

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, 2017

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

**Rural North Vacaville Water District
For the fiscal year ended June 30, 2017**

TABLE OF CONTENTS

	Page
Board of Directors	1
Independent Auditor's Report	3
Management's Discussion and Analysis	6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	17
Notes to the Financial Statements.....	18
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund.....	26
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	27
Notes to the Required Supplementary Information.....	28

**Rural North Vacaville Water District
For the Fiscal Year Ended June 30, 2017**

Board of Directors*

Chris Calvert, President of the Board

Robert Whitehouse, Vice-President

Michael Bianco, Secretary

Joe Gates, Director

Elizabeth Miles, Director

*** 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, 2017, 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 opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Rural North Vacaville Water District as of June 30, 2017, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 6 through 11 and pages 26 and 27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.


Simona Padilla-Scholtens, CPA
Auditor-Controller

September 18, 2017

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, 2017. 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 \$5,060,965 at June 30, 2017. Of this amount \$958,888 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$466,482 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 \$2,505,826. Of this amount, \$52,253 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 \$677,443 is for debt extinguishment. The assigned fund balance of \$540,755 represents amounts set aside by the District for capital maintenance and operations. The unassigned fund balance is \$326,472.

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 26-28 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, 2017, the District reported a net position of \$5,060,965.

Rural North Vacaville Water District Statement of Net Position June 30, 2017

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets		
Cash & equivalents and other assets	\$ 2,529,197	\$ 2,592,951
Noncurrent assets		
Long-term receivable	52,253	13,946
Capital assets, net of depreciation	<u>6,848,125</u>	<u>7,282,110</u>
Total Assets	<u>9,429,575</u>	<u>9,889,007</u>
Liabilities:		
Current liabilities	827,516	962,131
Noncurrent liabilities	<u>3,541,094</u>	<u>4,332,393</u>
Total Liabilities	<u>4,368,610</u>	<u>5,294,524</u>
Net Position:		
Net investment in capital assets	2,515,732	2,030,141
Restricted net position	1,586,346	1,770,324
Unrestricted net position	<u>958,887</u>	<u>794,018</u>
Total net position	<u>\$ 5,060,965</u>	<u>\$ 4,594,483</u>

Analysis of Change in Net Position

The assets exceeded its liabilities at June 30, 2017 by \$5,060,965.

The largest portion of the District's net position reflects its investment in capital assets (e.g., infrastructure and equipment) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (31.3%) represents resources subject to external restrictions on how they may be used. The remaining balance of \$958,887 is unrestricted and may be used to meet the District's ongoing obligations to its property owners and creditors.

Governmental activities. During the current fiscal year, governmental activities increased net position by \$466,482 from the prior fiscal year for an ending balance of \$5,060,965.

The table below shows the revenues, expenses, and changes in net position for governmental activities:

**Rural North Vacaville Water District
Change in Net Position
For the fiscal year ended June 30, 2017**

Expenses:	2017	2016
Professional and specialized services	\$ 249,468	\$ 204,591
Interest on long-term debt	139,328	164,030
Maintenance	184,394	150,670
Depreciation	433,985	433,985
Utilities	45,013	39,411
Miscellaneous	1,771	8,422
Memberships	6,427	6,022
Fees and permits	5,763	5,515
Insurance	3,614	4,217
Supplies	1,559	2,363
Postage	3,302	3,547
Total program expenses	1,074,624	1,022,773
 Program revenues:		
Taxes - special assessments	919,908	937,024
Charges for services	553,990	527,842
Other income	50,460	194,921
Total program revenues	1,524,358	1,659,787
Net program revenues	449,734	637,014
 General revenues:		
Revenues from the use of money and property	16,748	12,331
Total general revenues	16,748	12,331
 Change in net position	466,482	649,345
 Net position - beginning	4,594,483	3,945,138
Net Position - ending	\$ 5,060,965	\$ 4,594,483

Program revenues: Program revenues decreased from prior year by \$135,429 primarily due to a decrease in water rights sold. One water right was sold during the year and 37 water rights remain unsold.

Program expenses: Program expenses increased from prior year by \$51,851 primarily due to increases in professional and specialized services and maintenance. The increase in professional

and specialized services was mostly due to expenses incurred for the Well #2 arsenic removal study. The increase in maintenance was due to underground leak repairs.

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 funds 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, 2017, the District's governmental funds reported a combined ending fund balance of \$2,505,826.

Governmental revenues totaled \$1,501,699 for fiscal year 2016/17. The decrease of 13% from fiscal year 2015/16 is due to decreases in special assessment property taxes and other income.

Governmental expenditures totaled \$1,560,215 in fiscal year 2016/17. This represents a 13% increase from fiscal year 2015/16 primarily due to increases in professional and specialized services and maintenance.

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 of the General Fund and Debt Service Fund. Actual revenues recognized in the General Fund were higher than budgeted amounts by \$37,450. Actual expenditures in the General Fund were less than appropriations by \$49,705, mainly due to appropriations for capital outlay not being fully utilized with the intent to increase the assigned for capital maintenance fund.

Actual revenues recognized in the Debt Service Fund were higher than budgeted amounts by \$14,130. Actual expenditures were lower than appropriations by approximately \$982.

Capital Assets and Debt Administration

Capital Assets. The District's capital assets as of June 30, 2017 totaled \$6,848,125 (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, 2017 the District had total debt outstanding for its governmental activities of \$4,332,393 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 2017/18.

- The District's management anticipates the District's Debt Service Fund special assessment tax to remain the same. The District does not expect a significant change in revenue from water service operation.
- 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, 2017**

ASSETS

Current assets

Cash & equivalents	\$ 2,465,583
Accounts receivable	63,614
Total current assets	2,529,197

Noncurrent assets

Long-term receivable	52,253
Capital assets, net of depreciation	
Infrastructure	6,840,989
Equipment	7,136
Total noncurrent assets	6,900,378
Total assets	9,429,575

LIABILITIES

Current liabilities

Accounts payable	29,717
Deposits payable	6,500
Current portion of long-term liabilities	791,299
Total current liabilities	827,516

Noncurrent liabilities

Long-term debt	3,541,094
Total noncurrent liabilities	3,541,094
Total liabilities	4,368,610

NET POSITION

Net investment in capital assets	2,515,732
Restricted for:	
Debt service	908,903
Debt extinguishment	677,443
Unrestricted	958,887
Total net position	\$ 5,060,965

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, 2017**

Expenses:

Professional and specialized services	\$	249,468
Depreciation		433,985
Interest on long-term debt		139,328
Maintenance		184,394
Utilities		45,013
Miscellaneous		1,771
Memberships		6,427
Fees and permits		5,763
Insurance		3,614
Postage		3,302
Supplies		1,559
Total program expenses		1,074,624

Program revenues:

Taxes - special assessments		919,908
Charges for services		553,990
Other income		50,460
Total program revenues		1,524,358

Net program revenues		449,734
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General revenues:

Revenues from the use of money and property		16,748
Total general revenues		16,748

Change in net position		466,482
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Net position - beginning		4,594,483
Net Position - ending	\$	5,060,965

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

**Rural North Vacaville Water District
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets			
Cash & equivalents	\$ 841,538	\$ 1,624,045	\$ 2,465,583
Accounts receivable	63,614	-	63,614
Other assets	-	52,253	52,253
Due from other fund	-	1,708	1,708
Total assets	<u>\$ 905,152</u>	<u>\$ 1,678,006</u>	<u>\$ 2,583,158</u>
Liabilities			
Accounts payable	29,717	-	29,717
Due to other fund	1,708	-	1,708
Deposits payable	6,500	-	6,500
Total Liabilities	<u>37,925</u>	<u>-</u>	<u>37,925</u>
Deferred Inflow of Resources			
Unavailable revenue		<u>39,407</u>	<u>39,407</u>
Fund Balances			
Nonspendable	-	52,253	52,253
Restricted for:			
Debt service	-	908,903	908,903
Debt extinguishment	-	677,443	677,443
Assigned for:			
Capital maintenance	540,755	-	540,755
Operations	270,000	-	270,000
Unassigned	56,472	-	56,472
Total fund balances	<u>867,227</u>	<u>1,638,599</u>	<u>2,505,826</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 905,152</u>	<u>\$ 1,678,006</u>	<u>\$ 2,583,158</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, 2017**

Total governmental funds, fund balance	\$	2,505,826
<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.		6,848,125
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.		39,407
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(4,332,393)</u>
Net position of governmental activities	\$	<u>5,060,965</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, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Special assessments	\$ -	\$ 919,908	\$ 919,908
Charges for services	553,990	-	553,990
Other income	10,460	593	11,053
Revenues from the use of money and property	-	16,748	16,748
Total revenues	<u>564,450</u>	<u>937,249</u>	<u>1,501,699</u>
Expenditures:			
Current:			
Professional & specialized services	225,452	24,016	249,468
Maintenance	184,394	-	184,394
Utilities	45,013	-	45,013
Miscellaneous	1,771	-	1,771
Memberships	6,427	-	6,427
Fees and permits	5,763	-	5,763
Insurance	3,614	-	3,614
Postage	3,302	-	3,302
Supplies	1,559	-	1,559
Debt service:			
Principal	-	919,576	919,576
Interest	-	139,328	139,328
Total expenditures	<u>477,295</u>	<u>1,082,920</u>	<u>1,560,215</u>
Excess (deficiency) of revenues over (under) expenditures	87,155	(145,671)	(58,516)
Fund balances - beginning	780,072	1,784,270	2,564,342
Fund balances - ending	<u>\$ 867,227</u>	<u>\$ 1,638,599</u>	<u>\$ 2,505,826</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, 2017**

Net change in fund balance - governmental funds \$ (58,516)

Amounts reported for governmental activities in the statement of activities are different because:

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.

Depreciation expense (433,985)

Revenues deferred in the governmental funds because they were not collected within the District's availability period, were recognized within the statement of activities.

39,407

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.

Debt principal payments 919,576

Change in net position of governmental activities \$ 466,482

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, 2017**

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 special assessment property 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. 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: safety, 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 two (2) savings accounts at Wells Fargo Bank. As of June 30, 2017, the aggregate balance of these three (3) accounts is \$841,538. 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 two residential water connection loans.

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. *Deposits Payable*

Deposits payable represents refundable security deposits for water meter rentals used with fire hydrants and new construction engineering and inspections.

7. *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.

8. *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 position. 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, 2017, 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.

9. 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, 2017 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	(5,558,304)	(427,562)	-	(5,985,866)
Equipment	(29,256)	(6,423)	-	(35,679)
Total accumulated depreciation	<u>(5,587,560)</u>	<u>(433,985)</u>	<u>-</u>	<u>(6,021,545)</u>
Total capital assets, being depreciated, net	<u>7,282,110</u>	<u>(433,985)</u>	<u>-</u>	<u>6,848,125</u>
Governmental activities capital assets, net	<u>\$ 7,282,110</u>	<u>\$ (433,985)</u>	<u>\$ -</u>	<u>\$ 6,848,125</u>

B. Long-term Liabilities

Long-term Debt:

In June 2001, the District entered into two loan agreements to finance the construction of the water distribution system. The District borrowed \$5 million from California State Department of Water Resources and \$8.8 million from California Department of Public Health. The remaining terms for loan agreement E85001 and SRF1998CX108 are 6 years and 5 years, respectively.

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

<u>Contract # E85001</u>			<u>Contract # SRF1998CX108</u>		
<u>Year Ended</u>			<u>Year Ended</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	282,793	46,311	2018	508,507	71,293
2019	288,755	40,349	2019	522,810	56,989
2020	296,834	32,269	2020	537,516	42,283
2021	305,317	23,787	2021	552,636	27,163
2022-2023	480,257	19,549	2022	556,968	11,618
Total	<u>\$ 1,653,956</u>	<u>\$ 162,265</u>	Total	<u>\$ 2,678,437</u>	<u>\$ 209,346</u>

Long-term obligation activity for the fiscal year ended June 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Long-term debt - loan agreements	\$ 5,251,969	\$ -	\$ (919,576)	\$ 4,332,393	\$ 791,299
Total long-term liabilities	<u>\$ 5,251,969</u>	<u>\$ -</u>	<u>\$ (919,576)</u>	<u>\$ 4,332,393</u>	<u>\$ 791,299</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 527,000	\$ 527,000	\$ 553,990	\$ 26,990
Other income	-	-	\$ 10,460	\$ 10,460
Revenues from the use of money & property	-	-	-	-
Total revenues	<u>527,000</u>	<u>527,000</u>	<u>564,450</u>	<u>37,450</u>
Expenditures:				
Current:				
Professional & specialized services	226,190	226,190	225,452	738
Maintenance	153,700	153,700	184,394	(30,694)
Capital outlay	74,000	74,000	-	74,000
Utilities	40,000	40,000	45,013	(5,013)
Miscellaneous	9,710	9,710	1,771	7,939
Memberships	6,000	6,000	6,427	(427)
Fees and permits	5,900	5,900	5,763	137
Insurance	4,500	4,500	3,614	886
Postage	4,000	4,000	3,302	698
Supplies	3,000	3,000	1,559	1,441
Total expenditures	<u>527,000</u>	<u>527,000</u>	<u>477,295</u>	<u>49,705</u>
Net change in fund balance	-	-	87,155	87,155
Fund balance - beginning	780,072	780,072	780,072	-
Fund balance - ending	<u>\$ 780,072</u>	<u>\$ 780,072</u>	<u>\$ 867,227</u>	<u>\$ 87,155</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual Amounts	
Revenues:				
Special assessments	\$ 917,119	\$ 917,119	\$ 919,908	\$ 2,789
Revenues from the use of money & property	6,000	6,000	16,748	10,748
Other income	-	-	593	593
Total revenues	923,119	923,119	937,249	14,130
Expenditures:				
Other				
Accounting & financial services	25,000	25,000	24,016	984
Debt Service				
Principal	919,840	919,840	919,576	264
Interest	139,062	139,062	139,328	(266)
Total expenditures	1,083,902	1,083,902	1,082,920	982
Net change in fund balance	(160,783)	(160,783)	(145,671)	15,112
Fund balance - beginning	1,784,270	1,784,270	1,784,270	-
Fund balance - ending	\$ 1,623,487	\$ 1,623,487	\$ 1,638,599	\$ 15,112

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, 2017

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.