

**RURAL NORTH VACAVILLE
WATER DISTRICT**

Financial Report with
Independent Auditor's Report

June 30, 2018

RURAL NORTH VACAVILLE WATER DISTRICT

June 30, 2018

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Rural North Vacaville Water District

Board of Directors

The Board of Directors as of the date of this annual report is as follows:

Chris Calvert, President of the Board

Robert Whitehouse, Vice-President

Elizabeth Miles, Secretary

Joe Gates, Director

Michael Bianco, Director

Rural North Vacaville Water District

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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, 2018, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and the 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 an 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 from material misstatement.

An audit involves performing procedures to obtain and audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural North Vacaville Water District as of June 30, 2018, and the 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 5 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 be a part of essential part of the financial reporting for placing the basic financial statements in 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.

Fechter & Company,
Certified Public Accountants

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
January 20, 2019

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunctions with additional information in our financial statements.

Financial Highlights

- The District's net position totaled \$5,477,218 at June 30, 2018. Of the amount \$936,860 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$416,253 as a result of current year's operations.
- As the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$2,581,807. Of this amount, \$49,892 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 \$542,000 represents amounts set aside by the District for capital maintenance and operations, which was last updated by Board Resolution on June 12, 2018. The unassigned fund balance is \$344,968.

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 provide readers with a broad overview of the District's finances, in a manner similar to a project-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 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 and 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.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 the 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 18-25 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 Debt Service Fund. Required supplementary information can be found on pages 26-28 of this report.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District reported a net position of \$5,477,218.

Rural North Vacaville Water District
Statement of Net Position
June 30, 2018

	2018	2017	Variance
Assets:			
Current assets			
Cash & equivalents and other assets	\$ 2,529,575	\$ 2,529,197	378
Noncurrent assets			
Long-term receivable	49,892	52,253	(2,361)
Capital assets, net of depreciation	6,456,422	6,848,125	(391,703)
Total Assets	9,035,889	9,429,575	(393,686)
Liabilities:			
Current liabilities	1,022,500	827,516	194,984
Noncurrent liabilities	2,536,171	3,541,094	(1,004,923)
Total Liabilities	3,558,671	4,368,610	(809,939)
Net Position:			
Net investment in capital assets	2,954,012	2,515,732	438,280
Restricted net position	1,586,346	1,586,346	-
Unrestricted net position	936,860	958,887	(22,027)
Total net position	\$ 5,477,218	\$5,060,965	416,253

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Analysis of Change in Net Position

The assets exceeded its liabilities at June 30, 2018 by \$5,477,218.

The largest portion of the District's net position reflects its investments in capital assets (e.g., infrastructure and equipment) less any related outstanding debt used to acquire those assets. The District uses these assets to provide services to citizens; consequently, these assets are not available from 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 for other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (29.0%) represents resources subject to external restrictions on how they may be used. The remaining balance of \$936,860 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 \$416,253 from the prior fiscal year for an ending balance of \$5,477,218.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Change in Net Position
June 30, 2018

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

Expenses:	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Professional and specialized services	\$ 274,481	\$ 249,468	\$ 25,013
Interest on long-term debt	115,719	139,328	(23,609)
Maintenance	207,500	184,394	23,106
Depreciation	431,304	433,985	(2,681)
Utilities	45,204	45,013	191
All other program expenses	27,015	22,436	4,579
Total program expenses	<u>1,101,223</u>	<u>1,074,624</u>	<u>26,599</u>
 Program revenues:			
Taxes- special assessments	925,347	919,908	5,439
Charges for services	565,910	553,990	11,920
Other income	<u>2,985</u>	<u>50,460</u>	<u>(47,475)</u>
Total program revenues	<u>1,494,242</u>	<u>1,524,358</u>	<u>(30,166)</u>
 Net program revenues	 <u>393,019</u>	 <u>449,734</u>	 <u>(56,715)</u>
 General revenues:			
Revenues from the use of money and property	<u>23,234</u>	<u>16,748</u>	<u>6,486</u>
Total general revenues	<u>23,234</u>	<u>16,748</u>	<u>6,486</u>
 Change in net position	 416,253	 446,482	 (30,229)
 Net position- beginning	 <u>5,060,965</u>	 <u>4,594,483</u>	 <u>466,482</u>
Net position- ending	<u>\$ 5,477,218</u>	<u>\$ 5,060,965</u>	<u>416,253</u>

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Program revenues: Program revenues increased from prior year by \$11,920 primarily due to an increased demand for water use, along with an incremental increase of the monthly Capital Recovery Charge (CRC) billed to each customer.

Program expenses: Program expenses increased from prior year by \$26,599 primarily due to increases in professional and specialized services and maintenance. The increase in professional and specialized services are mostly due to expenses incurred for the Well #2 arsenic removal study. The increase in maintenance was due to continued 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 for 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 the government's net resources available for spending at the end of the fiscal year. At June 30, 2018, the District's governmental funds reported a combined ending fund balance of \$2,483,799.

Governmental revenues totaled \$1,517,476 for fiscal year 2017/18. This represents a 1% increase from fiscal year 2017.

Governmental expenditures totaled \$1,539,503 in fiscal year 2017/18. This represents a 1.3% decrease from fiscal year 2017.

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 \$12,895. Actual expenditures in the General Fund were greater than appropriations by \$12,534, mainly due to the variability of the expenditures relating to leak repairs and the ongoing arsenic removal study.

Actual revenues recognized in the Debt Service Fund were higher than budgeted amounts by \$5,618. Actual expenditures were higher than appropriations by approximately \$28,006, mainly due to an additional principle loan payment made at the end of the fiscal year.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of June 30, 2018 totaled \$6,456,422 (net of accumulated depreciation). This investment in capital assets is comprised of infrastructure and equipment. Capital assets decreased by \$391,793 due to current year depreciation.

Additional information on the District's capital assets can be found in Note II A on page 22 of this report.

Long-term Debt

At June 30, 2018, the District had total debt outstanding for its governmental activities of \$3,502,410 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 operations.
- 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 addresses 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, 2018

ASSETS

Current assets:

Cash and equivalents	\$ 2,467,868
Accounts receivable	61,707
	2,529,575

Noncurrent assets:

Long-term receivable	49,892
Capital assets, net accumulated depreciation	6,456,422
Total noncurrent assets	6,506,314

TOTAL ASSETS	9,035,889
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LIABILITIES

Current liabilities:

Accounts payable	36,132
Accrued expenses	1,179
Deposits payable	18,950
Current portion of long-term debt	966,239
Total current liabilities	1,022,500

Noncurrent liabilities:

Long term debt	2,536,171
Total noncurrent liabilities	2,536,171

TOTAL LIABILITIES	3,558,671
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NET POSITION

Net invested in capital assets	2,954,012
Restricted for:	
Debt service	908,903
Debt extinguishment	677,443
Unrestricted	936,860
	936,860

NET POSITION	\$ 5,477,218
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**RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Water utility	\$ 1,101,223	\$ 565,910	\$ -	\$ -	\$ (535,313)
Total Governmental Activities	<u>\$ 1,101,223</u>	<u>\$ 565,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(535,313)</u>

General Revenues

Property taxes and assessments	925,347
Use of money and property	23,234
Other income	<u>2,985</u>
Total general revenues	951,566
Change in net position	416,253
Net position at beginning of fiscal year	<u>5,060,965</u>
Net position at end of fiscal year	<u>\$ 5,477,218</u>

**RURAL NORTH VACAVILLE WATER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 859,802	\$ 1,608,066	\$ 2,467,868
Accounts receivable	61,707	-	61,707
Other assets	-	49,892	49,892
Due from other fund	2,340	-	2,340
	<hr/>	<hr/>	<hr/>
Total assets	\$ 923,849	\$ 1,657,958	\$ 2,581,807
LIABILITIES			
Accounts payable	\$ 36,132	\$ -	\$ 36,132
Accrued expenses	1,179	-	1,179
Due to other fund	-	2,340	2,340
Deposit payable	18,950	-	18,950
	<hr/>	<hr/>	<hr/>
Total liabilities	56,261	2,340	58,601
FUND BALANCES			
Fund balance:			
Nonspendable	-	49,892	49,892
Restricted for:			
Debt service	-	908,903	908,903
Debt extinguishment	-	677,443	677,443
Assigned for:			
Capital maintenance	542,000	-	542,000
Operations	-	-	-
Unassigned	325,588	19,380	344,968
	<hr/>	<hr/>	<hr/>
Total fund balance	867,588	1,655,618	2,523,206
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 923,849	\$ 1,657,958	\$ 2,581,807

**RURAL NORTH VACAVILLE WATER DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total fund balances - governmental funds	\$ 2,523,206
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In governmental funds, only current assets are reported.
In the statement of net position, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost, net	6,456,422
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Long-term liabilities are not due and payable in the current period and, therefore
are not reported in the funds. Those liabilities consist of:

Long-term debt	<u>(3,502,410)</u>
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Net position of governmental activities	<u><u>\$ 5,477,218</u></u>
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RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Special assessment	\$ -	\$ 925,347	\$ 925,347
Charges for services	565,910	-	565,910
Other income	2,985	-	2,985
Use of money and property	-	23,234	23,234
Total revenues	568,895	948,581	1,517,476
EXPENDITURES			
Current:			
Professional & specialized services	249,304	25,177	274,481
Maintenance	207,500	-	207,500
Utilities	45,204	-	45,204
Miscellaneous	3,012	-	3,012
Memberships	7,803	-	7,803
Fees and permits	5,813	-	5,813
Insurance	4,382	-	4,382
Postage	3,295	-	3,295
Supplies	2,710	-	2,710
Capital outlay	39,511	-	39,511
Debt service:			-
Principal	-	830,073	830,073
Interest	-	115,719	115,719
Total expenditures	568,534	970,969	1,539,503
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	361	(22,388)	(22,027)
FUND BALANCES, BEGINNING OF YEAR	867,227	1,638,599	2,505,826
FUND BALANCE, END OF YEAR	\$ 867,588	\$ 1,616,211	\$ 2,483,799

**RURAL NORTH VACAVILLE WATER DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ (22,027)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	39,511
Depreciation expense not reported in governmental funds	(431,214)

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Debt service payments	<u>829,983</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 416,253</u></u>
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Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 the 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.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (cont.)

Governmental fund financial statements are reported using the current financial resources management 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 with 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 60 days of the end of the 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 judgements. 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 accrual and 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 government 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 Treasury.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Assets Liabilities and Net Position or Equity (cont.)

1. Cash and Cash Equivalents (cont.)

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 (1) checking account and (2) savings accounts as Wells Fargo Bank. As of June 30, 2018, the aggregate balance of these (3) accounts is \$857,822. 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 be 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 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.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Assets Liabilities and Net Position or Equity (cont.)

4. Capital Assets (cont.)

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 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 utilized 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 of this category.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Assets Liabilities and Net Position or Equity (cont.)

8. Net Position/Fund Balances (cont.)

- *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.
- *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, 2018, 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.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Assets Liabilities and Net Position or Equity (cont.)

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 this 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, 2018 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	\$ 39,511	\$ -	\$12,866,365
Equipment	42,816	-	-	42,816
Total capital assets, being depreciated	<u>12,869,670</u>	<u>39,511</u>	<u>-</u>	<u>12,909,181</u>
Less accumulated depreciation for:				
Infrastructure	(5,985,866)	(427,562)	-	(6,413,428)
Equipment	<u>(35,679)</u>	<u>(3,652)</u>	<u>-</u>	<u>(39,331)</u>
Total accumulated depreciation	<u>(6,021,545)</u>	<u>(431,214)</u>	<u>-</u>	<u>(6,452,759)</u>
Total capital assets, being depreciated, net	<u>6,848,125</u>	<u>(391,703)</u>	<u>-</u>	<u>6,456,422</u>
Governmental activities capital assets, net	<u>\$ 6,848,125</u>	<u>\$ (391,703)</u>	<u>\$ -</u>	<u>\$ 6,456,422</u>

Depreciation expense for the 2018 year was \$431,214 and was all charged to the Water Utility function.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2018

II. DETAILED NOTES (cont.)

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 both loan agreements E85001 and SRF1998CX108 are 4 years.

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

<u>Contract # E85001</u>			<u>Contract # SRF1998CX108</u>		
<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 442,394	\$ 34,259	2019	\$ 523,845	\$ 55,954
2020	305,224	23,880	2020	538,581	41,219
2021	313,909	15,195	2021	553,731	26,069
2022	<u>307,663</u>	<u>6,377</u>	2022	<u>516,974</u>	<u>10,493</u>
Total	<u>\$1,369,190</u>	<u>\$ 79,711</u>	Total	<u>\$ 2,133,131</u>	<u>\$ 133,735</u>

Long-term obligation activity for the fiscal year ended June 30, 2018, 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	<u>\$4,332,483</u>	<u>\$ -</u>	<u>\$(830,073)</u>	<u>\$3,502,410</u>	<u>\$966,239</u>
Total long-term liabilities	<u>\$4,332,483</u>	<u>\$ -</u>	<u>\$(830,073)</u>	<u>\$3,502,410</u>	<u>\$966,239</u>

Rural North Vacaville Water District

Notes to the Financial Statements
For the Year Ended June 30, 2018

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 coverage for the District is limited to \$5,000,000 per occurrence and in aggregate.

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2019. No additional events were found that warranted disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**RURAL NORTH VACAVILLE WATER DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 556,000	\$ 556,000	\$ 565,910	\$ 9,910
Other income	\$ -	-	2,985	\$ 2,985
Use of money and property	\$ -	-	-	\$ -
Total revenues	<u>556,000</u>	<u>556,000</u>	<u>568,895</u>	<u>12,895</u>
EXPENDITURES				
Current:				
Professional & specialized services	246,480	246,480	249,304	2,824
Maintenance	178,300	178,300	207,500	29,200
Utilities	45,000	45,000	45,204	204
Miscellaneous	4,000	4,000	3,012	(988)
Memberships	7,620	7,620	7,803	183
Fees and permits	7,350	7,350	5,813	(1,537)
Insurance	4,000	4,000	4,382	382
Postage	3,500	3,500	3,295	(205)
Supplies	2,750	2,750	2,710	(40)
Capital outlay	57,000	57,000	39,511	(17,489)
Total expenditures	<u>556,000</u>	<u>556,000</u>	<u>568,534</u>	<u>12,534</u>
Excess of revenues over expenditures			361	
Fund balance - beginning			<u>867,227</u>	
Fund balance - ending			<u>\$ 867,588</u>	

**RURAL NORTH VACAVILLE WATER DISTRICT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Special assessments	\$ 934,963	\$ 934,963	\$ 925,347	\$ (9,616)
Other income	\$ -	-	-	\$ -
Use of money and property	\$ 8,000	8,000	23,234	\$ 15,234
Total revenues	<u>942,963</u>	<u>942,963</u>	<u>948,581</u>	<u>5,618</u>
EXPENDITURES				
Current:				
Professional & specialized services	34,060	34,060	25,177	(8,883)
Debt service:				
Principal	793,273	793,273	830,073	36,800
Interest	115,630	115,630	115,719	89
Total expenditures	<u>942,963</u>	<u>942,963</u>	<u>970,969</u>	<u>28,006</u>
Excess of revenues over expenditures			(22,388)	
Fund balance - beginning			1,638,599	
Fund balance - ending			<u>\$ 1,616,211</u>	

Rural North Vacaville Water District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

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.