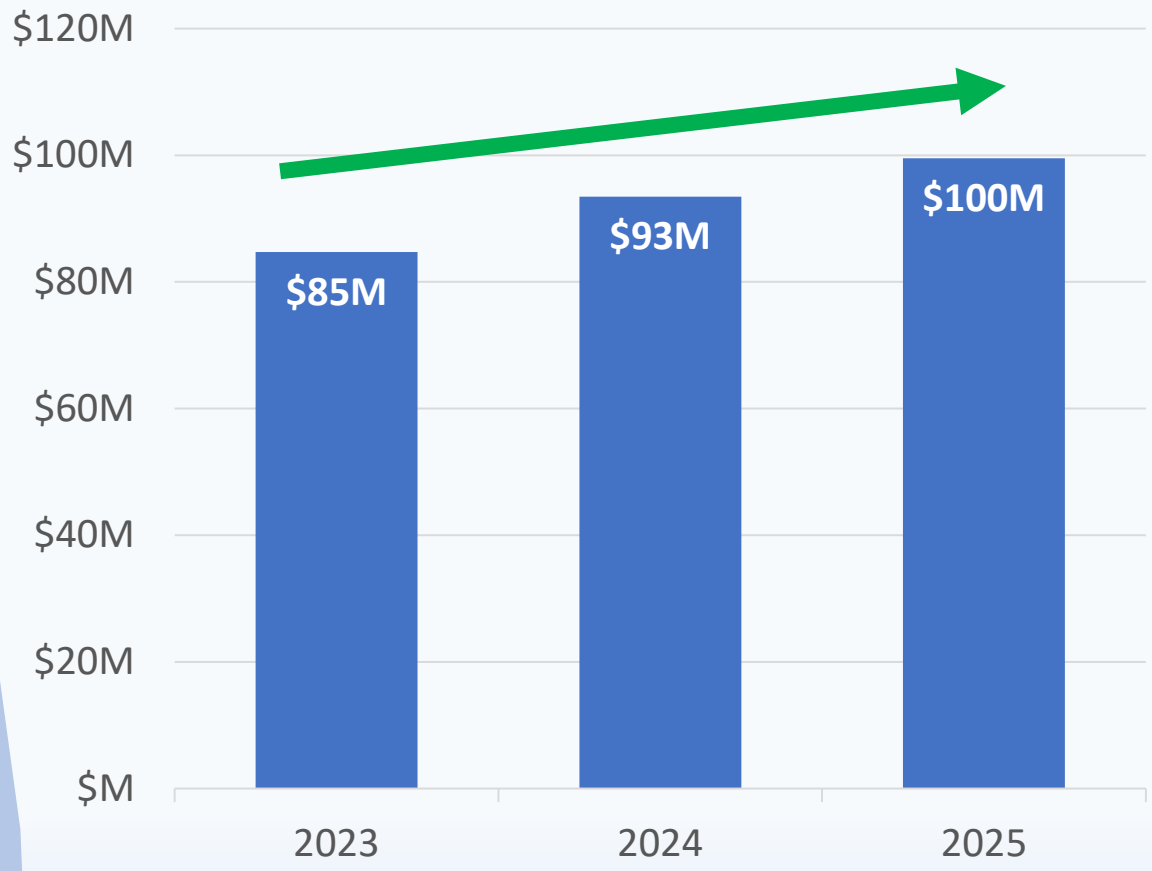
Cash and Investments: by Fund

Reserves are gradually being built for the Santa Maria's 21" Main Relocation Project

Water is consuming cash to support its Water Facilities Plan



Capital Assets



2025 Additions Include:

$7.9M **Water Fund**

30” Pipeline Replacement Project

Acres Water System Project (grant funded)

West End Tank Rehab

$1.6M **Santa Maria**

Collection System Infrastructure Rehab

Influent Pump Station Rehab Project

$0.7M **San Vicente**

Headworks Facility Rehab Project

Collection System Infrastructure Rehab

$0.4M **Park Fund**

Sports Lighting and Scoreboard Projects

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024	$ Variance	% Variance
Operating revenues:				
Water sales and service fees	$ 21,557,488	$ 16,950,688	$ 4,606,800	27.2%
Park service fees	210,241	165,293	44,949	27.2%
Sewer service fees	8,847,663	7,448,221	1,399,442	18.8%
Total Operating Revenues	30,615,392	24,564,202	6,051,190	24.6%
Operating expenses				
Source of supply	10,406,829	8,087,718	2,319,111	28.7%
Systems	1,876,414	1,608,616	267,797	16.6%
Reservoirs and pumping	2,429,625	1,802,630	626,995	34.8%
Transmission and distribution	2,174,850	1,880,543	294,307	15.7%
Sewer services	4,711,209	4,475,074	236,135	5.3%
Park services	868,710	697,965	170,746	24.5%
General and administrative	8,208,710	8,116,074	92,636	1.1%
Total Operating Expenses	30,676,347	26,668,620	4,007,727	15.0%
Other Revenues (Expenses)				
Property Taxes and Penalties	6,797,047	6,560,821	236,226	3.6%
Investment gain (loss)	1,942,036	2,272,813	(330,777)	-14.6%
Lease Income	203,141	201,142	1,998	1.0%
Capital contributions	43,417	57,685	(14,268)	-24.7%
Assessment revenue	5,300	8,674	(3,374)	-38.9%
Grant revenue	2,016,522	883,146	1,133,376	128.3%
Depreciation	(4,869,345)	(4,802,929)	(66,416)	1.4%
Gain on Sale of Capital Assets	-	19,698	(19,698)	-100.0%
Other Revenue and Expenses	3,079	123,993	(120,914)	-97.5%
Interest Expense	(59,559)	(71,828)	12,269	-17.1%
Total Other Revenues (Expenses)	6,081,638	5,253,216	828,422	15.8%
Changes in Net Position	$ 6,020,683	$ 3,148,797	$ 2,871,886	91.2%

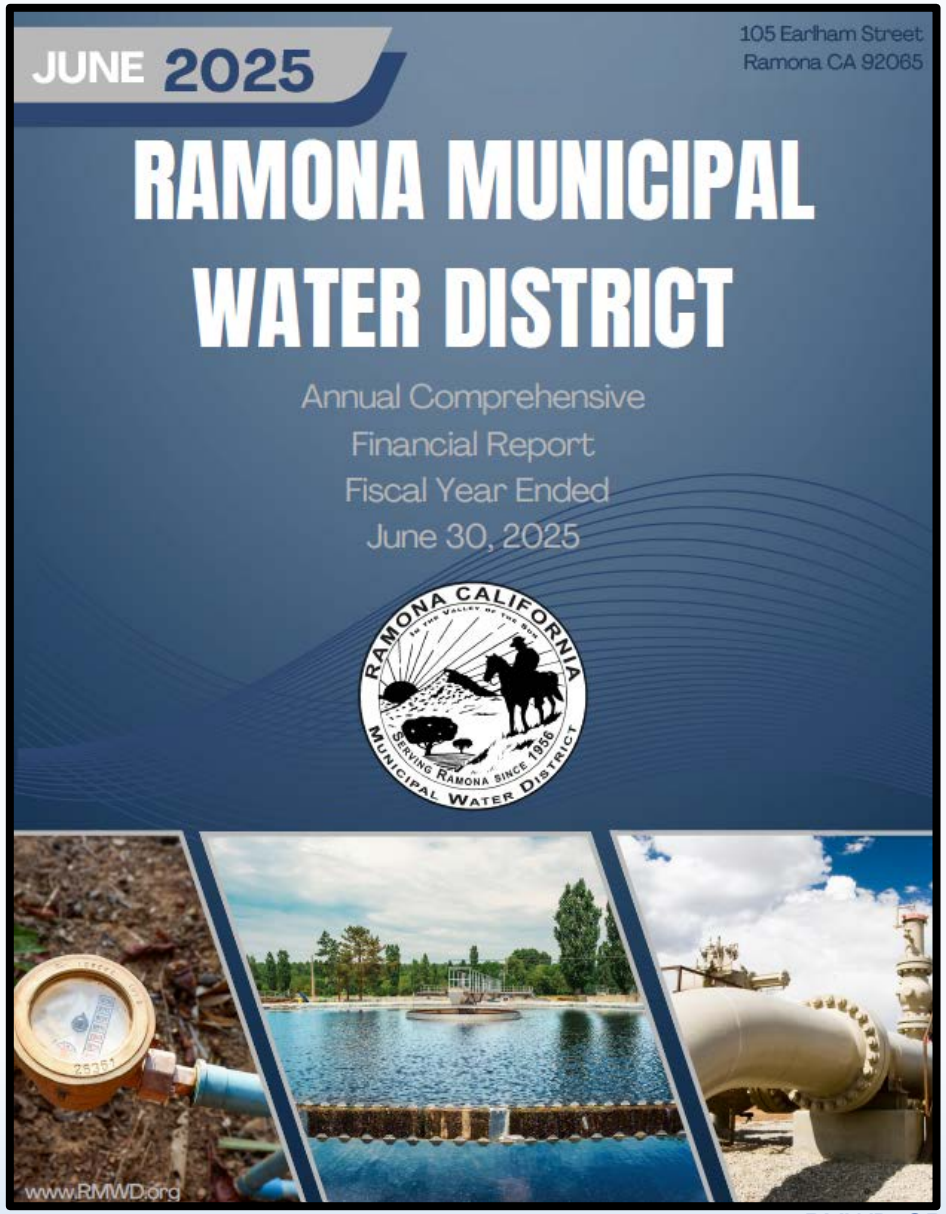
Looking Forward

- Submit 2025 ACFR to the Government Finance Officer's Association (GFOA) for review

- Continuing to use excess budget appropriations, if any, to pay down pension liability

Recommendation

Receive and file the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.



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