

Communication with Those Charged with Governance at the Conclusion of the Audit

November 12, 2024

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

We have audited the financial statements of the Rural North Vacaville Water District (the District) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 23, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:

Management's estimate of the allowance for doubtful accounts and capital asset lives is based on historical trends. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To reclassify capital project expense amounts of \$31,255 to capital assets.
- To reclassify current year depreciation expense of \$485,678.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedule, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of Rural North Vacaville Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Fechter & Company,
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Sacramento, California

**RURAL NORTH VACAVILLE
WATER DISTRICT**

Annual Financial Report
with
Independent Auditor's Report Thereon

June 30, 2024 and 2023

RURAL NORTH VACAVILLE WATER DISTRICT

Annual Financial Report
June 30, 2024

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RURAL NORTH VACAVILLE WATER DISTRICT

Board of Directors

June 30, 2024

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

Patrick Sweeney, President of the Board

Ken Swenson, Vice-President

Alan Hanger, 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, 2024 and 2023, 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, 2024 and 2023, 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.

Responsibilities of Management 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

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 12, 2024

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2024 and 2023

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, 2024. 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 \$6,533,737 at June 30, 2024. Of the amount, \$1,019,571 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased \$339,303 due primarily to expenses being higher than 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 Years Ended June 30, 2024 and 2023

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.

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, 2024, the District reported a net position of \$6,533,737.

Rural North Vacaville Water District
Statements of Net Position
June 30, 2024

	2024	2023	2022
Assets:			
Current assets:			
Cash & equivalents and other assets	\$ 524,146	\$ 668,731	\$ 1,659,412
Noncurrent assets:			
Notes receivable - noncurrent	923,369	971,875	937,238
Capital assets, net of depreciation	6,479,082	6,576,052	5,452,803
Total Assets	\$ 7,926,597	\$ 8,216,658	\$ 8,049,453
Liabilities:			
Current liabilities	427,944	143,618	100,731
Noncurrent liabilities	964,916	1,200,000	600,000
Total Liabilities	1,392,860	1,343,618	700,731
Net Position:			
Net investment in capital assets	5,514,166	5,376,052	4,852,803
Unrestricted net position	1,019,571	1,496,988	2,495,919
Total Net Position	\$ 6,533,737	\$ 6,873,040	\$ 7,348,722

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2024 and 2023

Analysis of Changes in Net Position

The assets exceeded its liabilities at June 30, 2024 by \$6,533,737.

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, 2024. The remaining balance of \$1,019,571 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 \$339,303 from the prior fiscal year for an ending balance of \$6,533,737.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2024 and 2023

Changes in Net Position
June 30, 2024

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

	2024	2023	2022
Operating Revenues:			
Charges for services	\$ 1,016,888	\$ 784,390	\$ 781,590
Other operating income	9,375	9,151	13,960
Total operating revenues	<u>1,026,263</u>	<u>793,541</u>	<u>795,550</u>
Operating Expenses:			
Professional and specialized services	443,542	437,919	325,596
Maintenance	309,981	399,827	279,784
Depreciation	485,678	479,462	469,157
Utilities	91,489	73,682	67,112
All other program expenses	50,246	39,178	28,377
Total operating expenses	<u>1,380,936</u>	<u>1,430,068</u>	<u>1,170,026</u>
Operating income	(354,673)	(636,527)	(374,476)
Non-Operating Revenues (Expenses):			
Investment earnings	42,934	39,830	37,170
Sale of water rights	14,871	160,000	440,000
Interest on long-term debt	(42,435)	(38,985)	(3,097)
Total non-operating revenues (expenses)	<u>15,370</u>	<u>160,845</u>	<u>474,073</u>
Operating income before extraordinary items	(339,303)	(475,682)	99,597
Net Extrordinary Items	-	-	64,163
Change in net position	(339,303)	(475,682)	163,760
Net position - beginning	<u>6,873,040</u>	<u>7,348,722</u>	<u>7,184,962</u>
Net position - ending	<u>\$ 6,533,737</u>	<u>\$ 6,873,040</u>	<u>\$ 7,348,722</u>

Operating revenues: Operating revenues increased from prior year by \$232,722 or 29.33%.

Operating expenses: Operating expenses decreased from prior year by \$49,132, or -3.44%.

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 less than budgeted amounts by \$39,009, or -3.66%. Actual expenses were higher than appropriations by \$81,175, or 9.97%, 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 less than budgeted amounts by \$54,695, or 78.06%, due primarily to interest expense that was not budgeted.

Rural North Vacaville Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2024 and 2023

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of June 30, 2024 totaled \$6,479,082 (net of accumulated depreciation). This investment in capital assets is comprised of construction in progress, infrastructure, and equipment. Capital assets decreased by \$96,970 due to current year depreciation expense of \$485,678. This was partially offset by the following expenditures: \$152,406 for the Arsenic Project, \$95,578 for the Cantelow Bridge Replacement Project, \$109,468 for the Eaton Spare Pump, and \$31,255 for the Distribution System Modeling. 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 \$114,467 toward principal payments on their loan with CoBank. As a result, at June 30, 2024, the District had outstanding debt of \$1,085,533. 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 2024/25.

- Effective July 1, 2024, the district implemented a series of scheduled rate increases. These increases apply to the base fee, supplemental fee, usage rates, and the capital recovery charge. The first two intervals of the increases took place on July 1, 2024, and September 1, 2024, with the final adjustment scheduled for September 1, 2025. These changes affect all properties in the district.
- Management is focused on minimizing and reducing operating costs wherever possible.

Additionally, both the sale of new water rights and the payoff of existing financed water rights, including the associated interest, will contribute to building reserve account balances. If properties with financed water rights change ownership, the outstanding debt must be paid in full, further enhancing reserves.

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, 2024 and 2023

ASSETS	2024	2023
Current assets:		
Cash and investments	\$ 342,157	\$ 517,880
Accounts receivable	111,350	92,691
Interest receivable	20,808	14,237
Notes receivable - current	49,831	43,923
Total current assets	524,146	668,731
Noncurrent assets:		
Notes receivable - noncurrent	923,369	971,875
Capital assets, net of accumulated depreciation	6,479,082	6,576,052
Total noncurrent assets	7,402,451	7,547,927
 TOTAL ASSETS	 7,926,597	 8,216,658
 LIABILITIES		
Current liabilities:		
Accounts payable	242,945	129,382
Deposits payable	64,382	14,236
Long-term debt - current portion	120,617	-
Total current liabilities	427,944	143,618
Noncurrent liabilities:		
Long-term debt	964,916	1,200,000
Total noncurrent liabilities	964,916	1,200,000
 TOTAL LIABILITIES	 1,392,860	 1,343,618
 NET POSITION		
Net investment in capital assets	5,514,166	5,376,052
Unrestricted	1,019,571	1,496,988
 NET POSITION	 \$ 6,533,737	 \$ 6,873,040

RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 and 2023

	2024	2023
OPERATING REVENUES:		
Charges for services	\$ 1,016,888	\$ 784,390
Other operating income	9,375	9,151
Total operating revenues	1,026,263	793,541
OPERATING EXPENSES:		
Professional & specialized services	443,542	437,919
Maintenance	309,981	399,827
Utilities	91,489	73,682
Miscellaneous	7,236	812
Memberships	11,279	10,169
Fees and permits	10,714	9,365
Insurance	2,555	11,861
Postage	3,631	4,450
Supplies	14,831	2,521
Depreciation expense	485,678	479,462
Total operating expenses	1,380,936	1,430,068
Operating loss	(354,673)	(636,527)
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	42,934	39,830
Sale of water rights	14,871	160,000
Interest expense	(42,435)	(38,985)
Total non-operating revenues (expenses)	15,370	160,845
CHANGE IN NET POSITION	(339,303)	(475,682)
BEGINNING NET POSITION	6,873,040	7,348,722
ENDING NET POSITION	\$ 6,533,737	\$ 6,873,040

RURAL NORTH VACAVILLE WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Receipts from customers	\$ 1,057,750	\$ 783,068
Payments to suppliers	(781,695)	(898,716)
Net cash provided (used) by operating activities	276,055	(115,648)
Cash flows from non-capital financing activities:		
Sale of water rights	57,469	123,554
Net cash provided by non-capital financing activities	57,469	123,554
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	-	600,000
Principal payments on long-term debt	(114,467)	-
Interest payments on long-term debt	(42,435)	(38,985)
Acquisition and construction of capital assets	(388,708)	(1,602,711)
Net cash used by capital and related financing activities	(545,610)	(1,041,696)
Cash flows from investing activities:		
Investment income received	36,363	40,465
Net cash provided by investing activities	36,363	40,465
Net change in cash and cash equivalents	(175,723)	(993,325)
Cash and cash equivalents, beginning of year	517,880	1,511,205
Cash and cash equivalents, end of year	\$ 342,157	\$ 517,880
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	(354,673)	(636,527)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	485,678	479,462
Changes in assets and liabilities:		
Accounts receivable	(18,659)	(1,470)
Accounts payable	113,563	51,890
Deposits payable	50,146	(9,003)
Net cash provided (used) by operating activities	\$ 276,055	\$ (115,648)

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2024

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.

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.

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.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deposits Payable

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

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Assets, Liabilities, and Net Position (continued)

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, 2024

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. Cash and investments consist of the following at June 30, 2024 and 2023:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Deposits held in financial institutions	\$ 273,770	\$ 271,946
Cash with County	68,387	245,934
Total Cash and Investments	<u>\$ 342,157</u>	<u>\$ 517,880</u>

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, 2024, and 2023, the bank balance of this account was \$272,621 and \$342,742, 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, 2024

NOTE 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2024 was as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets not being depreciated:				
Construction in progress	\$ 1,912,248	\$ -	\$(1,912,248)	\$ -
Capital assets, being depreciated:				
Infrastructure	13,001,460	247,984	1,912,248	15,161,692
Equipment	<u>406,104</u>	<u>140,724</u>	<u>-</u>	<u>546,828</u>
Total capital assets, being depreciated	<u>13,407,564</u>	<u>388,708</u>	<u>1,912,248</u>	<u>15,708,520</u>
Less accumulated depreciation for:				
Infrastructure	(8,551,238)	(433,382)	-	(8,984,620)
Equipment	<u>(192,522)</u>	<u>(52,296)</u>	<u>-</u>	<u>(244,818)</u>
Total accumulated depreciation	<u>(8,743,760)</u>	<u>(485,678)</u>	<u>-</u>	<u>(9,229,438)</u>
Total capital assets, being depreciated, net	<u>4,663,804</u>	<u>(96,970)</u>	<u>1,912,248</u>	<u>6,479,082</u>
Capital assets, net	<u>\$ 6,576,052</u>	<u>\$ (96,970)</u>	<u>\$ 1,912,248</u>	<u>\$ 6,479,082</u>

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>

Depreciation expense for the years ended June 30, 2024 and 2023, was \$485,678 and \$479,462, respectively.

Rural North Vacaville Water District

Notes to the Financial Statements
For the Year Ended June 30, 2024

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, 2024, was as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
Long-term debt loan agreements	\$ 1,200,000	\$ -	\$ (114,467)	\$ 1,085,533	\$ 120,617
Total long-term liabilities	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ (114,467)</u>	<u>\$ 1,085,533</u>	<u>\$ 120,617</u>

Long-term obligation activity for the year ended June 30, 2023, was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>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>

The following is a schedule of future long-term debt payments:

	<u>For the Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025		\$ 120,617	\$ 61,182	\$ 181,799
2026		127,441	51,156	178,597
2027		134,474	44,142	178,616
2028		141,895	36,762	178,657
2029		149,640	29,040	178,680
2030-2032		411,466	35,282	446,748
Total		<u>\$ 1,085,533</u>	<u>\$ 257,564</u>	<u>\$ 1,343,097</u>

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2024

NOTE 5: RISK MANAGEMENT

On June 11, 2013, the District began participating in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2024, the District's participation in the self-insurance programs of JPIA is as follows:

General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first \$5,000,000 and purchases excess coverage with limit up to \$55,000,000 on with aggregated policy limits.

Property Loss: Insured up to replacement value with a \$2,500 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence. JPIA is self-insured up to \$10,000,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment. Property Program includes Earthquake with aggregate limit of \$2.5M, and is subject to minimum \$75,000 deductible, Flood Coverage with aggregate limit of \$25,000,000 and subject to a \$100,000 deductible.

Cyber Liability: Including Cyber Security up to \$2,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$100,000 depending on District Total Insured Values.

Employee Dishonesty/Crime Supplement: Insured up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661, or <http://www.acwajpia.com/FinancialStatements.aspx>.

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, 2024, the District sold one water right for \$50,000. There was also one water right returned to the District for \$35,129. As of June 30, 2024, 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.

Rural North Vacaville Water District

Notes to the Financial Statements

For the Year Ended June 30, 2024

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2024, 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, 2024**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 1,057,272	\$ 1,057,272	\$ 1,016,888	\$ (40,384)
Other operating income	8,000	8,000	9,375	1,375
Total operating revenues	<u>1,065,272</u>	<u>1,065,272</u>	<u>1,026,263</u>	<u>(39,009)</u>
EXPENSES:				
Professional & specialized services	384,017	384,017	443,542	(59,525)
Maintenance	244,004	244,004	309,981	(65,977)
Utilities	73,000	73,000	91,489	(18,489)
Miscellaneous	3,312	3,312	7,236	(3,924)
Memberships	9,500	9,500	11,279	(1,779)
Fees and permits	9,500	9,500	10,714	(1,214)
Insurance	5,500	5,500	2,555	2,945
Postage	4,000	4,000	3,631	369
Supplies	66,250	66,250	14,831	51,419
Contingency	15,000	15,000	-	15,000
Total operating expenses	<u>814,083</u>	<u>814,083</u>	<u>895,258</u>	<u>(81,175)</u>
Operating income	<u>251,189</u>	<u>251,189</u>	<u>131,005</u>	<u>(120,184)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment earnings	29,953	29,953	42,934	12,981
Sale of water rights	40,112	40,112	14,871	(25,241)
Interest expense	-	-	(42,435)	(42,435)
Total non-operating revenues and (expenses)	<u>70,065</u>	<u>70,065</u>	<u>15,370</u>	<u>(54,695)</u>
OTHER BUDGETED ITEMS:				
Water Rights Early Pay Off	37,000	37,000	-	(37,000)
Funding for reserves	(5,000)	(5,000)	-	5,000
Principal & interest payments	(171,254)	(171,254)	-	171,254
Capital outlay	(182,000)	(182,000)	-	182,000
Total Other Budgeted Items	<u>(321,254)</u>	<u>(321,254)</u>	<u>-</u>	<u>358,254</u>
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>	<u>146,375</u>	<u>146,375</u>
BEGINNING NET POSITION	<u>6,873,040</u>	<u>6,873,040</u>	<u>6,873,040</u>	<u>-</u>
ENDING NET POSITION	<u>\$ 6,873,040</u>	<u>\$ 6,873,040</u>	<u>\$ 7,019,415</u>	<u>\$ 146,375</u>
Reconciliation of Budgetary Increase in Net Assets to GAAP Increase in Net Position				
Change in Net Position (Budgetary Basis) from above			\$ 146,375	
Depreciation is not budgeted as an expense			(485,678)	
Change in Net Position (GAAP)			<u>\$ (339,303)</u>	

See accompanying notes to the supplementary information.

Rural North Vacaville Water District
Notes to the Supplementary Information
For the Year Ended June 30, 2024

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.