

County of Solano
Office of the Auditor-Controller



AN AUDIT OF
RURAL NORTH VACAVILLE WATER DISTRICT

Independent Auditor's Report and Financial Statements

For the fiscal year ended June 30, 2015

Auditor-Controller: Simona Padilla-Scholtens, CPA
Assistant Auditor-Controller: Phyllis Taynton, CPA
Deputy Auditor-Controller: Kirk Starkey, CPA
Auditor: Jasmine Herber, CPA

**Rural North Vacaville Water District
For the fiscal year ended June 30, 2015**

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**Rural North Vacaville Water District
For the Fiscal Year Ended June 30, 2015**

Board of Directors*

Chris Calvert, President of the Board

Robert Whitehouse, Vice-President

Doug Thomson, Secretary

Michael Bianco, Director

Vacant

* As of report issuance date

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OFFICE OF THE AUDITOR-CONTROLLER

SIMONA PADILLA-SCHOLTENS, CPA
Auditor-Controller

PHYLLIS TAYNTON, CPA
Assistant Auditor-Controller



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COUNTY

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Independent Auditor's Report

Board of Directors
Rural North Vacaville Water District
P.O. Box 5097
Vacaville, CA 95696

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Rural North Vacaville Water District (District), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities of Rural North Vacaville Water District as of June 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

In connection with the audit contained herein, there are certain independence disclosures necessary pursuant to *Generally Accepted Auditing Standards*. As required by various statutes in the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities may impair an auditor's independence. Although the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts, or funds within the County treasury, we believe the following safeguards and divisions of responsibility exists:

The Internal Audit Division has the responsibility to perform audits and has no other responsibility for the accounts and records being audited including the approval or posting of financial transactions that would preclude the user of this report from relying on the information contained therein. In addition, the Auditor-Controller is an independent elected official and does not engage in management decisions on behalf of the Rural North Vacaville Water District.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink that reads "Simona P. Scholtens". The signature is written in a cursive style with a large initial 'S'.

Simona Padilla-Scholtens, CPA
Auditor-Controller

January 29, 2016

Rural North Vacaville Water District

Management's Discussion and Analysis

As management of the Rural North Vacaville Water District of Solano County, California, (District), we offer 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, 2015. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

Financial Highlights

- The District's net position totaled \$3,945,138 at June 30, 2015. Of this amount \$731,321 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$299,327 as a result of current year's operations.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$2,213,021. Of this amount, \$15,015 is nonspendable relating to long-term receivables, \$908,903 is restricted for debt service to meet the reserve requirement established in both loan agreements and \$635,661 is for debt extinguishment. The assigned fund balance of \$499,694 represents amounts set aside by the District for capital maintenance and operations. The unassigned fund balance is \$153,748.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred outflows, liabilities and deferred inflows, with the remaining balance 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 activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financial requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budgetary comparison schedule for both the General Fund and the Debt Service Fund. Required supplementary information can be found on pages 25-28 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2015, the District reported a net position of \$3,945,138.

**Rural North Vacaville Water District
Statement of Net Position
June 30, 2015**

	2015	2014
Assets:		
Current assets		
Cash & equivalents and other assets	\$ 2,291,967	\$ 2,427,431
Noncurrent assets		
Long-term receivable	15,015	15,808
Capital assets, net of depreciation	7,716,095	8,150,080
Total Assets	10,023,077	10,593,319
 Liabilities:		
Current liabilities	775,970	841,416
Noncurrent liabilities	5,301,969	6,106,092
Total Liabilities	6,077,939	6,947,508
 Net Position:		
Net investment in capital assets	1,669,253	1,321,008
Restricted net position	1,544,564	1,586,154
Unrestricted net position	731,321	738,649
Total net position	\$ 3,945,138	\$ 3,645,811

The key elements in the changes in current assets and liabilities are as follows:

Current assets: Current assets decreased by \$135,464 resulting from a combination of a decrease in cash of \$93,076 and decrease of accounts receivable of \$42,388. Decrease in cash was primarily due to a decrease in revenue and payment of liabilities. Prior year accounts receivable included a receivable for a new connection and delinquent water bills. There are no new water connection as of June 30, 2015 and delinquent water bills placed on the tax rolls is lower thus, causing a decrease in accounts receivable.

Noncurrent assets: The long-term receivable represents a loan for a water connection due to the District. The decrease was due to principal received on January 2015 and June 2015.

Capital assets, net of accumulated depreciation: This reflects all of the capital assets held by the District offset by their corresponding accumulated depreciation amounts. The increase in accumulated depreciation for this fiscal year was \$433,985.

Current liabilities: Current liabilities decreased by \$65,446, primarily due to a decrease in accounts payable of \$87,339, offset by an increase of \$21,893 in current portion of long term debt. Prior year accounts payable was higher due to various disputed invoices from previous service provider, Cal Water.

Noncurrent liabilities: The District has two outstanding loans totaling \$5,301,969 (noncurrent portion) and has demonstrated in the past the capacity to meet their financial obligation.

Governmental activities. During the current fiscal year, governmental activities increased net position by \$299,327 from the prior fiscal year for an ending balance of \$3,945,138.

**Rural North Vacaville Water District
Change in Net Position
For the fiscal year ended June 30, 2015**

Expenses:	2015	2014
Professional and specialized services	\$ 323,010	\$ 351,018
Maintenance	144,150	162,108
Depreciation	433,985	432,511
Interest on long-term debt	126,674	212,298
Memberships	5,831	4,690
Fees and permits	7,255	6,864
Supplies	3,126	2,115
Postage	3,892	3,609
Publications and legal notices	427	1,178
Rents and leases		1,395
Utilities	40,919	39,501
Insurance	10,060	12,296
Miscellaneous	856	636
Total program expenses	1,100,185	1,230,219
 Program revenues:		
Taxes - special assessments	935,134	931,911
Charges for services	454,190	538,681
Total program revenues	1,389,324	1,470,592
Net program revenues	289,139	240,373
 General revenues:		
Revenues from the use of money and property	10,188	9,041
Total general revenues	10,188	9,041
Change in net position	299,327	249,414
Net position - beginning	3,645,811	3,396,397
Net Position - ending	\$ 3,945,138	\$ 3,645,811

The key elements in the significant changes in net position are as follows:

Program revenues: Program revenues decreased from prior year by \$81,268 due to a decrease in charges for water services of \$84,491 offset by an increase in revenue from special assessments of \$3,223. Decrease in revenue from charges for services was due to statewide water conservation.

Program expenses: Program expenses decreased from prior year by \$130,034 primarily due to lower interest on long term debt, professional and specialized services and maintenance. Prior year interest on long term debt included an additional payment made by the District to the loan with California State Water Resources Board.

Financial Analysis of the District's Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The General Fund is a governmental fund type that is used to account for general government functions of the District. The Debt Service Fund is a governmental fund type that is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2015, the District's governmental funds reported a combined ending fund balance of \$2,213,021.

Governmental revenues totaled \$1,399,512 for fiscal year 2014/15. The minor decrease of 3% from fiscal year 2013/14 represents the net effect of increases and decreases in special tax assessments and charges for services, respectively.

Conversely, expenditures totaled \$1,448,430 in fiscal year 2014/15. This represents a 19% decrease from fiscal year 2013/14 due to decrease in professional and specialized services, maintenance, and debt service payments.

Budgetary Highlights

The General Fund and Debt Service Fund budgets (Adopted and Final versions) are reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, as presented on pages 26-27 in the Required Supplementary Information (RSI) section of this report. There were no changes between the Adopted and Final budgets.

Capital Asset and Debt Administration

Capital Assets. The District's capital assets as of June 30, 2015 totaled \$7,716,095 (net of accumulated depreciation). This investment in capital assets is comprised of infrastructure and equipment. Capital assets decreased by \$433,985 due to current year depreciation.

Additional information on the District's capital assets can be found in Note II.A on page 23 of this report.

Long-term debt. At June 30, 2015 the District had total debt outstanding for its governmental activities of \$6,046,842, which is secured by liens and property taxes. For more information see Note II B on page 23 of this report.

Economic Factors and Next Year's Operating Activities

The following factors were considered in preparing the District's budget for the fiscal year 2015/16.

- The District's management anticipates the District's Debt Service Fund special assessment tax to remain the same while interest income is expected to increase. Revenue from water service operation is also expected to increase.
- The District does not foresee receiving any new revenue sources in the upcoming fiscal year.
- The District's Board approved and adopted new and increased water rates to mitigate increasing cost of system operation, maintenance and capital improvements.
- Management is focused on minimizing and reducing operating costs wherever possible.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest with the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Board of Directors, P.O. Box 5097, Vacaville, CA 95696.

**Rural North Vacaville Water District
Statement of Net Position
June 30, 2015**

ASSETS

Current assets

Cash & equivalents	\$	2,171,957
Accounts receivable		120,010
Total current assets		2,291,967

Noncurrent assets

Long-term receivable		15,015
Capital assets, net of depreciation		7,716,095
Total noncurrent assets		7,731,110
Total assets		10,023,077

LIABILITIES

Current liabilities

Accounts payable		29,597
Deposits Payable		1,500
Current portion of long-term liabilities		744,873
Total current liabilities		775,970

Noncurrent liabilities

Long-term debt		
Total noncurrent liabilities		5,301,969
Total liabilities		6,077,939

NET POSITION

Net investment in capital assets		1,669,253
Restricted for:		
Debt service		908,903
Debt extinguishment		635,661
Unrestricted		731,321
Total net position		\$ 3,945,138

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

**Rural North Vacaville Water District
Statement of Activities
For the fiscal year ended June 30, 2015**

Expenses:

Professional and specialized services	\$	323,010
Maintenance		144,150
Depreciation		433,985
Interest on long-term debt		126,674
Memberships		5,831
Fees and permits		7,255
Supplies		3,126
Postage		3,892
Publications and legal notices		427
Utilities		40,919
Insurance		10,060
Miscellaneous		856
Total program expenses		1,100,185

Program revenues:

Taxes - special assessments		935,134
Charges for services		454,190
Total program revenues		1,389,324

Net program revenues		289,139
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General revenues:

Revenues from the use of money and property		10,188
Total general revenues		10,188

Change in net position		299,327
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Net position - beginning		3,645,811
Net Position - ending	\$	3,945,138

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

**Rural North Vacaville Water District
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets			
Cash & equivalents	\$ 614,050	\$ 1,557,907	\$ 2,171,957
Accounts receivable	57,146	62,864	120,010
Other assets	-	15,015	15,015
Due from Other Fund	13,343	-	13,343
Total assets	<u>\$ 684,539</u>	<u>\$ 1,635,786</u>	<u>\$ 2,320,325</u>
Liabilities			
Accounts payable	29,597	-	29,597
Due to Other Fund	-	13,343	13,343
Deposits Payable	1,500	-	1,500
Total Liabilities	<u>31,097</u>	<u>13,343</u>	<u>44,440</u>
Deferred Inflow of Resources			
Unavailable revenue	-	62,864	62,864
Fund Balances			
Nonspendable	-	15,015	15,015
Restricted for:			
Debt service	-	908,903	908,903
Debt extinguishment	-	635,661	635,661
Assigned for:			
Capital maintenance & operations	499,694	-	499,694
Unassigned	153,748	-	153,748
Total fund balances	<u>653,442</u>	<u>1,559,579</u>	<u>2,213,021</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 684,539</u>	<u>\$ 1,635,786</u>	<u>\$ 2,320,325</u>

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

**Rural North Vacaville Water District
 Reconciliation of the Balance Sheet
 of Governmental Funds to the Statement of Net Position
 For the fiscal year ended June 30, 2015**

Total governmental funds, fund balance	\$	2,213,021
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,716,095
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in governmental funds.		62,864
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(6,046,842)</u>
Net position of governmental activities	<u>\$</u>	<u>3,945,138</u>

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

Rural North Vacaville Water District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Special assessments	\$ 16,754	\$ 918,380	\$ 935,134
Charges for services	454,190	-	454,190
Revenues from the use of money and property	1,277	8,911	10,188
Total revenues	<u>472,221</u>	<u>927,291</u>	<u>1,399,512</u>
Expenditures:			
Current:			
Professional & specialized services	294,275	28,735	323,010
Memberships	5,831	-	5,831
Fees and permits	7,255	-	7,255
Supplies	3,126	-	3,126
Postage	3,892	-	3,892
Publications & legal notices	427	-	427
Utilities	40,919	-	40,919
Maintenance	144,150	-	144,150
Insurance	10,060	-	10,060
Miscellaneous	856	-	856
Debt service:			
Principal	-	782,230	782,230
Interest	-	126,674	126,674
Total expenditures	<u>510,791</u>	<u>937,639</u>	<u>1,448,430</u>
Deficiency of revenues under expenditures	(38,570)	(10,348)	(48,918)
Fund balances - beginning	<u>692,012</u>	<u>1,569,927</u>	<u>2,261,939</u>
Fund balances - ending	<u>\$ 653,442</u>	<u>\$ 1,559,579</u>	<u>\$ 2,213,021</u>

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

**Rural North Vacaville Water District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 For the fiscal year ended June 30, 2015**

Net change in fund balance - governmental funds	\$	(48,918)
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Amounts reported for governmental activities in the statement of activities are different because:

<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> <p style="padding-left: 20px;">Depreciation expense</p>		(433,985)
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<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net position.</p> <p style="padding-left: 20px;">Debt principal payments</p>		<u>782,230</u>
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Change in net position of governmental activities	\$	<u><u>299,327</u></u>
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The notes to the financial statements are an integral part of this statement.

**Rural North Vacaville Water District
Notes to the Financial Statements
For the fiscal year ended June 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rural North Vacaville Water District (District) of Solano County was formed in June 1996 by a vote of the property owners residing within the District boundaries located in northern Vacaville. The District operates as a Community Service District under the Government Code §61000. The District's primary purpose is to provide domestic water and water for fire protection through a public water distribution system to residents in the rural north Vacaville area. A supplemental tax is assessed annually to residents of the District to repay the loan which financed the construction of the public potable water distribution system.

B. Government-wide and Fund Financial Statements

The District's financial accounts are maintained in accordance with generally accepted accounting principles (GAAP) and the uniform accounting system for districts prescribed by the State Controller in compliance with the Government Code of the State of California.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and 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. Special assessment taxes are recognized as revenues in the year they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Special assessment taxes, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The amounts reported under program revenues in the statement of activities are taxes (special assessments) and charges to customers for goods and services. General revenues include interest income.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Cash Equivalents

The District's cash resides in the Solano County Treasury and an outside bank account. The District's cash maintained in the County Treasury is pooled with the County of Solano. The District is a non-mandatory depositor, pursuant to Government Code Section 61737.01. The District's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set by the County Treasurer.

The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy (in order of priority) are: legality, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investments as permitted by the California Government Code, and the percentage of the portfolio

which may be invested in certain instruments with longer terms of maturity. A detailed breakdown of cash and investments and a categorization of risk factors are presented in the County of Solano Comprehensive Annual Financial Reports.

The District maintains one (1) checking account and four (4) savings accounts at Wells Fargo Bank. As of June 30, 2015, the aggregate balance of these five (5) accounts is \$614,039. The balance is not entirely covered by federal depository insurance. However, California Government Code requires a financial institution to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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.

2. Accounts Receivable

Accounts receivable represents the balance owed to the District for water usage.

3. Long Term Receivable

Long term receivable represents the balance due to the District from a residential water connection loan.

4. Capital Assets

Capital assets, which include infrastructure and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District's capitalization policy as assets with an initial cost of more than \$5,000 and have a useful life of three years or longer. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are valued at their fair value on the date of donation.

Structures and improvements and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	3 - 7
Infrastructure	30

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In fund financial statements, capital assets used in the District's operations are accounted for as capital outlay expenditures of the District's General Fund upon acquisition.

5. *Accounts Payable*

Accounts payable represents the balance due for goods received and/or services rendered.

6. *Deposit Payable*

Deposits payable represents refundable security deposits for water meter and fire hydrant rentals.

7. *Unavailable Revenue/Deferred Inflows*

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available.

8. *Long-Term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. The payments due within a year are presented as current liabilities while the balance is presented as non-current liabilities.

9. *Net Position/Fund Balances*

The government-wide financial statements utilize a net position presentation. The net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt attributable to the acquisition construction or improvement of these assets reduce the balance in this category.
- *Restricted for Debt Service* – This category is set up for the benefit of the lien holders in case there are delinquencies to ensure the District can still make its scheduled debt service payment. This category represents the requirement for two

semiannual payments for each loan to be held in reserve as stipulated per each loan agreement.

- *Restricted for Debt Extinguishment* – This category is set up for benefit of the lien holders to hold money in reserve to satisfy the debt. This category is comprised of prepayment and partial payments, interest earned, and payments made for reserve connections. The District must use these funds to satisfy the debt.
- *Unrestricted* – This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent. As of June 30, 2015, fund balance was categorized as follows:

- *Nonspendable* – Amounts that cannot be spent because they are (a) not in a spendable form or (b) legally or contractually required to be maintained intact. It includes long-term receivables.
- *Restricted for Debt Service* – Amounts that are restricted by a legal requirement to be maintained. This category represents the requirement for two semiannual payments for each loan to be held in reserve as stipulated per each loan agreement.
- *Restricted for Debt Extinguishment* – Amounts that are restricted for debt service administration and extinguishment. This category is comprised of prepayment and partial payments, interest earned, and payments made for reserve connections. The District must use these funds to satisfy the debt.
- *Assigned* – Amounts constrained by the District's intent to use for specific purposes, but are neither legally restricted nor committed. This category represents funds assigned for future capital maintenance and operations.
- *Unassigned* – Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in other classifications.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES

A. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets being depreciated:				
Infrastructure	\$ 12,826,854	\$ -	\$ -	\$ 12,826,854
Equipment	42,816	-	-	42,816
Total capital assets, being depreciated	<u>12,869,670</u>	<u>-</u>	<u>-</u>	<u>12,869,670</u>
Less accumulated depreciation for :				
Infrastructure	(4,703,180)	(427,562)	-	(5,130,742)
Equipment	(16,410)	(6,423)	-	(22,833)
Total accumulated depreciation	<u>(4,719,590)</u>	<u>(433,985)</u>	<u>-</u>	<u>(5,153,575)</u>
Total capital assets, being depreciated, net	<u>8,150,080</u>	<u>(433,985)</u>	<u>-</u>	<u>7,716,095</u>
Governmental activities capital assets, net	<u>\$ 8,150,080</u>	<u>\$ (433,985)</u>	<u>\$ -</u>	<u>\$ 7,716,095</u>

B. Long-term Liabilities

Long-term Debt:

The District entered into two loan agreements to finance the construction of the water distribution system. The first loan for \$5 million was obtained from California State Department of Water Resources on June 2001. The second loan for \$8.8 million was obtained from California Department of Public Health on June 2001.

The annual debt service requirements to maturity for each loan are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Contract # E85001</u>		<u>Year Ended</u> <u>June 30,</u>	<u>Contract # SRF1998CX108</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2016	265,179	63,925	2016	479,694	100,105
2017	272,902	56,202	2017	493,188	86,612
2018	280,478	48,626	2018	507,060	72,738
2019	288,386	40,717	2019	521,324	58,476
2020	296,455	32,649	2020	535,988	43,811
2021-2023	940,716	46,595	2021-2023	1,165,472	42,637
Total	<u>\$ 2,344,116</u>	<u>\$ 288,714</u>	Total	<u>\$ 3,702,726</u>	<u>\$ 404,379</u>

Long-term obligation activity for the fiscal year ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt - loan agreements	\$ 6,829,072	\$ -	\$ (782,230)	\$ 6,046,842	\$ 744,873
Total long-term liabilities	<u>\$ 6,829,072</u>	<u>\$ -</u>	<u>\$ (782,230)</u>	<u>\$ 6,046,842</u>	<u>\$ 744,873</u>

III. Risk Management

On June 11, 2013 the District began participating in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The purpose of JPIA is to spread the adverse effects of losses among the member agencies and to purchase excess insurance as a group, thereby reducing expenses. General liability for the District is limited to \$1,000,000 per occurrence and in aggregate.

REQUIRED SUPPLEMENTARY INFORMATION

Rural North Vacaville Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual
For the fiscal year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$ 16,464	\$ 16,464	\$ 16,754	\$ 290
Charges for services	454,704	454,704	454,190	(514)
Revenues from the use of money & property	1,500	1,500	1,277	(223)
Total revenues	<u>472,668</u>	<u>472,668</u>	<u>472,221</u>	<u>(447)</u>
Expenditures:				
Current:				
Professional & specialized services	313,156	313,156	294,275	18,881
Memberships	5,000	5,000	5,831	(831)
Fees and permits	7,820	7,820	7,255	565
Supplies	2,400	2,400	3,126	(726)
Postage	3,724	3,724	3,892	(168)
Publications and legal notices	1,500	1,500	427	1,073
Utilities	39,650	39,650	40,919	(1,269)
Maintenance	69,286	69,286	144,150	(74,864)
Insurance	14,000	14,000	10,060	3,940
Miscellaneous	16,132	16,132	856	15,276
Total expenditures	<u>472,668</u>	<u>472,668</u>	<u>510,791</u>	<u>(38,123)</u>
Net change in fund balance	-	-	(38,570)	(38,570)
Fund balance - beginning	692,012	692,012	692,012	-
Fund balance - ending	<u>\$ 692,012</u>	<u>\$ 692,012</u>	<u>\$ 653,442</u>	<u>\$ (38,570)</u>

The notes to the required supplementary information are an integral part of this statement.

Rural North Vacaville Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Debt Service Fund
Budget and Actual
For the fiscal year ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Special assessments	\$ 918,402	\$ 918,402	\$ 918,380	\$ (22)
Revenues from the use of money & property	18,629	18,629	8,911	(9,718)
Total revenues	937,031	937,031	927,291	(9,740)
Expenditures:				
Other				
Accounting & financial services	28,128	28,128	28,735	(607)
Debt Service				
Principal	716,217	716,217	782,230	(66,013)
Interest	192,686	192,686	126,674	66,012
Total expenditures	937,031	937,031	937,639	(608)
Net change in fund balance	-	-	(10,348)	(10,348)
Fund balance - beginning	1,569,927	1,569,927	1,569,927	-
Fund balance - ending	\$ 1,569,927	\$ 1,569,927	\$ 1,559,579	\$ (10,348)

The notes to the required supplementary information are an integral part of this statement.

**Rural North Vacaville Water District
Notes to the Required Supplementary Information
For the fiscal year ended June 30, 2015**

Budgetary Information

Pursuant to the District's Bylaws, *Article VII – Annual Budget*, the Board shall adopt and publish an annual budget setting forth the estimated cost for all activities and programs of the District.

Although the District is not required to utilize formal budgetary procedures, the District follows the County budget requirement and calendar. An operating budget is prepared on a modified accrual basis each fiscal year for the General Fund and the Debt Service Fund. The final budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). The District has established budgetary control at the object code level within the District's financial accounting system. All annual appropriations lapse at the fiscal year end.