

**RURAL NORTH VACAVILLE  
WATER DISTRICT**

Annual Financial Report  
with  
Independent Auditor's Report Thereon

June 30, 2023 and 2022

**RURAL NORTH VACAVILLE WATER DISTRICT**

Annual Financial Report  
June 30, 2023

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**RURAL NORTH VACAVILLE WATER DISTRICT**

Board of Directors

June 30, 2023

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

Patrick Sweeney, President of the Board

Steven Strickland, Vice-President

Elizabeth Miles, Director

Ken Swenson, 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, 2023 and 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.

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, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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 opinion.

### 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 5 through 9, 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 opinion on the financial statements that collectively comprise the Rural North Vacaville Water District's financial statements. The accompanying additional information on pages 20-21 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 27, 2023

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023 and 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, 2023. 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 \$6,873,040 at June 30, 2023. Of the amount, \$1,496,988 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased \$475,682 as a result of current year's increases in operating expenses.

### **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, 2023 and 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 13-19 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 20-21 of this report.



**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023 and 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, 2023, the District reported a net position of \$6,873,040.

**Rural North Vacaville Water District**  
**Statements of Net Position**  
**June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets:			
Cash & equivalents and other assets	\$ 668,731	\$ 1,659,412	\$ 1,277,459
Noncurrent assets:			
Notes receivable - noncurrent	971,875	937,238	647,351
Capital assets, net of depreciation	<u>6,576,052</u>	<u>5,452,803</u>	<u>5,365,695</u>
Total Assets	<u>\$ 8,216,658</u>	<u>\$ 8,049,453</u>	<u>\$ 7,290,505</u>
Liabilities:			
Current liabilities	143,618	100,731	105,543
Noncurrent liabilities	<u>1,200,000</u>	<u>600,000</u>	<u>-</u>
Total Liabilities	<u>1,343,618</u>	<u>700,731</u>	<u>105,543</u>
Net Position:			
Net investment in capital assets	5,376,052	4,852,803	5,365,695
Unrestricted net position	<u>1,496,988</u>	<u>2,495,919</u>	<u>1,819,267</u>
Total Net Position	<u>\$ 6,873,040</u>	<u>\$ 7,348,722</u>	<u>\$ 7,184,962</u>

**Analysis of Changes in Net Position**

The assets exceeded its liabilities at June 30, 2023 by \$6,873,040.

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, 2023. The remaining balance of \$1,496,988 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's net position decreased by \$475,682 from the prior fiscal year for an ending balance of \$6,873,040.

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023 and 2022

**Changes in Net Position**  
**June 30, 2023**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Charges for services	\$ 784,390	\$ 781,590	\$ 608,599
Other operating income	9,151	13,960	8,847
Total operating revenues	<u>793,541</u>	<u>795,550</u>	<u>617,446</u>
Operating Expenses:			
Professional and specialized services	437,919	325,596	290,355
Maintenance	399,827	279,784	249,330
Depreciation	479,462	469,157	454,666
Utilities	73,682	67,112	53,255
All other program expenses	39,178	28,377	33,721
Total operating expenses	<u>1,430,068</u>	<u>1,170,026</u>	<u>1,081,327</u>
Operating income	(636,527)	(374,476)	(463,881)
Non-Operating Revenues (Expenses):			
Special assessments	-	-	591,395
Investment earnings	39,830	37,170	27,835
Sale of water rights	160,000	440,000	785,000
Interest on long-term debt	(38,985)	(3,097)	(16,807)
Total non-operating revenues (expenses)	<u>160,845</u>	<u>474,073</u>	<u>1,387,423</u>
Operating income before extraordinary items	(475,682)	99,597	923,542
Net Extrordinary Items	-	64,163	(81,980)
Change in net position	(475,682)	163,760	841,562
Net position - beginning	<u>7,348,722</u>	<u>7,184,962</u>	<u>6,343,400</u>
Net position - ending	<u>\$ 6,873,040</u>	<u>\$ 7,348,722</u>	<u>\$ 7,184,962</u>

Operating revenues: Operating revenues decreased from prior year by \$2,009, or -0.25%.

Operating expenses: Operating expenses increased from prior year by \$260,042, or 22.23%.

**Rural North Vacaville Water District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023 and 2022

### **Budgetary Highlights**

The budgets (Adopted and Final versions) are reflected in the Budgetary Comparison Schedule, as presented on page 20 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 \$3,606, or 0.46%. Actual expenses were higher than appropriations by \$196,448, or 26.05%, 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 \$120,780, or 301.46%, 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, 2023 totaled \$6,575,052 (net of accumulated depreciation). This investment in capital assets is comprised of construction in progress, infrastructure, and equipment. Capital assets increased by \$1,123,249 due to \$1,405,455 in expenditures for the Arsenic Project and \$22,650 for the Solar Project (both construction in progress), and \$174,606 in expenditures for the repairs to Well #1 and Well #2. This was partially offset by current year depreciation expense of \$479,462. 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 an additional \$600,000 under a financing agreement with CoBank. As a result, at June 30, 2023, the District had outstanding debt of \$1,200,000. 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 2023/24.

- The District implemented a rate increase effective September 1, 2023.
- Management is focused on minimizing and reducing operating costs wherever possible.
- The Arsenic filtration system was approved by the Division of Drinking Water on October 18, 2023. Well #2 is now active. There is a follow up period of sampling to be done for 90 days. DDW will then issue the formal permit.

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, 2023 and 2022**

<b>ASSETS</b>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and investments	\$ 517,880	\$ 1,511,205
Accounts receivable	92,691	91,221
Interest receivable	14,237	14,872
Notes receivable - current	43,923	42,114
Total current assets	<u>668,731</u>	<u>1,659,412</u>
Noncurrent assets:		
Notes receivable - noncurrent	971,875	937,238
Capital assets, net of accumulated depreciation	6,576,052	5,452,803
Total noncurrent assets	<u>7,547,927</u>	<u>6,390,041</u>
 <b>TOTAL ASSETS</b>	 <u>8,216,658</u>	 <u>8,049,453</u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	129,382	77,492
Deposits payable	14,236	23,239
Total current liabilities	<u>143,618</u>	<u>100,731</u>
Noncurrent liabilities:		
Long-term debt	1,200,000	600,000
Total noncurrent liabilities	<u>1,200,000</u>	<u>600,000</u>
 <b>TOTAL LIABILITIES</b>	 <u>1,343,618</u>	 <u>700,731</u>
 <b>NET POSITION</b>		
Net investment in capital assets	5,376,052	4,852,803
Unrestricted	1,496,988	2,495,919
 <b>NET POSITION</b>	 <u>\$ 6,873,040</u>	 <u>\$ 7,348,722</u>

**RURAL NORTH VACAVILLE WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 784,390	\$ 781,590
Other operating income	9,151	13,960
Total operating revenues	793,541	795,550
<b>OPERATING EXPENSES:</b>		
Professional & specialized services	437,919	325,596
Maintenance	399,827	279,784
Utilities	73,682	67,112
Miscellaneous	812	544
Memberships	10,169	8,334
Fees and permits	9,365	9,216
Insurance	11,861	4,358
Postage	4,450	3,514
Supplies	2,521	2,411
Depreciation expense	479,462	469,157
Total operating expenses	1,430,068	1,170,026
Operating loss	(636,527)	(374,476)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Investment earnings	39,830	37,170
Sale of water rights	160,000	440,000
Interest expense	(38,985)	(3,097)
Total non-operating revenues (expenses)	160,845	474,073
Net income before extraordinary items	(475,682)	99,597
<b>EXTRAORDINARY ITEMS:</b>		
Fire-related expenses	-	(1,337)
Insurance reimbursements	-	65,500
Net extraordinary items	-	64,163
<b>CHANGE IN NET POSITION</b>	(475,682)	163,760
<b>BEGINNING NET POSITION</b>	7,348,722	7,184,962
<b>ENDING NET POSITION</b>	\$ 6,873,040	\$ 7,348,722

**RURAL NORTH VACAVILLE WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 783,068	\$ 727,204
Payments to suppliers	(898,716)	(671,461)
Net cash provided by operating activities	(115,648)	55,743
<b>Cash flows from non-capital financing activities:</b>		
Sale of water rights	123,554	134,991
Net cash provided by non-capital financing activities	123,554	134,991
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from issuance of debt	600,000	600,000
Interest payments on long-term debt	(38,985)	(3,097)
Acquisition and construction of capital assets	(1,602,711)	(556,265)
Fire-related expenses	-	(1,337)
Insurance reimbursements	-	65,500
Net cash provided (used) by capital and related financing activities	(1,041,696)	104,801
<b>Cash flows from investing activities:</b>		
Investment income received	40,465	22,298
Net cash provided by investing activities	40,465	22,298
Net change in cash and cash equivalents	(993,325)	317,833
Cash and cash equivalents, beginning of year	1,511,205	1,193,372
Cash and cash equivalents, end of year	\$ 517,880	\$ 1,511,205
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	(636,527)	(374,476)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	479,462	469,157
Changes in assets and liabilities:		
Accounts receivable	(1,470)	(34,126)
Accounts payable	51,890	29,408
Deposits payable	(9,003)	(34,220)
<b>Net cash provided by operating activities</b>	<b>\$ (115,648)</b>	<b>\$ 55,743</b>

**Rural North Vacaville Water District**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**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 or the 2022-2023 fiscal years.

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, 2023

**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, 2023

**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, 2023

**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, 2023, and 2022, the aggregate balance of this account was \$342,742 and \$1,084,495, 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, 2023

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not being depreciated:				
Construction in progress	\$ 484,143	\$ 1,428,105	\$ -	\$ 1,912,248
Capital assets, being depreciated:				
Infrastructure	12,826,854	174,606	-	13,001,460
Equipment	<u>406,104</u>	<u>-</u>	<u>-</u>	<u>406,104</u>
Total capital assets, being depreciated	<u>13,232,958</u>	<u>174,606</u>	<u>-</u>	<u>13,407,564</u>
Less accumulated depreciation for:				
Infrastructure	(8,123,676)	(427,562)	-	(8,551,238)
Equipment	<u>(140,622)</u>	<u>(51,900)</u>	<u>-</u>	<u>(192,522)</u>
Total accumulated depreciation	<u>(8,264,298)</u>	<u>(479,462)</u>	<u>-</u>	<u>(8,743,760)</u>
Total capital assets, being depreciated, net	<u>4,968,660</u>	<u>(304,856)</u>	<u>-</u>	<u>4,663,804</u>
Capital assets, net	<u>\$ 5,452,803</u>	<u>\$ (304,856)</u>	<u>\$ -</u>	<u>\$ 6,576,052</u>

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>

Depreciation expense for the years ended June 30, 2023 and 2022, was \$479,462 and \$469,157, respectively.

**Rural North Vacaville Water District**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**NOTE 4: LONG-TERM LIABILITIES**

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 ended June 30, 2022, the District drew down \$600,000 of the loan, and drew down an additional \$600,000 of the loan in the year ended June 30, 2023. The District 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, 2023, was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Long-term debt loan agreements	\$ 600,000	\$600,000	\$ -	\$ 1,200,000	\$ -
Total long-term liabilities	<u>\$ 600,000</u>	<u>\$600,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>

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

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within 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>

**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, 2023

**NOTE 6: WATER RIGHTS**

The District owns water rights that were created as reserves upon the formation of the District. During the year ended June 30, 2023, the District sold 4 water rights at \$40,000 per right. As of June 30, 2023, the District owned 2 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 ended June 30, 2022. As of June 30, 2023, all of the claims related to the fire had been settled.

**NOTE 8: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 27, 2023, 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.

**SUPPLEMENTARY INFORMATION**

**RURAL NORTH VACAVILLE WATER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 781,978	\$ 781,978	\$ 784,390	\$ 2,412
Other operating income	7,957	7,957	9,151	1,194
Total operating revenues	<u>789,935</u>	<u>789,935</u>	<u>793,541</u>	<u>3,606</u>
<b>EXPENSES:</b>				
Professional & specialized services	348,613	348,613	437,919	(89,306)
Maintenance	265,795	265,795	399,827	(134,032)
Utilities	60,000	60,000	73,682	(13,682)
Miscellaneous	1,000	1,000	812	188
Memberships	8,500	8,500	10,169	(1,669)
Fees and permits	9,000	9,000	9,365	(365)
Insurance	5,500	5,500	11,861	(6,361)
Postage	3,500	3,500	4,450	(950)
Supplies	2,250	2,250	2,521	(271)
Contingency	50,000	50,000	-	50,000
Total operating expenses	<u>754,158</u>	<u>754,158</u>	<u>950,606</u>	<u>(196,448)</u>
Operating income	<u>35,777</u>	<u>35,777</u>	<u>(157,065)</u>	<u>(192,842)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment earnings	29,953	29,953	39,830	9,877
Sale of water rights	40,112	40,112	160,000	119,888
Interest expense	(30,000)	(30,000)	(38,985)	(8,985)
Total non-operating revenues and (expenses)	<u>40,065</u>	<u>40,065</u>	<u>160,845</u>	<u>120,780</u>
<b>OTHER BUDGETED ITEMS:</b>				
Transfer from other reserves	380,000	380,000	-	(380,000)
Funds from loan proceeds	1,200,000	1,200,000	-	(1,200,000)
Capital outlay	(1,655,842)	(1,655,842)	-	1,655,842
Total Other Budgeted Items	<u>(75,842)</u>	<u>(75,842)</u>	<u>-</u>	<u>75,842</u>
<b>CHANGE IN NET POSITION</b>	<u>-</u>	<u>-</u>	<u>3,780</u>	<u>3,780</u>
<b>BEGINNING NET POSITION</b>	<u>7,348,722</u>	<u>7,348,722</u>	<u>7,348,722</u>	<u>-</u>
<b>ENDING NET POSITION</b>	<u>\$ 7,348,722</u>	<u>\$ 7,348,722</u>	<u>\$ 7,352,502</u>	<u>\$ 3,780</u>
<b>Reconciliation of Budgetary Increase in Net Assets to GAAP Increase in Net Position</b>				
Change in Net Position (Budgetary Basis) from above			\$ 3,780	
Depreciation is not budgeted as an expense			(479,462)	
Change in Net Position (GAAP)			<u>\$ (475,682)</u>	

See accompanying notes to the supplementary information.



**Rural North Vacaville Water District**  
Notes to the Supplementary Information  
For the Year Ended June 30, 2023

**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.