

BOARD OF DIRECTORS

December 6, 2022

SUBJECT

PRESENTATION AND ACCEPTANCE OF THE AUDIT REPORT AND FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2022

BACKGROUND

Annually, the District contracts for the preparation of an independent audit and compilation of the year-end financial statements with a Certified Public Accountant (CPA) firm. This year the District authorized for the first year a contract with Lance, Soll & Lunghard, LLP to conduct the fiscal year 21-22 annual audit.

The Government Finance Officers Association of the United States and Canada (GFOA) presented the award of Distinguished Comprehensive Annual Financial Report Presentation to Rainbow Municipal Water District for the annual finances for FY 2020 & 2021. In order to receive this award a governmental unit must publish an Annual Comprehensive Financial Report 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 2022 Comprehensive Annual Financial Report continues to meet the program requirements and will be submitted to the GFOA to determine its eligibility for another award.

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) for the second year. 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 21-22 audit.

- The District had a loss from operations in the amount of \$562,639 in the current year compared to a gain from operations of \$1,157,891 in the previous year.
- Nonoperating income, net of expenses, for the current year was \$758,669 compared to \$1,945,256 for the prior year.
- Operating revenues **increased** by **\$538,563** to \$46,585,720.
- Operating expenses **increased** by **\$2,258,687** to \$47,148,359.
- The District's net position from the prior fiscal year **increased** by **\$5,434,380** or 5.7%.

- This year the District had \$17,148,578 worth of net additions to capital assets compared to \$10,092,792 last year. This increase is largely due to the meter replacement project and Rainbow Heights pump station, as well as pipeline replacement and pressure regulating stations.

There were no major audit findings for the FY 21-22. 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 21-22
- 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

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, 2022 audit of the District by the CPA firm of Lance, Soll & Lunghard, LLP.



Tracy Largent, CPA
Finance Manager

December 6, 2022