



**Hosaka, Rotherham & Company**  
Certified Public Accountants

James A. Rotherham, CPA  
CEO & Managing Partner

---

Roy T. Hosaka, CPA  
Retired

James C. Nagel, CPA  
Retired

**RAMONA MUNICIPAL WATER DISTRICT**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2013 AND 2012**

**RAMONA MUNICIPAL WATER DISTRICT**

**INTRODUCTORY SECTION**

**JUNE 30, 2013**

**RAMONA MUNICIPAL WATER DISTRICT  
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JUNE 30, 2013**

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**RAMONA MUNICIPAL WATER DISTRICT**

**FINANCIAL SECTION**

**JUNE 30, 2013**



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hrccpa.com

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ramona Municipal Water District  
Ramona, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Ramona Municipal Water District, as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

### 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Minimum Auditing 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 opinions.

## INDEPENDENT AUDITORS' REPORT

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### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ramona Municipal Water District, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the fiscal 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 on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013, on our consideration of the Ramona Municipal Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ramona Municipal Water District's internal control over financial reporting and compliance.

*Hosaka, Rotherham & Company*

San Diego, California  
August 23 2013

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

This section of the Ramona Municipal Water District (District) annual report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. It should be read in conjunction with the District's Financial Statements which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report includes this Management's Discussion and Analysis report, the Independent Auditors' Report, and the basic Financial Statements of the District. The basic Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

**BASIC FINANCIAL STATEMENTS**

The District's Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The purpose of the Statement of Net Position is to report the assets and liabilities of the District as of the date of the statements. The difference between the assets and liabilities is net position, which represents the portion of total assets not encumbered by debt. Assets and liabilities are reported at historical cost, except for investments, which are reported at fair market value in accordance with accounting pronouncements. Long-term infrastructure assets such as reservoirs, pipes and pumps are reduced by estimated depreciation based upon the expected remaining life of the underlying asset. The District records assets on its books when it takes ownership and liabilities when it incurs the obligation to pay, whether or not it has actually been billed.

The District uses Enterprise Funds to account for the five (5) operating divisions. Those operating divisions are (1) Water, (2) Fire and Paramedic, (3) Parks and Recreation, (4) San Vicente Sewer and (5) Santa Maria Sewer.

Water

This operating division maintains and services both a treated water system and an untreated water system. The treated system distributes treated water upon demand to 9,486 customers. The untreated system provides irrigation water to 210 customers. Rates for both treated and untreated water are based upon the cost of treating, transporting, and delivering water to customers.

Fire and Paramedic

This operating division provides fire protection services and emergency medical services. The District contracts this service with the California Department of Forestry and Fire Protection, and maintains three fire stations. Rates for fire service charges and ambulance calls are based on the cost to service and maintain these fire stations.

Parks and Recreation

This operating division provides the land and facilities for the park, which is managed by the Ramona Parks and Recreation Association on a volunteer basis. The operating division receives funds from personal property taxes, and the funds are passed on to the Ramona Parks and Recreation Association.

San Vicente Sewer

This operating division provides sewer service to the San Diego Country Estates area of Ramona and services 3,770 equivalent dwelling units (EDUs). A service rate per EDU is set based on the cost of treatment and collection of sewage for this facility.

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**BASIC FINANCIAL STATEMENTS (CONTINUED)**

Santa Maria Sewer

This operating division provides sewer service to the downtown area of Ramona and services 4,283 equivalent dwelling units (EDUs). A service rate per EDU is set based on the cost of treatment and collection of sewage for this facility.

**FINANCIAL HIGHLIGHTS**

While the Statement of Net Position shows the change in Net Position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and sources of those changes. For fiscal year 2012/2013, total operating revenues have increased by approximately 10% to \$25,479,312 and total operating expenses have increased by approximately 6% to \$29,244,172. The increase in operating revenues reflects the additional revenues required to offset the increased costs of water and operations in both the water and sewer funds. The increase in operating expenses reflects the increased costs of water in the water fund and the CDF contract in the fire fund.

**NET POSITION**

A condensed summary of the District's Statement of Net Position is presented below:

**STATEMENT OF NET POSITION**

	2013	2012
Cash and cash equivalents	\$ 21,137,126	\$ 15,987,330
Capital assets, net	71,333,157	75,452,978
Other assets	4,284,571	4,163,242
Total assets	96,754,854	95,603,550
Current liabilities	3,989,109	4,066,705
Payable from restricted assets	173,445	164,663
Compensated absences, net of current portion	578,799	553,632
Long-term debt, net of current portion	2,020,227	2,717,717
Total liabilities	6,761,580	7,502,717
Capital assets, net of related debt	68,616,734	71,827,403
Restricted	280,368	279,448
Unrestricted	21,096,172	15,993,982
Total net position	\$ 89,993,274	\$ 88,100,833

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

A summary of the District's Statement of Revenues, Expenses and Changes in Net Position is presented below:

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS**

	2013	2012
Operating revenues:		
Water sales and service fees	\$ 16,679,533	\$ 14,631,112
Fire and emergency medical service fees	3,402,900	3,555,943
Sewer service fees	5,396,879	5,038,256
Total operating revenues	25,479,312	23,225,311
Operating expenses:		
Water and related expenses	17,904,084	17,186,214
Fire, emergency medical, and related expenses	5,154,192	5,042,518
Sewer and related expenses	6,010,826	5,262,391
Park expenses	175,070	193,823
Total operating expenses	29,244,172	27,684,946
Operating income (loss)	(3,764,860)	(4,459,635)
Non-operating revenues (expenses):		
Property taxes	4,929,812	4,796,953
Assessment District revenue	287,977	281,941
Investment income	65,912	55,730
Other revenue and expenses	336,034	439,914
Total non-operating revenues (expenses)	5,619,735	5,574,538
Income (loss) before contributions	1,854,875	1,114,903
Capital contributions	37,566	15,958
Increase (decrease) in net position	1,892,441	1,130,861
Net position, beginning of year	88,100,833	86,969,972
Net position, end of year	\$ 89,993,274	\$ 88,100,833

**BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget which includes proposed expenses and the means of financing them. A comparison between actual and budgeted amounts are not required nor shown in the financial statements section of this report.

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**BUDGETARY HIGHLIGHTS (CONTINUED)**

A comparison of the operating results for 2013 to the budget is presented below.

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
Operating revenues	<u>\$ 25,479,312</u>	<u>\$ 23,822,447</u>	<u>\$ 1,656,865</u>
Operating expenses:			
Water expenses	17,904,084	17,991,795	87,711
Fire and emergency medical expenses	5,154,192	5,885,461	731,269
Sewer expenses	6,010,826	5,769,431	(241,395)
Other expenses	175,070	263,374	88,304
Total operating expenses	<u>29,244,172</u>	<u>29,910,061</u>	<u>665,889</u>
Operating income (loss)	<u>(3,764,860)</u>	<u>(6,087,614)</u>	<u>2,322,754</u>
Non-operating revenues (expenses):			
Property taxes	4,929,812	4,150,000	779,812
Assessment District revenue	287,977	275,000	12,977
Investment income	65,912	1,951	63,961
Other revenue and expenses	336,034	(2,310,626)	2,646,660
Total non-operating revenues (expenses)	<u>5,619,735</u>	<u>2,116,325</u>	<u>3,503,410</u>
Income (loss) before contributions	<u>\$ 1,854,875</u>	<u>\$ (3,971,289)</u>	<u>\$ 5,826,164</u>

**LONG-TERM DEBT**

The long-term debt position of the District is presented below and more fully analyzed in Note F of the Financial Statements:

	<u>2013</u>	<u>2012</u>
Assessment bonds	\$ 1,615,000	\$ 1,770,000
Notes, contracts, and leases payable	1,101,423	1,855,575
Total long-term debt	<u>\$ 2,716,423</u>	<u>\$ 3,625,575</u>

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**CAPITAL ASSETS**

Changes in capital assets for the fiscal year ended June 30, 2013, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 10,073,828	\$ -	\$ -	\$ 10,073,828
Construction in progress	4,787,680	436,822	(1,161,023)	4,063,479
Water property, plant, lines, & equipment	111,820,677	494,436	(10,928,531)	101,386,582
Fire protection property, building, & equipment	6,689,035	219,245	(1,054,575)	5,853,705
Park buildings and equipment	2,212,174	-	(350,202)	1,861,972
San Vicente Sewer - property, plant, line & equipment	23,019,325	246,049	(1,134,367)	22,131,007
Santa Maria Sewer - property, plant, line & equipment	14,027,237	140,344	(380,913)	13,786,668
	172,629,956	1,536,896	(15,009,611)	159,157,241
Less: accumulated depreciation	(97,176,978)	(4,498,284)	13,851,178	(87,824,084)
Capital assets, net of depreciation	<u>\$ 75,452,978</u>	<u>\$ (2,961,388)</u>	<u>\$ (1,158,433)</u>	<u>\$ 71,333,157</u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGER**

Ramona Municipal Water District's financial report is designed to provide Ramona Municipal Water District's Board of Directors, legislative and oversight agencies, citizens, and customers with an overview of Ramona Municipal Water District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Richard Hannasch, Financial Services Director, at 105 Earlham Street, Ramona, CA 92065.

*Ramona Municipal Water District*

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012**

<b>Assets:</b>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 20,856,758	\$ 15,707,882
Accounts receivable:		
Water and sewer, net of allowance for doubtful accounts of \$235,201 and \$201,225 for 2013 and 2012	1,998,841	2,009,155
Property taxes	15,105	9,883
Interest receivables	5,321	7,758
Inventory	2,242,910	2,103,378
Other current assets	-	7,475
Total current assets	<u>25,118,935</u>	<u>19,845,531</u>
Restricted assets:		
Cash and cash equivalents	<u>280,368</u>	<u>279,448</u>
Total restricted assets	<u>280,368</u>	<u>279,448</u>
Other assets:		
Capital assets, net of accumulated depreciation	71,333,157	75,452,978
Debt issue costs, net of accumulated amortization of \$390,011 and \$386,812 for 2013 and 2012	<u>22,394</u>	<u>25,593</u>
Total non-current assets	<u>71,355,551</u>	<u>75,478,571</u>
Total assets	<u>96,754,854</u>	<u>95,603,550</u>

The notes to the financial statement are an integral part of this statement.

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012**

<b>Liabilities and net assets:</b>	<b>2013</b>	<b>2012</b>
Current liabilities:		
Accounts payable	2,140,191	1,972,840
Deposit payable	793,697	756,553
Accrued interest payable	16,672	19,554
Other accrued expenses	246,417	313,747
Deferred revenues	68,003	66,609
Current portion of notes, contracts, and leases payable	531,196	752,858
Current portion of compensated absences	192,933	184,544
Total current liabilities	3,989,109	4,066,705
Payable from restricted assets:		
Accrued interest payable	8,445	9,663
Current portion of assessment bonds	165,000	155,000
Total payable from restricted assets	173,445	164,663
Non-current liabilities:		
Assessment bonds, net of current portion	1,450,000	1,615,000
Notes, contracts, and leases payable, net of current portion	570,227	1,102,717
Compensated absences, net of current portion	578,799	553,632
Total non-current liabilities	2,599,026	3,271,349
Total liabilities	6,761,580	7,502,717
Net position:		
Net investment in capital assets	68,616,734	71,827,403
Restricted for:		
Assessment bonds	280,368	279,448
Unrestricted	21,096,172	15,993,982
Total net position	\$ 89,993,274	\$ 88,100,833

The notes to the financial statement are an integral part of this statement.

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Operating revenues:		
Sales and service fees	\$ 16,679,533	\$ 14,631,112
Fire and emergency medical service fees	3,402,900	3,555,943
Sewer service fees	5,396,879	5,038,256
Total operating revenues	25,479,312	23,225,311
Operating expenses:		
Source of supply	8,266,768	7,371,334
Treatment plants	787,624	767,248
Reservoirs and pumping	1,617,270	1,489,423
Transmission and distribution	1,594,079	1,452,169
Sewer services	3,117,532	2,269,299
Fire services	4,479,626	4,380,553
Parks	130,695	140,500
Vehicle maintenance	237,131	207,908
Depreciation	4,495,694	5,218,870
General and administrative	4,517,753	4,387,642
Total operating expenses	29,244,172	27,684,946
Operating income (loss)	(3,764,860)	(4,459,635)
Non-operating revenues (expenses):		
Property taxes	4,929,812	4,796,953
Assessment District revenue	287,977	281,941
Investment income	65,912	55,730
Other revenue and expenses	336,034	439,914
Total non-operating revenues (expenses)	5,619,735	5,574,538
Income (loss) before contributions	1,854,875	1,114,903
Capital contributions	37,566	15,958
Changes in net position	1,892,441	1,130,861
Net position - beginning	88,100,833	86,969,972
Net position - ending	\$ 89,993,274	\$ 88,100,833

The notes to the financial statement are an integral part of this statement.

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 25,489,627	\$ 22,705,408
Payments to suppliers and vendors	(20,975,096)	(18,662,821)
Payments to employees	(3,755,292)	(3,723,491)
Net cash provided (used) by operating activities	<u>759,239</u>	<u>319,096</u>
Cash flows from non-capital financing activities:		
Property taxes received	<u>5,212,567</u>	<u>5,094,627</u>
Net cash provided (used) by non-capital financing activities	<u>5,212,567</u>	<u>5,094,627</u>
Cash flows from capital and related financing activities:		
Capital contributions	37,566	15,958
Acquisition and construction of capital assets	(375,873)	(1,057,939)
Repayment of assessment bonds	(155,000)	(145,000)
Repayment of notes, contracts, and capital leases	(728,985)	(1,035,519)
Interest payments	35,489	13,104
Miscellaneous	<u>336,034</u>	<u>392,259</u>
Net cash provided (used) by capital and related financing activities	<u>(850,769)</u>	<u>(1,817,137)</u>
Cash flows from investing activities:		
Interest on investments	<u>28,759</u>	<u>42,971</u>
Net cash provided by investing activities	<u>28,759</u>	<u>42,971</u>
Net change in cash and cash equivalents	5,149,796	3,639,557
Cash and cash equivalents - beginning	<u>15,987,330</u>	<u>12,347,773</u>
Cash and cash equivalents - ending	<u>\$ 21,137,126</u>	<u>\$ 15,987,330</u>

The notes to the financial statement are an integral part of this statement.

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (3,764,860)	\$ (4,459,635)
Adjustments to reconcile net income from operations to net cash provided by operating activities		
Depreciation	4,495,694	5,218,870
Amortization of debt issue costs	3,199	3,198
(Increase) decrease in:		
Account receivable	10,315	(519,903)
Inventory	(139,532)	(39,343)
Prepaid expenses	7,475	(829)
Increase (decrease) in:		
Accounts payable	167,351	84,142
Deposit payable	37,144	(19,086)
Accrued expenses	(67,330)	65,894
Deferred revenues	1,394	1,673
Deferred compensation benefits payable	8,389	(15,885)
Net cash provided (used) by operating activities	\$ 759,239	\$ 319,096
Reconciliation to balance sheet		
Unrestricted: cash and cash equivalents	\$ 20,856,758	\$ 15,707,882
Restricted: cash and cash equivalents	280,368	279,448
Total cash and cash equivalents	\$ 21,137,126	\$ 15,987,330

The notes to the financial statement are an integral part of this statement.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**A. Organization and operations of the District**

The Ramona Municipal Water District (District) was formed on August 15, 1956, pursuant to the Municipal Water Act of 1911 (California Statutes of 1991, Charter 671 as amended) for the primary purpose of supplying water to Ramona, California and surrounding areas. A five-member Board of Directors elected to staggered four-year terms of office from five (5) geographical divisions governs the District. In addition, the District provides fire protection, paramedic, sewer, and park recreation services.

In 1988, the District completed construction of Lake Ramona, a 12,500 acre-foot reservoir. Untreated water is purchased from the San Diego County Water Authority and pumped to the reservoir, and then sold to agricultural customers.

In 1981, the Ramona Fire Protection District was dissolved and merged with the District. The District managed the fire department until July of 1993, when a contract was entered into between the District and the California Department of Forestry, to provide fire and paramedical staff.

In May of 1975, the District was authorized to provide park and recreational services to the public. The District owns a 166-acre park in conjunction with its well fields. In 1994, the District entered into a contract with the Ramona Parks and Recreation Association (a non-profit public benefit organization), to operate and manage the park.

**B. Summary of significant accounting policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the Irrigation District Law, now Division 11 of the California State Water Code. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**1. Reporting entity**

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

B. Summary of significant accounting policies (continued)

2. Basis of accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales and services) or similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flow took place.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

3. Financial reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reporting.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

The District's basic financial statements are also presented in conformance with the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance to include two classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in a Statement of Net Position in a separate section following assets. Similarly, amounts reported as deferred inflows of resources are required to be reported in a Statement of Net Position in a separate section following liabilities. In addition, the totals of these two new classifications should be added to the total for assets and liabilities, respectively.

The District did not have any deferred inflows or outflows of resources at June 30, 2013.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**B. Summary of significant accounting policies (continued)**

**4. Assets, liabilities, and equity**

**a. Deposits and investments**

For purposes of the statement of cash flows, cash and cash equivalents consist of short-term highly liquid investments with maturities of ninety days or less from the date of purchase. These include cash on hand, cash held in the restricted assets accounts, and the Local Agency Investment Fund.

The District's investment policy and state statutes authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit with national and state-licensed or chartered banks or federal or state savings and loan associations, money market and mutual funds whose portfolios consist of one or more of the foregoing investments, and the Local Agency Investment Fund.

State statutes require all deposits be insured or collateralized. Depositories holding public funds on deposit are required to maintain collateral in the form of a pool of securities with the agent of the depository having a market value of at least 10 to 50 percent in excess of the total amount of all public funds on deposit.

**b. Stores inventories and prepaid expenditures**

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefitting period. The District has chosen to report the expenditure during the benefitting period.

**c. Capital assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	10-50
Water systems	10-50
Improvements of sites	7-25
Equipment	5-10

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**B. Summary of significant accounting policies (continued)**

**d. Deferred revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

**e. Interfund activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

**f. Compensated absences**

Accumulated unpaid employee vacation benefits and sick leave are recognized as non-current liabilities in the Statement of Net Assets. As of June 30, 2013, the District had \$771,732 of accrued vacation and sick leave.

**g. Property taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

**h. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**C. Compliance and accountability**

**1. Finance-related legal and contractual provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action taken</u>
None reported	Not applicable

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

C. Compliance and accountability (continued)

2. Deficit fund balance or fund net assets of individual funds

Following are funds having deficit fund balances or fund net position at fiscal year end, if any, along with remarks which address such deficits:

<u>Fund name</u>	<u>Deficit amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

D. Cash and cash equivalents

The summary of cash and cash equivalents is as follows at June 30, 2013 and 2012:

	<u>Carrying Amount and Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 1,350	\$ 1,350
Cash on deposit	12,653,077	7,531,120
State of California Local Agency Investment Fund	8,482,699	8,454,860
Total cash and cash equivalents	<u>\$ 21,137,126</u>	<u>\$ 15,987,330</u>
Unrestricted	\$ 20,856,758	\$ 15,707,882
Restricted	280,368	279,448
Total cash and cash equivalents	<u>\$ 21,137,126</u>	<u>\$ 15,987,330</u>

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 costs 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 summary which presents the amount of the District's deposits which are fully insured or collateralized with securities held by the District or its agent in the District's name (Category One), those deposits which are collateralized with securities held by the pledging financial institution's trust department, or agent in the District's name (Category Two), and those deposits which are not collateralized or are collateralized with securities held by the pledging financial institution, or its trust department, or agent, but not in the District's name (Category Three), is as follows:

	<u>June 30, 2013</u>				
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Checking and savings	\$12,653,077	\$ -	\$ -	\$12,653,077	\$12,653,077
Local Agency Investment Fund	8,482,699	-	-	8,482,699	8,482,699
Cash on hand	1,350	-	-	1,350	1,350
Total cash & cash equivalents	<u>\$21,137,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$21,137,126</u>	<u>\$21,137,126</u>

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**D. Cash and cash equivalents (continued)**

	June 30, 2012				
	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Checking and savings	\$ 7,531,120	\$ -	\$ -	\$ 7,531,120	\$ 7,531,120
Local Agency Investment Fund	8,454,860	-	-	8,454,860	8,454,860
Cash on hand	1,350	-	-	1,350	1,350
<b>Total cash &amp; cash equivalents</b>	<b>\$15,987,330</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$15,987,330</b>	<b>\$15,987,330</b>

**E. Accounts receivable**

Accounts receivable as of June 30, 2013 and 2012, consists of the following:

	2013	2012
Utility billings	\$ 1,575,032	\$ 1,478,652
Agricultural rebates	14,048	66,511
EMS receivables	164,048	184,463
Other receivable	245,713	279,529
<b>Total accounts receivable</b>	<b>\$ 1,998,841</b>	<b>\$ 2,009,155</b>

**F. Capital assets**

A schedule of changes in capital assets and accumulated depreciation for the fiscal year ended June 30, 2013, is shown as follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Land	\$ 10,073,828	\$ -	\$ -	\$ 10,073,828
Water property, plant, lines, and equipment	111,820,677	494,436	(10,928,531)	101,386,582
Fire protection property, building and equipment	6,689,035	219,245	(1,054,575)	5,853,705
Park buildings and equipment	2,212,174	-	(350,202)	1,861,972
San Vicente Sewer - property, plant, lines, and equipment	23,019,325	246,049	(1,134,367)	22,131,007
Santa Maria Sewer - property, plant, lines, and equipment	14,027,237	140,344	(380,913)	13,786,668
Less: accumulated depreciation	(97,176,978)	(4,498,284)	13,851,178	(87,824,084)
Construction in progress	4,787,680	436,822	(1,161,023)	4,063,479
<b>Net capital assets</b>	<b>\$ 75,452,978</b>	<b>\$ (2,961,388)</b>	<b>\$ (1,158,433)</b>	<b>\$ 71,333,157</b>

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**F. Capital assets (continued)**

Changes in capital assets for the fiscal year ended June 30, 2012, were as follows:

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Land	\$ 10,073,828	\$ -	\$ -	\$ 10,073,828
Water property, plant, lines, and equipment	111,094,456	1,172,281	(446,060)	111,820,677
Fire protection property, building and equipment	8,037,083	41,648	(1,389,696)	6,689,035
Park buildings and equipment	2,227,122	-	(14,948)	2,212,174
San Vicente Sewer - property, plant, lines, and equipment	22,889,352	190,934	(60,961)	23,019,325
Santa Maria Sewer - property, plant, lines, and equipment	13,950,613	84,189	(7,565)	14,027,237
Less: accumulated depreciation	(93,868,795)	(5,218,870)	1,910,687	(97,176,978)
Construction in progress	5,210,250	576,848	(999,418)	4,787,680
Net capital assets	<u>\$ 79,613,909</u>	<u>\$ (3,152,970)</u>	<u>\$ (1,007,961)</u>	<u>\$ 75,452,978</u>

During the fiscal years ended June 30, 2013, and 2012, the District capitalized interest of \$222,410 and \$242,210 respectively, into construction in progress.

**G. Long-term obligations**

**1. Long-term obligation activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2013, are as follows:

	June 30, 2012	New Debt Incurred	Principal Payments	June 30, 2013	Current Portion
Assessment bonds	\$ 1,770,000	\$ -	\$ (155,000)	\$ 1,615,000	\$ 165,000
Notes, contracts, and leases payable	1,855,575	-	(754,152)	1,101,423	531,196
Total long-term debt	<u>\$ 3,625,575</u>	<u>\$ -</u>	<u>\$ (909,152)</u>	<u>\$ 2,716,423</u>	<u>\$ 696,196</u>

Changes in long-term debt for the fiscal year ended June 30, 2012, consist of the following:

	June 30, 2011	New Debt Incurred	Principal Payments	June 30, 2012	Current Portion
Assessment bonds	\$ 1,915,000	\$ -	\$ (145,000)	\$ 1,770,000	\$ 155,000
Notes, contracts, and leases payable	2,891,094	-	(1,035,519)	1,855,575	752,858
Total long-term debt	<u>\$ 4,806,094</u>	<u>\$ -</u>	<u>\$ (1,180,519)</u>	<u>\$ 3,625,575</u>	<u>\$ 907,858</u>

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

G. Long-term obligations (continued)

2. Assessment bonds:

	<u>2013</u>	<u>2012</u>
On March 14, 2000, the Board of Directors formed Assessment District No. 99-1. Assessment District No. 99-1 issued bonds in the aggregate principal amount of \$3,355,000 in August 2000. The bonds mature in various amounts ranging from \$85,000 to \$265,000 on September 2 of each year from 2001 until 2020. Interest rates range from 4.75% to 6.60%. The bonds are secured by a pledge of all assessment revenues.	\$ 1,615,000	\$ 1,770,000
Less: current portion	(165,000)	(155,000)
Total long-term assessment bonds	\$ 1,450,000	\$ 1,615,000

3. Notes, contracts, and leases payable:

	<u>2013</u>	<u>2012</u>
Notes Payable to Farmers Home Administration with interest at 5.00%, used to finance the acquisition and construction of water distribution, storage and related works and facilities, payments of \$115,190 including interest due annually through 2018.	\$ 499,705	\$ 586,912
Note Payable to California Bank & Trust with interest at 4.26% refinanced to 4.27% used to finance operating expenses including repairs and improvements, monthly payments of \$23,572 including interest, due 2015.	432,227	692,392
Credit Agreement in the amount of \$2,000,000 to Union Bank of California with interest at 3.84%, used to finance capital improvements at the San Vicente sanitation facility. Monthly principal payments of \$33,898 plus interest, through November 2013.	169,491	576,271
Less: current portion	1,101,423 (531,196)	1,855,575 (752,858)
Total notes, contracts, and leases payable	\$ 570,227	\$ 1,102,717

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**G. Long-term obligations (continued)**

Future long-term maturities as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 696,196	\$ 139,118	\$ 835,314
2015	435,647	111,429	547,076
2016	289,561	92,846	382,407
2017	304,539	75,331	379,870
2018	325,480	56,537	382,017
2019-2021	665,000	63,855	728,855
	<u>\$ 2,716,423</u>	<u>\$ 539,116</u>	<u>\$ 3,255,539</u>

**H. Employee retirement systems**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees Retirement System (CalPERS).

Plan description

The District contributes to the California Public Employees Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and state statute and District policies establish all other requirements. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Funding policy

Active plan members in CalPERS are required to contribute 8% of their covered salary. Prior to January 1, 2012, the District paid eight (8)% of the contributions required of District employees on their behalf for their account. During calendar year 2012, the District paid seven (7)% of the contributions required of District employees on their behalf for their account. Beginning January 1, 2013, the District paid five (5)% of the contributions required of District employees on their behalf for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2012/2013 was 25.617%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual pension cost

For the fiscal year ended June 30, 2013, the District's annual pension cost was \$1,222,914, and the District contributed its share of \$894,133 and the employee's share of \$328,506. The required contribution for the fiscal year was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses) and include an inflation component of 3.0%.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**G. Employee retirement systems (continued)**

The actuarial value of CalPERS assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. CalPERS' unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Three-year trend information for CalPERS:

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 1,096,130	100%	\$ - 0 -
June 30, 2012	\$ 1,141,061	100%	\$ - 0 -
June 30, 2013	\$ 1,222,914	100%	\$ - 0 -

**H. Joint ventures (joint powers agreements)**

The District is a participating member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), which arranges for and provides general liability, property damage, and dam failure liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested. The District has elected to self-insure for a portion of property damage coverage in the amount of \$10,000 per occurrence.

**I. Other post employment benefits**

The District currently provides Other Post Employment Benefits (OPEB) by making a contribution towards retiree health benefits based on the least expensive District-sponsored medical plan. Currently, there are 9 retirees receiving the benefit and 47 employees are either currently eligible for the benefit or are earning service credit for eligibility towards the benefit.

Plan description

To be eligible for retiree health benefits, an employee must retire from the District on or after age 50 according to the following tiers:

- Tier 1 (Hire prior to January 1, 2005) – five (5) years of full time District employment/50 years of age;
- Tier 2 (Hire on/after January 1, 2005) – ten (10) years of full time employment/50 years of age;
- Tier 3 (Hired after January 1, 2008) – 10 years of full time service/50 years of age/sum of age and service with the District equals to 65.

The District's contribution is based on a percentage of the least expensive District-sponsored medical plan for eligible employees at the date of retirement. For employees with less than 25 years of eligible service at retirement, the District's contribution percentage is 86.76% for retiree only coverage and 68.17% for retiree plus spouse coverage. With employees with greater than 25 years of eligible service at retirement, the District's contribution percentage is 100% for retiree only coverage and 75% for retiree plus spouse coverage. The retiree must pay any additional costs above the District's contribution including future increases in the cost of coverage. The District's contribution is also provided to retirees as a cash benefit if opting out of the District-sponsored plan.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**I. Other post employment benefits (continued)**

The District's contribution ceases when the retiree reaches Medicare eligibility age, currently age 65. The District's contribution for spouses ceases upon the earlier of the spouse attaining Medicare eligibility age, spouse's death or retiree's death.

The District makes the following contributions:

<u>Monthly Payments</u>	
Retiree only	\$510.88
Retiree plus spouse	\$1,021.75
Effective date	1/1/2013

**Funding policy**

The District has not established a trust account for this plan. The District funds the plan on a pay-as-you-go basis.

**Annual OPEB Cost**

The District's most recent OPEB cost is presented as follow:

	<u>As of July 1, 2011</u>
Present value of future benefits	
Active employees	\$ 2,855,025
Retired employees	438,284
Total present value of future benefits	<u>\$ 3,293,309</u>
Accrued liability	
Active employees	\$ 1,392,974
Retired employees	438,284
Total accrued liability	<u>1,831,258</u>
Total unfunded accrued liability	<u>\$ 1,831,258</u>
Annual required contributions	
Service costs at end of year	\$ 140,124
Thirty (30) year amortization of unfunded accrued liability	<u>119,126</u>
Total annual required contributions	<u>\$ 259,250</u>

The District provided 2010-2011 annual OPEB Cost analysis which is the most recent available information.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

I. Other post employment benefits (continued)

Actuarial assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. In order to perform the valuation, the actuary must make certain assumptions regarding such items as rate of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates.

J. Capital contributions

Capital contributions consist of the following:

Contributions of water and sewer systems

Contributions of Water and Sewer Systems by developers and property owners are valued based upon the District engineers' estimates of cost and are recorded as capital contributions. Water and Sewer Systems acquired by merging are also recorded as capital contributions.

The District adopted (GASB) Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions," to record Connection and Mitigation Fees. Under Statement No. 33, the District recognizes connection and mitigation fees as revenue.

K. Vacation, sick leave and compensatory time

Vacation and sick leave

Based on the Memorandum of Understanding between the District and the District's Employees Association for the period of January 1, 2008 through December 31, 2013, all eligible employees are entitled to vacation and sick leave referred to as Comprehensive Annual Leave (CAL Time).

Accrual of CAL Time begins on the employee's hire as follows:

<u>Commencement of CAL Time Accrual</u>	<u>CAL Time Accrual Per Period (Hours)</u>	<u>CAL Time Accrual Annually (Days)</u>
0 years	6.8	22.10
6 years	8.3	26.98
11 years	9.9	32.18
16 years	11.4	37.05

Accrual of CAL Time shall cease when an employee reaches the maximum cap of 1,040 hours and does not accrue until the balance of the unused time again falls below 1,040 hours. Unless CAL Time is used for an absence due to the employee's illness or injury, it will only be scheduled and taken with the approval of the employee's immediate supervisor. No employee may take more than twenty-five (25) consecutive days of CAL Time without the written approval of the General Manger.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

L. Vacation, sick leave and compensatory time

Probationary employees may use accrued CAL Time from their hire date for approved absence away from work related to the employee's inability to work due to the employee's illness or injury, and are eligible to use their CAL Time for vacation purposes after six (6) months of employment with the District.

Employees who are laid off, resign, retire, or are otherwise separated from the service of the District, shall be paid for all accrued CAL Time upon separation from employment with the District. The amount of payment is calculated based upon the employee's regular straight time hourly rate of pay in effect for the employee's regular job, on the last work day of the employee's employment.

Compensatory time (comp time)

When an employee works beyond their regularly scheduled workday or duty shift, the employee shall be paid either by use of comp time at a rate of one and one-half (1½) hours from each overtime hour worked over eight (8) hours in a workday or at the rate of time and one-half of their regular hourly rate of pay for all time worked over eight (8) hours in a workday. Hours worked which are eligible for double time pay may be compensated either by use of comp time or pay.

No employee shall be allowed to accumulate over sixty (60) hours of unused comp time without the written permission of the department head.

M. Deferred compensation plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or performs the investment function. The plan assets are being administered by both the California Public Employees' Retirement System (CalPERS) and Lincoln Financial Group. New employees may only elect a deferred compensation plan with CalPERS. Current employees who have participated with Lincoln Financial Group cannot make additional contributions to their account but must commence a plan with CalPERS.

Therefore, the fair market value of the plan assets at June 30, 2013, \$1,650,169 for CalPERS and \$90,778 for Lincoln Financial Group, is not included in the District's financial statements.

N. Subsequent event

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through August 23, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

**RAMONA MUNICIPAL WATER DISTRICT  
SUPPLEMENTARY INFORMATION SECTION  
JUNE 30, 2013**

**RAMONA MUNICIPAL WATER DISTRICT  
ORGANIZATION  
JUNE 30, 2013**

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Darrell Beck	President	December 31, 2016
Joe Zenovic	Vice President	December 31, 2014
George Foote	Secretary	December 31, 2016
Rex Schildhouse	Treasurer	December 31, 2016
Kit Kesinger	Director	December 31, 2014

General Manager

David P. Barnum

Financial Services Director

Richard Hannasch

**RAMONA MUNICIPAL WATER DISTRICT  
ASSESSED VALUATION  
JUNE 30, 2013**

The assessed valuation of the Ramona Municipal Water District at June 30, 2013, is as follows:

Assessed Valuation

Secured Property	\$ 3,352,134,812
Unsecured Property	<u>43,883,220</u>
Total Assessed Valuation	<u>\$ 3,396,018,032</u>

**RAMONA MUNICIPAL WATER DISTRICT**  
**OTHER INDEPENDENT AUDITORS' REPORTS SECTION**  
**JUNE 30, 2013**



**Hosaka, Rotherham & Company**  
Certified Public Accountants

hrccpa.com

James A. Rotherham, CPA  
CEO & Managing Partner

.....  
Roy T. Hosaka, CPA  
Retired

James C. Nagel, CPA  
Retired

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Ramona Municipal Water District  
Ramona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's *Minimum Auditing requirements for California Special Districts*, the financial statements of Ramona Municipal Water District, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ramona Municipal Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ramona Municipal Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ramona Municipal Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ramona Municipal Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hosaka, Rotherham & Company*

San Diego, California  
August 23, 2013

**RAMONA MUNICIPAL WATER DISTRICT  
FINDINGS AND RECOMMENDATIONS SECTION**

**JUNE 30, 2013**

**RAMONA MUNICIPAL WATER DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**A. Summary of auditors' results**

1. Financial statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

    One or more material weaknesses identified?      Yes   X   No

    One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal awards

Internal control over major programs:

    One or more material weaknesses identified?      Yes   N/A   No

    One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   N/A   None Reported

Type of auditors' report issued on compliance for major programs:     N/A    

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?      Yes   N/A   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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*The District did not have over \$500,000 in Federal Expenditures.*

Dollar threshold used to distinguish between type A and type B programs:     N/A    

Auditee qualified as low-risk auditee?      Yes   N/A   No

**B. Financial statement findings**

None

**C. Federal award findings and questioned costs**

None

**RAMONA MUNICIPAL WATER DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2013**

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	N/A	N/A