

**RURAL NORTH VACAVILLE  
WATER DISTRICT**

Annual Financial Report  
with  
Independent Auditor's Report Thereon

June 30, 2021

**RURAL NORTH VACAVILLE WATER DISTRICT**

Annual Financial Report  
June 30, 2021

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**RURAL NORTH VACAVILLE WATER DISTRICT**

Board of Directors

June 30, 2021

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, Director

Steven Strickland, Director

Patrick Sweeney, Director

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rural North Vacaville Water District  
Vacaville, California 95696

### Report on the Financial Statements

We have audited the accompanying financial statements of the Rural North Vacaville Water District (District), as of and for the fiscal years ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's 2020 financial statements and, in our report dated December 10, 2020, we expressed an unmodified opinion on the basic financial statements.

### 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 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 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 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  
Vacaville, California 95696

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rural North Vacaville Water District as of June 30, 2021, and the respective changes in financial position, and cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, 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 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rural North Vacaville Water District's financial statements. The accompanying additional information on pages 19-20 is presented for the purpose of additional analysis and is not a required part of the financial statements. The additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fechter & Company,  
Certified Public Accountants



Sacramento, California  
October 25, 2021

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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, 2021. 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 \$7,184,962 at June 30, 2021. Of the amount, \$1,819,267 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$841,562 as a result of current year's operations.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

The District's basic financial statements consist of:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The ***Statement of Net Position*** includes all of the District's assets and liabilities, with the difference between the two reported as Net Position. Net Position is displayed in three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

This statement provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The ***Statement of Revenues, Expenses, and Changes in Net Position*** presents information which shows how the District's equity changed during each year. All of the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses, and changes in net position measures the success of the District's operations during the year and determines whether the District has recovered its costs through monthly service fees and other charges.

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating Activities
- Non-Capital Financing Activities
- Capital and Related Financing Activities
- Investing Activities

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-18 of this report.

*Other Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparison schedule. The supplementary information can be found on pages 19-20 of this report.

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Analysis of Statements of Net Position**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2021, the District reported a net position of \$7,184,962.

**Rural North Vacaville Water District**  
**Statements of Net Position**  
**June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current Assets:			
Cash & equivalents and other assets	\$ 1,277,459	\$ 1,793,187	* \$ 2,372,247 *
Noncurrent Assets:			
Notes receivable - noncurrent	647,351	34,092	* 44,882 *
Capital assets, net of depreciation	<u>5,365,695</u>	<u>5,652,717</u>	<u>6,099,400</u>
Total Assets	<u>\$ 7,290,505</u>	<u>\$ 7,479,996</u>	<u>\$ 8,516,529</u>
Liabilities:			
Current liabilities	105,543	619,622	1,047,876
Noncurrent liabilities	<u>-</u>	<u>516,974</u>	<u>1,540,173</u>
Total Liabilities	<u>105,543</u>	<u>1,136,596</u>	<u>2,588,049</u>
Net Position:			
Net investment in capital assets	5,365,695	4,582,012	3,563,319
Restricted net position	-	1,576,735	1,438,796
Unrestricted net position	<u>1,819,267</u>	<u>184,653</u>	<u>926,365</u>
Total Net Position	<u>\$ 7,184,962</u>	<u>\$ 6,343,400</u>	<u>\$ 5,928,480</u>

\* Restated to split out current portion of notes receivable.

**Analysis of Changes in Net Position**

The assets exceeded its liabilities at June 30, 2021 by \$7,184,962.

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 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 represents resources subject to external restrictions on how they may be used. The District had no restricted net position as of June 30, 2021. The remaining balance of \$1,819,267 is unrestricted and may be used to meet the District's ongoing obligations to its property owners and creditors.

During the current fiscal year, the District increased its net position by \$841,562 from the prior fiscal year for an ending balance of \$7,184,962.



**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Changes in Net Position**  
**June 30, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Charges for services	\$ 608,599	\$ 607,357	\$ 586,481
Other operating income	8,847	6,995	6,538
Total operating revenues	<u>617,446</u>	<u>614,352</u>	<u>593,019</u>
Operating Expenses:			
Professional and specialized services	290,355	272,065	275,706
Maintenance	249,330	283,746	238,535
Depreciation	454,666	446,683	441,033
Utilities	53,255	49,296	45,178
All other program expenses	33,721	26,645	26,374
Total operating expenses	<u>1,081,327</u>	<u>1,078,435</u>	<u>1,026,826</u>
Operating income	(463,881)	(464,083)	(433,807)
Non-Operating Revenues (Expenses):			
Special assessments	591,395	902,630	909,622
Investment earnings	27,835	29,045	34,165
Sale of water rights	785,000	9,705 *	26,931
Other income	-	1,695 *	4,387
Interest on long-term debt	(16,807)	(64,072)	(90,036)
Total non-operating revenues (expenses)	<u>1,387,423</u>	<u>879,003</u>	<u>885,069</u>
Operating income before extraordinary items	923,542	414,920	451,262
Net Extrordinary Items	(81,980)	-	-
Change in net position	841,562	414,920	451,262
Net position - beginning	<u>6,343,400</u>	<u>5,928,480</u>	<u>5,477,218</u>
Net position - ending	<u>\$ 7,184,962</u>	<u>\$ 6,343,400</u>	<u>\$ 5,928,480</u>

\* Restated to split out sale of water rights.

Operating revenues: Operating revenues increased slightly from prior year by \$3,094, or 0.50%.

Operating expenses: Operating expenses also increased slightly from prior year by \$2,892, or 0.27%.

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Budgetary Highlights**

The budgets (Adopted and Final versions) are reflected in the Budgetary Comparison Schedule, as presented on page 19 in the Supplementary Information section of this report.

There were no changes between the Adopted and Final budgets of the District. Actual operating revenues recognized were greater than budgeted amounts by \$17,446, or 2.91%. Actual expenses were higher than appropriations by \$32,307, or 5.44%, mainly due to the variability of the expenditures relating to leak repairs, other maintenance and minor repairs, utility charges, and operations. Actual non-operating revenues (expenses) were higher than budgeted amounts by \$820,522, or 144.74%, due primarily to higher than budgeted amounts in investment earnings and the sale of water rights.

**Capital Assets and Debt Administration**

*Capital Assets*

The District's capital assets as of June 30, 2021 totaled \$5,365,695 (net of accumulated depreciation). This investment in capital assets is comprised of infrastructure and equipment. Capital assets decreased by \$287,022 due to current year depreciation expense of \$454,666 which was partially offset by the purchase of a 2 new generators for \$167,644. Additional information on the District's capital assets can be found in Note 3 of this report.

*Long-Term Debt*

During the year, the District paid off its debt of \$1,070,705. At June 30, 2021, the District had no outstanding debt. For more information on the District's long-term debt, see Note 4 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 2021/22.

- The District's management anticipates the District's special assessment tax to decrease due to the District paying off all of its loans.
- 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.
- Arsenic removal facility to be built.
- Purchase of new generator.

In addition, the sale of water rights will help build reserve account balances.

**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.

## **BASIC FINANCIAL STATEMENTS**

**RURAL NORTH VACAVILLE WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021**

<b>ASSETS</b>	<u><b>2021</b></u>	<u><b>2020</b></u>
Current assets:		
Cash and investments	\$ 1,193,372	\$ 1,720,778
Accounts receivable	57,095	70,980
Notes receivable - current	26,992	1,429
Total current assets	<u>1,277,459</u>	<u>1,793,187</u>
Noncurrent assets:		
Notes receivable - noncurrent	647,351	34,092
Capital assets, net of accumulated depreciation	5,365,695	5,652,717
Total noncurrent assets	<u>6,013,046</u>	<u>5,686,809</u>
 <b>TOTAL ASSETS</b>	 <u><u>7,290,505</u></u>	 <u><u>7,479,996</u></u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	48,084	45,646
Deposits payable	57,459	20,245
Current portion of long-term debt	-	553,731
Total current liabilities	<u>105,543</u>	<u>619,622</u>
Noncurrent liabilities:		
Long-term debt	-	516,974
Total noncurrent liabilities	<u>-</u>	<u>516,974</u>
 <b>TOTAL LIABILITIES</b>	 <u><u>105,543</u></u>	 <u><u>1,136,596</u></u>
 <b>NET POSITION</b>		
Net investment in capital assets	5,365,695	4,582,012
Restricted for:		
Debt service	-	579,799
Debt extinguishment	-	527,468
Unrestricted	<u>1,819,267</u>	<u>654,121</u>
 <b>NET POSITION</b>	 <u><u>\$ 7,184,962</u></u>	 <u><u>\$ 6,343,400</u></u>

**RURAL NORTH VACAVILLE WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 608,599	\$ 607,357
Other operating income	8,847	6,995
Total operating revenues	617,446	614,352
<b>OPERATING EXPENSES:</b>		
Professional & specialized services	290,355	272,065
Maintenance	249,330	283,746
Utilities	53,255	49,296
Miscellaneous	740	3,232
Memberships	7,537	7,365
Fees and permits	6,995	7,420
Insurance	3,489	3,595
Postage	3,730	3,660
Supplies	11,230	1,373
Depreciation expense	454,666	446,683
Total operating expenses	1,081,327	1,078,435
Operating loss	(463,881)	(464,083)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Special assessments	591,395	902,630
Investment earnings	27,835	29,045
Sale of water rights	785,000	9,705
Other income	-	1,695
Interest expense	(16,807)	(64,072)
Total non-operating revenues (expenses)	1,387,423	879,003
Net income before extraordinary items	923,542	414,920
<b>EXTRAORDINARY ITEMS:</b>		
Fire-related expenses	(352,330)	-
Insurance reimbursements	267,012	-
Federal grants	3,338	-
Net extraordinary items	(81,980)	-
<b>CHANGE IN NET POSITION</b>	841,562	414,920
<b>BEGINNING NET POSITION</b>	6,343,400	5,928,480
<b>ENDING NET POSITION</b>	\$ 7,184,962	\$ 6,343,400

**RURAL NORTH VACAVILLE WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 668,545	\$ 630,673
Payments to suppliers	(624,223)	(623,826)
Net cash provided by operating activities	<u>44,322</u>	<u>6,847</u>
<b>Cash flows from non-capital financing activities:</b>		
Property taxes received	591,395	902,630
Sale of water rights	146,178	9,705
Miscellaneous receipts	-	1,695
Net cash provided by non-capital financing activities	<u>737,573</u>	<u>914,030</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(1,070,705)	(1,465,376)
Interest payments on long-term debt	(16,807)	(64,072)
Acquisition and construction of capital assets	(167,644)	-
Fire-related expenses	(352,330)	-
Insurance reimbursements	267,012	-
Federal grants	3,338	-
Net cash used by capital and related financing activities	<u>(1,337,136)</u>	<u>(1,529,448)</u>
<b>Cash flows from investing activities:</b>		
Investment income received	27,835	29,045
Net cash provided by investing activities	<u>27,835</u>	<u>29,045</u>
Net decrease in cash and cash equivalents	<u>(527,406)</u>	<u>(579,526)</u>
Cash and cash equivalents, beginning of year	<u>1,720,778</u>	<u>2,300,304</u>
Cash and cash equivalents, end of year	<u>\$ 1,193,372</u>	<u>\$ 1,720,778</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	(463,881)	(464,083)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	454,666	446,683
Changes in assets and liabilities:		
Accounts receivable	13,885	10,324
Accounts payable	2,438	7,926
Deposits payable	37,214	5,997
<b>Net cash provided by operating activities</b>	<u>\$ 44,322</u>	<u>\$ 6,847</u>

**Rural North Vacaville Water District**

Notes to the Financial Statements

For the Year Ended June 30, 2021

**NOTE 1: 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 by the County of Solano to residents of the District to repay the loan which financed the construction of the public potable water distribution system. The property tax calendar is as follows:

Lien date March 1

Levy date July 1

Due dates November 1 and March 1

Collection dates December 10 and April 10

As defined by GASB Statements No. 14 and 39, *The Financial Reporting Entity*, the District is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the District is not aware of any entity which would be financially accountable for the District that would result in the District being considered a component of the entity.

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation**

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position.

District funds are classified as enterprise funds, which account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of debt, and cash flow from operations.

**Rural North Vacaville Water District**

Notes to the Financial Statements

For the Year Ended June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)**

The principal operating revenues of the District are charges for services. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Assets, Liabilities, and Net Position**

***Cash and Cash Equivalents***

For the purposes of the Statement of Net Position and Statement of Cash Flows, “cash equivalents and investments” includes all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

***Accounts Receivable***

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

***Long-Term Receivable***

Long-term receivable represents the balance due to the District from residential water connection loans.

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.

***Capital Assets***

Capital assets, which include infrastructure and equipment, are reported in the District’s 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. Structures and improvements and equipment of the District 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 do not materially extend the life of the asset are not capitalized.

***Accounts Payable***

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



**Rural North Vacaville Water District**

Notes to the Financial Statements

For the Year Ended June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities, and Net Position (continued)**

*Deposits Payable*

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

*Long-Term Obligations*

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.

*Net Position*

The District's 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 of 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.
- *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. Upon payment of the debt in full, these funds can be transferred to the District for operating expenses and reserves.
- *Unrestricted* – This category represents net position of the District not restricted for any project or other purpose.

*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.

## **Rural North Vacaville Water District**

Notes to the Financial Statements

For the Year Ended June 30, 2021

### **NOTE 2: CASH AND INVESTMENTS**

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.

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, the 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 a deposit account at a financial institution. As of June 30, 2021, and 2020, the aggregate balance of this account was \$771,108 and \$817,806, respectively. 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.

**Rural North Vacaville Water District**

Notes to the Financial Statements

For the Year Ended June 30, 2021

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital assets, being depreciated:				
Infrastructure	\$ 12,826,854	\$ -	\$ -	\$ 12,826,854
Equipment	<u>166,338</u>	<u>167,644</u>	<u>-</u>	<u>333,982</u>
Total capital assets, being depreciated	<u>12,993,192</u>	<u>167,644</u>	<u>-</u>	<u>13,160,836</u>
Less accumulated depreciation for:				
Infrastructure	(7,268,552)	(427,562)	-	(7,696,114)
Equipment	<u>(71,923)</u>	<u>(27,104)</u>	<u>-</u>	<u>(99,027)</u>
Total accumulated depreciation	<u>(7,340,475)</u>	<u>(454,666)</u>	<u>-</u>	<u>(7,795,141)</u>
Total capital assets, being depreciated, net	<u>5,652,717</u>	<u>(287,022)</u>	<u>-</u>	<u>5,365,695</u>
Capital assets, net	<u>\$ 5,652,717</u>	<u>\$(287,022)</u>	<u>\$ -</u>	<u>\$ 5,365,695</u>

Depreciation expense for the year ended June 30, 2021 was \$454,666.

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital assets, being depreciated:				
Infrastructure	\$ 12,826,854	\$ -	\$ -	\$ 12,826,854
Equipment	<u>166,338</u>	<u>-</u>	<u>-</u>	<u>166,338</u>
Total capital assets, being depreciated	<u>12,993,192</u>	<u>-</u>	<u>-</u>	<u>12,993,192</u>
Less accumulated depreciation for:				
Infrastructure	(6,840,990)	(427,562)	-	(7,268,552)
Equipment	<u>(52,802)</u>	<u>(19,121)</u>	<u>-</u>	<u>(71,923)</u>
Total accumulated depreciation	<u>(6,893,792)</u>	<u>(446,683)</u>	<u>-</u>	<u>(7,340,475)</u>
Total capital assets, being depreciated, net	<u>6,099,400</u>	<u>(446,683)</u>	<u>-</u>	<u>5,652,717</u>
Capital assets, net	<u>\$ 6,099,400</u>	<u>\$(446,683)</u>	<u>\$ -</u>	<u>\$ 5,652,717</u>

Depreciation expense for the year ended June 30, 2020 was \$446,683.

## Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2021

### NOTE 4: LONG-TERM LIABILITIES

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, loan # E85001, at an interest rate of 2.800%, and \$8.8 million from California Department of Public Health, loan # SRF1998CX108, at an interest rate of 2.793%. Loan # E85001 was paid off during the year ended June 30, 2020. Loan # SRF1998CX108 was paid off during the year ended June 30, 2021.

Long-term obligation activity for the year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Long-term debt loan agreements	<u>\$ 1,070,705</u>	<u>\$ -</u>	<u>\$ (1,070,705)</u>	<u>\$ -</u>	<u>\$ -</u>
Total long-term liabilities	<u>\$ 1,070,705</u>	<u>\$ -</u>	<u>\$ (1,070,705)</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term obligation activity for the year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Long-term debt loan agreements	<u>\$ 2,536,081</u>	<u>\$ -</u>	<u>\$ (1,465,376)</u>	<u>\$ 1,070,705</u>	<u>\$ 553,731</u>
Total long-term liabilities	<u>\$ 2,536,081</u>	<u>\$ -</u>	<u>\$ (1,465,376)</u>	<u>\$ 1,070,705</u>	<u>\$ 553,731</u>

### NOTE 5: 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. The JPIA provides coverage for the District against third-party losses arising out of liability imposed by law or assumed by contract. The JPIA pools for the first \$5,000,000 and purchases excess coverage for up to \$55,000,000.

## **Rural North Vacaville Water District**

Notes to the Financial Statements

For the Year Ended June 30, 2021

### **NOTE 6: WATER RIGHTS**

The District owns water rights that were created as reserves upon the formation of the District. In the future, the District plans to sell these rights for \$40,000 per right to interested parties. As of June 30, 2021, the District owned 17 water rights that were available for sale or for which the sale was pending contingent upon the subdivision approval by the County.

### **NOTE 7: RECLASSIFICATION OF PRIOR YEAR PRESENTATION**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the statements of net position to break out the current portion of notes receivable. In addition, the “sale of water rights” has been separated from “other income” on the statements of revenues, expenses, and changes in net position, and the statements of cash flows.

### **NOTE 8: EXTRAORDINARY ITEMS**

On August 17, 2020, the LNU Lightning Complex Fire burned a large portion of the acreage in the District and destroyed Pump Station #5 and numerous service backflow preventors. The estimated damages that the District incurred related to the fire were \$352,330. The District filed a claim with its insurance carrier and received reimbursements of \$267,012. It also received a small grant from FEMA, and the State Office of Emergency Services, for these damages. The net loss from the fire was estimated to be \$81,980.

### **NOTE 9: COVID-19**

In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent. Although the financial impact on the District thus far has been minimal, the long-term economic impact on its operations has not yet been determined. Therefore, any potential impact on its financial position or results of operations is not yet known.

### **NOTE 10: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 25, 2021, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

In August 2021, the District entered into a credit agreement with COBANK, ACB, for an amount not to exceed \$1,200,000, at an interest rate equal to the one-month LIBOR index rate or at a fixed rate per annum to be quoted by the Lender in its sole discretion in each instance. The purpose of the agreement is to provide financing for capital expenditures for the acquisition and improvement of land, facilities and equipment for the District’s water system. The term of the obligation will not exceed 10 years from the date of issuance.

**SUPPLEMENTARY INFORMATION**

**RURAL NORTH VACAVILLE WATER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 594,000	\$ 594,000	\$ 608,599	\$ 14,599
Other operating income	6,000	6,000	8,847	2,847
Total operating revenues	<u>600,000</u>	<u>600,000</u>	<u>617,446</u>	<u>17,446</u>
<b>EXPENSES:</b>				
Professional & specialized services	286,255	286,255	290,355	(4,100)
Maintenance	227,385	227,385	249,330	(21,945)
Utilities	46,000	46,000	53,255	(7,255)
Miscellaneous	750	750	740	10
Memberships	7,500	7,500	7,537	(37)
Fees and permits	8,424	8,424	6,995	1,429
Insurance	3,500	3,500	3,489	11
Postage	3,500	3,500	3,730	(230)
Supplies	2,250	2,250	11,230	(8,980)
Contingency	8,790	8,790	-	8,790
Total operating expenses	<u>594,354</u>	<u>594,354</u>	<u>626,661</u>	<u>(32,307)</u>
Operating income	<u>5,646</u>	<u>5,646</u>	<u>(9,215)</u>	<u>(14,861)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Special assessment	587,970	587,970	591,395	3,425
Investment earnings	5,000	5,000	27,835	22,835
Sale of water rights	-	-	785,000	785,000
Interest expense	(26,069)	(26,069)	(16,807)	9,262
Total non-operating revenues and (expenses)	<u>566,901</u>	<u>566,901</u>	<u>1,387,423</u>	<u>820,522</u>
<b>OTHER BUDGETED ITEMS:</b>				
Transfer from capital expense reserves	150,000	150,000	-	(150,000)
Transfer from operating reserves	50,000	50,000	-	(50,000)
Transfer from other redemption fund	13,183	13,183	-	(13,183)
Transfer from designated loan reserve	579,799	579,799	-	(579,799)
Capital outlay	(232,000)	(232,000)	-	232,000
Long-term loan redemption	(553,731)	(553,731)	-	553,731
Total Other Budgeted Items	<u>7,251</u>	<u>7,251</u>	<u>-</u>	<u>(7,251)</u>
<b>EXTRAORDINARY ITEMS - NET</b>	-	-	(81,980)	(81,980)
<b>CHANGE IN NET POSITION</b>	<u>579,798</u>	<u>579,798</u>	<u>1,296,228</u>	<u>716,430</u>
<b>BEGINNING NET POSITION</b>	<u>6,343,400</u>	<u>6,343,400</u>	<u>6,343,400</u>	<u>-</u>
<b>ENDING NET POSITION</b>	<u>\$ 6,923,198</u>	<u>\$ 6,923,198</u>	<u>\$ 7,639,628</u>	<u>\$ 716,430</u>
<b>Reconciliation of Budgetary Increase in Net Assets to GAAP Increase in Net Position</b>				
Change in Net Position (Budgetary Basis) from above			\$ 1,296,228	
Depreciation is not budgeted as an expense			(454,666)	
Change in Net Position (GAAP)			<u>\$ 841,562</u>	

See accompanying footnote.

**Rural North Vacaville Water District**  
Notes to the Supplementary Information  
For the Year Ended June 30, 2021

**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 for debt service. An operating budget is prepared on a modified accrual basis each fiscal year for the District. 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.