

**RURAL NORTH VACAVILLE
WATER DISTRICT**

Annual Financial Report
with
Independent Auditor's Report Thereon

June 30, 2022

RURAL NORTH VACAVILLE WATER DISTRICT

Annual Financial Report
June 30, 2022

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RURAL NORTH VACAVILLE WATER DISTRICT

Board of Directors

June 30, 2022

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

Chris Calvert, President of the Board

Patrick Sweeney, Vice-President

Elizabeth Miles, Director

Steven Strickland, Director

Robert Whitehouse, Director

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, 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 2021 financial statements and, in our report dated October 25, 2021, we expressed an unmodified opinion on the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

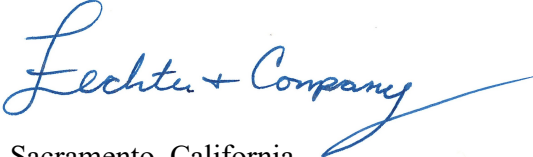
Required Supplementary Information

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

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

Sacramento, California
November 10, 2022

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022. 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 \$7,348,722 at June 30, 2022. Of the amount, \$2,495,919 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$163,760 as a result of current year's operations and non-operating revenues.

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, 2022

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, 2022

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, 2022, the District reported a net position of \$7,348,722.

Rural North Vacaville Water District
Statements of Net Position
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current assets:			
Cash & equivalents and other assets	\$ 1,659,412	\$ 1,277,459	\$ 1,793,187 *
Noncurrent assets:			
Notes receivable - noncurrent	937,238	647,351	34,092 *
Capital assets, net of depreciation	<u>5,452,803</u>	<u>5,365,695</u>	<u>5,652,717</u>
Total Assets	<u>\$ 8,049,453</u>	<u>\$ 7,290,505</u>	<u>\$ 7,479,996</u>
Liabilities:			
Current liabilities	100,731	105,543	619,622
Noncurrent liabilities	<u>600,000</u>	<u>-</u>	<u>516,974</u>
Total Liabilities	<u>700,731</u>	<u>105,543</u>	<u>1,136,596</u>
Net Position:			
Net investment in capital assets	4,852,803	5,365,695	4,582,012
Restricted net position	-	-	1,576,735
Unrestricted net position	<u>2,495,919</u>	<u>1,819,267</u>	<u>184,653</u>
Total Net Position	<u>\$ 7,348,722</u>	<u>\$ 7,184,962</u>	<u>\$ 6,343,400</u>

* Restated to split out current portion of notes receivable.

Analysis of Changes in Net Position

The assets exceeded its liabilities at June 30, 2022 by \$7,348,722.

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, 2022. The remaining balance of \$2,495,919 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 \$163,760 from the prior fiscal year for an ending balance of \$7,348,722.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Changes in Net Position
June 30, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Charges for services	\$ 781,590	\$ 608,599	\$ 607,357
Other operating income	13,960	8,847	6,995
Total operating revenues	<u>795,550</u>	<u>617,446</u>	<u>614,352</u>
Operating Expenses:			
Professional and specialized services	325,596	290,355	272,065
Maintenance	279,784	249,330	283,746
Depreciation	469,157	454,666	446,683
Utilities	67,112	53,255	49,296
All other program expenses	28,377	33,721	26,645
Total operating expenses	<u>1,170,026</u>	<u>1,081,327</u>	<u>1,078,435</u>
Operating income	(374,476)	(463,881)	(464,083)
Non-Operating Revenues (Expenses):			
Special assessments	-	591,395	902,630
Investment earnings	37,170	27,835	29,045
Sale of water rights	440,000	785,000	9,705 *
Other income	-	-	1,695 *
Interest on long-term debt	(3,097)	(16,807)	(64,072)
Total non-operating revenues (expenses)	<u>474,073</u>	<u>1,387,423</u>	<u>879,003</u>
Operating income before extraordinary items	99,597	923,542	414,920
Net Extrordinary Items	64,163	(81,980)	-
Change in net position	163,760	841,562	414,920
Net position - beginning	<u>7,184,962</u>	<u>6,343,400</u>	<u>5,928,480</u>
Net position - ending	<u>\$ 7,348,722</u>	<u>\$ 7,184,962</u>	<u>\$ 6,343,400</u>

* Restated to split out sale of water rights.

Operating revenues: Operating revenues increased from prior year by \$178,104, or 28.85%.

Operating expenses: Operating expenses also increased from prior year by \$88,699, or 8.20%.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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 \$188,435, or 31.04%. Actual expenses were higher than appropriations by \$45,869, or 7.00%, 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 \$426,188, or 890.02%, 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, 2022 totaled \$5,452,803 (net of accumulated depreciation). This investment in capital assets is comprised of construction in progress, infrastructure, and equipment. Capital assets increased by \$87,108 due to expenditures for the Arsenic project of \$484,143 (construction in progress) and the purchase of a generator for \$72,122, which was partially offset by current year depreciation expense of \$469,157. 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 borrowed \$600,000 under a new financing agreement with CoBank. As a result, at June 30, 2022, the District had outstanding debt of \$600,000. 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 2022/23.

- 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 completed.
- Purchase of a new generator at Station 5.

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 General Manager, P.O. Box 5097, Vacaville, CA 95696.

BASIC FINANCIAL STATEMENTS

RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2022

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and investments	\$ 1,511,205	\$ 1,193,372
Accounts receivable	91,221	57,095
Interest receivable	14,872	-
Notes receivable - current	42,114	26,992
Total current assets	<u>1,659,412</u>	<u>1,277,459</u>
Noncurrent assets:		
Notes receivable - noncurrent	937,238	647,351
Capital assets, net of accumulated depreciation	5,452,803	5,365,695
Total noncurrent assets	<u>6,390,041</u>	<u>6,013,046</u>
 TOTAL ASSETS	 <u>8,049,453</u>	 <u>7,290,505</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	77,492	48,084
Deposits payable	23,239	57,459
Total current liabilities	<u>100,731</u>	<u>105,543</u>
Noncurrent liabilities:		
Long-term debt	600,000	-
Total noncurrent liabilities	<u>600,000</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>700,731</u>	 <u>105,543</u>
 NET POSITION		
Net investment in capital assets	4,852,803	5,365,695
Unrestricted	2,495,919	1,819,267
 NET POSITION	 <u>\$ 7,348,722</u>	 <u>\$ 7,184,962</u>

RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
OPERATING REVENUES:		
Charges for services	\$ 781,590	\$ 608,599
Other operating income	13,960	8,847
Total operating revenues	795,550	617,446
OPERATING EXPENSES:		
Professional & specialized services	325,596	290,355
Maintenance	279,784	249,330
Utilities	67,112	53,255
Miscellaneous	544	740
Memberships	8,334	7,537
Fees and permits	9,216	6,995
Insurance	4,358	3,489
Postage	3,514	3,730
Supplies	2,411	11,230
Depreciation expense	469,157	454,666
Total operating expenses	1,170,026	1,081,327
Operating loss	(374,476)	(463,881)
NON-OPERATING REVENUES (EXPENSES):		
Special assessments	-	591,395
Investment earnings	37,170	27,835
Sale of water rights	440,000	785,000
Interest expense	(3,097)	(16,807)
Total non-operating revenues (expenses)	474,073	1,387,423
Net income before extraordinary items	99,597	923,542
EXTRAORDINARY ITEMS:		
Fire-related expenses	(1,337)	(352,330)
Insurance reimbursements	65,500	267,012
Federal grants	-	3,338
Net extraordinary items	64,163	(81,980)
CHANGE IN NET POSITION	163,760	841,562
BEGINNING NET POSITION	7,184,962	6,343,400
ENDING NET POSITION	\$ 7,348,722	\$ 7,184,962

**RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021
Cash flows from operating activities:		
Receipts from customers	\$ 727,204	\$ 668,545
Payments to suppliers	(671,461)	(624,223)
Net cash provided by operating activities	55,743	44,322
Cash flows from non-capital financing activities:		
Property taxes received	-	591,395
Sale of water rights	134,991	146,178
Net cash provided by non-capital financing activities	134,991	737,573
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	600,000	(1,070,705)
Interest payments on long-term debt	(3,097)	(16,807)
Acquisition and construction of capital assets	(556,265)	(167,644)
Fire-related expenses	(1,337)	(352,330)
Insurance reimbursements	65,500	267,012
Federal grants	-	3,338
Net cash provided (used) by capital and related financing activities	104,801	(1,337,136)
Cash flows from investing activities:		
Investment income received	22,298	27,835
Net cash provided by investing activities	22,298	27,835
Net change in cash and cash equivalents	317,833	(527,406)
Cash and cash equivalents, beginning of year	1,193,372	1,720,778
Cash and cash equivalents, end of year	\$ 1,511,205	\$ 1,193,372
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	(374,476)	(463,881)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	469,157	454,666
Changes in assets and liabilities:		
Accounts receivable	(34,126)	13,885
Accounts payable	29,408	2,438
Deposits payable	(34,220)	37,214
Net cash provided by operating activities	\$ 55,743	\$ 44,322

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2022

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. In previous years, a special assessment property tax was 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. This loan was paid off in the 2020-2021 fiscal year so there was no assessment in the 2021-2022 fiscal year.

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, 2022

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, 2022

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* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District currently has no restricted net position.
- *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, 2022

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, 2022, and 2021, the aggregate balance of this account was \$1,084,495 and \$771,108, 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, 2022

NOTE 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 484,143	\$ -	\$ 484,143
Capital assets, being depreciated:				
Infrastructure	12,826,854	-	-	12,826,854
Equipment	<u>333,982</u>	<u>72,122</u>	<u>-</u>	<u>406,104</u>
Total capital assets, being depreciated	<u>13,160,836</u>	<u>72,122</u>	<u>-</u>	<u>13,232,958</u>
Less accumulated depreciation for:				
Infrastructure	(7,696,114)	(427,562)	-	(8,123,676)
Equipment	<u>(99,027)</u>	<u>(41,595)</u>	<u>-</u>	<u>(140,622)</u>
Total accumulated depreciation	<u>(7,795,141)</u>	<u>(469,157)</u>	<u>-</u>	<u>(8,264,298)</u>
Total capital assets, being depreciated, net	<u>5,365,695</u>	<u>(397,035)</u>	<u>-</u>	<u>4,968,660</u>
Capital assets, net	<u>\$ 5,365,695</u>	<u>\$ (397,035)</u>	<u>\$ -</u>	<u>\$ 5,452,803</u>

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>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 years ended June 30, 2022 and 2021, was \$469,157 and \$454,666, respectively.

Rural North Vacaville Water District

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 4: LONG-TERM LIABILITIES

In June 2001, the District entered into a loan agreement to finance the construction of the water distribution system. The District borrowed \$8.8 million from California Department of Public Health, loan # SRF1998CX108, at an interest rate of 2.793%. Loan # SRF1998CX108 was paid off during the year ended June 30, 2021.

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. During the year, the District drew down \$600,000 of the loan and is scheduled to pay interest and principal as follows: Interest only until the third year of the loan term and principal and interest payments in years 4 through 10 of the term.

Long-term obligation activity for the year ended June 30, 2022, was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
Long-term debt loan agreements	\$ -	\$ 600,000	\$ -	\$ 600,000	\$ -
Total long-term liabilities	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ -</u>

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	\$ 1,070,705	\$ -	\$ (1,070,705)	\$ -	\$ -
Total long-term liabilities	<u>\$ 1,070,705</u>	<u>\$ -</u>	<u>\$ (1,070,705)</u>	<u>\$ -</u>	<u>\$ -</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 \$10,000,000 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, 2022

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, 2022, the District owned 6 water rights that were available for sale or for which the sale was pending contingent upon the subdivision approval by the County.

NOTE 7: 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 \$1,337 for fiscal year 2021-2022, and \$352,330 for fiscal year 2020-2021. The District filed a claim with its insurance carrier and received reimbursements of \$65,500 in fiscal year 2021-2022, and \$267,012 in fiscal year 2020-2021. In addition, the District also received a small grant from FEMA and the State Office of Emergency Services in the amount of \$3,338 for these damages, in fiscal year 2020-2021. Based on all this activity, the net loss from the fire was estimated to be \$17,817 for the 2-year period.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2022, 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.

Failure of the District's Well # 1 and Well # 2 occurred simultaneously over a 3-day period in October 2022. Well # 1 was put back in operation within a few days. Well # 2 will remain under repair for an estimated 60 days. The estimated cost of repairs for these wells is \$150,000 each.

SUPPLEMENTARY INFORMATION

**RURAL NORTH VACAVILLE WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 600,955	\$ 600,955	\$ 781,590	\$ 180,635
Other operating income	6,160	6,160	13,960	7,800
Total operating revenues	<u>607,115</u>	<u>607,115</u>	<u>795,550</u>	<u>188,435</u>
EXPENSES:				
Professional & specialized services	291,167	291,167	325,596	(34,429)
Maintenance	226,454	226,454	279,784	(53,330)
Utilities	50,000	50,000	67,112	(17,112)
Miscellaneous	750	750	544	206
Memberships	7,600	7,600	8,334	(734)
Fees and permits	7,700	7,700	9,216	(1,516)
Insurance	5,500	5,500	4,358	1,142
Postage	3,500	3,500	3,514	(14)
Supplies	2,250	2,250	2,411	(161)
Contingency	60,079	60,079	-	60,079
Total operating expenses	<u>655,000</u>	<u>655,000</u>	<u>700,869</u>	<u>(45,869)</u>
Operating income	<u>(47,885)</u>	<u>(47,885)</u>	<u>94,681</u>	<u>142,566</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment earnings	20,893	20,893	37,170	16,277
Sale of water rights	26,992	26,992	440,000	413,008
Interest expense	-	-	(3,097)	(3,097)
Total non-operating revenues and (expenses)	<u>47,885</u>	<u>47,885</u>	<u>474,073</u>	<u>426,188</u>
OTHER BUDGETED ITEMS:				
Transfer from other reserves	345,000	345,000	-	(345,000)
Capital outlay	(345,000)	(345,000)	-	345,000
Total Other Budgeted Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS - NET	-	-	64,163	64,163
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>	<u>632,917</u>	<u>632,917</u>
BEGINNING NET POSITION	<u>7,184,962</u>	<u>7,184,962</u>	<u>7,184,962</u>	<u>-</u>
ENDING NET POSITION	<u>\$ 7,184,962</u>	<u>\$ 7,184,962</u>	<u>\$ 7,817,879</u>	<u>\$ 632,917</u>
Reconciliation of Budgetary Increase in Net Assets to GAAP Increase in Net Position				
Change in Net Position (Budgetary Basis) from above			\$ 632,917	
Depreciation is not budgeted as an expense			(469,157)	
Change in Net Position (GAAP)			<u>\$ 163,760</u>	

See accompanying footnote.

Rural North Vacaville Water District
Notes to the Supplementary Information
For the Year Ended June 30, 2022

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.

The District has established budgetary control within the District's financial accounting system. All annual appropriations lapse at the fiscal year end.