



Hosaka, Rotherham & Company  
Certified Public Accountants

James A. Rotherham, CPA  
CEO & Managing Partner

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Roy T. Hosaka, CPA  
Retired

James C. Nagel, CPA  
Retired

**RAMONA MUNICIPAL WATER DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2015**

**RAMONA MUNICIPAL WATER DISTRICT**

**INTRODUCTORY SECTION**

**JUNE 30, 2015**

**RAMONA MUNICIPAL WATER DISTRICT  
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JUNE 30, 2015**

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**RAMONA MUNICIPAL WATER DISTRICT**

**FINANCIAL SECTION**

**JUNE 30, 2015**



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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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic 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 Audit 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.

### 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, 2015, and the changes in its financial position and cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## INDEPENDENT AUDITORS' REPORT

Page 2

### **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 9 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ramona Municipal Water District's basic financial statements. The introductory and supplementary information sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2015, 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 21, 2015

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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, 2015. 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 Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The purpose of the Statements 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 9,562 customers. The untreated system provides irrigation water to 205 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 3,776 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, 2015**

**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 2014/2015, total operating revenues have decreased by approximately 2% to \$26,097,266 and total operating expenses have decreased by approximately 1% to \$28,735,217. The reduction in operating revenues and expenses was attributable to water conservation efforts by District customers.

Effective June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires that the District record the Net Pension Liability of its defined benefit pension plan as of the measurement date. The implementation of GASB No. 68 resulted in a prior period adjustment to the beginning net position of \$9,777,166, and a net pension liability at June 30, 2015 of \$8,130,079. Additional information is provided in the footnotes and Required Supplementary Information.

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**NET POSITION**

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

	2015
Cash and cash equivalents	\$ 35,323,207
Capital assets, net	66,743,121
Other assets	4,130,800
Total assets	106,197,128
Deferred outflows of resources	968,195
Current liabilities	3,741,340
Payable from restricted assets	196,507
Compensated absences, net of current portion	518,931
Net pension liability	8,130,079
Long-term debt, net of current portion	5,509,092
Total liabilities	18,095,949
Deferred inflows of resources	2,215,966
Capital assets, net of related debt	60,701,469
Restricted	281,565
Unrestricted	25,870,374
Total net position	\$ 86,853,408
Total liabilities, deferred inflows, and net position	\$ 107,165,323

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

	2015
Operating revenues:	
Water sales and service fees	\$ 16,745,133
Fire and emergency medical service fees	3,716,428
Sewer service fees	5,635,705
Total operating revenues	26,097,266
Operating expenses:	
Water and related expenses	17,884,780
Fire, emergency medical, and related expenses	5,493,971
Sewer and related expenses	5,181,769
Park expenses	174,697
Total operating expenses	28,735,217
Operating income (loss)	(2,637,951)
Non-operating revenues (expenses):	
Property taxes	5,583,882
Assessment District revenue	283,842
Investment income	38,272
Other revenue and expenses	(52,960)
Total non-operating revenues (expenses)	5,853,036
Income (loss) before contributions	3,215,085
Capital contributions	98,856
Increase (decrease) in net position	3,313,941
Net position, beginning of year	93,316,633
Prior period adjustment	(9,777,166)
Net position, end of year	\$ 86,853,408

**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, 2015**

**BUDGETARY HIGHLIGHTS (CONTINUED)**

A comparison of the operating results for 2015 to the budget is presented below.

	Actual	Budget	Favorable (Unfavorable)
Operating revenues	\$ 26,097,266	\$ 25,899,477	\$ 197,789
Operating expenses:			
Water expenses	17,884,780	20,290,224	2,405,444
Fire and emergency medical expenses	5,493,971	5,791,103	297,132
Sewer expenses	5,181,769	6,340,902	1,159,133
Other expenses	174,697	262,993	88,296
Total operating expenses	<u>28,735,217</u>	<u>32,685,222</u>	<u>3,950,005</u>
Operating income (loss)	<u>(2,637,951)</u>	<u>(6,785,745)</u>	<u>4,147,794</u>
Non-operating revenues (expenses):			
Property taxes	5,583,882	4,800,000	783,882
Assessment District revenue	283,842	275,000	8,842
Investment income	38,272	14,995	23,277
Other revenue and expenses	(52,960)	(49,105)	(3,855)
Total non-operating revenues (expenses)	<u>5,853,036</u>	<u>5,040,890</u>	<u>812,146</u>
Income (loss) before contributions	<u>\$ 3,215,085</u>	<u>\$ (1,744,855)</u>	<u>\$ 4,959,940</u>

The unfavorable variance for Other Revenue & Expenses was caused by fees related to long-term debt, which were slightly above the amount projected.

**LONG-TERM DEBT**

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

	June 30, 2015
Assessment bonds	\$ 1,170,000
Notes, contracts, and leases payable	<u>4,871,653</u>
Total long-term debt	<u>\$ 6,041,653</u>

**RAMONA MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**CAPITAL ASSETS**

Changes in capital assets for the fiscal year ended June 30, 2015, were as follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Land	\$ 10,073,828	\$ -	\$ -	\$ 10,073,828
Water property, plant, lines, and equipment	101,777,210	98,856	(49,675)	101,826,391
Fire protection property, building and equipment	5,726,590	123,987	(129,721)	5,720,856
Park buildings and equipment	1,861,972	-	-	1,861,972
San Vicente Sewer - property, plant, lines, and equipment	22,184,375	11,150	-	22,195,525
Santa Maria Sewer - property, plant, lines, and equipment	14,751,910	34,327	-	14,786,237
Less: accumulated depreciation	(92,133,662)	(4,230,239)	179,397	(96,184,504)
Construction in progress	4,119,623	2,363,651	(20,458)	6,462,816
Net capital assets	<u>\$ 68,361,846</u>	<u>\$ (1,598,268)</u>	<u>\$ (20,457)</u>	<u>\$ 66,743,121</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, Chief Financial Officer, at 105 Earlham Street, Ramona, CA 92065.

*Ramona Municipal Water District*

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

<b>Assets:</b>	<u>2015</u>
Current assets:	
Cash and cash equivalents	\$ 35,041,642
Accounts receivable:	
Water and sewer, net of allowance for doubtful accounts of \$76,843	1,716,488
Property taxes	13,856
Interest receivable	12,598
Inventory	<u>2,371,863</u>
Total current assets	<u>39,156,447</u>
Restricted assets:	
Cash and cash equivalents	<u>281,565</u>
Total restricted assets	<u>281,565</u>
Other assets:	
Capital assets, net of accumulated depreciation	66,743,121
Debt issue costs, net of accumulated amortization of \$396,409 for 2015	<u>15,995</u>
Total non-current assets	<u>66,759,116</u>
Total assets	<u>106,197,128</u>
<b>Deferred outflows of resources</b>	
Pension related costs	<u>968,195</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>\$ 107,165,323</u></u>

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

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

<b>Liabilities and net assets:</b>	<u>2015</u>
<b>Current liabilities:</b>	
Accounts payable	\$ 1,838,360
Deposit payable	988,996
Accrued interest payable	44,403
Other accrued expenses	284,292
Deferred revenues	69,751
Current portion of notes, contracts, and leases payable	342,561
Compensated absences	<u>172,977</u>
Total current liabilities	<u>3,741,340</u>
<b>Payable from restricted assets:</b>	
Accrued interest payable	6,507
Current portion of assessment bonds	<u>190,000</u>
Total payable from restricted assets	<u>196,507</u>
<b>Non-current liabilities:</b>	
Assessment bonds, net of current portion	980,000
Notes, contracts, and leases payable, net of current portion	4,529,092
Compensated absences, net of current portion	518,931
Net pension liability	<u>8,130,079</u>
Total non-current liabilities	<u>14,158,102</u>
Total liabilities	<u>18,095,949</u>
<b>Deferred inflows of resources</b>	
Pension related costs	<u>2,215,966</u>
<b>Net position:</b>	
Net investment in capital assets	\$ 60,701,469
Restricted for:	
Assessment bonds	281,565
Unrestricted	<u>25,870,374</u>
Total net position	<u>86,853,408</u>
<b>Total liabilities, deferred inflows, and net position</b>	<u><u>\$ 107,165,323</u></u>

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

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	2015
Operating revenues:	
Sales and service fees	\$ 16,745,133
Fire and emergency medical service fees	3,716,428
Sewer service fees	5,635,705
Total operating revenues	26,097,266
Operating expenses:	
Source of supply	8,158,320
Treatment plants	828,869
Reservoirs and pumping	1,840,364
Transmission and distribution	1,576,767
Sewer services	2,818,429
Safety services	4,873,574
Park services	130,705
Vehicle maintenance	233,400
Depreciation	4,230,239
General and administrative	4,044,550
Total operating expenses	28,735,217
Operating income (loss)	(2,637,951)
Non-operating revenues (expenses):	
Property taxes	5,583,882
Assessment District revenue	283,842
Investment income	38,272
Other revenues and expenses	(52,960)
Total non-operating revenues (expenses)	5,853,036
Income (loss) before contributions	3,215,085
Capital contributions	98,856
Changes in net position	3,313,941
Net position - beginning	93,316,633
Prior period adjustment	(9,777,166)
Net position - ending	\$ 86,853,408

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

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	2015
Cash flows from operating activities:	
Receipts from customers	\$ 26,522,252
Payments to suppliers and vendors	(21,672,144)
Payments to employees	(3,740,719)
Net cash provided (used) by operating activities	1,109,389
Cash flows from non-capital financing activities:	
Property taxes received	5,865,027
Net cash provided (used) by non-capital financing activities	5,865,027
Cash flows from capital and related financing activities:	
Capital contributions	98,856
New debt acquired	-
Acquisition and construction of capital assets	(2,611,514)
Repayment of assessment bonds	(280,000)
Repayment of notes, contracts, and capital leases	(506,787)
Interest payments	(109,148)
Miscellaneous	85,434
Net cash provided (used) by capital and related financing activities	(3,323,159)
Cash flows from investing activities:	
Interest on investments	32,728
Net cash provided by investing activities	32,728
Net change in cash and cash equivalents	3,683,985
Cash and cash equivalents - beginning	31,639,222
Cash and cash equivalents - ending	\$ 35,323,207

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

**RAMONA MUNICIPAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	2015
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,637,951)
Adjustments to reconcile net income from operations to net cash provided by operating activities	
Depreciation	4,230,239
Amortization of debt issue costs	3,199
(Increase) decrease in:	
Accounts receivable	422,288
Inventory	12,541
Increase (decrease) in:	
Accounts payable	(304,830)
Deposit payable	115,678
Accrued expenses	(304,147)
Deferred revenues	946
Net pension liabilities	(399,316)
Payable from restricted assets	10,000
Deferred compensation benefits payable	(39,258)
Net cash provided (used) by operating activities	\$ 1,109,389
Reconciliation to balance sheet	
Unrestricted: cash and cash equivalents	\$ 35,041,642
Restricted: cash and cash equivalents	281,565
Total cash and cash equivalents	\$ 35,323,207

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

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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 1993, when a contract was entered into between the District and the California Department of Forestry, to provide fire and paramedic staff.

In May 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, 2015**

**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.

**4. Implementation of GASB Pronouncements**

Effective June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB Statement No. 71). GASB Statement No. 68 requires that the District record the Net Pension Liability of its defined benefit pension plan as of the measurement date. The implementation of GASB No. 68 resulted in a prior period adjustment to the beginning net position of \$9,777,166 and a net pension liability at June 30, 2015 of \$8,130,079. GASB Statement No. 71 relates to amounts that are deferred and amortized at the time GASB Statement No. 68 is first implemented. The implementation of GASB Statement No. 71 resulted in the deferred inflows of \$2,215,966 at June 30, 2015. Additional information is provided in footnote H.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**5. Assets, liabilities, and equity**

**a. Deposits and investments**

For purposes of the statements 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 \$10,000 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, 2015**

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

**5. Assets, liabilities, and equity (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. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position includes a separate section for deferral of outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items that qualifies for reporting in this category.

The pension plan related costs is the employer contributions paid during the year ended June 30, 2015, which are deferred under GASB Statement No. 68. At June 30, 2015, the deferred employer contribution is \$968,195.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category.

The deferred inflows of resources is made up of two components; net difference between projected and actual earnings on pension plan investments in the amount of \$2,384,331, which is amortized on a straight-line basis over five years, and adjustment due to differences in proportions in the amount of \$168,365, which is amortized over the straight-line basis over the average expected remaining service lives of all members that are provided with benefits. At June 30, 2015, the deferred pension related cost is \$2,215,966.

**f. 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.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**5. Assets, liabilities, and equity (continued)**

**g. Compensated absences**

Accumulated unpaid employee vacation benefits and sick leave are recognized as current and non-current liabilities in the Statement of Net Assets. As of June 30, 2015, the District had \$691,908 of accrued vacation and sick leave.

**h. 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.

**i. 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

**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

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**D. Cash and cash equivalents**

The summary of cash and cash equivalents is as follows at June 30, 2015:

	Carrying Amount and Bank Balance
	2015
Cash on hand	\$ 1,350
Cash on deposit	17,781,800
State of California Local Agency Investment Fund	17,540,057
Total cash and cash equivalents	\$ 35,323,207
Unrestricted	\$ 35,041,642
Restricted	281,565
Total cash and cash equivalents	\$ 35,323,207

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:

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

	June 30, 2015				
	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Checking and savings	\$17,781,800	\$ -	\$ -	\$17,781,800	\$17,781,800
Local Agency Investment Fund	17,540,057	-	-	17,540,057	17,540,057
Cash on hand	1,350	-	-	1,350	1,350
Total cash & cash equivalents	\$35,323,207	\$ -	\$ -	\$35,323,207	\$35,323,207

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The District maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The District has not experienced any losses in such accounts. At June 30, 2015, the District had \$18,703,680 in excess of FDIC insured limits.

**E. Accounts receivable**

Accounts receivable as of June 30, 2015, consists of the following:

	2015
Utility billings	\$ 1,212,283
Agricultural rebates	15,106
EMS receivables	342,706
Other receivable	146,393
Total accounts receivable	\$ 1,716,488

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**F. Capital Assets**

Changes in capital assets for the fiscal year ended June 30, 2015, were as follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Land	\$ 10,073,828	\$ -	\$ -	\$ 10,073,828
Water property, plant, lines, and equipment	101,777,210	98,856	(49,675)	101,826,391
Fire protection property, building and equipment	5,726,590	123,987	(129,721)	5,720,856
Park buildings and equipment	1,861,972	-	-	1,861,972
San Vicente Sewer - property, plant, lines, and equipment	22,184,375	11,150	-	22,195,525
Santa Maria Sewer - property, plant, lines, and equipment	14,751,910	34,327	-	14,786,237
Less: accumulated depreciation	(92,133,662)	(4,230,239)	179,397	(96,184,504)
Construction in progress	4,119,623	2,363,651	(20,458)	6,462,816
Net capital assets	<u>\$ 68,361,846</u>	<u>\$ (1,598,268)</u>	<u>\$ (20,457)</u>	<u>\$ 66,743,121</u>

During the fiscal year ended June 30, 2015, the District capitalized interest of \$128,121, into construction in progress. For the year ended June 30, 2015, depreciation expense was \$4,230,239.

**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, 2015, are as follows:

	June 30, 2014	New Debt Incurred	Principal Payments	June 30, 2015	Current Portion
Assessment bonds	\$ 1,450,000	\$ -	\$ (280,000)	\$ 1,170,000	\$ 190,000
Installment Purchase Agreements	-	-	-	-	-
Notes, contracts, and leases payable	5,378,439	-	(506,786)	4,871,653	342,561
Total long-term debt	<u>\$ 6,828,439</u>	<u>\$ -</u>	<u>\$ (786,786)</u>	<u>\$ 6,041,653</u>	<u>\$ 532,561</u>

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**1. Assessment bonds:**

2015

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.

\$ 1,170,000

Less: current portion

(190,000)

Total long-term assessment bonds

\$ 980,000

During fiscal year 2015, the District voluntarily made an additional \$100,000 principal payment to reduce long-term costs.

**2. Notes, contracts, and leases payable:**

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.

\$ 314,653

Installment Purchase Agreement in the amount of \$4,808,000 to J.P. Morgan Chase with interest at 3.06% used to finance 2014 San Vicente Road Pipeline Relocation Project. Annual principal payments vary between \$251,000 to \$373,000 plus interest through October 2029.

4,557,000

4,871,653

Less: current portion

(342,561)

Total notes, contracts, and leases payable

\$ 4,529,092

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

G. Long-term obligations (continued)

3 Notes, contracts, and leases payable (continued)

Future long-term maturities as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 532,561	\$ 227,910	\$ 760,471
2017	535,539	203,499	739,038
2018	563,553	178,732	742,285
2019	472,000	152,278	624,278
2020	500,000	130,455	630,455
2021-2030	3,438,000	535,988	3,973,988
	<u>\$ 6,041,653</u>	<u>\$ 1,428,862</u>	<u>\$ 7,470,515</u>

H. Employee retirement plan

1. Plan description, benefits provided and employees covered.

The District contributes to the Miscellaneous 3.0% at 60 Risk Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

2. Contribution description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 7.761 percent of annual pay, and the average employer's contribution rate is 20.434 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

H. Employee retirement plan (continued)

2. Contribution description (continued)

Participants are required to contribute 8.00% of their annual covered salary. The District makes some of the contributions required of District employees on their behalf and for their account. Currently, the District is paying the first 3.00% leaving the remaining 5.00% to be paid by the employees. The District makes the contributions required of the District's employees on their behalf and for their account. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate for the fiscal year ended June 30, 2015, was 21.997%. The contribution requirements of the plan members are established by state statute.

3. Actuarial methods and assumptions used to determine total pension liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

4. Discount rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

H. Employee retirement plan (continued)

4. Discount rate (continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed the District's methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

H. Employee retirement plan (continued)

5. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Discount Rate -1.00% 6.50%	Current Discount Rate 7.50%	Discount Rate +1.00% 8.50%
Plan's Net Pension Liability	\$ 13,813,683	\$ 8,130,079	\$ 3,413,227

6. Pension plan fiduciary net position

The plan fiduciary net position disclosed in the District's GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the District's funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

At June 30, 2015, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

The District contributions to CalPERS for the fiscal years ending June 30, 2015, 2014 and 2013, were \$968,195, \$894,238, and \$894,097, respectively, and equal 100% of the required contributions for each year.

I. 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.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**J. 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 46 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.

Employees hired after January 1, 2014 are no longer eligible for the retiree health benefit.

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 any additional spouse coverage. For employees with greater than 25 years of eligible service at retirement, the District's contribution percentage is 100% for retiree 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 reimbursement under accountable plan benefit if opting out of the District-sponsored plan.

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>	<u>Less than 25 Years of Service</u>	<u>More than 25 Years of Service</u>
Retiree only	\$ 461.09	\$ 531.46
Retiree plus spouse	\$ 724.59	\$ 930.06
Effective date	1/1/2015	1/1/2015

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**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.

**Valuation results**

The table below presents the employer liabilities associated with the District's retiree health benefits program determined in accordance with GASB 43 and 45. The actuarial liability (AL) is the present value of all the District's contributions projected to be paid under the program. The actuarial accrued liability (AAL) reflects the amount attributable to the past service of current employees and retirees. The normal cost reflects the accrual attributable for the current period.

	As of July 1, 2014
Actuarial Liability (AL)	
Active employees	\$ 1,210,821
Retired employees	261,279
Total AL	\$ 1,472,100
Actuarial Accrued Liability (AAL)	
Active employees	\$ 766,978
Retired employees	261,279
Total AAL	\$ 1,028,257
Normal Cost	\$ 56,047

**Development of Actuarial Value of Assets**

The actuarial value of assets is based on the market value of assets. The actuarial value of assets at June 30, 2014 is \$0. The District did not report any GASB eligible plan assets.

**Development of Unfunded Actuarial Accrued Liability**

The table below presents the development of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability (AAL) over the actuarial value of eligible plan assets.

Actuarial Accrued Liability (AAL)	\$ 1,028,257
Actuarial Value of Assets	-
Unfunded AAL (UAAL)	\$ 1,028,257

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Amortization of Unfunded Actuarial Accrued Liability**

The amortization of the UAAL component of the annual required contribution (ARC) is being amortized over a period of 24 years on a level-dollar basis. Under the level-dollar method, the amortization payment is scheduled to remain constant in future years.

Unfunded AAL (UAAL)	\$	1,028,257
Amortization Factor		14.495478
Amortization of UAAL	\$	<u>70,936</u>

**Annual Required Contribution (ARC)**

The table below presents the development of the annual required contribution (ARC) under GASB 45 for the fiscal year ending June 30, 2015 and estimated for the fiscal years ending June 30, 2016 and June 30, 2017.

	<u>FY 2014/2015</u>	<u>FY 2015/2016</u>	<u>FY 2016/2017</u>
Normal Cost at End of Fiscal Year	\$ 58,569	\$ 61,205	\$ 63,959
Amortization of UAAL	70,936	70,936	70,936
Annual Required Contribution	<u>\$ 129,505</u>	<u>\$ 132,141</u>	<u>\$ 134,895</u>

**Required Supplementary Information (Funding Progress at July 1, 2014)**

The table below presents a disclosure of the funding progress as of July 1, 2014.

Actuarial Accrued Liability (AAL)	\$	1,028,257
Actuarial Valuation of Assets (AVA)		(0)
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>1,028,257</u>
Funded Ratio		0%

**Actuarial Assumptions**

Actuarial valuations involve estimates of the value of the 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.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**K. 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 capacity charges. Under Statement No. 33, the District recognizes capacity charges as revenue.

**L. 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, 2014 through December 31, 2017, 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.

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.

**RAMONA MUNICIPAL WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

L. Vacation, sick leave and compensatory time (continued)

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 overtime and 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.

N. Prior period adjustment

An adjustment to the District's net position at June 30, 2015 in the amount of \$9,777,166 was due to the implementation of GASB 68.

O. 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 21, 2015, 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, 2015**

**RAMONA MUNICIPAL WATER DISTRICT  
ORGANIZATION  
JUNE 30, 2015**

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Darrell Beck	President	December 31, 2016
Joe Zenovic	Vice President	December 31, 2018
George Foote	Secretary	December 31, 2016
Jim Hickle	Treasurer	December 31, 2018
Thomas Ace	Director	December 31, 2016
	<u>General Manager</u>	
	David P. Barnum	
	<u>Chief Financial Officer</u>	
	Richard Hannasch	

**RAMONA MUNICIPAL WATER DISTRICT  
ASSESSED VALUATION  
JUNE 30, 2015**

The assessed valuation of the Ramona Municipal Water District at June 30, 2015, is as follows:

Assessed Valuation

Secured Property	\$ 3,567,712,310
Unsecured Property	<u>40,331,455</u>
Total Assessed Valuation	<u>\$ 3,608,043,765</u>

**RAMONA MUNICIPAL WATER DISTRICT  
OTHER INDEPENDENT AUDITORS' REPORTS SECTION  
JUNE 30, 2015**



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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ramona Municipal Water District, as of and for the fiscal year ended June 30, 2015, 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**

Page 2

**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 21, 2015

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

**JUNE 30, 2015**

**RAMONA MUNICIPAL WATER DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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, 2015**

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