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MEMBERS OF THE PUBLIC WISHING TO SUBMIT WRITTEN COMMENT TO THE COMMITTEE UNDER PUBLIC COMMENT OR ON A SPECIFIC AGENDA ITEM MAY SUBMIT COMMENTS TO OUR BOARD SECRETARY BY EMAIL AT DWASHBURN@RAINBOWMWD.COM OR BY MAIL TO 3707 OLD HIGHWAY 395, FALLBROOK, CA 92028. ALL WRITTEN COMMENTS RECEIVED **AT LEAST ONE HOUR IN ADVANCE OF THE MEETING** WILL BE READ TO THE COMMITTEE DURING THE APPROPRIATE PORTION OF THE MEETING. THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT'S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

BUDGET AND FINANCE COMMITTEE MEETING

RAINBOW MUNICIPAL WATER DISTRICT
Tuesday, November 14, 2023
Budget and Finance Committee Meeting - Time: 1:00 p.m.

District Office	3707 Old Highway 395	Fallbrook, CA 92028
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Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, November 14, 2023.

AGENDA

- 1. **CALL TO ORDER**
- 2. **PLEDGE OF ALLEGIANCE**
- 3. **ROLL CALL: Flint Nelson (Chair) _____ Bill Stewart (Vice Chair) _____**
Members: Peter Hensley _____ Patti Townsend-Smith _____
Alternates: Chad Williams _____
- 4. **INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**


CHAIR TO READ ALOUD - *"If at any point, anyone would like to ask a question or make a comment and have joined this meeting with their computer, they can click on the "Raise Hand" button located at the bottom of the screen. We will be alerted that they would like to speak. When called upon, please unmute the microphone and ask the question or make comments in no more than three minutes.*

*Those who have joined by dialing a number on their telephone, will need to press *6 to unmute themselves and then *9 to alert us that they would like to speak.*

A slight pause will also be offered at the conclusion of each agenda item discussion to allow public members an opportunity to make comments or ask questions."

5. SEATING OF ALTERNATES
6. ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)
7. PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)
- *8. APPROVAL OF MINUTES
 - A. October 10, 2023
9. GENERAL MANAGER COMMENTS
10. FINANCE MANAGER COMMENTS
11. COMMITTEE MEMBER COMMENTS
- *12. AUDIT/ACFR REVIEW
13. WATER SALES UPDATE
14. PIPELINE REHABILITATION AND REPLACEMENT PLANNING UPDATES
15. REVIEW OF THE MONTHLY BOARD FINANCE PACKET
16. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING
17. ADJOURNMENT

ATTEST TO POSTING:



FOR: Julie Johnson
Secretary of the Board

11-9-23 @ 3:45 p.m.

Date and Time of Posting
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 10, 2023**

1. CALL TO ORDER: The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on October 10, 2023, by Chairperson Nelson at 1:00 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 Chairperson Nelson presiding.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL:

Present: Member Nelson, Member Townsend-Smith, Alternate Williams (*via video conference*).

Also Present: General Manager Wiley, Executive Assistant Washburn, Finance Manager Largent, Operations Manager Gutierrez, Information Technology Manager Khattab.

Absent: Member Hensley, Member Stewart.

Also Present Via Teleconference or Video Conference:

Administrative Services Manager Harp, Grant Specialist Kim, Construction and Meters Supervisor Lagunas.

No members of the public were present in person, via teleconference or video teleconference.

4. INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE

There were no members of the public in attendance via teleconference or video conference; therefore, the instructions were not read aloud.

5. SEATING OF ALTERNATES

Alternate Williams was seated.

6. ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)

There were no amendments to the agenda.

7. PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)

There were no comments.

***8. APPROVAL OF MINUTES**
A. July 11, 2023

Motion:

To approve the minutes

Approve, Moved by Alternate Williams, Seconded by Member Townsend-Smith.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Member Nelson, Member Townsend-Smith, Alternate Williams.

Absent : Member Hensley, Member Stewart.

9. INTRODUCTION OF NEW GENERAL MANAGER AND GENERAL MANAGER COMMENTS

Jake Wiley introduced himself to the members as well as provided updates on the upcoming November 7th elections including some of the administrative tasks that must be completed as part of the election process. He also mentioned there may be an opportunity to refine the planning for RMWD’s pipeline replacement and improvement program, especially now that there is five more years of data.

Ms. Largent stated some staff members looked at a software demonstration that assists with determining which replacements should take place first using the assessment. She expressed an interest in getting this software for the engineering department.

10. FINANCE MANAGER COMMENTS

Ms. Largent reported although the audit was more involved this year than in the past, nothing more was found. She noted the results will be presented to the committee in November and to the Board in December.

11. COMMITTEE MEMBER COMMENTS

Mr. Williams shared some benefits of the software Ms. Largent mentioned earlier and how it will assist in getting the replacement projects back on track.

Mr. Nelson stated when RMWD was evaluating the groundwater project, there was a clear indication that no matter how much grant funding received, RMWD would need to come up with millions and millions of dollars on its own. He said the fact that RMWD was contemplating being able to raise that much money for a project for which it walked away from led him to think about the opportunity costs in terms of whether this amount of money could be raised to address aging infrastructure.

Ms. Largent noted she did not feel confident RMWD has the ability to get the millions of dollars of funding for the groundwater study project at this time. She said possibly maybe in 2-3 years, it may be possible to get funding to put towards catching up on pipeline replacement projects.

Mr. Wiley stated with the groundwater study project shelved, engineering will now focus on the pipeline replacement program including researching grant opportunities. He pointed out although some of the benefits were received from the groundwater study project, it was not a top priority.

***12. CASH RESERVE POLICY 5.03.220 COMPLIANCE REPORT**

Ms. Largent shared a presentation titled “Cash Reserve Balance & Mid Year Budget Preview”. She noted some of the successes and challenges. She reviewed the cash balances by fund, target reserves, as well as the operating and debt service fund balances. She presented information related to the water operating budget, noting the budget adjustments presented allow for the plan to keep the \$3M transfer from operating the capital which is really important for funding the capital plan.

Ms. Largent shared information related to wastewater capital fund project budgets, fund balances, as well as wastewater operating and capital fund balances. She presented details related to water capital project budgets and water capital fund balance projections.

Ms. Largent provided information related to the water capital budget, especially details related to the detachment including \$7M annual savings estimate in cost of water not factored into projections due to it being unknown when the savings will begin as well as the \$15,789,150 detachment payment paid over five years at \$3,157,830 per year. She talked about the water capital budget including debt options for \$20M.

Mr. Nelson referenced the wholesale water efficiency capital project budgets that were presented to the committee in May 2023 and how he noticed several projects were missing. Ms. Largent explained only the projects that had either an approved or adjusted budget were included in the list for this fiscal year in today’s presentation. She pointed out the projects to which he was referring were still part of the finance packet provided in the agenda packet.

Mr. Nelson stated RMWD borrowed money to prosecute these projects; therefore, he wanted to know if these are not being prosecuted in the near term, was the money borrowed money going to be used for other projects. Ms. Largent confirmed this was the case due to some water capital projects going over budget that were indirectly identified. Mr. Williams explained that when projects were reassessed more recently in terms of wholesale water efficiency, some were put on definite hold and others were deemed not ones that must be done; therefore, reallocations took place. Ms. Largent confirmed the bank did not tie the loan to specific projects; however, RMWD was able to prove where the funds were spent.

Discussion ensued.

***13. DISCUSSION AND POSSIBLE ACTION TO APPROVE A BILL ADJUSTMENT FOR ACCOUNT 018412-000 FOR AMOUNT OF TIME A CONSTRUCTION METER WAS NOT BEING USED FROM OCTOBER 2022 TO PRESENT AND WAIVE LATE FEES (Division 3)**

Ms. Largent explained this was for a construction meter which the customer had not used from September 2022 to current; therefore, it seemed reasonable to credit them the monthly charge and late fees for this period of time. She stated since staff does not have the authority to issue this credit, this item was being brought to the committee for a recommendation for Board approval.

Mr. Nelson stated he noticed from the meter reads the last time there was significant use on this meet was in June 2022; therefore, would the credit go back to June as opposed to September. Ms. Largent explained since there was some intermittent usage between June and September, the credit would only go back to September. Ms. Townsend-Smith inquired as to whether the credit should go back to June. Ms. Largent said she would look at this again and make any adjustments to the Board report if deemed appropriate. Discussion followed.

Motion:

To support staff recommendation Option 3 - Provide other direction to staff with the view that the committee is generally supportive of the credit but recommends reviewing the start date utilized for calculating the credit amount.

Action: Approve, Moved by Member Nelson, Seconded by Member Townsend-Smith.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Member Nelson, Member Townsend-Smith, Alternate Williams.

Absent : Member Hensley, Member Stewart.

***14. DISCUSSION AND POSSIBLE ACTION FOR A VARIANCE REQUEST FOR CUSTOMER CREDIT FOR THE DIFFERENCE IN ACCOUNT CLASS RATES FROM SEPTEMBER 2020 TO NOVEMBER 2022 (Division 2)**

Ms. Largent explained this customer request that RMWD retroactively change and credit them for a customer classification change from agriculture to single-family residential. She pointed out this matter has come before the committee and Board that has not been approved in the past to avoid setting a precedence where any customer could seek credits for changing something from the past. She stated she listened to recorded calls to determine if the customer had specifically requested a classification change and only found calls related to leaks on their property as well as operation and maintenance changes. She noted staff were very helpful in assisting the customer with their questions, including recommending a meter downsize option to which the customer replied they were uncertain as to what they were going to do with the property. Discussion followed regarding the options provided to the customer.

Motion:

To recommend the Board approved Staff Recommendation Option 2 – Deny the variance request.

Action: Approve, Moved by Alternate Williams, Seconded by Member Nelson.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Member Nelson, Member Townsend-Smith, Alternate Williams.

Absent: Member Hensley, Member Stewart.

15. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Largent pointed out the packet provided contains the details of the potential changes for capital reviewed during the earlier presentation. She noted the sales were significantly lower than the lowest in the past four years; approximately 30%.

Discussion ensued regarding Attachment E of the finance packet.

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16. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING

It was noted that the audit, as well as updates on water sales and rehabilitation and replacement planning should be on the next committee meeting agenda.

17. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:03 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary

BOARD OF DIRECTORS

November 14, 2023

SUBJECT

PRESENTATION AND ACCEPTANCE OF THE ANNUAL AUDIT REPORT FISCAL YEAR ENDING JUNE 30, 2023

BACKGROUND

Attached for the Board's acceptance is the final draft audit report of the Rainbow Municipal Water District (District). The District contracted the preparation of the independent audit with Lance, Soll & Lunghard, LLP for the fiscal year 22-23 annual audit.

DESCRIPTION

The audited financial statements serve as a vital resource for financial information and fiscal transparency.

The annual financial report has been compiled into an Annual Comprehensive Financial Report (ACFR). The ACFR includes three sections: 1.) Introductory Section, 2.) Financial Section, including the financial statements and notes; and 3.) Statistical Section.

The statements present a picture of the District's financial condition. The following are highlights of the District's financial condition that are depicted within the Fiscal Year 22-23 audit.

- The District had a gain from operations in the amount of \$758,129 in the current year compared to a loss from operations of \$562,639 in the previous year.
- Nonoperating income, net of expenses, for the current year was \$191,320 compared to \$758,669 for the prior year.
- Operating revenues were \$44,733,216 compared to \$46,585,720 for the prior year.
- Operating expenses were \$43,975,087 compared to \$47,148,359 for the prior year.
- The District's net position from the prior fiscal year **increased** by **\$9,655,068** or 8.7%.
- This year the District had \$13,212,007 worth of net additions to capital assets compared to \$17,148,578 last year. The additions in the current year are largely due to the progress on the Thoroughbred Lift Station (LS1) and the Rice Canyon Transmission Line.

There were no major audit findings for FY 22-23. The audit received an unqualified opinion of the representation of the financial records. An unqualified opinion indicates that the financial records have been maintained in accordance with the standards known as Generally Accepted Accounting Principles (GAAP).

ATTACHMENTS

- Annual Comprehensive Financial Report FY 22-23 DRAFT
- Audit Communication Letter
- Audit Report on Internal Controls

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Four: Fiscal Responsibility

This audit was performed to document our practice of using Generally Accepted Accounting Principles (GAAP) that demonstrate prudent fiscal activities.

Copies of the audit are mailed to the State Controller’s Office and the San Diego County Auditor & Controller. Upon request a copy of the audit will be mailed to the Special Districts Risk Management Authority.

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

The Board option of non-acceptance would result in no changes to the numbers presented within the audit itself.

STAFF RECOMMENDATION

Staff recommends the Board of Directors accept the June 30, 2023 audit of the District by the CPA firm of Lance, Soll & Lunghard, LLP.



Tracy Largent, CPA
Finance Manager

November 14, 2023





October 25, 2023

To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

We have audited the financial statements of the Rainbow Municipal Water District (The District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. As described in the notes to the financial statements, the District changed accounting principles related to subscription-based information technology arrangements and by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, in fiscal year 2022-2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Annual Comprehensive Financial Report. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District’s financial statements were:

Management’s estimates of the net pension liability and net other postemployment benefits liability are based on actuarial valuation estimates. We evaluated the methods, assumptions, and data used to develop the actuarial valuation estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that no such misstatements were identified during the course of our audit.



To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated XXXXX, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis the required pension and other postemployment benefits schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on other information included in the annual report which is comprised of the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information 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 it.

Future GASB Pronouncements

The following Government Accounting Standards Board (GASB) pronouncements will be effective for the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal Year 2023-2024

GASB Statement No. 99, *Omnibus 2022*

Fiscal Year 2024-2025

GASB Statement No. 101, *Compensated Absences*



To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

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Future Projects

Comprehensive Project, *Financial Reporting Model*

Comprehensive Project, *Revenue and Expense Recognition*

Major Project, *Going Concern Uncertainties and Severe Financial Stress*

Major Project, *Infrastructure Assets*

Practice Issue, *Classification of Nonfinancial Assets*

Practice Issue, *Risks and Uncertainties Disclosures*

Pre-Agenda Research Activities, *Subsequent Events*

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll & Luyhard, LLP". The signature is written in a cursive, flowing style.

Brea, California



INDEPENDENT AUDITOR’S 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

To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

We have audited, in accordance with the 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 Rainbow Municipal Water District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.



To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

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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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
October 25, 2023

DRAFT



Fallbrook, California
Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2023



3707 Old Highway 395 • Fallbrook, CA 92028
(760) 728-1178 • Fax (760) 728-2575 • www.rainbowmwd.com



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year ending June 30, 2023

Current Board of Directors:

- Division 1: Director Julie Johnson
- Division 2: Director Hayden Hamilton
- Division 3: Director Miguel Gasca
- Division 4: Director Patricia Townsend-Smith
- Division 5: Director Michael Mack

Prepared by District Finance and Administration Department:

- General Manager – Jake Wiley
- Finance Manager – Tracy Largent, CPA

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RAINBOW MUNICIPAL WATER DISTRICT

Fallbrook, California

Annual Comprehensive Financial Report

June 30, 2023

Table of Contents

Page
Number

INTRODUCTORY SECTION

Letter of Transmittal.....	i
Mission Statement & Core Values.....	viii
District Board of Directors and Principal Officials.....	x
Organizational Chart.....	xi
Government Finance Officers Association Certificate.....	xii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5

Financial Statements:

Statement of Net Position	10
Statement of Revenues, Expenses and Change in Net Position	11
Statement of Cash Flows.....	12
Notes to Financial Statements.....	15

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Risk Pool - Schedule of Proportionate Share of the Net Pension Liability	36
Miscellaneous Risk Pool - Schedule of Plan Contributions	37
Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios	38

RAINBOW MUNICIPAL WATER DISTRICT

Fallbrook, California

Annual Comprehensive Financial Report

June 30, 2023

Table of Contents

Page
Number

STATISTICAL SECTION

Net Position by Component	44
Revenues, Expenses, and Changes in Net Position	45
Summary of Revenues, Expenses, and Changes in Net Position	46
Summary of Revenues and Expenses	47
Revenues by Source	48
Expenses by Function	49
Computation of Legal Debt Margin	50
Total Assessed Value	51
Consumption by Customer Class	52
Top Ten Water Consumers Fiscal Year 2023	53
Top Ten Water Consumers Fiscal Year 2009	55
Rate Summaries	56
Historical Water Demand and Recent Trends	59
Top 10 Employers	60
Full-Time Equivalent Employees by Department	61
Historical Turnover	63
San Diego Area Economic Summary	64
Climate and Topography	66
Map of District Service Area	67
Map of District Location	68
Map of District Commute Times	69
Sandag and Costar Submarkets	70
Sandag Projections – County Population	71
Sandag Projections – North County East/MSA5 Population	72

October 25, 2023

To our Ratepayers, the Board of Directors, and Members of the Budget & Finance Committee of Rainbow Municipal Water District:

We are pleased to present the Rainbow Municipal Water District's (RMWD, District), Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year. This report is published to fulfil that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatements. There are inherent limitations in internal control; the costs associated with a control should not exceed the benefits to be derived. The objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year ended June 30, 2023 are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2023, are fairly presented, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

A profile of the District is presented in the Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. The letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it. This report includes all disclosures management believes necessary to enhance your understanding of the financial condition of the District.

DISTRICT PROFILE

The Rainbow Municipal Water District was organized on December 20, 1953, under the Municipal Water District Act of 1911 (commencing with section 71000 of the California Water Code). The Board of Directors is composed of five members who are elected by divisions of the District for four-year alternating terms, with the president being elected by the Board from among its members. Advisory Committees composed of residents from all divisions of the District assist the Board in water issues and financial planning. Operation, maintenance, and administration of the system is carried out by a staff of 56.5 full time employees under the direction of the General Manager, Jake Wiley.



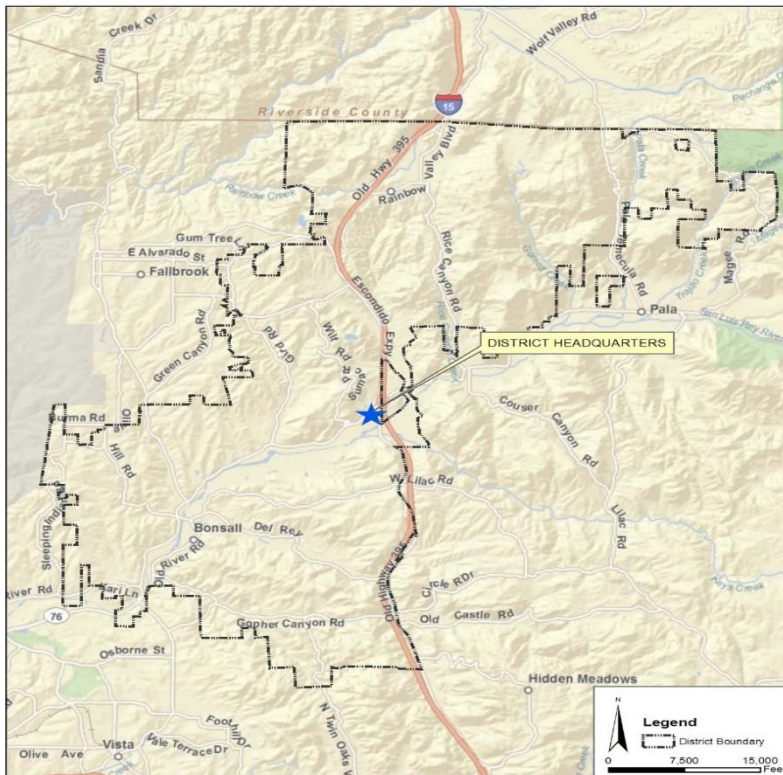
3707 Old Highway 395 • Fallbrook, CA 92028

(760) 728-1178 • Fax (760) 728-2575 • www.rainbowmwd.com

The Rainbow Municipal Water District, comprising a total area of 82 square miles, is located in northeast San Diego County, approximately two hours driving time from Los Angeles and one hour from San Diego. It is approximately 40 miles northeast of downtown San Diego, California and 90 miles southeast of the City of Los Angeles. The District shares common boundaries with Riverside County, Camp Pendleton Marine Corps Base, the unincorporated community of Fallbrook and the City of Oceanside. The District boundaries encompass the unincorporated communities of Rainbow and Bonsall, as well as portions of Pala, Fallbrook and Vista.

The principal activity of the District is the development and operation of a water transmission and distribution system capable of delivering potable water throughout the District. The District's area of service is predominantly agricultural and includes approximately 5,300 homes and a total metered service of 8,954. In addition to water service, the District provides sewerage collection and disposal service to approximately 3,628 accounts.

SERVICE AREA AND LOCAL ECONOMY



San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character with agriculture being the top industry within the district boundaries. The District borders the U.S. Marine Corps Base Camp Pendleton, making the District's service area a suburb for Camp Pendleton's active military and civilian-service workers as well as commuters that work to the south in San Diego and to the North in Riverside and Orange Counties. The service area's population is estimated to be 23,536 based on the 2020 census. The District's population has grown recently with the addition of housing developments. The median household income in Bonsall was \$86,442 for 2021, which is higher than the state median of \$84,097 and higher than the national average of \$74,580. Demographics

for the District's service area are difficult to quantify due to the various towns and unincorporated areas covered by the District. The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.4 million residents in 2050, up from 3.3 million in 2016. The District's 2050 housing density is expected to increase slightly as housing demands increase.

DISTRICT POWERS

The District has broad general powers to perform all necessary or proper acts, including but limited to the authority to acquire, plan, construct, maintain, improve, operate and repair necessary works for the transmission and distribution of water for irrigation and other purposes and for reclamation of such water; the right of eminent domain; authority to levy taxes or, in lieu thereof, to fix and collect charges for water, including standby charges made to holders of title to land to which water may be made available, whether or not the water is actually used; authority to establish rules and regulations for the sale and distribution of water including rules for providing that water shall not be furnished to persons against whom there are delinquent water charges; authority to contract with the United States, the State and the agencies of either; and the power to join with one or more public agencies, private corporations or other persons for the purpose of carrying out any of the powers of the District.



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FINANCIAL POLICIES

The District maintains certain policies that govern aspects of the District's financial management.

The District's maintains the following policies:

- Debt Management Policy – Defines the District's debt management.
- Investment Policy – Establishes permitted investments in compliance with State Code.
- Fund Balance/Reserve Policies – Set target balances for reserves and working capital.
- Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure.
- Purchasing Policy – Establishes rules and limits for approval of purchases to ensure efficient buying and control of District assets.

These policies can be found on the District's website as part of the District's Administrative Code.

WATER SUPPLY OPERATIONS

Since Rainbow Municipal Water District began water service in 1954, the District's source of supply has been water purchased from the San Diego County Water Authority (SDCWA). About 66% of the water is used for agricultural purposes; all water is of domestic quality.

SDCWA is a County Authority organized on June 9, 1944 under the County Authority Act, California Statutes 1943, Chapter 545, as amended. SDCWA's primary purpose is to supply water to areas in the County for distribution to the SDCWA's member agencies in order to meet their respective needs. SDCWA's service area encompasses 1,418.2 square miles, which represents about one-half of the land acreage of the County. There are currently 24 member agencies served by the SDCWA consisting of 6 cities, 17 special districts and the US Marine Corps base at Camp Pendleton. The SDCWA receives its water from the Metropolitan Water District of Southern California, of which the Authority is a member agency. Delivery of this water is made by San Diego County Water Authority through aqueducts, all of which traverse the District.

Historically, SDCWA depended almost exclusively on water supplies imported from the Colorado River and Northern California by the Metropolitan Water District of Southern California. That changed in 2003 with the start of the largest farm-to-urban water conservation and transfer agreement in the nation with the Imperial Irrigation District, which now accounts for about one-third of San Diego County's water supply. In late 2015, the Water Authority added a new water source to its portfolio with the completion of the nation's largest seawater desalination plant in Carlsbad. Today, the Water Authority and its member agencies have identified potable reuse of recycled water as the next major source of local water supply, while continuing to aggressively promote water conservation as a civic responsibility.

The Water Authority is governed by a 36-member Board of Directors representing the 24-member agencies. A member of the San Diego County Board of Supervisors also serves as a non-voting member to the Water Authority Board.

The Metropolitan Water District is a regional wholesaler that delivers water to 26 member public agencies 14 cities, 11 municipal water districts, one county water authority which in turn provides water to more than 19 million people in Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties. The Metropolitan Water District, to supplement its water supply from the Colorado River, has entered into a contract with the State of California for the delivery of water via the State Water Project. Metropolitan is governed by a 38-member board of directors who represent their respective member agencies ensuring each member agency is part of the governance of Metropolitan.

To supply the more than 300 cities and unincorporated areas in Southern California with reliable and safe water, Metropolitan owns and operates an extensive water system including: The Colorado River Aqueduct, 16 hydroelectric facilities, nine reservoirs, 819 miles of large-scale pipes and five water treatment plants. Four of

these treatment plants are among the 10 largest plants in the world. In fact, Metropolitan is the largest distributor of treated drinking water in the United States. Metropolitan imports water from the Feather River in Northern California and the Colorado River to supplement local supplies. It also helps its member agencies develop water recycling, storage and other local resource programs to provide additional supplies and conservation programs to reduce regional demands.

Metropolitan currently delivers an average of 1.7 billion gallons of water per day to a 5,200-square-mile service area.

WATER SYSTEM DESCRIPTION

RMWD's existing water distribution system is comprised of 12 major pressure zones with storage facilities. Four of the major zones are supplied directly from SDCWA aqueduct connections and the remaining major zones are supplied through pressure reducing stations or booster pump stations. In addition to the major zones, there are 30 reduced pressure areas that are supplied from the major zones through pressure reducing stations. The existing distribution system has over 320 miles of pipelines ranging in size from 4-inches to 42-inches in diameter.

WATER SYSTEM OPERATIONS

Operation of the RMWD water distribution system is very complex due to the large number of pressure zones, supply locations, and large capacity storage facilities which require frequent cycling or turnover to maintain water quality. Furthermore, the water distribution system is flexible in that supply from the eight aqueduct connections can be routed to different parts of the distribution system by making changes to several key valve settings. Reservoir water levels are connected to the RMWD Supervisory Control and Data Acquisition (SCADA) system, such that the water operators are able to monitor the system throughout the day at the water operations center.

Tank water levels in several pumped zones are operated in a fill/drain mode with water levels set low to improve the turnover rate. In addition to normal supply operations, system operators have several documented procedures for alternative supplies to zones. In the event that pump stations fail or when aqueducts are shut down for service, tanks need to be removed from service. During planned shutdowns of the SDCWA Second Aqueduct (Connections 3, 6, 7, 8, 9, and 11), water from the North and Northside Reservoirs is supplied down to the Canonita Zone through bypass valves and pressure reducing stations. The remaining zones normally supplied from the Second Aqueduct are supplied from excess storage capacity in the Morro Reservoir via temporary diesel-powered pumps.

Four portable pumps are utilized to pump water from the Morro Zone to the South Zone. Supply to the South Zone can also be supplemented from the City of Oceanside's Weese Water Filtration Plant from a portable pump. The Northside Zone, North Zone, and all zones that are pumped from the North Zone are normally supplied from Connections 1 and 10 on the First Aqueduct and Connection 9 on the Second Aqueduct. During a shutdown of both aqueducts, these zones rely on water from in-zone tank storage, the North and Northside Reservoirs, and additional supply from FPU's Red Mountain Reservoir, which is pumped into the North Reservoir. An emergency pump station at the Beck Reservoir site can also be utilized during a shutdown of both aqueducts to supply the Canonita Zone from the Pala Mesa Zone.

WASTEWATER FACILITIES

The District provides sewerage collection and disposal service to approximately 3,059 accounts, maintains 6 lift stations and 60 miles of sewer main. On February 13, 2002, Rainbow Municipal Water District entered into a contract with the City of Oceanside, California to provide for the construction, operation, maintenance, and replacement of a wastewater system to service the needs of both The City and the District. The City owns the wastewater conveyance, treatment, and disposal facilities and the District has the contractual right to discharge wastewater into the City's system.

LONG RANGE PLANNING

At the April 26, 2016, Board Meeting the 2016 Water and Wastewater Master Plan Update was adopted by the Board of Directors. The purpose of the Master Plan Updates is to identify potential system deficiencies, confirm transmission main sizing and identify future capital improvement projects based on updated ultimate demand projections. The District's most recent water and wastewater master plans were prepared in 2006. There is the potential for a considerable amount of new development both within and outside the current District boundaries in the near future. The water and wastewater master plans serve as the basis for critical infrastructure decisions and capital fees. The master plans consider both existing, and ultimate, year 2030, conditions.

The District implemented a Strategic Plan in 2016 with specific Goals. It is a living document as the condition in the area of water supply and reclamation change over time. The Strategic Plan is reviewed by the Board annually along with various goals and objectives presented by staff. At intervals not to exceed five years, the Board will revisit the Mission Statement, Values, and Strategic Focus Areas to ensure that they remain aligned with the needs of the District at that time. A full update of the status of the goals and sub goals is published on the District website annually in the Budget document.

The district is in the process of implementing a strategic capital improvement plan to facilitate prioritization within the District's key focus areas: Water Pipeline Rehabilitation/Replacement, Wastewater System Upgrades/Expansion, Water System Storage, Water System Pump Stations, District Headquarter Facility, and Wholesale Water Efficiency Projects.

Wholesale Water Efficiency Projects are a major focus for the district as 100% of our water is imported through the SDCWA. Since the resolution of a lawsuit brought by North County member agencies against the San Diego County Water Authority, the two northernmost districts, Rainbow MWD and the Fallbrook Public Utilities District, have not had to pay the SDCWA transportation charge on water delivered through our direct connections to the MWD Aqueduct system. Currently, that fee is \$177 per acre foot, a substantial sum. Over the last few years, the Districts System Operators have been shifting as much of our demands to those connections as possible. Currently, about 75% of our water purchases come from these northerly MWD connections, with 100% expected by FY 2025. The transportation charge on the remaining 25% of the water amounts to about \$1 Million per year and that transportation cost is going up every year. It is in the best interest of the District's ratepayers to move as much demand as possible onto our northerly MWD connections in order to provide the same water at a lower cost. The challenge is moving water from these connections, two on the east of I-15 and two on the west, into the southerly service area. A key east/west connector from the Rice Canyon Tank down to the Citro development is currently in contract and was completed as part of that project in early FY24. This pipeline will greatly increase the amount of water that can be delivered from our connection 10 east of Rice Canyon Road into the main service area in Bonsall.

In March 2020, the District, in collaboration with Fallbrook Public Utility District, initiated a formal process to switch wholesale water providers from the SDCWA to the Eastern Municipal Water District. This transition, approved in July 2023 by the Local Agency Formation Committee (LAFCO), is expected to save the District \$7-\$10 million annually or up to \$95 million over a decade.

AWARDS AND ACKNOWLEDGEMENTS

The District was awarded the District of Distinction Accreditation by the Special District Leadership Foundation (SDLF) for its sound governance and fiscal management practices and policies. To receive the award, a special district must undergo regular financial audits and have no major deficiencies. Board members and management staff must undergo extensive training in sound governance practices and management. Their operations must conform to all statutes and regulations under state law as reflected in a clear and robust set of policies and procedures. They must also have completed SDLF's District Transparency Certificate of Excellence which is awarded every other year and was presented to Rainbow MWD in 2015, 2017, 2019, 2021 and 2023. To receive the Transparency Certificate of Excellence, a special district must demonstrate the completion of essential




governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

The Government Finance Officers Association of the United States and Canada (GFOA) presented the award of Distinguished Budget Presentation to Rainbow Municipal Water District for the annual budget for the fiscal year June 30, 2023. In order to receive this award a governmental unit must publish a budget document of the very highest quality that adheres to the program standards set by the GFOA. The award is valid for a period of one year only. We believe the FY 2024 budget continues to meet the program requirements and will be submitted to the GFOA to determine its eligibility for another award.

The Government Finance Officers Association of the United States and Canada (GFOA) presented the award of Distinguished Annual Comprehensive Financial Report (ACFR) Presentation to Rainbow Municipal Water District for the annual finances for FY 2020, 2021, and 2022. In order to receive this award a governmental unit must publish an ACFR of the very highest quality that adheres to the program standards set by the GFOA. The award is valid for a period of one year only. We believe the FY 2023 ACFR continues to meet the program requirements and will be submitted to the GFOA to determine its eligibility for another award.

We would like to thank the Board of Directors for providing the direction and support necessary for the preservation of the District's internal controls, financial sustainability, and high standard of financial management.


Jake Wiley
General Manager


Tracy Largent, CRA
Finance Manager

RAINBOW MUNICIPAL WATER DISTRICT MISSION STATEMENT & CORE VALUES



“To provide our customers reliable, high quality water and water reclamation service in a fiscally sustainable manner.”

Background

RMWD’s adopted Strategic Plan’s strategic focus area of Workforce Development calls for the implementation of cost-effective employee recognition programs to acknowledge performance, encourage development and improve morale.

The Operations Manager, Human Resources Manager, and Administrative Analyst partnered to design a program that would not only increase pride in serving the District, but also use the design of the coins to reinforce the District’s newly articulated values and strategic focus areas. The program will give employees the ability to recognize one another for performance and behaviors in alignment with these goals.

Overview of the Excellence Coin Program

The program includes a series of six Excellence Coins, each designed to symbolize a particular District focus area. The first coin in the series “Commitment to Excellence” will be issued to all new employees, Board Members, and Citizen Committee members upon joining the District as a tangible welcome gift and reminder of our purpose. Each of the remaining coins will only be issued after nomination and selection by management or peer employee groups.



Innovation:

We realize that good ideas can come from many sources, and we continually encourage new and better ways of doing our work. Our goal is not innovation for innovation's sake, but for finding ways to improve service and lower costs.



Integrity:

We believe in openness, trust, ethics and transparency. We practice direct and honest communication in all of our day-to-day interactions.



Professionalism:

We have open and respectful communication and interactions, both internally and with our customers. Our employees will always exhibit professionalism in all of their day-to-day interactions.



Responsibility:

Individual and organizational responsibility and accountability for accomplishing the District's mission is a core value. We focus on doing our work in an efficient, reliable, and cost-effective manner.



Teamwork:

Our focus is on supporting one another to collectively be our best. We encourage communication and collaboration. We focus on quality and have pride in the work we do in service to our customers.

RAINBOW MUNICIPAL WATER DISTRICT OFFICIALS



Hayden Hamilton
President



Miguel Gasca - Vice President



Julie Johnson - Director



Michael Mack - Director



Patricia Townsend-Smith - Director



Jake Wiley
General Manager



Tracy Largent
Finance Manager



Robert Gutierrez
Operations Manager



Ahmed Khattab
IT Manager



Karleen Harp
Administrative Services Manager



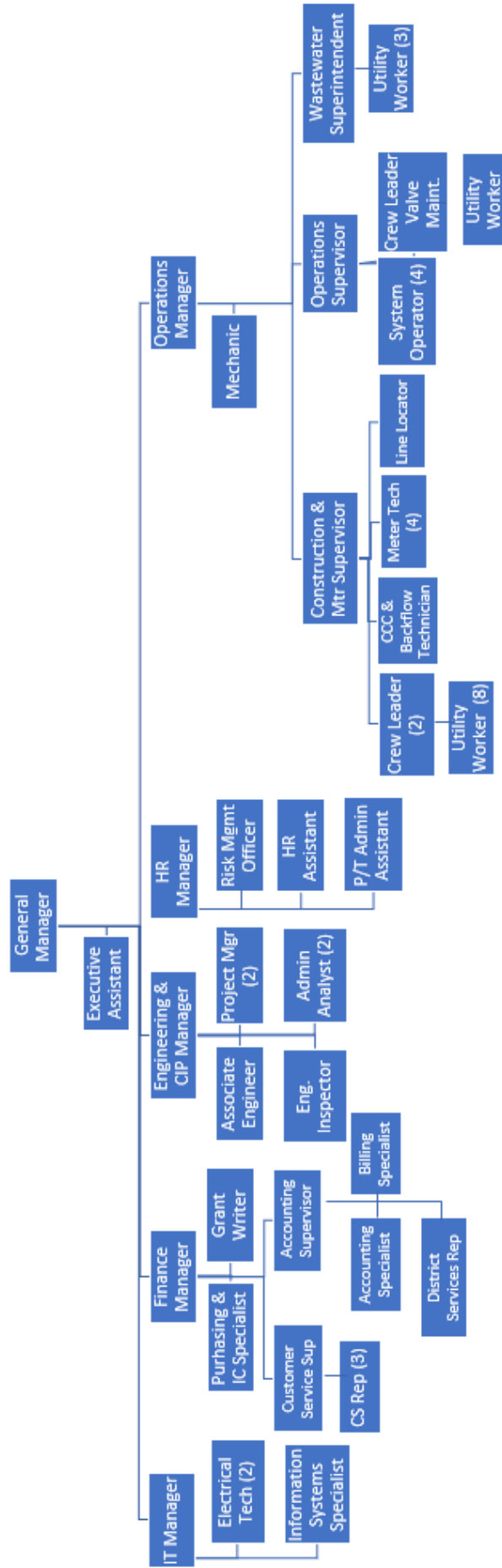
Chad Williams
Engineering & CIP Manager



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RAINBOW MUNICIPAL WATER DISTRICT ORGANIZATIONAL CHART - 57.5 FTE'S





Government Finance Officers Association

Certificate of
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Presented to

**Rainbow Municipal Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Rainbow Municipal Water District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

DRAFT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension and other postemployment benefits schedules, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



To the Board of Directors
Rainbow Municipal Water District
Fallbrook, California

DRAFT

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023 on our consideration of the 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
October 25, 2023

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As management of the Rainbow Municipal Water District (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of three main parts (1) Management's Discussion and Analysis, (2) Basic Financial Statements, and (3) Required Supplemental Information.

The financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management Discussion and Analysis for State and Local Governments*.

FINANCIAL HIGHLIGHTS

The District's ending net position was \$111,061,252.

The change in net position for the fiscal year was an increase of \$9,550,068.

The District had a gain from operations in the amount of \$758,129 in the current year compared to a **loss** from operations of \$562,639 in the previous year. Nonoperating income, net of expenses, for the current year was \$191,320 compared to \$758,669 for the prior year.

This year the District had \$13,212,007 worth of net additions to capital assets compared to \$17,148,577 last year. The current year's additions were largely due to expenditures on work in progress for the Thoroughbred Lane Lift Station and the Rice Canyon Transmission line. The prior year's increase was largely due to the meter replacement project and Rainbow Heights pump station, as well as pipeline replacement and pressure regulating stations.

The District secured financing of \$5M at 5.49% in FY 2023 to fund the completion of the Thoroughbred Lane Lift Station.

The current debt and capital asset balances can be found in the notes to these financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's financial statements.

Financial Statements. The financial statements of the District are reported using accounting methods similar to those used by companies in the private sector. These statements offer short-term and long-term financial information about its activities.

The *Statement of Net Position*, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position*, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

DISTRICT'S FINANCIAL ANALYSIS

Our analysis of the District begins on page 9 of the financial statements. One of the most important questions to ask about the District's finances is "Whether the District, as a whole, is better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. Measuring the change in the District's net position - the difference between assets and liabilities - is one way to measure financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non- financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

The District's net position from the prior fiscal year increased by \$9,655,068 or 9.5%.

Operating revenue for this fiscal year decreased by \$1,852,504 or 4.0% compared to the prior year.

Operating expenses decreased by \$3,173,272 or 6.7% from the prior year as a result of the

Decrease in water sales. Non-operating revenue decreased by \$574,976 due mainly to Investment returns decreasing. Non-operating expenses totaled \$1,314,580, similar to the prior year, due to Interest and Investment expense.

Statement of Net Position

To begin our analysis, a summary of the District's Condensed Statement of Net Position is presented in Table 1 for the current year and the prior year.

Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' bonded cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since inception.

Net position may serve over time, as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$111,061,252 as of June 30, 2023.

The fiscal year 2023 Net Pension Liability had an increase of \$5,253,120 compared to fiscal year 2022. Net Pension Liability is reported at \$9,678,141 for fiscal year 2023 and it is based on the District's proportionate share of the net pension liability for the Miscellaneous Classic and PEPRAs plans under the CalPERS retirement program. The District's Net Pension Liability was \$4,425,021 and \$8,158,280 for fiscal years 2022 and 2021, respectively. Actuarial reporting for pension liabilities are always one year behind, so this significant increase in liability is due to the unfavorable market conditions in FY22.

The District's financial position is the product of several financial transactions including the net results of revenue and expense, the acquisition and disposal of capital assets, and the depreciation of capital assets.

DISTRICT'S FINANCIAL ANALYSIS (CONTINUED)

Table 1
Condensed Statement of Net Position

Assets	FY 2023		FY 2022		\$ Change	% Change
Current Assets	\$ 27,679,794	\$	31,203,197	\$	(3,523,403)	-11.3%
Capital Assets	130,349,228		117,137,221		13,212,007	11.3%
Total Assets	158,029,022		148,340,418		9,688,604	6.5%
Deferred Outflows of Resources	3,922,248		1,753,248		2,169,000	123.7%
Liabilities						
Current Liabilities	10,301,564		10,326,885		(25,321)	-0.2%
Noncurrent Liabilities	39,257,743		33,543,896		5,713,847	17.0%
Total Liabilities	49,559,307		43,870,781		5,688,526	13.0%
Deferred Inflows of Resources	1,330,711		4,712,201		(3,381,490)	-71.8%
Net Position						
Net Investment in Capital Assets	102,832,804		87,086,283		15,746,521	18.1%
Restricted for Capital Projects	649,293		629,599		19,694	3.1%
Restricted for Debt Service	876,584		850,130		26,454	3.1%
Unrestricted	6,702,571		12,944,672		(6,242,101)	-48.2%
Total Net Position	\$ 111,061,252	\$	101,510,684	\$	9,550,568	9.4%

Statement of Revenues, Expenses and Changes in Net Position

The District's total operating revenues for the fiscal year ended June 30, 2023, excluding inter-fund transfers, decreased by \$1,852,504 to \$44,733,216. This was primarily due to decreased demand during a rainier than usual winter and spring.

The District's total operating expenses decreased by \$3,173,272 to \$43,975,087 as a result of the a decrease in wholesale water costs due to reduced water sales.

The gain from operations was \$758,129 compared to a \$562,639 loss in the prior year. Nonoperating income for the current year was \$191,320 compared to \$758,669 for the prior year.

DISTRICT'S FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2023:

Table 2
Condensed Statement of Revenues, Expenses & Changes in Net Position

	FY 2023	FY 2022	\$ Change	% Change
Operating Revenues	\$ 44,733,216	\$ 46,585,720	\$ (1,852,504)	-4.0%
Operating Expenses	(43,975,087)	(47,148,359)	(3,173,272)	6.7%
Non-operating Revenues	1,505,900	2,080,876	(574,976)	-27.6%
Non-operating Expenses	(1,314,580)	(1,322,207)	(7,627)	0.6%
Income Before Capital Cont	949,449	196,030	753,419	384.3%
Capital Contributions	8,705,619	5,238,350	3,467,269	66.2%
Change in Net Position	9,655,068	5,434,380	4,220,688	77.7%
Total Net Position (Beg)	101,406,184	96,076,304	5,329,880	5.5%
Prior Period Adjustment	(104,500)	-	(104,500)	-
Net Position (Beg) Restated	101,301,684	96,076,304	5,225,380	5.4%
Total Net Position, End	\$ 110,956,752	\$ 101,510,684	\$ 9,446,068	9.3%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Changes in Capital Assets

	FY 2023	FY 2022	\$ Change	% Change
Land	\$ 2,853,225	\$ 3,202,675	\$ (349,450)	-10.9%
Construction in Progress	29,017,039	16,265,605	12,751,434	78.4%
Buildings & Improvements	7,705,160	7,224,994	480,166	6.6%
Reservoirs, Pipelines, & Tanks	157,950,669	155,424,608	2,526,061	1.6%
Meters	6,317,752	6,230,061	87,691	1.4%
Equipment	10,872,430	10,755,661	116,769	1.1%
Invest in Sewer Rights	9,775,522	9,775,522	-	-
Right-to-use SBITA assets	908,671	-	-	-
Less: Accumulated Depreciation	(95,051,240)	(91,741,905)	(3,309,335)	3.6%
Total Capital Assets	\$ 130,349,228	\$ 117,137,221	\$ 13,212,007	11.3%

Debt

Table 4
Changes in Debt

	FY 2023	FY 2022	\$ Change	% Change
Loan Payable Morro	\$ 6,651,722	\$ 7,134,611	\$ (482,889)	-6.8%
Loan Payable Beck	5,019,244	5,383,620	(364,376)	-6.8%
Lease Purchase Agreement	2,955,761	3,494,832	(539,071)	-15.4%
Installment Purchase Contract	2,802,106	3,311,793	(509,687)	-15.4%
Western Alliance	9,418,199	9,750,000	(331,801)	100.0%
Total Debt	\$ 26,847,032	\$ 29,074,856	\$ (2,227,824)	-7.7%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's Board of Directors and management considered many factors when setting the fiscal year 2023 budget, user fees, and charges. These indicators were taken into consideration when adopting the District's budget for fiscal year 2024.

CONTACTING THE DISTRICT

Questions regarding this report should be directed to Jake Wiley, General Manager, or Tracy Largent, Finance Manager, at (760) 728-1178, or by mail at 3707 Old Highway 395, Fallbrook, California 92028.

RAINBOW MUNICIPAL WATER DISTRICT
Statement of Net Position
June 30, 2023

DRAFT

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,150,658
Restricted cash and cash equivalents	1,576,002
Investments	10,270,979
Accounts receivable - water and sewer, net	6,394,267
Interest receivable	71,942
Taxes and assessments receivable	6,912
Other receivable	13,686
Inventories	3,085,640
Prepaid costs	109,708

Total current assets 27,679,794

Noncurrent:

Capital assets, net	<u>130,349,228</u>
---------------------	--------------------

Total noncurrent assets 130,349,228

Total assets **158,029,022**

DEFERRED OUTFLOWS OF RESOURCES

Pension-related	<u>3,922,248</u>
-----------------	------------------

Total deferred outflows of resources **3,922,248**

LIABILITIES

Current liabilities:

Accounts payable	7,092,991
Accrued expenses	81,118
Accrued interest	94,654
Developer deposits	446,467
Unearned revenues	135,666
Construction meter deposits	69,351
Compensated absences	54,582
Claims and judgments	3,191
Loans, leases, and subscriptions	2,323,544

Total current liabilities 10,301,564

Noncurrent liabilities:

Compensated absences	491,240
Loans, leases, and subscriptions	25,192,880
Prepaid capacity fees	3,337,383
Net pension liability	9,678,141
Total OPEB liability	558,099

Total noncurrent liabilities 39,257,743

Total liabilities **49,559,307**

DEFERRED INFLOWS OF RESOURCES

Pension-related	<u>1,330,711</u>
-----------------	------------------

Total deferred inflows of resources **1,330,711**

NET POSITION

Net investment in capital assets	102,832,804
Restricted for capital projects	649,293
Restricted for debt service	876,584
Unrestricted	6,702,571

Total net position **\$ 111,061,252**

RAINBOW MUNICIPAL WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

DRAFT

OPERATING REVENUES	
Water sales	\$ 40,240,342
Wastewater revenue	3,534,927
Other operating revenue	957,947
Total operating revenues	<u>44,733,216</u>
OPERATING EXPENSES	
Cost of purchased water	22,273,945
Board of directors	38,541
Pumping	896,053
Operations	2,757,133
Valve maintenance	414,666
Distribution	2,288,854
Meters	843,475
Garage	659,229
Administration	1,745,531
Human resources	402,084
Risk management	753,304
Information technology	1,020,090
Finance	1,098,534
Customer service	591,842
Wastewater	1,309,292
Engineering	1,224,264
Depreciation/amortization	3,353,102
Other operating expenses	2,305,148
Total operating expenses	<u>43,975,087</u>
Operating income	<u>758,129</u>
NONOPERATING REVENUES (EXPENSES)	
Property tax revenue	777,390
Investment income	728,510
Other nonoperating expense	(417,310)
Interest expense	(866,466)
Grant refunds	(30,804)
Total nonoperating revenues (expenses)	<u>191,320</u>
Income before capital contributions	949,449
Capital contributions	8,705,619
Change in net position	9,655,068
Net position-beginning, as restated	101,406,184
Net position-ending	<u>\$ 111,061,252</u>

RAINBOW MUNICIPAL WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2023

DRAFT

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 45,729,120
Payments to suppliers and service providers	(30,877,258)
Payments to employees for salaries and benefits	(10,570,578)
Other receipts	3,191
Net cash provided by operating activities	<u>4,284,475</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes received	784,370
Operating grants repaid	(30,804)
Net cash provided by noncapital financing activities	<u>753,566</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(7,375,269)
Principal paid on capital debt	(2,571,603)
Interest paid on capital debt	(867,078)
Proceeds from sales of assets	368,922
Other nonoperating	2,193,273
Net cash used for capital and related financing activities	<u>(8,251,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	321,785
Purchase of investments	(161,994)
Net cash provided by investing activities	<u>159,791</u>
Net decrease in cash and cash equivalents	(3,053,923)
Cash and cash equivalents-beginning	<u>10,780,583</u>
Cash and cash equivalents-ending	<u>\$ 7,726,660</u>

RAINBOW MUNICIPAL WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2023

DRAFT

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and investments	\$ 6,150,658
Restricted cash and investments	<u>1,576,002</u>
Total cash and cash equivalents	<u><u>\$ 7,726,660</u></u>

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	<u>\$ 758,129</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	3,353,102
Decrease in accounts receivable	1,041,442
Decrease in other receivables	40,275
Increase in inventories	(520,177)
Decrease in prepaid items	107,897
Increase in deposits	(49,789)
Increase in pension-related deferred outflows	(2,169,000)
Increase in accounts payable	40,491
Decrease in accrued liabilities	(74,999)
Decrease in unearned revenue	(54,274)
Increase in deposits payable	18,250
Decrease in compensated absences	(32,981)
Increase in claims and judgments	3,191
Increase in net pension liability	5,253,120
Decrease in net OPEB liability	(48,712)
Decrease in pension-related deferred inflows	<u>(3,381,490)</u>
Total adjustments	<u>3,526,346</u>
Net cash provided by operating activities	<u><u>\$ 4,284,475</u></u>

**SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL,
AND INVESTING ACTIVITIES**

Unrealized gain on fair value of investments	\$ 342,508
Contributions of capital assets	8,705,619

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Rainbow Municipal Water District (the "District") was established in 1953 and is a Special District, organized under Section 71000 of the California Water Code. The District provides water and sanitation services to the unincorporated communities of Rainbow, Bonsall, and portions of Vista, Oceanside, and Fallbrook.

The District services and maintains approximately 350 miles of water main, 7 pump stations, 4 reservoirs, and 13 storage tanks to deliver water to its customers. It also provides sewer services to parts of the District and maintains 6 lift stations and 60 miles of sewer main located in northern San Diego County.

The District is governed by a Board of Directors made up of five members elected by the voters within the District.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The basic financial statements of the Rainbow Municipal Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets,” or “restricted net position”.

C. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred 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) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2023.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2023.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

In addition to liabilities, the Statement of Net 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 periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that will qualify for reporting in this category:

- Deferred inflow related to pensions changes in actuarial assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2023.
- Deferred inflow from pensions resulting from the differences between employer contributions and proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 cost 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.

Investment Valuation

Investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

E. Water Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service.

F. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2023, have been reduced by an allowance for doubtful accounts of \$343,664.

G. Inventories

Materials inventory is stated at the lower of current average cost or market. Water inventory is stated at its purchase cost using the first-in, first-out method. Total water inventory at June 30, 2023 is \$3,085,640.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

I. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

J. Capital Assets and Depreciation

Capital assets are valued at cost when constructed or purchased. Donated assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are valued at their acquisition value at the date of acquisition. The District capitalizes all assets with a historical cost of at least \$10,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Buildings	10-50 years
Water Systems	10-50 years
Improvement of Sites	10-75 years
Equipment	5-15 years
Right-to-use SBITAs	5-20 years
Capacity Rights	17 years

K. Compensated Absences

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from District service. The liability for such leave is reported as incurred in the statement of net position. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists.

L. Capital Contributions and Capacity Fee Liability

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item on the Statement of Revenues, Expenses, and Changes in Net Position. Capacity fees are paid by new customers prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction costs and other factors and are intended to compensate the District for a new customer's equitable share of current and future system capacity. Capacity fees are reflected as a liability and are recorded as Capital Contributions on the Statement of Revenues, Expenses, and Changes in Net Position when the customer connects to the District's system.

M. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. As of June 30, 2023, the following timeframes are used:

Valuation Date (VD): June 30, 2021

Measurement Date (MD): June 30, 2022

Measurement Period (MP): July 1, 2021 to June 30, 2022

O. Other Post-Employment Benefits

For purposes of measuring the total other post-employment benefits (OPEB) liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

P. Subscription-Based Information Technology Arrangements

The District is a subscriber for a noncancellable subscription of information technology services. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the statement of net position.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Q. Interest Expense

The District incurs interest charges on long-term debt. Interest expense for the year ended June 30, 2023, was \$866,466 and was reflected as nonoperating on the Statement of Revenues, Expenses and Changes in Net Position. The District did not capitalize any interest during the year ended June 30, 2023.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

I. New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for and/or early implemented for the fiscal year ended June 30, 2023:

1. *GASB Statement No. 91, Conduit Debt Obligations*

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

2. *GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

3. *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

4. *GASB Statement No. 100, Accounting Changes and Error Corrections*

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments at June 30, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 6,150,658
Investments	10,270,979
Restricted:	
Restricted cash and cash equivalents	1,576,002
Total cash and investments	\$ 17,997,639
Cash on hand	\$ 500
Deposits with financial institutions	6,108,417
Investments	11,888,722
Total cash and investments	\$ 17,997,639

Investments Authorized by the California Government Code and the District's Investment Policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Bankers acceptances	180 days	40%	5%
Commercial paper	270 days	25%	5%
Certificates of deposit (nonnegotiable)	5 years	None	None
Certificates of deposit (negotiable)	5 years	30%	None
Repurchase agreements	1 year	None	5%
Medium-term notes	5 years	30%	5%
Municipal investments	5 years	10%	5%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Local Agency Investment Fund	N/A	None	\$50 million

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include US Treasury Bills, Notes and Bonds, US Treasury Obligations, Resolution Funding Corp (REFCORP), Prefunded Municipal Bonds, US Government-Sponsored Agency Securities, Commercial Paper, Money Market Mutual Funds, Certificates of Deposits, Guaranteed Investment Contracts, Banker's Acceptance, Repurchase Agreements, and Local Agency Investment Funds. There are no

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of Banker's Acceptances, which are limited to one year and Repurchase Agreements, which are limited to 30 days.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2023.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Government Sponsored Entities	\$ 8,077,342	\$ 2,684,222	\$ 3,027,526	\$ 2,365,594
Negotiable Certificates of Deposit	1,049,593	237,403	812,190	-
Medium-Term Notes	877,061	-	-	877,061
Money market Mutual Funds	1,842,986	1,842,986	-	-
Local Agency Investment Fund	41,740	41,740	-	-
Total	\$ 11,888,722	\$ 4,806,351	\$ 3,839,716	\$ 3,242,655

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2023.

Investment Type	Total	Minimum Legal Rating	Moody's Rating as of Fiscal Year End			
			Aaa	Aa	A	Exempt or Not Rated
U.S. Government Sponsored Entities	\$ 8,077,342	N/A	\$ -	\$ -	\$ -	\$ 8,077,342
Negotiable Certificates of Deposit	1,049,593	N/A	-	-	-	1,049,593
Medium-Term notes	877,061	A2	-	-	877,061	-
Money Market Mutual Funds	1,842,986	N/A	-	-	-	1,842,986
Local Agency Investment Fund	41,740	N/A	-	-	-	41,740
Total	\$11,888,722	\$ -	\$ -	\$ -	\$ 877,061	\$11,011,661

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. There were no investments held on June 30, 2023 in any one issuer that represent 5% or more of total District investments, except for the Local Agency Investment Fund and mutual funds which are exempt from this stipulation.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, \$15,801,167 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Fair Value Measurements:

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs. At June 30, 2023, all investments held by the District are valued using Level 2 inputs, with the exception of the Local Agency Investment Fund and money market mutual funds, which are measured at cost or net asset value and are considered uncategorized.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023, were as follows:

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Governmental activities:						
Capital assets, not being depreciated/amortized						
Land	\$ 3,202,675	\$ -	\$ 75,000	\$ 424,450	\$ -	\$ 2,853,225
Construction-in-progress	16,265,605	-	13,156,711	-	(405,277)	29,017,039
Total capital assets, not being depreciated/amortized	19,468,280	-	13,231,711	424,450	(405,277)	31,870,264
Capital assets, being depreciated/amortized						
Buildings and Improvements	7,224,994	-	74,889	-	405,277	7,705,160
Reservoirs Pipelines, and Tanks	155,424,608	-	2,526,061	-	-	157,950,669
Meters	6,230,061	-	87,691	-	-	6,317,752
Equipment	10,755,661	-	160,536	43,767	-	10,872,430
Investment in Sewer Rights	9,775,522	-	-	-	-	9,775,522
Right-to-use SBITA assets	-	908,671	-	-	-	908,671
Total capital assets, being depreciated/amortized	189,410,846	908,671	2,849,177	43,767	405,277	193,530,204
Less accumulated depreciation/amortization						
Buildings	(987,699)	-	(135,331)	-	-	(1,123,030)
Reservoirs Pipelines, and Tanks	(84,513,333)	-	(1,895,812)	-	-	(86,409,145)
Meters	(717,648)	-	(401,308)	-	-	(1,118,956)
Equipment	(3,644,764)	-	(621,818)	-	-	(4,266,582)
Investment in Sewer Rights	(1,878,461)	-	(159,063)	(43,767)	-	(1,993,757)
Right-to-use SBITA assets	-	(139,770)	-	-	-	(139,770)
Total accumulated depreciation/amortization	(91,741,905)	(139,770)	(3,213,332)	(43,767)	-	(95,051,240)
Total capital assets, being depreciated/amortized, net	97,668,941	768,901	(364,155)	-	405,277	98,478,964
Total governmental activities capital assets	<u>\$ 117,137,221</u>	<u>\$ 768,901</u>	<u>\$ 12,867,556</u>	<u>\$ 424,450</u>	<u>\$ -</u>	<u>\$ 130,349,228</u>

Depreciation and amortization expense for depreciable capital assets was \$3,213,332 for the year ended June 30, 2023.

NOTE 4: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

During the current fiscal year, the District entered into a three-year subscription-based information technology arrangement (SBITA) for the use of Microsoft Office 365 Software. An initial subscription liability was recorded in the amount of \$92,955. As of June 30, 2023, the value of the subscription liability is \$69,890. The District is required to make annual fixed payments of \$23,530. The subscription has an interest rate of 0.50%. The software has a three-year useful life. The value of the right-to-use-asset as of the end of the current fiscal year was \$69,716 and had accumulated amortization of \$23,239.

NOTE 4: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

During the current fiscal year, the District entered into a five-year subscription for the use of GeoViewer Online (Nobel). An initial subscription liability was recorded in the amount of \$717,087. As of June 30, 2023, the value of the subscription liability is \$514,753. The District is required to make annual fixed payments of \$104,500 and paid fiscal year 2024's amount during the current year. The subscription has an interest rate of 0.50%. The software has a five-year useful life. The value of the right-to-use-asset as of the end of the current fiscal year was \$614,646 and had accumulated amortization of \$102,441.

During the current fiscal year, the District entered into a five-year subscription for the use of ADP. An initial subscription liability was recorded in the amount of \$98,629. As of June 30, 2023, the value of the subscription liability is \$84,749. The District is required to make annual fixed payments of \$14,373. The subscription has an interest rate of 0.50%. The software has a five-year useful life. The value of the right-to-use-asset as of the end of the current fiscal year was \$84,539 and had accumulated amortization of \$14,090.

The future principal and interest SBITA payments as of June 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,130	\$ 773	\$ 37,903
2025	139,242	3,162	142,404
2026	139,938	2,465	142,403
2027	117,108	1,765	118,873
2028	117,693	1,180	118,873
2029-2033	118,281	592	118,873
Totals	<u>\$ 669,392</u>	<u>\$ 9,937</u>	<u>\$ 679,329</u>

NOTE 5: LONG TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2023 were as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>June 30, 2023</u>	<u>One Year</u>
Business-type activities				
Direct Borrowings				
Loan Payable SRF Morro	\$ 7,134,610	\$ -	\$ 6,651,722	\$ 493,049
Loan Payable SRF Beck	5,383,621	-	5,019,244	372,044
Lease Purchase Agreement	3,494,833	-	2,955,761	555,730
Installment Purchase Contract	3,311,792	-	2,802,106	525,894
Contract - Western Alliance Business	9,750,000	-	9,418,199	339,697
Total Direct Borrowings	29,074,856	-	26,847,032	2,286,414
Compensated absences	578,803	376,260	545,822	54,582
SBITAs	-	908,671	669,392	37,130
Total business-type activities	<u>\$ 29,653,659</u>	<u>\$ 1,284,931</u>	<u>\$ 28,062,246</u>	<u>\$ 2,378,126</u>

NOTE 5: LONG TERM DEBT (CONTINUED)

A. SRF Morro Loan Payable

On October 31, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan in the amount of \$10,246,413 pursuant to the California Safe Drinking Water State Revolving Fund Law of 1997, Part 12, Chapter 4.5, of Division 104 of Health and Safety Code (commencing with Section 116270) to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The rate of interest to be paid on the principal amount of the loan shall be 2.0933% annually. On June 30, 2023, the amount outstanding was \$6,651,722.

B. SRF Beck Loan Payable

On October 31, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan in the amount of \$7,731,716 pursuant to the California Safe Drinking Water State Revolving Fund Law of 1997, Part 12, Chapter 4.5, of Division 104 of Health and Safety Code (commencing with Section 116270) to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The rate of interest to be paid on the principal amount of the loan shall be 2.0933% annually. At June 30, 2023, the amount outstanding was \$5,019,244.

C. Lease Purchase Agreement

On September 21, 2018, the District entered into a lease/purchase agreement with Zion Bank as lessor in the amount of \$5,523,284 to finance water meters. Payments of principal and interest are due annually on July 1. The rate of interest to be paid on the principal amount of the lease is 3.090%. At June 30, 2023, the amount outstanding was \$2,955,761.

D. Installment Purchase Contract

On October 1, 2018, the District entered into an Installment Purchase Contract with ZMFU II, Inc. in the amount of \$5,249,905 to finance the construction, acquisition, and improvements associated with a District-wide water meter replacement program. Principal payments are due annually on July 1 and interest payments are due semi-annually on July 1 and January 1. The rate of interest to be paid on the principal amount of the lease is 3.180%. At June 30, 2023, the amount outstanding was \$2,802,106.

E. Installment Purchase Agreement

On March 1, 2023 the District entered into an Installment Purchase Agreement with Western Alliance Business Trust in the amount of \$9,750,000 to finance the construction, acquisition, and improvements associated with a District-wide water pipeline upgrades. Principal payments are due annually on April 1 and interest payments are due semi-annually on April 1 and October 1. The rate of interest to be paid on the principal amount of the lease is 4.02%. At June 30, 2023, the amount outstanding was \$9,418,199

Future debt service requirements for the above notes payable based on the initial loan rates is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,286,414	\$ 832,578	\$ 3,118,992
2025	2,309,123	767,784	3,076,907
2026	2,375,618	701,024	3,076,642
2027	2,444,133	632,234	3,076,367
2028	2,514,732	561,351	3,076,083
2029-2033	8,419,858	1,948,755	10,368,613
2034-2038	4,180,256	914,080	5,094,336
2039-2042	2,316,898	267,078	2,583,976
Totals	<u>\$ 26,847,032</u>	<u>\$ 6,624,884</u>	<u>\$ 33,471,916</u>

NOTE 6: INVENTORIES

Inventories at June 30, 2023, consisted of the following:

Water Inventory	\$ 259,816
Materials Inventory	<u>2,825,824</u>
Total	<u>\$3,085,640</u>

NOTE 7: DEFINED BENEFIT PENSION PLANS

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Annual Comprehensive Financial Report, which is available online at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 63 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>Classic Miscellaneous Plan</u>	<u>PEPRA Miscellaneous Plan</u>
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2.5% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.5%	1.0% - 2.5%
Required Employee Contribution Rates	7.96%	6.75%
Required Employer Contribution Rates	12.20%	7.59%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are identified by the pension plan terms.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, Rainbow Municipal Water District reported a net pension liability for its proportionate share of the net pension liability of the risk pools in the amount of \$9,678,141.

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Rainbow Municipal Water District's proportionate share of the net pension liability as of the measurement date ended June 30, 2021 and 2022 was as follows:

	Classic & PEPRA Plans
Proportion - June 30, 2021	0.0818%
Proportion - June 30, 2022	0.0838%
Change	<u>0.0020%</u>

For the year ended June 30, 2023, the District recognized pension expense of \$862,479. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 565,109	\$ -
Differences Between Actual and Expected Experience	194,356	130,171
Change in Assumptions	991,728	-
Changes in Proportions	398,278	41,289
Difference between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	1,159,251
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>1,772,777</u>	<u>-</u>
Total	<u>\$ 3,922,248</u>	<u>\$ 1,330,711</u>

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

The \$565,109 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 390,806
2025	380,891
2026	170,440
2027	1,084,291
2028	-
Thereafter	-
Total	\$ 2,026,428

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

	Classic & PEPRA Plans
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter.

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{1, 2}
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1 Percent (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 Percent (7.90%)
Proportionate share of net pension liability	\$ 14,962,992	\$ 9,678,141	\$ 5,330,018

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS

Plan Description – Benefits

The District administers its Other Post-Employment Benefits (OPEB), a single employer defined benefit plan, to provide medical, prescription drugs, and dental benefits, in accordance with a resolution approved by the board of Directors. Medical insurance is provided through a choice of a Blue Cross HMO or Blue Cross Classic PPO, both offered through the Association of California Water Agencies Joint Powers Insurance Authority. Dental insurance is provided through Assurant Employee Benefits.

Employees of the District hired before July 1, 2012, retiring after the later of age 50 with 10 consecutive years of District service are eligible to receive a monthly District contribution towards the purchase of health insurance if they have not opted out. The District contribution ends after ten (10) years of benefit payments have been made, even if retiree or spouse are still under age 65 at the time. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Measurement Date	<u>June 30, 2022</u>
Total Eligible Active Employees	18
Inactive Employees Currently Receiving Benefit Payments	<u>5</u>
Total	<u><u>23</u></u>

Total OPEB Liability

The District’s total OPEB liability of \$558,099 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2023. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability reported at June 30, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2023
Measurement Date	June 30, 2023
Actuarial Cost Methods	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.65%
Inflation	2.30%
Projected Salary Increase	3.80%
Expected Long Term Investment Rate of Return	N/A
Healthcare Cost Trend Rates	Varies
Pre-Retirement Turnover	Based on Rates from 2021 CalPERS Experience Study Report
Mortality	Based on Rates from 2021 CalPERS Experience Study Report

The discount rate of 3.65 percent was based on The Bond Buyer 20-Bond GO Index and was updated to the current fiscal year end based on changes in market conditions as reflected in the Index.

Changes in the Total OPEB Liability

The changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)
Balance at June 30, 2022	<u>\$ 606,811</u>
Changes recognized for the measurement period:	
Service cost	3,040
Interest	20,274
Assumption changes	92,361
Actuarial experience	(96,231)
Benefit payments from the Plan	<u>(68,156)</u>
Net changes during 2022-23	<u>(48,712)</u>
Balance at June 30, 2023	<u>\$ 558,099</u>

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, calculated using the discount rate for the Plan, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.65 %) or 1-percentage point higher (4.65%) than the current rate:

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rate

	Discount Rate -1 Percent (2.65%)	Current Discount Rate (3.65%)	Discount Rate +1 Percent (4.65%)
Plan's total OPEB liability	\$ 588,731	\$ 558,099	\$ 529,276

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1 Percent Decrease	Current Heathcare Trend Rate	1 Percent Increase
Plan's total OPEB liability	\$ 558,099	-	\$ 558,099

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

The District elected to use the Alternative Measurement Method for reporting GASB 74/75 for fiscal year 2023. According to the implementation guide for GASB 74/75, the changes in the total OPEB liability resulting from differences between expected and actual experience and changes in assumptions or other inputs should be recognized in OPEB expense in the periods in which the effects are first reported in the OPEB liability. Due to this, the District has recognized its deferrals arising from expected and actual experience, as well as changes of assumptions in OPEB expense. For the year ended June 30, 2023, the District recognized OPEB expense of \$48,712.

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District's workers' compensation, property, and liability risk exposure is handled by the District's participation in the Association of California Water Agencies-Joint Powers Insurance Authority (ACWA-JPIA).

ACWA-JPIA is a risk pooling joint powers authority formed under the California Government Code to provide coverage for ACWA-JPIA's member agencies. ACWA-JPIA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to \$62,231 for the year ended June 30, 2023. Property and liability insurance expenses amounted to \$387,155 for the year ended June 30, 2023.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through ACWA-JPIA or through the District's previous risk pool.

NOTE 9: RISK MANAGEMENT (CONTINUED)

General and Auto Liability: Total risk financing limits of \$5 million combined with single limit at \$5 million per occurrence, subject to the following deductible:

- \$1,000 per occurrence for third party auto liability property damage.

Crime Coverage: \$100,000 per loss includes Public Employee Theft, Depositors Forgery or Alteration, and Computer Funds Transfer Fraud. There is a \$1,000 deductible for crime coverage.

Property Loss: Replacement cost, for property schedule on file subject to the following deductibles:

- Buildings, personal property, fixed equipment, and unscheduled vehicles on premise: \$10,000
- Mobile equipment: \$2,500
- Vehicles: \$1,000
- Turbine Units & Associated Equipment, electrical generators, electrical power distribution: \$50,000
- All Other Boiler & Machinery Accidental Breakdown: \$25,000
- Flood: \$100,000
- Earthquake, 5% per unit of insurance, subject to \$75,000 minimum.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$4 million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage.

NOTE 10: DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plans, administered by Aspire and Lincoln Financial Group, are available to all regular employees, permits deferment of a portion of current salary to future years. Benefits from the plans are not available to employees until termination, retirement, disability, death, or unforeseeable emergencies.

All assets and income of the plans 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 perform the investment function. Therefore, the fair market value of the plan assets at June 30, 2023, in the amount of \$5,729,174, is not included in the District's financial statements.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Tank Maintenance Commitments

On April 22, 2015, the District entered into a ten-year contract with Utility Service Co., Inc. to maintain twelve water tanks. The contract was updated on April 25, 2023 to maintain the tanks at an annual cost of \$1,040,498. The contract can be cancelled annually if intent to cancel is received with ninety (90) days prior to the anniversary date. Any outstanding balance for completed work would be due and payable within thirty (30) days of cancellation.

Capacity Rights for Sewage Treatment

On February 13, 2002, Rainbow Municipal Water District (the District) entered into a contract with the City of Oceanside, California (the City) to provide for the construction, operation, maintenance, and replacement of a wastewater system to service the needs of both the City and the District. The City owns the wastewater conveyance, treatment, and disposal facilities and the District has the contractual right to discharge wastewater into the City's System. The City and the District have previously entered into agreements on January 2, 1973, September 10, 1989, and February 16, 2019. This agreement reflects the planned expansion and rehabilitation of facilities built from those previous agreements. Under the agreement, the District's share of cost for planned expansion and rehabilitation of the facilities would be 10% of the total cost of expansion.

NOTE 11: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Project Commitments

The following construction projects had remaining commitments outstanding at June 30, 2023:

Project	Spent-to-Date	Remaining Commitment
Live Oak Park Bridge	\$ 387,157	\$ 119,843
LS-1 Replacement Phase 1	5,556,340	9,624,817
Rice Canyon 18" WL	2,313,426	2,172,303
Rainbow Valley Blvd. CP Installation	26,235	498,468

NOTE 12: PRIOR PERIOD ADJUSTMENTS

For fiscal year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which updated the guidance on the accounting and financial reporting for SBITAs for government end users. The effect of the implementation of the change in accounting principle is shown in column C of the table below.

During fiscal year 2023, the change in accounting principle resulted in adjustments to and restatements of beginning net position, as follows:

	June 30, 2022 As Previously Reported	Changes to or within the Reporting Entity	Error Correction	Changes in Accounting Principle	June 30, 2022 As Restated
Rainbow Municipal Water District	\$ 101,510,684	\$ -	\$ -	\$ (104,500)	\$ 101,406,184
Total	\$ 101,510,684	\$ -	\$ -	\$ (104,500)	\$ 101,406,184

NOTE 13: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 25, 2023, the date of which these financial statements were available to be issued. Management concluded that no material subsequent events other than the item listed below have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

A. Issuance of Wastewater Lease Financing Agreement

Subsequent to June 30, 2023, the District closed on a previously authorized but unissued lease financing agreement with First American RBC/City National Bank in the amount of \$5,000,000. The purpose of the debt issuance is to facilitate activity within the wastewater capital plan and will mature in fiscal year 2034.

RAINBOW MUNICIPAL WATER DISTRICT
Schedules of Proportionate Share of Net Pension Liability
As of June 30, for the Last Ten Fiscal Years ¹

DRAFT

Reporting Date ² as of June 30,	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability
2023	0.0838%	\$ 9,678,141	\$ 5,407,749	179.0%	76.7%
2022	0.0818%	4,425,021	5,036,802	87.9%	88.3%
2021	0.0750%	8,158,280	4,935,944	165.3%	75.1%
2020	0.0007%	7,527,597	5,212,648	144.4%	75.3%
2019	0.0716%	6,899,648	3,887,469	177.5%	75.3%
2018	0.0709%	7,031,525	4,118,123	170.7%	73.3%
2017	0.0694%	6,009,026	3,679,407	163.3%	74.1%
2016	0.0668%	4,584,303	3,829,237	119.7%	78.4%
2015	0.0552%	3,435,302	3,873,095	88.7%	79.8%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes : None

Changes of Assumptions : None

¹ Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore only nine years are shown.

² The proportions and proportionate share of the net pension liability are measured as of one year behind the reporting date. Refer to notes to basic financial statements.

RAINBOW MUNICIPAL WATER DISTRICT
Schedules of Plan Contributions
As of June 30, for the Last Ten Fiscal Years ¹

DRAFT

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered/ Covered- Employee Payroll	Contribution as a % of Covered/Covered Employee Payroll
2023	\$ 565,109	\$ 565,109	\$ -	\$ 5,737,509	9.8%
2022	562,304	562,304	-	5,407,749	10.4%
2021	479,387	479,387	-	5,036,802	9.5%
2020	512,037	512,037	-	4,935,944	10.4%
2019	865,241	865,241	-	5,212,648	16.6%
2018	743,649	743,649	-	3,887,469	19.1%
2017	656,639	656,639	-	4,118,123	15.9%
2016	369,170	369,170	-	3,679,407	10.0%
2015	570,649	570,649	-	3,829,237	14.9%

RAINBOW MUNICIPAL WATER DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years ¹

DRAFT

	2023	2022	2021
Measurement Date	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 3,040	\$ 3,701	\$ 6,294
Interest on total pension liability	20,274	14,649	15,040
Changes of assumptions	92,361	(55,645)	2,478
Difference between expected and actual experience	(96,231)	-	36,255
Benefit payments, including refunds of employee contributions	<u>(68,156)</u>	<u>(68,156)</u>	<u>(56,698)</u>
Net change in total OPEB liability	(48,712)	(105,451)	3,369
Total OPEB liability-beginning	<u>606,811</u>	<u>712,262</u>	<u>708,893</u>
Total OPEB liability-ending (a)	<u>558,099</u>	<u>606,811</u>	<u>712,262</u>
Covered-employee payroll	\$ 2,258,436	\$ 2,318,249	\$ 2,239,854
Plan total OPEB liability/(asset) as a percentage of covered-employee payroll	24.7%	26.2%	31.8%

Notes to Schedule of Changes in the Total OPEB Liability and Related Ratios:

Benefit Changes: None

Changes of Assumptions: None

¹ Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only six years are shown.

2020	2019	2018
<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
\$ 5,388	\$ 5,027	\$ 7,607
22,545	24,801	26,991
58,081	68,033	-
-	(108,804)	-
<u>(42,753)</u>	<u>(43,026)</u>	<u>(24,866)</u>
43,261	(53,969)	9,732
<u>665,632</u>	<u>719,601</u>	<u>709,869</u>
<u>708,893</u>	<u>665,632</u>	<u>719,601</u>
\$ 5,395,091	\$ 5,212,648	\$ 4,346,367
13.1%	12.8%	16.6%

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Statistical Section

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STATISTICAL SECTION

This section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Investment in Capital Assets	\$ 85,350,581	\$ 84,652,584	\$ 84,881,107	\$ 65,217,530	\$ 65,399,076	\$ 63,739,648	\$ 72,364,014	\$ 78,817,091	\$ 87,086,283	\$ 102,832,804
Restricted for Capital Projects			6,827,952	894,491	894,491	3,321,531	11,057,533	7,312,691	629,599	649,293
Restricted for Debt Service							1,129,683	822,428	850,130	876,584
Unrestricted	6,697,491	2,119,562	1,544,992	17,174,049	16,586,411	16,510,984	3,530,574	9,124,094	12,944,672	6,702,571
Total Net Position	\$ 92,048,072	\$ 86,772,146	\$ 93,254,051	\$ 83,286,070	\$ 82,879,978	\$ 83,572,163	\$ 88,081,804	\$ 96,076,304	\$ 101,510,684	\$ 111,061,252
<i>Percent Change</i>	-1.12%	-5.73%	7.47%	-10.69%	-0.49%	0.84%	5.40%	9.57%	6.17%	9.94%

Source: Rainbow Municipal Water District Audited Financial Statements

REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues:										
Direct Operating Revenues:										
Water Sales	\$ 36,497,373	\$ 34,037,432	\$ 32,156,844	\$ 33,091,641	\$ 38,105,712	\$ 32,810,988	\$ 33,156,919	\$ 41,779,797	\$ 42,755,152	\$ 40,240,342
Wastewater Revenue	2,553,801	2,677,130	2,632,902	2,548,647	2,520,622	2,843,256	2,621,433	3,461,256	3,033,548	3,534,927
Other Operating Revenue	-	-	-	501,019	991,390	860,839	425,525	806,510	797,020	957,947
Total Direct Operating Revenues	39,051,174	36,714,562	34,789,746	36,141,307	41,617,724	36,515,083	36,203,877	46,047,563	46,585,720	44,733,216
Indirect Operating Revenues:										
Grant Revenue	34,158	-	-	-	-	-	-	-	989,082	-
Other	710,843	514,415	439,807	331,842	-	-	-	-	-	-
Total Indirect Operating Revenues	745,001	514,415	439,807	331,842	-	-	-	-	989,082	-
Total Operating Revenues	39,796,175	37,228,977	35,229,553	36,473,149	41,617,724	36,515,083	36,203,877	46,047,563	47,574,802	44,733,216
Operating Expenses:										
Water Purchases	26,649,303	24,532,468	22,381,393	23,282,393	27,040,873	22,449,449	21,917,914	25,916,888	26,032,842	22,273,945
Water Pumping	3,836,825	3,816,915	631,056	580,556	591,529	558,989	530,815	627,681	823,211	896,053
Transmission and Distribution Operations ¹	1,113,721	1,037,420	4,284,981	4,876,960	4,777,964	4,421,571	-	-	-	-
Valve Maintenance ¹	-	-	-	-	-	-	2,836,404	2,055,704	2,885,796	2,757,133
Distribution ¹	-	-	-	-	-	-	522,935	447,295	369,799	414,666
Meter Services	768,966	804,140	1,044,631	1,085,553	1,003,899	868,927	1,893,429	1,190,746	1,407,560	843,475
Sewer Services	1,763,824	1,708,779	1,566,845	1,735,473	1,646,593	1,738,948	2,268,304	766,637	2,653,350	1,309,292
Administrative and General Administration ²	3,987,687	3,924,311	2,683,658	2,855,623	4,272,246	4,467,521	-	-	-	-
Garage ²	-	-	-	-	-	-	3,277,178	2,048,907	1,926,423	1,745,531
Human Resources ²	-	-	-	-	-	-	544,451	500,127	597,385	659,229
Risk Management ²	-	-	-	-	-	-	298,776	344,374	302,789	402,084
Information Technology ³	-	-	-	-	-	-	455,288	960,809	893,995	753,304
Board of Directors ²	-	-	-	-	-	-	-	954,151	1,267,456	1,020,090
Engineering	-	24,364	999,844	1,279,194	1,254,293	1,551,506	23,336	16,843	39,167	38,541
Finance	-	-	612,800	545,976	601,322	568,091	1,005,437	1,624,801	1,131,446	1,224,264
Customer Service	148,438	816	339,948	430,850	549,822	1,519,984	718,066	807,352	926,496	1,098,534
Depreciation	3,295,219	3,318,247	3,110,968	3,445,476	3,648,435	3,656,649	2,189,068	2,327,663	2,394,211	3,353,102
Other Operating Expense	-	-	-	-	-	-	2,702,844	1,081,691	159,609	2,305,148
Total Operating Expenses	41,563,983	39,167,460	37,656,124	40,118,054	45,386,976	41,801,635	44,008,413	44,889,672	47,148,359	43,975,087
Gain (Loss) from Operations	(1,767,808)	(1,938,483)	(2,426,571)	(3,644,905)	(3,769,252)	(5,286,552)	(7,804,536)	1,157,891	426,443	758,129
Non-operating Revenues:										
Property Tax Revenue	831,294	850,802	870,642	595,250	616,027	638,539	653,320	685,562	720,383	777,390
Investment Income (Loss)	-	89,981	721,408	-	-	1,134,118	841,596	(35,395)	(666,174)	728,510
Other	-	-	-	-	358,026	506,015	282,991	1,866,928	371,411	-
Total Non-operating Revenues	831,294	940,783	1,592,050	595,250	974,053	2,278,672	1,777,907	2,517,095	425,620	1,505,900
Non-operating Expenses:										
Interest	108,543	403,969	667,939	361,037	370,175	570,855	616,775	571,839	656,033	866,466
Other	-	-	-	-	-	-	-	-	-	417,310
Grant Refunds	-	-	-	-	-	-	-	-	-	30,804
Total Non-operating Expenses	108,543	403,969	667,939	361,037	370,175	570,855	616,775	571,839	656,033	1,314,580
Miscellaneous:										
Capital Contribution	-	294,192	1,091,515	156,302	2,972,963	2,941,091	11,239,897	4,804,501	5,238,350	8,705,619
Loss on Abandonment of Capital Assets	-	-	-	(1,933,240)	-	-	-	-	-	-
Total Miscellaneous	-	294,192	1,091,515	(1,776,938)	2,972,963	2,941,091	11,239,897	4,804,501	5,238,350	8,705,619
Change in Net Position	(1,045,057)	(1,107,477)	(410,945)	(5,187,630)	(192,411)	(637,644)	4,596,493	7,907,648	5,434,380	9,655,068
Net Position, Beginning	93,093,129	92,048,072	86,772,146	93,254,051	83,286,070	82,879,978	83,572,163	88,168,656	96,076,304	101,510,684
Prior Period Adjustment	-	(4,168,449)	6,892,850	(4,780,351)	(213,681)	1,329,829	-	-	-	(104,500)
Net Position, Beginning Restated	93,093,129	87,879,623	93,664,996	88,473,700	83,072,389	84,209,807	83,572,163	88,168,656	96,076,304	101,406,184
Net Position, Ending	\$ 92,048,072	\$ 86,772,146	\$ 93,254,051	\$ 83,286,070	\$ 82,879,978	\$ 83,572,163	\$ 88,168,656	\$ 96,076,304	\$ 101,510,684	\$ 111,061,252
<i>Percentage Change</i>	-1.12%	-5.73%	7.47%	-10.69%	-0.49%	0.84%	5.50%	14.96%	15.13%	15.60%

Source: Rainbow Municipal Water District Audited Financial Statements

Footnotes:

¹Prior to FY 2020 Departments were included in Transmission and Distribution.

²Prior to FY 2020 Departments were included in Administration and General.

³Prior to FY 2021 Departments were included in Administration and General.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues	\$ 39,796,175	\$ 37,228,977	\$ 35,229,553	\$ 36,473,149	\$ 41,617,724	\$ 36,515,083	\$ 36,201,243	\$ 46,047,563	\$ 46,585,720	\$ 44,733,216
Operating Expenses	41,563,983	39,167,460	37,656,124	40,118,054	45,386,976	41,801,635	44,008,413	44,889,672	47,148,359	43,975,087
Gain (Loss) from Operations	(1,767,808)	(1,938,483)	(2,426,571)	(3,644,905)	(3,769,252)	(5,286,552)	(7,807,170)	1,157,891	(562,639)	758,129
Non-operating Revenue Less Expenses	722,751	536,814	924,111	(1,699,027)	603,878	1,707,817	1,076,914	1,945,256	758,669	191,320
Income Before Capital Contributions	(1,045,057)	(1,401,669)	(1,502,460)	(5,343,932)	(3,165,374)	(3,578,735)	(6,730,256)	3,103,147	196,030	949,449
Capital Contributions	-	294,192	1,091,515	156,302	2,972,963	2,941,091	11,239,897	4,804,501	5,238,350	8,705,619
Prior Period Adjustment	-	(4,168,449)	6,892,850	(4,780,351)	(213,681)	1,329,829	-	-	-	(104,500)
Changes in Net Position	\$ (1,045,057)	\$ (5,275,926)	\$ 6,481,905	\$ (9,967,981)	\$ (406,092)	\$ 692,185	\$ 4,509,641	\$ 7,907,648	\$ 5,434,380	\$ 9,550,568

Source: Rainbow Municipal Water District Audited Financial Statements

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Last Ten Fiscal Years

	Operating Revenues	Operating Expenses	Gain (Loss) from Operations	Non-operating Revenue Less Expenses	Income Before Capital Contributions	Capital Contributions	Prior Period Adjustment	Changes in Net Position
2014	\$ 39,796,175	\$ 41,563,983	\$ (1,767,808)	\$ 722,751	\$ (1,045,057)	\$ -	\$ -	\$ (1,045,057)
2015	37,228,977	39,167,460	(1,938,483)	536,814	(1,401,669)	294,192	(4,168,449)	(5,275,926)
2016	35,229,553	37,656,124	(2,426,571)	924,111	(1,502,460)	1,091,515	6,892,850	6,481,905
2017	36,473,149	40,118,054	(3,644,905)	(1,699,027)	(5,343,932)	156,302	(4,780,351)	(9,967,981)
2018	41,617,724	45,386,976	(3,769,252)	603,878	(3,165,374)	2,972,963	(213,681)	(406,092)
2019	36,515,083	41,801,635	(5,286,552)	1,707,817	(3,578,735)	2,941,091	1,329,829	692,185
2020	36,201,243	44,008,413	(7,807,170)	1,076,914	(6,730,256)	11,239,897	-	4,509,641
2021	46,047,563	44,889,672	1,157,891	1,945,256	3,103,147	4,804,501	-	7,907,648
2022	46,585,720	47,148,359	(562,639)	758,669	196,030	5,238,350	-	5,434,380
2023	44,733,216	43,975,087	758,129	191,320	949,449	8,705,619	(104,500)	9,550,568

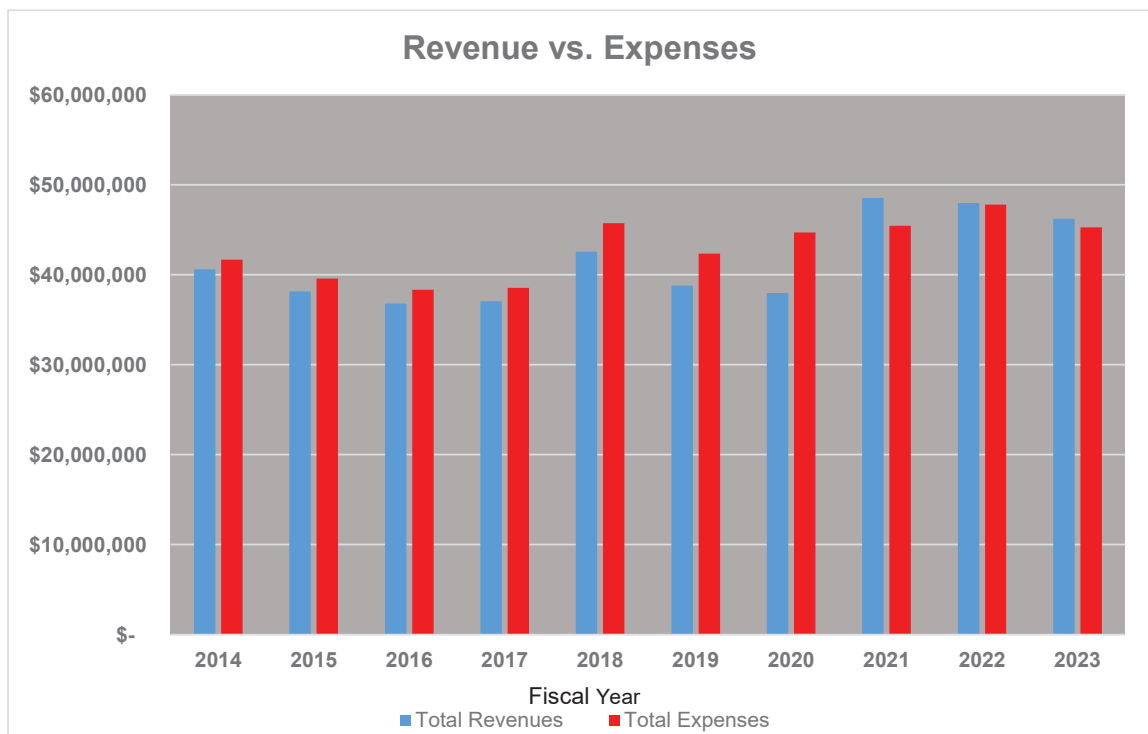
Source: Rainbow Municipal Water District Audited Financial Statements

SUMMARY OF REVENUES AND EXPENSES

Last Ten Fiscal Years

Fiscal Year	Total Revenues	Total Expenses	Gain (Loss)
2014	\$ 40,627,469	\$ 41,672,526	\$ (1,045,057)
2015	38,169,760	39,571,429	(1,401,669)
2016	36,821,603	38,324,063	(1,502,460)
2017	37,068,399	38,545,851	(1,477,452)
2018	42,591,777	45,757,151	(3,165,374)
2019	38,793,755	42,372,490	(3,578,735)
2020	37,981,791	44,712,047	(6,730,256)
2021	48,564,658	45,461,511	3,103,147
2022	48,000,422	47,804,392	196,030
2023	46,239,116	45,289,667	949,449

Source: Rainbow Municipal Water District Audited Financial Statements



REVENUES BY SOURCE
Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues:										
Water Sales	\$ 36,497,373	\$ 34,037,432	\$ 32,156,844	\$ 33,091,641	\$ 38,105,712	\$ 32,810,988	\$ 33,156,919	\$ 41,779,797	\$ 42,755,152	\$ 40,240,342
Wastewater Revenue	2,553,801	2,677,130	2,632,902	2,548,647	2,520,622	2,843,256	2,621,433	3,461,256	3,033,548	3,534,927
Other Operating Revenue	-	-	-	501,019	991,390	860,839	422,891	806,510	797,020	957,947
Grant Revenue	34,158	-	-	-	-	-	-	-	989,082	-
Other	710,843	514,415	439,807	331,842	-	-	-	-	-	-
Total Operating Revenues	39,796,175	37,228,977	35,229,553	36,473,149	41,617,724	36,515,083	36,201,243	46,047,563	47,574,802	44,733,216
Non-operating Revenues:										
Property Tax Revenue	831,294	850,802	870,642	595,250	616,027	638,539	653,320	685,562	720,383	777,390
Investment income	-	89,981	721,408	-	-	1,134,118	841,596	(35,395)	(666,174)	728,510
Other	-	-	-	-	358,026	506,015	285,632	1,866,928	371,411	-
Total Non-operating Revenues	831,294	940,783	1,592,050	595,250	974,053	2,278,672	1,780,548	2,517,095	425,620	1,505,900
Total Revenues	\$ 40,627,469	\$ 38,169,760	\$ 36,821,603	\$ 37,068,399	\$ 42,591,777	\$ 38,793,755	\$ 37,981,791	\$ 48,564,658	\$ 48,000,422	\$ 46,239,116

Source: Rainbow Municipal Water District Audited Financial Statements

EXPENSES BY FUNCTION
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Expenses:										
Water Purchases	\$ 26,649,303	\$ 24,532,468	\$ 22,381,393	\$ 23,282,393	\$ 27,040,873	\$ 22,449,449	\$ 21,917,914	\$ 25,916,888	\$ 26,032,842	\$ 22,273,945
Water Pumping	3,836,825	3,816,915	631,056	580,556	591,529	558,989	530,815	627,681	823,211	896,053
Transmission and Distribution	1,113,721	1,037,420	4,284,981	4,876,960	4,777,964	4,421,571	-	-	-	-
Operations ¹	-	-	-	-	-	-	2,836,404	2,055,704	2,885,796	2,757,133
Valve Maintenance ¹	-	-	-	-	-	-	522,935	447,295	369,799	414,666
Distribution ¹	-	-	-	-	-	-	2,191,712	2,516,855	2,712,092	2,288,854
Meter Services	768,966	804,140	1,044,631	1,085,553	1,003,899	868,927	1,893,429	1,190,746	1,407,560	843,475
Sewer Services	1,763,824	1,708,779	1,566,845	1,735,473	1,646,593	1,738,948	2,268,304	766,637	2,653,350	1,309,292
Administrative and General	3,987,687	3,924,311	2,683,658	2,855,623	4,272,246	4,467,521	-	-	-	-
Administration ²	-	-	-	-	-	-	3,277,178	2,048,907	1,926,423	1,745,531
Garage ²	-	-	-	-	-	-	544,451	500,127	597,385	659,229
Human Resources ²	-	-	-	-	-	-	298,776	344,374	302,789	402,084
Risk Management ²	-	-	-	-	-	-	455,288	960,809	893,995	753,304
Information Technology ³	-	-	-	-	-	-	-	954,151	1,267,456	1,020,090
Board of Directors ²	-	-	-	-	-	-	23,336	16,843	39,167	38,541
Engineering	-	24,364	999,844	1,279,194	1,254,293	1,551,506	1,005,437	1,624,801	1,131,446	1,224,264
Finance	-	-	612,800	545,976	601,322	568,091	632,456	807,352	926,496	1,098,534
Customer Service	148,438	816	339,948	430,850	549,822	1,519,984	718,066	701,148	624,732	591,842
Depreciation	3,295,219	3,318,247	3,110,968	3,445,476	3,648,435	3,656,649	2,189,068	2,327,663	2,394,211	3,353,102
Other Operating Expense	-	-	-	-	-	-	2,702,844	1,081,691	159,609	2,305,148
Total Operating Expenses	41,563,983	39,167,460	37,656,124	40,118,054	45,386,976	41,801,635	44,008,413	44,889,672	47,148,359	43,975,087
Non-operating Expenses:										
Interest	108,543	403,969	667,939	361,037	370,175	570,855	703,634	571,839	656,033	866,466
Other Nonoperating Expense	-	-	-	-	-	-	-	-	-	417,310
Grant Refunds	-	-	-	-	-	-	-	-	-	30,804
Loss on Abandonment of Capital Assets	-	-	-	(1,933,240)	-	-	-	-	-	-
Total Non-operating Expenses	108,543	403,969	667,939	(1,572,203)	370,175	570,855	703,634	571,839	656,033	1,314,580
Total Expenses	\$ 41,672,526	\$ 39,571,429	\$ 38,324,063	\$ 38,545,851	\$ 45,757,151	\$ 42,372,490	\$ 44,712,047	\$ 45,461,511	\$ 47,804,392	\$ 45,289,667

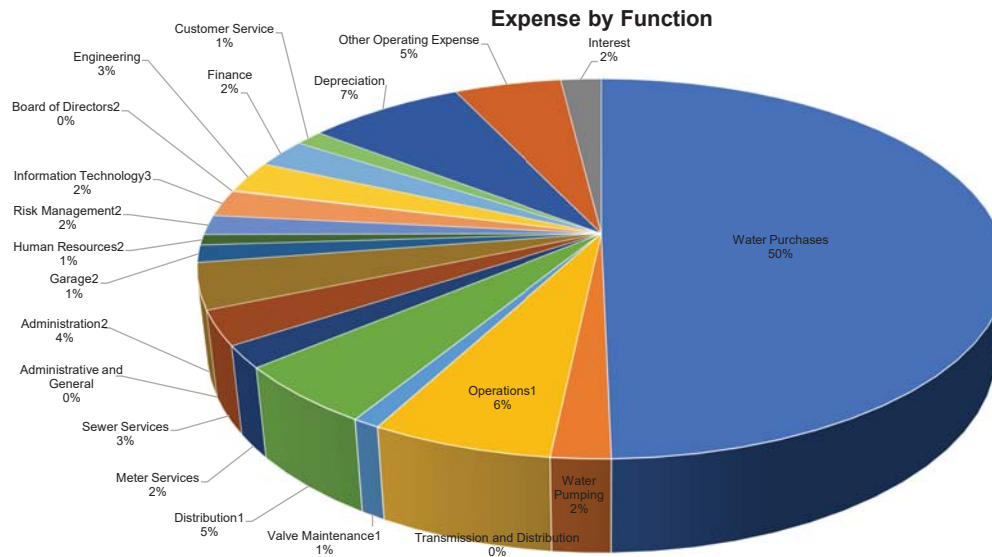
Source: Rainbow Municipal Water District Audited Financial Statements

Footnotes:

¹Prior to FY 2020 Departments were included in Transmission and Distribution.

²Prior to FY 2020 Departments were included in Administration and General.

³Prior to FY 2021 Departments were included in Administration and General.



COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assessed Value	\$ 3,817,371,326	\$ 4,003,578,488	\$ 4,185,857,090	\$ 4,387,417,362	\$ 4,660,295,704	\$ 4,994,381,001	\$ 5,283,549,089	\$ 5,575,351,912	\$ 6,112,121,641	\$ 6,611,549,967
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	954,342,832	1,000,894,622	1,046,464,273	1,096,854,341	1,165,073,926	1,248,595,250	1,320,887,272	1,393,837,978	1,528,030,410	1,652,887,492
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Legal Debt Limit	143,151,425	150,134,193	156,969,641	164,528,151	174,761,089	187,289,288	198,133,091	209,075,697	229,204,562	\$ 26,847,032
Outstanding Debt	14,135,186	17,978,129	17,615,446	16,875,544	16,119,968	15,348,493	14,160,736	21,171,553	29,074,856	\$ 876,584
Less: Amount Reserved for Debt Service							1,129,683	822,428	850,130	
Net Applicable to Limit	14,135,186	17,978,129	17,615,446	16,875,544	16,119,968	15,348,493	13,031,053	20,349,125	28,224,726	\$ 25,970,448
Legal Debt Margin	\$ 129,016,238	\$ 132,156,064	\$ 139,354,194	\$ 147,652,607	\$ 158,641,121	\$ 171,940,795	\$ 185,102,038	\$ 188,726,572	\$ 200,979,836	\$ 221,962,676
Total Debt applicable to the limit as a percentage of debt limit	10%	12%	11%	10%	9%	8%	7%	10%	12%	10%

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above, reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective, to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Total Assessed Value
Last Ten Fiscal Years

	Assessed Value	Percent Increase/ Decrease	Tax Collected
2014	\$ 3,817,371,326	5.61%	\$ 545,556
2015	4,003,578,488	4.88%	555,940
2016	4,185,857,090	4.55%	526,292
2017	4,387,417,362	4.82%	595,250
2018	4,660,295,704	6.22%	616,027
2019	4,994,381,001	7.17%	641,868
2020	5,283,549,089	5.79%	661,209
2021	5,575,351,912	5.52%	685,566
2022	6,112,121,641	9.63%	720,383
2023	6,611,549,967	8.17%	1,253,585

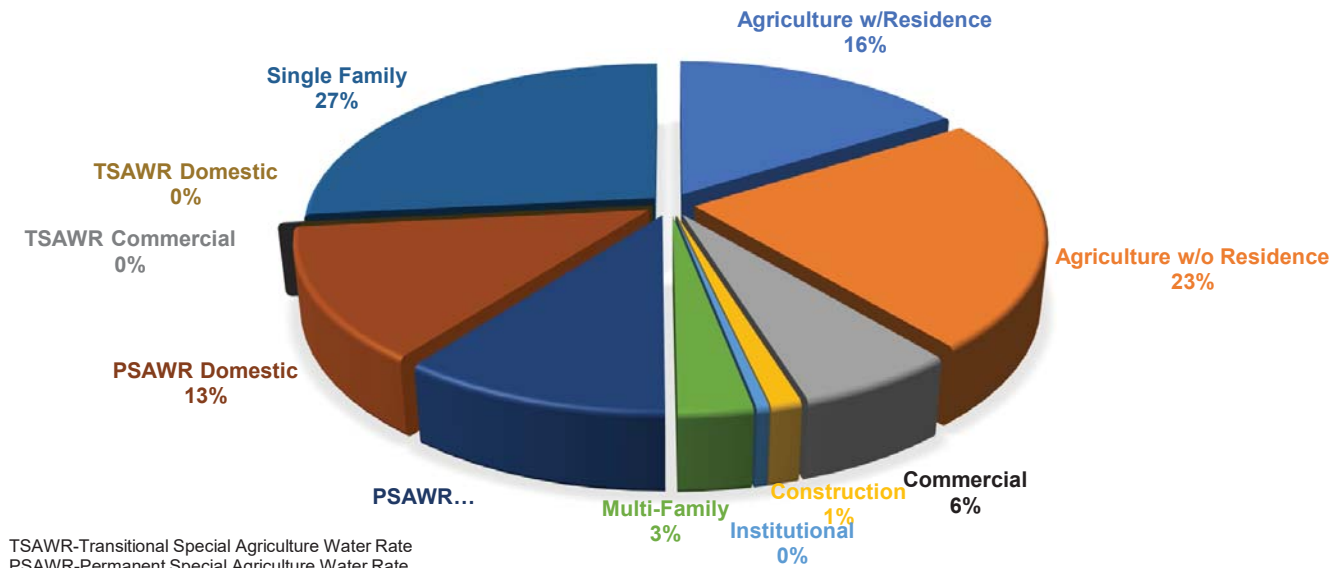
CONSUMPTION BY CUSTOMER CLASS

Last Ten Fiscal Years
Acre Feet

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Agriculture w/Residence	n/a	n/a	624	624	769	636	637	791	2,305	1,896	16%
Agriculture w/o Residence	2,708	2,295	2,804	2,717	2,886	2,233	2,343	2,446	3,186	2,717	23%
Commercial	1,970	2,003	571	629	845	791	745	867	889	740	6%
Construction	45	64	104	94	158	118	37	249	230	144	1%
Institutional	n/a	n/a	65	62	52	63	43	64	65	59	0%
Multi-Family	367	332	254	267	284	288	280	333	321	343	3%
PSAWR Commercial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	359	1,795	1,248	11%
PSAWR Domestic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	457	2,006	1,538	13%
TSAWR Commercial	4,784	4,189	3,239	3,268	3,731	2,726	2,486	2,736	125	-	0%
TSAWR Domestic	6,508	5,823	4,743	4,530	5,292	3,681	3,410	3,704	198	-	0%
Single Family	4,846	4,224	3,154	3,428	3,900	3,236	3,266	3,958	3,770	3,151	27%
Total Consumption	21,227	18,929	15,558	15,620	17,917	13,771	13,247	15,964	14,890	11,835	100%

TSAWR-Transitional Special Agriculture Water Rate

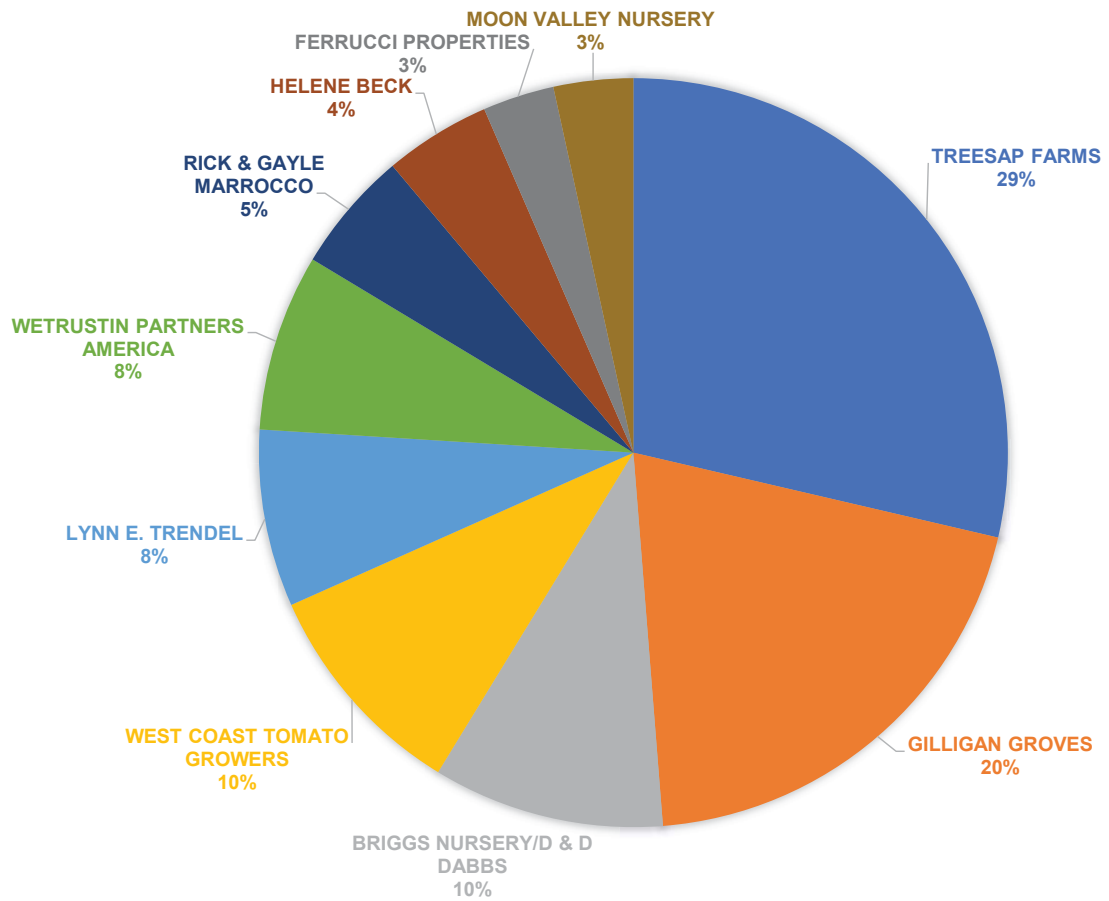
CONSUMPTION BY CUSTOMER CLASS



TOP TEN WATER CONSUMERS
Fiscal Year 2023

CUSTOMER	ANNUAL USAGE	PERCENTAGE
TREESAP FARMS	190,539	3.70%
GILLIGAN GROVES	133,710	2.59%
BRIGGS NURSERY/D & D DABBS	66,452	1.29%
WEST COAST TOMATO GROWERS	63,899	1.24%
LYNN E. TRENDEL	50,898	0.99%
WETRUSTIN PARTNERS AMERICA	50,824	0.99%
RICK & GAYLE MARROCCO	34,954	0.68%
HELENE BECK	30,590	0.59%
FERRUCCI PROPERTIES	20,535	0.40%
MOON VALLEY NURSERY	22,840	0.44%
TOTAL COMBINED WATER CONSUMPTION	665,241	12.90%
ALL OTHER WATER CONSUMPTION	4,490,232	87.10%
TOTAL WATER CONSUMPTION	5,155,473	100.00%

TOP TEN WATER CUSTOMERS AND THEIR RELATIVE CONSUMPTION
FISCAL YEAR 2023



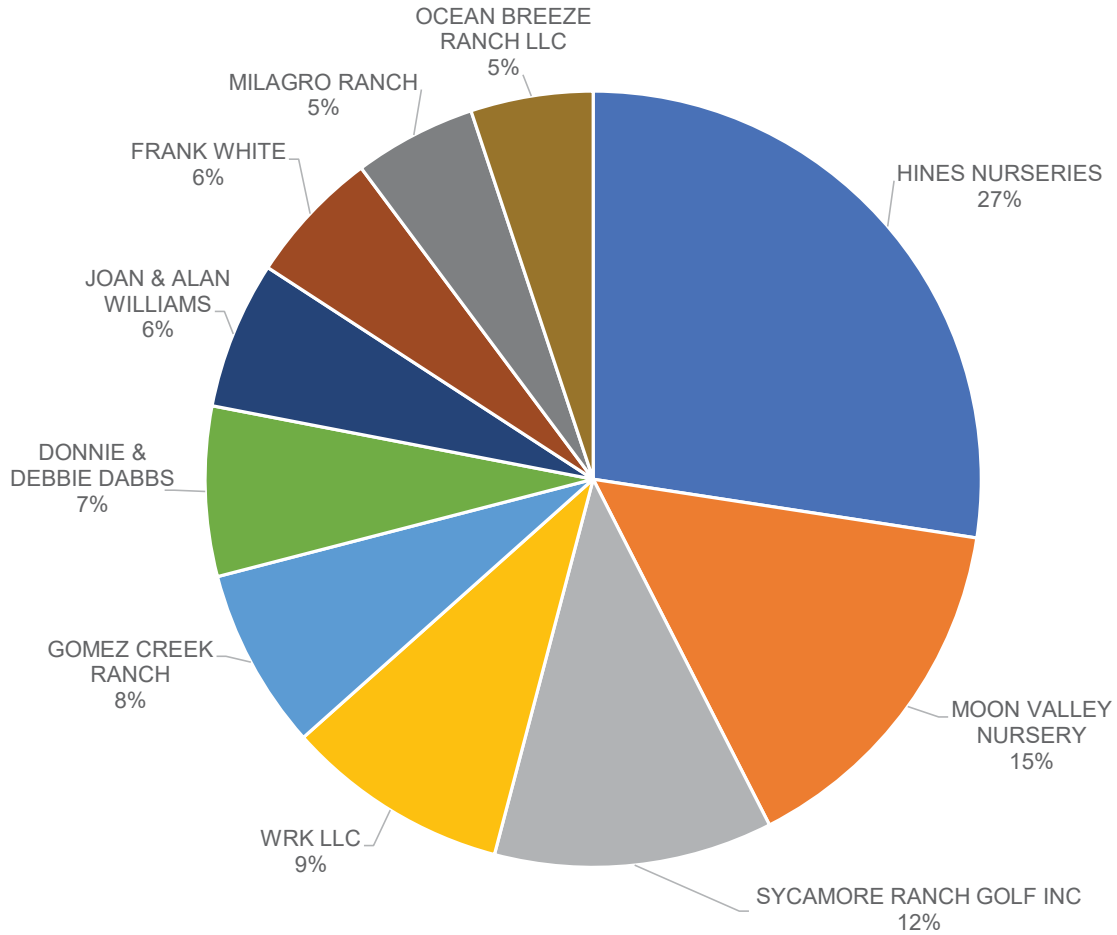
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TOP TEN WATER CONSUMERS
Fiscal Year 2009

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CUSTOMER	ANNUAL USAGE	PERCENTAGE
HINES NURSERIES	137,930	2.18%
MOON VALLEY NURSERY	75,827	1.20%
SYCAMORE RANCH GOLF INC	58,351	0.92%
WRK LLC	46,887	0.74%
GOMEZ CREEK RANCH	37,962	0.60%
DONNIE & DEBBIE DABBS	35,563	0.56%
JOAN & ALAN WILLIAMS	30,921	0.49%
FRANK WHITE	28,297	0.45%
MILAGRO RANCH	25,644	0.41%
OCEAN BREEZE RANCH LLC	25,637	0.41%
TOTAL COMBINED WATER CONSUMPTION	503,019	7.96%
ALL OTHER WATER CONSUMPTION	5,813,109	92.04%
TOTAL WATER CONSUMPTION	6,316,128	100.00%

TOP TEN WATER CUSTOMERS AND THEIR
RELATIVE CONSUMPTION FISCAL YEAR 2009



Rate Summaries

Water Variable Rates²

	Single Family Residential			Multi Family	Commercial	Institutional	Construction
	Tier 1	Tier 2	Tier 3				
2014	3.00	3.15	3.15	3.00/3.15	3.00/3.15	n/a	3.15
2015	3.00	3.15	3.15	3.00/3.15	3.15	n/a	3.15
2016	3.31	3.48	3.81	3.40	3.51	3.58	3.51
2017	3.42	3.60	3.94	3.52	3.63	3.70	4.44
2018	3.64	3.86	4.27	3.76	3.89	3.98	4.87
2019	3.73	3.99	4.48	3.87	4.03	4.14	5.20
2020	3.73	3.99	4.48	3.87	4.03	4.14	5.20
2021	3.89	4.15	4.64	4.03	4.19	4.19	5.36
2022	5.00			5.00	5.00	5.00	5.00
2023	5.47			5.47	5.47	5.47	5.47

	Agriculture w/Residence			Agriculture w/o Residence	SAWR ¹ Domestic			SAWR ¹ Commercial
	Tier 1	Tier 2	Tier 3		Tier 1	Tier 2	Tier 3	
2014	3.00	3.15	2.83	n/a	n/a	n/a	n/a	n/a
2015	3.00	3.15	3.15	n/a	3.00	3.15	2.83	2.83
2016	3.31	3.48	3.24	3.24	3.31	3.48	2.77	2.77
2017	3.42	3.60	3.35	3.35	3.42	3.60	2.87	2.87
2018	3.64	3.86	3.56	3.56	3.7	3.92	3.04	3.04
2019	3.73	3.99	3.63	3.63	3.94	4.21	3.15	3.15
2020	3.73	3.99	3.63	3.63	3.94	4.21	3.15	3.15
2021	3.89	4.15	3.79	3.79	4.14	4.41	3.35	3.35
2022	4.13			4.13	3.65			3.65
2023	4.56			4.56	4.01			4.01

¹SAWR-Special Agriculture Water Rate

²1 unit of water = 748 gallons

Rate Summaries

Water Fixed Rates

Single Family, Multi-Family, Commercial, & Institutional								
2012	54.68	63.38	88.36	138.67	230.58	386.42	654.05	1,276.37
2013	62.23	70.93	100.44	161.33	269.85	454.39	774.89	1,548.24
2014	58.83	65.93	94.87	162.34	282.54	487.01	842.16	1,699.84
2015	58.83	65.93	94.87	162.34	282.99	487.01	842.16	1,699.84
2016	58.84	58.84	95.57	187.39	297.57	646.47	1,160.65	2,391.02
2017	61.14	61.14	99.35	194.85	309.45	672.36	1,207.19	2,486.94
2018	61.46	61.46	99.37	194.12	307.82	667.85	1,198.46	2,468.09
2019	65.56	65.56	105.59	205.62	325.67	705.81	1,266.04	2,606.55
2020	65.56	65.56	105.59	205.62	325.67	705.81	1,266.04	2,606.55
2021	67.09	67.09	108.14	210.72	333.83	723.66	1,298.17	2,672.85
2022	68.61	68.61	114.35	228.70	365.92	800.45	1,440.81	2,973.10
2023	69.20	69.20	115.33	230.65	369.04	807.28	1,453.09	2,998.43

Agriculture								
2012	48.19	56.89	77.98	119.22	196.86	328.07	550.31	1,042.93
2013	49.71	58.41	80.41	123.78	204.76	341.74	574.61	1,097.61
2014	44.52	51.62	71.97	119.40	208.12	358.20	613.16	1,184.59
2015	44.52	51.62	71.97	119.40	208.12	358.20	613.16	1,184.59
2016	78.28	78.28	127.96	252.19	401.24	873.25	1,568.86	3,233.34
2017	81.06	81.06	132.53	261.23	415.66	904.69	1,625.39	3,349.88
2018	85.37	85.37	139.18	273.77	435.27	946.65	1,700.30	3,503.62
2019	94.25	94.25	153.36	301.20	478.61	1,040.37	1,868.25	3,849.18
2020	94.25	94.25	153.36	301.20	478.61	1,040.37	1,868.25	3,849.18
2021	95.78	95.78	155.91	306.30	486.77	1,058.22	1,900.38	3,915.48
2022	115.96	115.96	193.27	386.53	618.45	1,352.87	2,435.16	5,024.93
2023	118.92	118.92	198.19	396.37	634.20	1,387.31	2,497.16	5,152.85

SAWR ¹								
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015	58.83	65.93	94.87	162.34	215.94	304.14	445.94	694.04
2016	60.31	60.31	98.01	192.28	305.39	663.57	1,191.44	2,454.53
2017	61.37	61.37	99.71	195.59	310.64	674.94	1,211.84	2,496.52
2018	68.01	68.01	110.25	215.89	342.67	744.10	1,335.70	2,751.27
2019	77.36	77.36	125.21	244.89	388.52	843.30	1,513.53	3,117.21
2020	77.36	77.36	125.21	244.89	388.52	843.30	1,513.53	3,117.21
2021	78.41	78.41	126.96	248.40	394.13	855.57	1,535.61	3,162.78
2022	98.96	98.96	164.93	329.87	527.79	1,154.53	2,078.16	4,288.27
2023	103.41	103.41	172.35	344.70	551.51	1,206.43	2,171.56	4,481.00

¹SAWR-Special Agriculture Water Rate

Rate Summaries

Sewer Rates per Dwelling Unit

	Single Family	Multi Family	Sewer Only	Commercial
2011	25.76-68.54	25.76-68.54	25.76-68.54	68.54
2012	25.76-68.54	25.76-68.54	25.76-68.54	68.54
2013	25.76-68.54	25.76-68.54	25.76-68.54	68.54
2014	28.70-75.50	28.70-75.50	28.70-75.50	75.50
2015	28.7-75.50	28.7-75.50	28.7-75.50	75.50
2016	28.7-75.50	28.7-75.50	28.7-75.50	75.50
2017	28.7-75.50	28.7-75.50	28.7-75.50	75.50
2018	55.07	40.51	54.40	40.51
2019	55.07	40.51	54.40	40.51
2020	55.07	40.51	54.40	40.51
2021	55.07	40.51	54.40	40.51
2022	55.07	40.51	54.40	40.51
2023	55.07	40.51	54.40	40.51

HISTORICAL WATER DEMAND AND RECENT TRENDS

Calendar Year	Deliveries (AF)
1987	27,382
1988	32,028
1989	34,828
1990	34,920
1991	24,567
1992	26,460
1993	22,997
1994	22,832
1995	20,872
1996	23,223
1997	24,906
1998	19,924
1999	28,721
2000	29,203
2001	26,803
2002	32,125
2003	30,472
2004	30,336
2005	28,911
2006	29,929
2007	31,865
2008	24,128
2009	26,894
2010	18,322
2011	19,276
2012	21,918
2013	21,526
2014	22,625
2015	17,868
2016	18,151
2017	18,123
2018	17,910
2019	13,720
2020	15,373
2021	15,838
2022	17,910

For 25 years following its founding in 1954, total SDCWA water deliveries to the District service area steadily increased, as agricultural acreage and population increased. By 1984, demands had climbed to almost 34,000-acre feet per year (AFY). Demands then dropped sharply during the drought restrictions of 1991-93, as mandatory cutbacks led to the stumping of avocado groves and other water use reductions, but by 2002 had rebounded to almost pre- 1991 conditions.

Beginning in 2008, demands again declined sharply, this time in response to economic recession, water price increases, a new round of drought restrictions, and increased adoption of water conservation measures. These factors have combined to produce a fundamental downward shift in per capita water use, with per account use declining by **35 percent** from 2006 to 2013. Per capita use reached a minimum during the period from 2010 to 2012, but this was in response to economic recession, cooler than normal summer weather, and other impermanent conditions. The region has been experiencing a mega drought which has resulted in increased sales for 2020-2021, followed by implementation of voluntary water restrictions due to a level 1 water shortage.

Considering factors of economic equilibrium, average weather conditions, and normal water supply conditions (without water use restrictions in place), the Master Plan has judged calendar year 2018 to be representative of normal water use conditions in the current era and has defined calendar year 2018 water use as an appropriate baseline condition for use in demand forecasting.



Top 10 Employers

Employers	# of Employees
Bonsall Unified School District	123
Rainbow Municipal Water District	57
Vallecitor School District	30
Pala Mesa Resort	20
Z Café	15
Daniel's Market	10
Armstrong Growers	less than 10
West Coast Tomatoe Growers	less than 10
Rainbow Oaks Restaurant	less than 10
Pala Mesa Market	less than 10
Village Pizza	less than 10
Tekila Cocina	less than 10
Fresco Grill	less than 10
Jack in the Box	less than 10
Subway	less than 10
McDonalds	less than 10
Cortez Mexican	less than 10
Quality Inn	less than 10
Nessy Burget	less than 10
Fallbrook Rib Shack	less than 10
Randy Carlson DMD	less than 10
North County Fire	less than 10

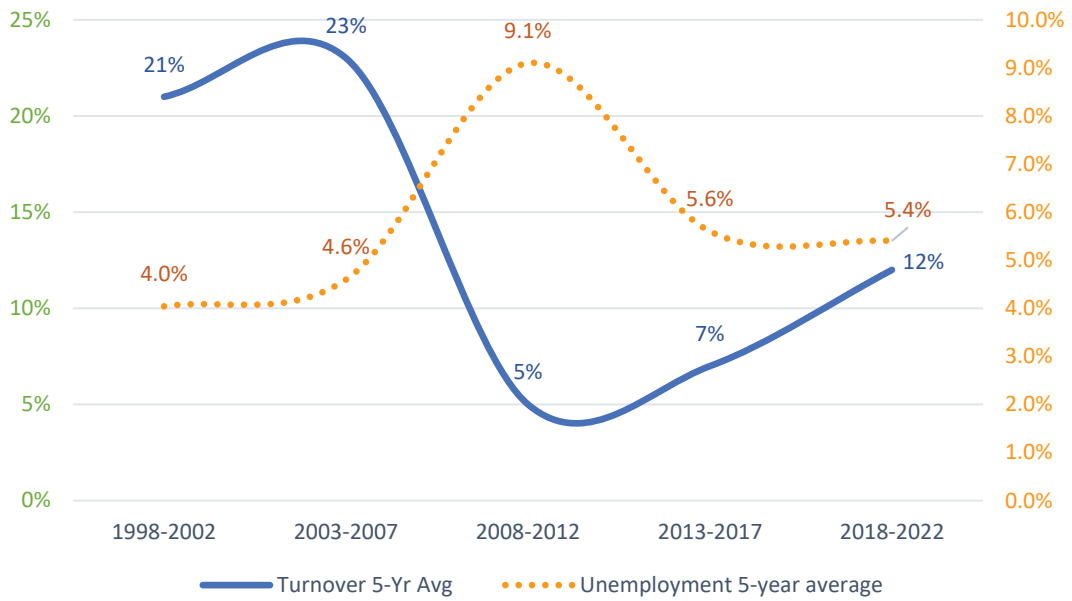
FULL-TIME EQUIVALENT EMPLOYEES BY DEPARTMENT

Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	3	3	3	3	4	3	2	2	2	2
Information Technology	-	-	-	-	-	2	4	4	4	4
Human Resources	3	2	3	2	2	3	3	3	3	4
Engineering	6	6	6	6	6	7	5	6	6	6
Finance	4	4	4	4	4	3	5	6	7	7
Customer Service	3	3	3	3	3	5	5	4	4	4
Valve Maintenance	5	3	5	5	5	5	3	2	2	2
Operations	11	10	11	11	11	9	9	9	7	7
Wastewater	4	4	4	4	4	4	4	4	4	4
Construction & Maintenance	9	8	9	9	9	9	10	10	14	12
Meters	4	4	4	4	4	9	8	8	5	5
Total	51	46	51	50	51	58	58	58	58	57
Less Temporary Employees	-	-	-	-	-	3	3	3	-	-
Total Permanent Employees	51	46	51	50	51	55	55	55	58	57

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Historical Turnover (5-year rates, all reasons)

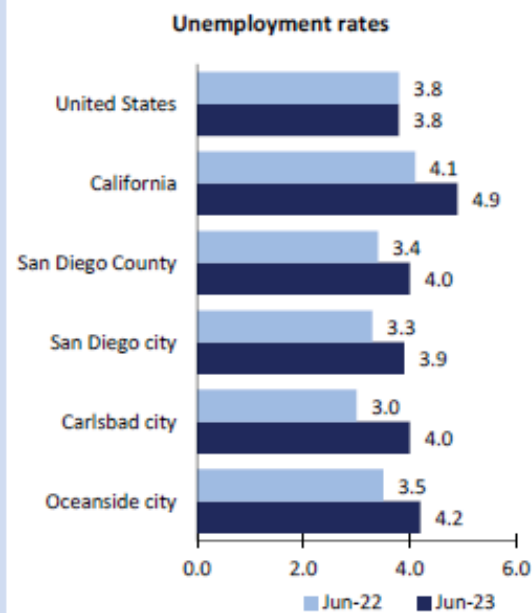


San Diego Area Economic Summary

Updated August 07, 2023

This summary presents a sampling of economic information for the area; supplemental data are provided for regions and the nation. Subjects include unemployment, employment, wages, prices, spending, and benefits. All data are not seasonally adjusted and some may be subject to revision. Area definitions may differ by subject. For more area summaries and geographic definitions, see www.bls.gov/regions/economic-summaries.htm.

Unemployment rates for the nation and selected areas



Source: U.S. BLS, Local Area Unemployment Statistics.

Average weekly wages for all industries by county

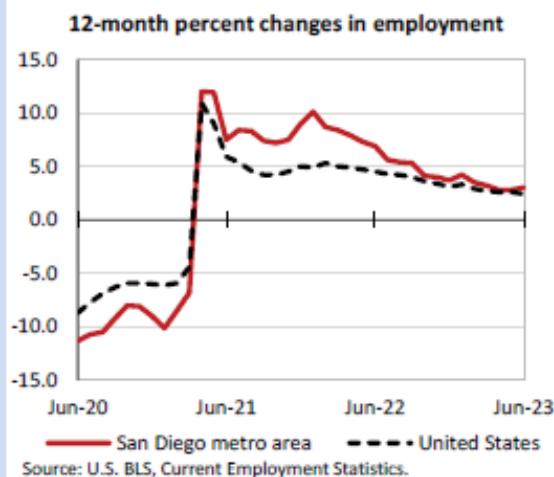
San Diego metro area, fourth quarter 2022

(U.S. = \$1,385; Area = \$1,531)



Source: U.S. BLS, Quarterly Census of Employment and Wages.

Over-the-year changes in employment on nonfarm payrolls and employment by major industry sector

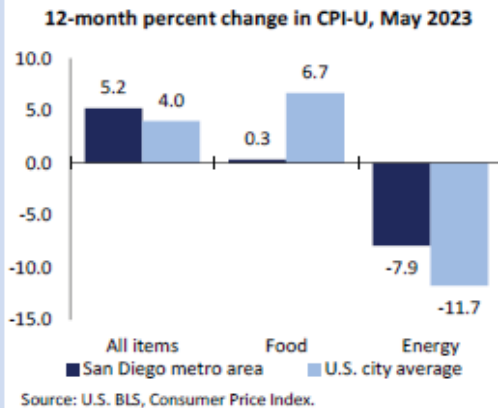


Source: U.S. BLS, Current Employment Statistics.

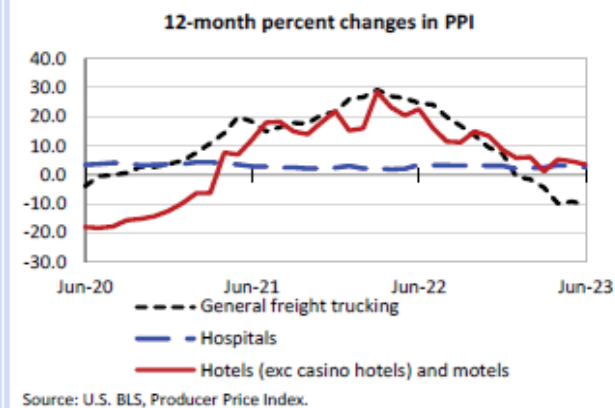
San Diego metro area employment (number in thousands)	Jun. 2023	Change from Jun. 2022 to Jun. 2023	
		Number	Percent
Total nonfarm	1,583.8	46.5	3.0
Mining and logging	0.4	0.0	0.0
Construction	89.7	1.7	1.9
Manufacturing	117.7	0.4	0.3
Trade, transportation, and utilities	222.2	1.3	0.6
Information	22.1	0.0	0.0
Financial activities	78.9	1.4	1.8
Professional and business services	287.0	4.3	1.5
Education and health services	240.9	15.6	6.9
Leisure and hospitality	210.6	13.8	7.0
Other services	60.1	5.9	10.9
Government	254.2	2.1	0.8

Source: U.S. BLS, Current Employment Statistics.

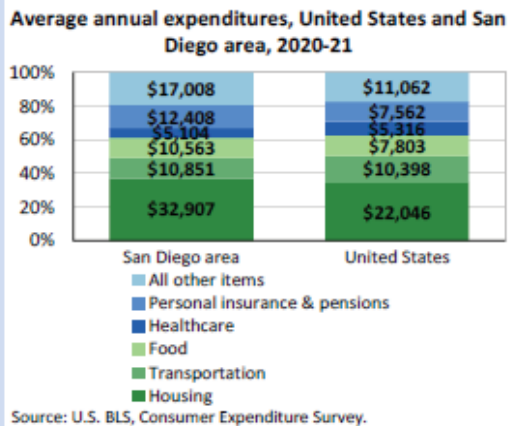
Over-the-year change in the prices paid by urban consumers for selected categories



Over-the-year changes in the selling prices received by producers for selected industries nationwide



Average annual spending and percent distribution for selected categories



Average hourly wages for selected occupations

Occupation	San Diego metro area	United States
All occupations	\$34.17	\$29.76
Human resources managers	75.84	70.07
Registered nurses	56.65	42.80
Accountants and auditors	43.86	41.70
Electricians	33.63	31.39
Construction laborers	26.98	22.29
Hotel, motel, and resort desk clerks	17.48	14.57

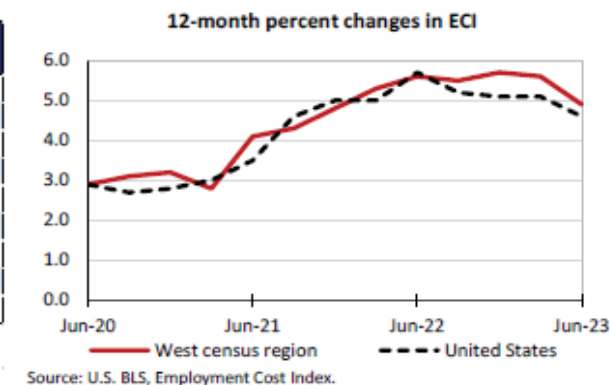
Source: U.S. BLS, Occupational Employment and Wage Statistics, May 2022.

Employer costs per hour worked for wages and selected employee benefits by geographic division

Private industry, March 2023	West census region	United States
Total compensation	\$44.30	\$40.79
Wages and salaries	31.36	28.76
Total benefits	12.93	12.02
Paid leave	3.32	3.04
Vacation	1.67	1.55
Supplemental pay	1.48	1.52
Insurance	3.19	3.01
Retirement and savings	1.47	1.39
Legally required benefits	3.48	3.06

Source: U.S. BLS, Employer Costs for Employee Compensation.

Over-the-year changes in wages and salaries



CLIMATE AND TOPOGRAPHY

The Fallbrook, Bonsall and Rainbow region has an average year-round temperature of 61 degrees. Due to the prevailing ocean breezes, the humidity is relatively low and constant. The average daytime high in Fallbrook is 76 degrees, although in the summer, temperatures sometimes exceed 100 degrees. Most of the area is frost-free; during the coldest periods, the average nighttime temperature is about 42 degrees. Due to its proximity to the ocean, days often start with early morning fog; afternoons can be breezy.

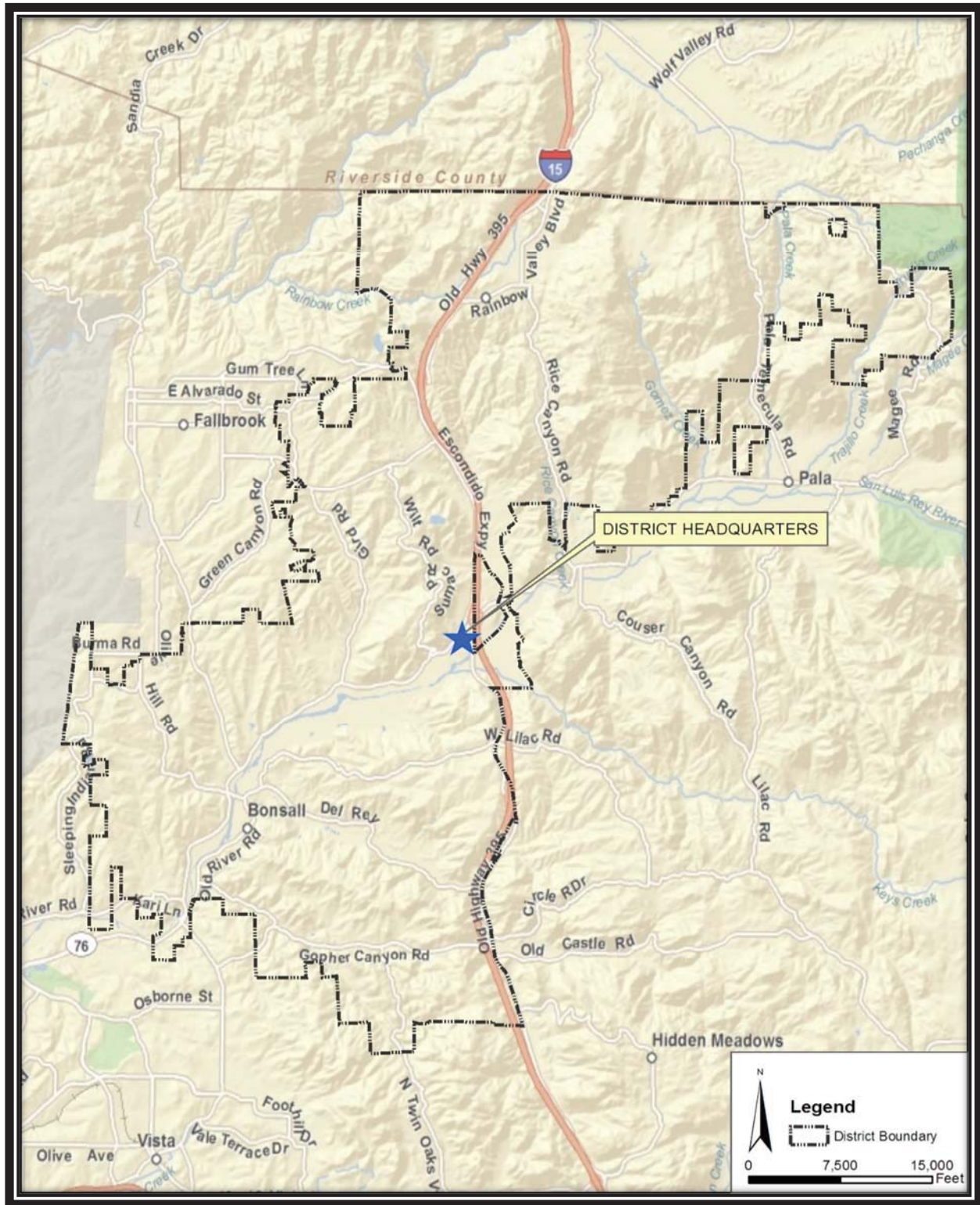
Annual rainfall is roughly 10 inches (25 cm) and comes mostly between November and April. Rainfall is higher in the surrounding hills, up to 20 inches (51 cm). The area is ideal for avocados, strawberries, tomatoes and many other sub-tropical fruits, vegetables, and flowers.

The topography of the District ranges from relatively level valley lands to steeply sloping ridges with long, narrow canyons. Elevations vary from 120 feet in the San Luis Rey River basin to mountains over 2,200 feet high. This configuration of land enables dense, cool air to slide off the valley sides, creating a continuous mild turbulence on the valley floor, which results in a low incidence of frost essential to the growth of avocados and citrus, the major crops grown in the District.

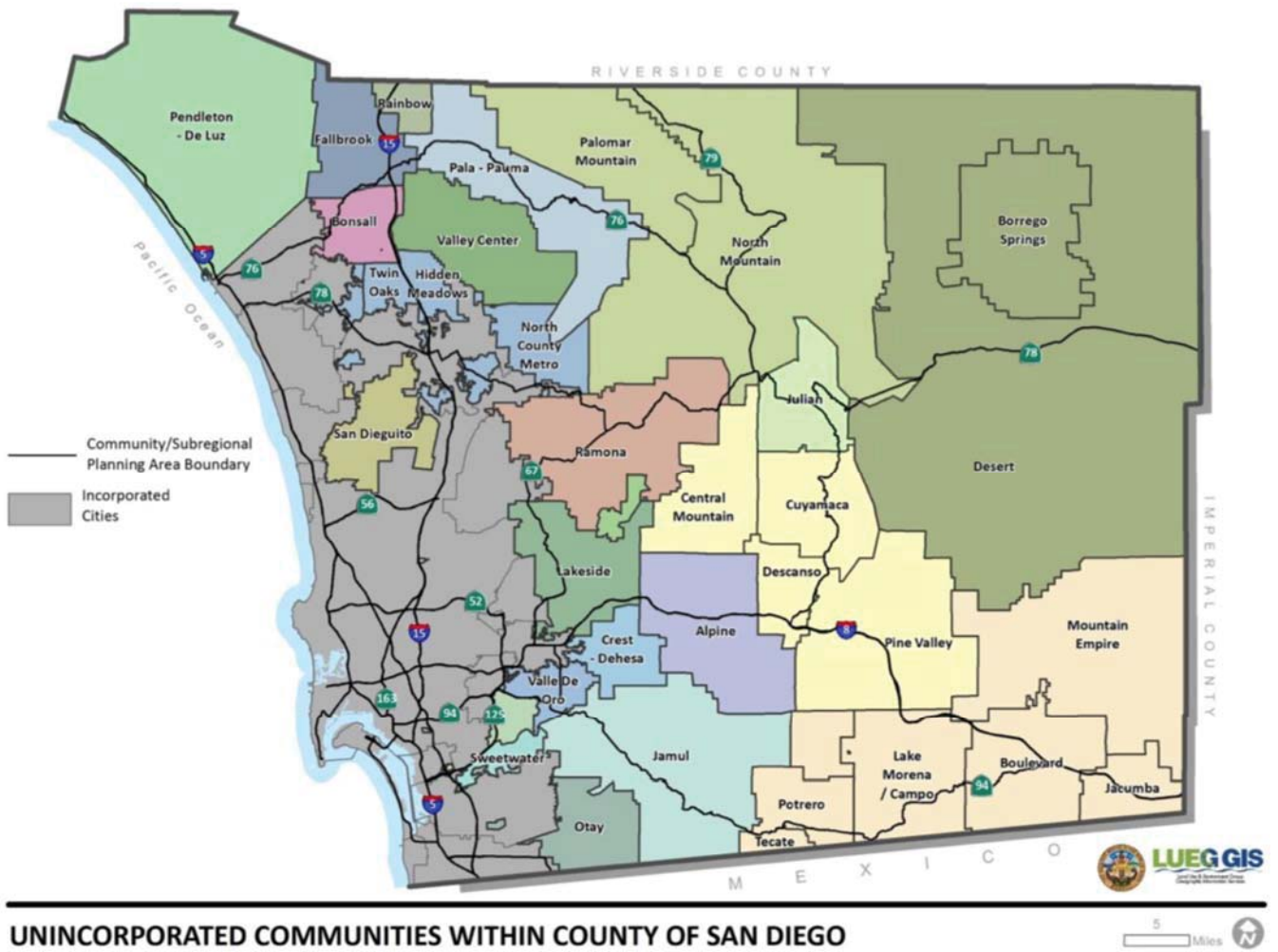
THE DISTRICT OFFICE



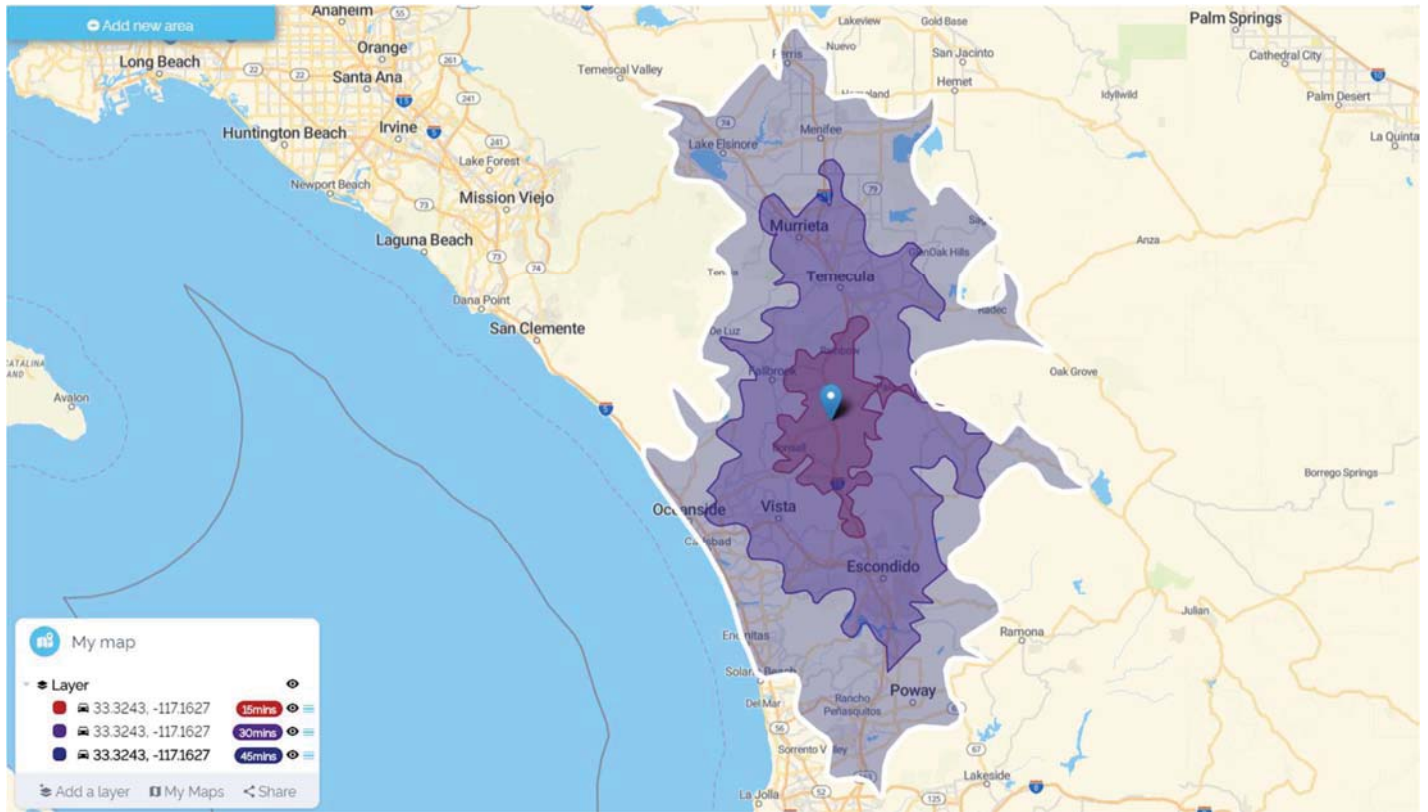
MAP OF DISTRICT SERVICE AREA



MAP OF DISTRICT LOCATION

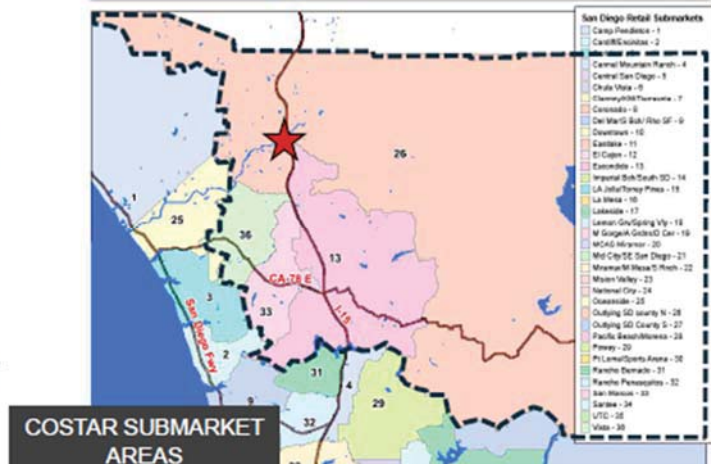
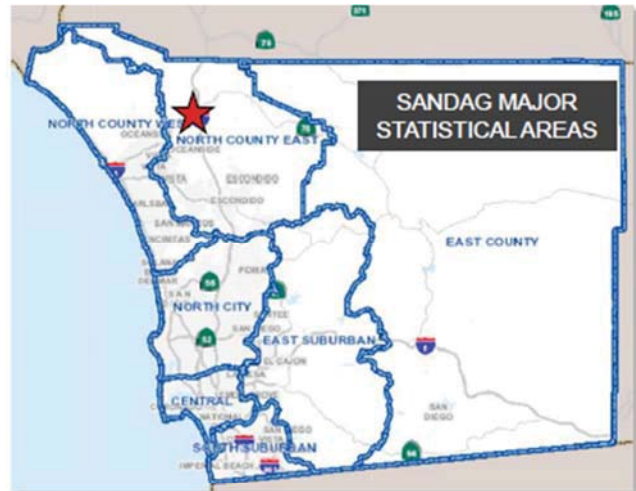


MAP OF DISTRICT COMMUTE TIMES



SANDAG AND COSTAR SUBMARKETS

- The Rainbow property is in the SANDAG North County East Major Statistical Area (MSA 5). To estimate future demand for the land uses being evaluated for the Rainbow property we are utilizing SANDAG's SR13 forecasts for population and housing unit growth and SANDAG's upcoming SR14 preliminary forecasts for job growth.
- For information on supply and demand trends for retail, office, industrial and multi-family uses, we are utilizing data from the commercial data provider CoStar. The CoStar submarkets that most closely match with the SANDAG North County East MSA include four areas (which we are collectively referring to as the "Inland North" market):
 - 26 – Outlying SD County North
 - 13 – Escondido
 - 33 – San Marcos
 - 36 – Vista
- The SANDAG and CoStar areas do not 100% align. The primary difference between the CoStar Inland North submarket and the SANDAG North County East MSA is that the CoStar area includes the community of Ramona, while SANDAG does not. The population of Ramona is only about 20K and represents only about 4% of the 460K population in the SANDAG North County East MSA (480K if Ramona is added). We have concluded that the aggregate CoStar Inland North and SANDAG North County East MSA areas are similar enough for our analytical purposes.
- CoStar submarket boundaries can vary for different land uses, particularly for Multi-Family. CoStar submarket maps are provided for each use at the beginning of each section of the report for that particular use.



SANDAG PROJECTIONS – COUNTY POPULATION

- Population growth from 2020 to 2035 in the county is projected at about 27.9K per year.
- Occupied housing unit growth from 2020 to 2035 is projected at about 9.9K per year (SF 1.8K per year, MF 8.1K per year).

POPULATION AND HOUSING

	2012	2020	2035	2050	2012 to 2050 Change*	
					Numeric	Percent
Total Population	3,143,429	3,435,713	3,853,698	4,068,759	925,330	29%
Household Population	3,039,937	3,325,715	3,738,048	3,949,115	909,178	30%
Group Quarters Population	103,492	109,998	115,650	119,644	16,152	16%
Civilian	61,597	68,103	73,755	77,749	16,152	26%
Military	41,895	41,895	41,895	41,895	0	0%
Total Housing Units	1,165,818	1,249,684	1,394,783	1,491,935	326,117	28%
Single Family	703,101	731,693	758,622	763,226	60,125	9%
Multiple Family	420,147	477,258	597,762	692,709	272,562	65%
Mobile Homes	42,570	40,733	38,399	36,000	-6,570	-15%
Occupied Housing Units	1,103,034	1,178,091	1,326,445	1,407,869	304,835	28%
Single Family	672,496	697,416	730,471	730,020	57,524	9%
Multiple Family	391,534	443,213	560,793	645,548	254,014	65%
Mobile Homes	39,004	37,462	35,181	32,301	-6,703	-17%
Vacancy Rate	5.4%	5.7%	4.9%	5.6%	0.2	4%
Single Family	4.4%	4.7%	3.7%	4.4%	0.0	0%
Multiple Family	6.8%	7.1%	6.2%	6.8%	0.0	0%
Mobile Homes	8.4%	8.0%	8.4%	10.3%	1.9	23%
Persons per Household	2.76	2.82	2.82	2.81	0.1	2%

Source: SANDAG SR13 Regional Growth Forecast, released in 2013. The forecast is in the process of being updated with new estimates to be available by the end of 2020 (SR14). According to SANDAG, the new forecast numbers for population and housing units are not expected to be substantially different than forecast in SR13.

SANDAG PROJECTIONS – NORTH COUNTY EAST/MSA5 POPULATION

- Population growth from 2020 to 2035 in MSA 5 is projected at about 4.0K per year.
- Occupied housing unit growth from 2020 to 2035 is projected at about 1.3K per year (SF 664 per year, MF 634 per year).
- MSA 5 currently represents 14% of the countywide population and 13% of the countywide supply of housing units.

POPULATION AND HOUSING

	2012	2020	2035	2050	2012 to 2050 Change*	
					Numeric	Percent
Total Population	438,503	487,700	547,881	573,295	134,792	31%
Household Population	432,566	482,109	541,229	565,889	133,323	31%
Group Quarters Population	5,937	5,591	6,652	7,406	1,469	25%
Civilian	5,937	5,591	6,652	7,406	1,469	25%
Military	0	0	0	0	0	0%
Total Housing Units	148,823	163,094	181,744	191,439	42,616	29%
Single Family	96,104	103,348	112,619	115,143	19,039	20%
Multiple Family	40,869	48,064	57,514	64,837	23,968	59%
Mobile Homes	11,850	11,682	11,611	11,459	-391	-3%
Occupied Housing Units	142,516	155,935	175,276	183,758	41,242	29%
Single Family	93,001	99,720	109,680	111,556	18,555	20%
Multiple Family	38,687	45,507	55,018	61,990	23,303	60%
Mobile Homes	10,828	10,708	10,578	10,212	-616	-6%
Vacancy Rate	4.2%	4.4%	3.6%	4.0%	-0.2	-5%
Single Family	3.2%	3.5%	2.6%	3.1%	-0.1	-3%
Multiple Family	5.3%	5.3%	4.3%	4.4%	-0.9	-17%
Mobile Homes	8.6%	8.3%	8.9%	10.9%	2.3	27%
Persons per Household	3.04	3.09	3.09	3.08	0.0	1%

Source: SANDAG SR13 Regional Growth Forecast, released in 2013. The forecast is in the process of being updated with new estimates to be available by the end of 2020 (SR14). According to SANDAG, the new forecast numbers for population and housing units are not expected to be substantially different than forecast in SR13.

