



ANNUAL FINANCIAL REPORT  
AS OF JUNE 30, 2007  
WITH  
INDEPENDENT AUDITOR'S REPORT



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**CITY OF RIO DELL**  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2007

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**INDEPENDENT AUDITOR'S REPORT**

To The Honorable Mayor and Members of the City Council  
City of Rio Dell  
Rio Dell, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Dell (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Dell as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2007 on our consideration of the City of Rio Dell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**PRINCIPALS**

Chris A. Mann, CPA, CFP John R. Urrutia, CPA Michelle O. Nelson, CPA, CFE, CVA Christine L. Collins, EA  
Kriss Ann Mann, CPA, CCPS Justin J. Williams, CPA

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rio Dell's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Rio Dell. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mann, Urrutia, Nelson CPAs*

Sacramento, CA  
October 23, 2007

**PRINCIPALS**

Chris A. Mann, CPA, CFP John R. Urrutia, CPA Michelle O. Nelson, CPA, CFE, CVA Christine L. Collins, EA  
Kriss Ann Mann, CPA, CCPS Justin J. Williams, CPA

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

This section of the City of Rio Dell Annual Financial Statements presents management's analysis of the City's financial performance during the fiscal year ending June 30, 2007. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**Fiscal Year Ending June 30, 2007 Financial Highlights**

The financial highlights reflect the efforts of the City Council and City staff to maximize revenues, reduce debt, and improve City infrastructure and services. During the 2006-2007 year, five prior fiscal year audits were completed, which provided the stable foundation the City needed to begin improving its financial condition. Throughout the year, City staff and the City Council have emphasized debt reduction and conservative spending to maximize City assets, reduce deficits, and maintain fund balances.

The City's investment in infrastructure is evident with the continuance of the City's award winning \$8.72 million dollar Water Infrastructure Project, which first began in 2005. The City has begun the planning stages for a new sewer facility and an effluent disposal plan with help from the State Water Resources Control Board Small Community Wastewater Grant Program in the form of a \$129,000 grant. Actual construction is expected to begin sometime during 2008 or 2009 with an estimated project cost of \$15 million dollars. The City's continued focus on infrastructure improvements increases the quality of services provided to its citizens and improves the City's financial position by increasing its assets.

**Citywide:**

- At June 30, 2007, the City's net assets totaled \$11,173,720, an increase of \$1,830,052 from the prior year.
- Combined citywide revenues totaled \$4,891,542, including charges for services of \$2,287,809, operating grants and contributions of \$316,438, capital grants and contributions of \$1,833,619, and general revenues in the amount of \$453,676.
- Citywide expenses totaled \$3,061,490, a 5% increase in comparison to the prior year.

**Fund Level:**

- Total Governmental fund balances increased by \$263,105.
- Governmental fund expenditures totaled \$2,165,887.
- Governmental fund revenues totaled \$3,990,350 and exceeded expenditures by \$1,824,463.
- Proprietary fund net assets increased in the amount of \$2,131,762 and totaled \$10,160,905 on June 30, 2007.
- Proprietary fund net cash and cash equivalents increased in the amount of \$163,459.
- Proprietary fund liabilities decreased by \$110,559 in comparison to the prior year.

**Overview of the Annual Financial Report**

This Annual Financial Report is in five parts:

- 1) Management's Discussion and Analysis (this part)
- 2) The Basic Financial Statements, which include the government-wide and the fund financial statements
- 3) Required Supplemental Information

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

- 4) Combining Statements for Non-Major Governmental Funds
- 5) Other Reports

**The Basic Financial Statements**

The basic financial statements are comprised of (1) the citywide financial statements and (2) the fund financial statements. These two sets of financial statements provide two different views of the City's financial activities and financial position, long-term and short-term.

The citywide financial statements provide a long-term view of the City's activities as a whole, and are comprised of the statement of net assets and the statement of activities. The statement of net assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The statement of activities provides information about all the City's revenues and expenses, with the emphasis on measuring net revenues and expenses of each of the City's programs. The statement of activities explains in detail the change in net assets for the year.

The citywide financial statements group all of the City's activities into governmental activities and business-type activities, as explained below. All of the amounts in the statement of net assets and the statement of activities are separated into governmental activities and business-type activities in order to provide a summary of the activities as a whole.

The fund financial statements report the City's operations in more detail than the citywide statements and focus primarily on the short-term activities of the general fund and other major funds. The fund financial statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term liabilities and other long term amounts.

Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary with subordinate schedules presenting the details for each of the other funds.

The City acts solely as a depository agent for various community functions. The fiduciary statements provide information about the cash balances and activities of these functions. These statements are separate from, and therefore are excluded from the City's financial statements.

Together, these statements are called the basic financial statements.

**Citywide Financial Statements**

- Governmental activities: All of the City's basic services are considered to be governmental activities, including general government, streets and highways, public improvements, planning and zoning, and general administrative and fiscal services. These services are supported by general City revenues such as taxes, and specific program revenues such as developer fees.
- Business-type Activities: The City's enterprise activities are reported in the water and sewer funds. These services are supported by consumption charges paid by users.
- Citywide financial statements are prepared using the full accrual basis.

**Fund Financial Statements**

- Governmental fund financial statements are prepared using the modified accrual basis, recognizing

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

revenues when "measurable and available". Capital assets and long-term assets and liabilities are presented in the citywide financial statements only.

- The fund financial statements provide detailed information about each of the City's most significant funds called major funds. The concept of major funds, and the determination of which funds are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and totaled in a single column. Major funds present the major activities of the City for the year. The general fund is always a major fund, but other funds may change from year to year as a result of changes in the pattern of the City's activities.
- The City has four major funds in 2007; including the General Fund, CDBG, DWR Infrastructure Project, and DHS Infiltration Gallery.

**Fiduciary Financial Statements**

The City is the agent for certain community activities for which it collects and disperses cash, and maintains separate cash accounts. These fiduciary activities are reported in the separate statement of fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot utilize them to finance its own operations.

**Statement of Activities**

**Table 1  
Summary  
Net Revenue  
& Change in Net Assets  
Fiscal Year 2006-2007**

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Net revenue	\$ 3,521,368	\$ 1,115,253	\$ 169,924	\$ 261,123	\$ 3,691,292	\$ 1,376,376
Total general revenue and transfers	(5,673,425)	(1,416,963)	6,105,180	1,870,639	431,755	453,676
Beginning net assets	3,466,582	1,314,525	1,754,039	8,029,143	5,220,621	9,343,668
Ending net assets	1,314,525	1,012,815	8,029,143	10,160,905	9,343,668	11,173,720
Change in net assets	\$ (2,152,057)	\$ (301,710)	\$ 6,275,104	\$ 2,131,762	\$ 4,123,047	\$ 1,830,052

The City's total net assets increased by \$1,830,052, or 20% over the 2005-2006 Fiscal Year.

Net assets owned by the City's business-type activities have increased by \$2,131,762 in comparison to the prior year. Additions are attributable to a combination of continued cost saving measures and increased revenues from grant awards.

Governmental activities experienced a \$301,710 decrease in net assets. The decrease is the result of the transfer of the expenditures related to the DWR Infrastructure and DHS Infiltration Gallery projects to the business-type activities.



**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Table 2  
Primary Government Sources of Revenue  
Fiscal Year 2006-2007  
Prior Year Comparison**

	<u>Revenue 2006</u>	<u>Revenue 2007</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities</b>				
General government	\$ 369,894	\$ 985,106	\$ 615,212	166 %
Public safety	107,854	123,355	15,501	14 %
Highways and streets	38,949	34,657	(4,292)	(11)%
Housing and community development	982,002	213,433	(768,569)	(78)%
Public services	3,911,388	1,861,877	(2,049,511)	(52)%
Taxes	376,336	373,407	(2,929)	(1)%
Interest and use of property	45,733	78,386	32,653	71 %
Miscellaneous	9,686	-	(9,686)	(100)%
Transfers	(6,105,180)	(1,868,756)	4,236,424	(69)%
<b>Business-type Activities</b>				
Sewer	536,988	599,960	62,972	12 %
Water	650,521	619,478	(31,043)	(5)%
Interest and use of property	-	1,883	1,883	- %
Transfers	<u>6,105,180</u>	<u>1,868,756</u>	<u>(4,236,424)</u>	<u>(69)%</u>
Total Revenue	<u>\$ 7,029,351</u>	<u>\$ 4,891,542</u>	<u>\$ (2,137,809)</u>	<u>(30)%</u>

As the statement of activity shows, the three primary revenue sources for the 2007 year are charges for services (47%), capital grants (37%), and taxes (8%).

This year dramatic variances are wide spread and are the result of several changes that occurred throughout the year. General government experienced a striking 166% increase in revenue due to the City's exploration of a Scotia annexation proposal. As a result of an agreement with the Pacific Lumber Company, the City independently hired several consulting firms to analyze the annexation proposal, and were subsequently reimbursed by Palco. The result is a dramatic increase in both revenues and expenditures for the year.

Transfers out of governmental activities and into business type activities created significant variances. For accounting purposes, governmental activity project funds were created for both the water infrastructure and water infiltration gallery and tank projects. At the end of the accounting cycle (fiscal year) the expenses and assets were transferred from the governmental activity funds into the appropriate business- type activity fund.

The variances for housing and community development and public services are the result of reduced project activity and corresponding grant income. The City's Community Development Block Grant Housing Rehabilitation Program had reduced activity during the 2006-2007 year causing a reduction in grant revenue received.

Interest income rose by 71% as a result of additional investments into the State's Local Agency Investment Fund. Additional sewer fund revenues in the amount of \$62,972 are the result of State Water Resources Control Board Small Communities Grant program funds which were received during the year for the development of a sewer facility and effluent disposal plan. Public services funding experienced an increase due to additional state allocations for the year. Miscellaneous revenue decreased by 100% in comparison to the prior year due to the elimination of the classification. Throughout the year all revenues were coded to specific line items eliminating the use of the miscellaneous term.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Table 3  
Primary Government Activity Expenses  
Fiscal Year 2006-2007  
Prior Year Comparison**

	<u>Expenses 2006</u>	<u>Expenses 2007</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities</b>				
General government	\$ 777,311	\$ 1,430,150	\$ 652,839	84 %
Public safety	151,347	219,033	67,686	45 %
Highways and streets	110,220	73,264	(36,956)	(34)%
Housing and community development	837,334	297,833	(539,501)	(64)%
Public services	12,507	82,895	70,388	563 %
<b>Business-type Activities</b>				
Sewer	433,007	390,765	(42,242)	(10)%
Water	<u>584,578</u>	<u>567,550</u>	<u>(17,028)</u>	<u>(3)%</u>
Total Expenses	<u>\$ 2,906,304</u>	<u>\$ 3,061,490</u>	<u>\$ 155,186</u>	<u>5 %</u>

During the 2006-2007 year, citywide expenses increased by 5%. Although the overall increase was negligible, many of the activity categories experienced dramatic increases or decreases as a result of activity level changes.

General Government experienced nearly an 84% increase during the year as a result of the Rio Dell/Scotia annexation proposal analysis. The City reached a reimbursement agreement with Palco that allowed the City to hire several professional consultants to assist in the analysis process. The result is a dramatic increase in general government expenses balanced by an increase in revenue.

Public safety experienced an increase of 45%, or \$67,686. The increase is fully attributable to the final payment made on a lawsuit settled in 1992. Public safety experienced marked spending cutbacks that enabled the City to reduce the impact to the recorded 45%.

Housing and community development spending decreased by a dramatic 563% over the year due to a decrease in Community Development Block Grant program activity. The City's housing rehabilitation program experienced a decline in loans issued therefore reducing expenses. Due to the dramatic decline, the City executed several outreach campaigns during the last quarter of the 06-07 year. The response was overwhelming and figures for next year are expected to document significant increases.

During the 2006-2007 year, highways and streets activity spending experienced a 34% reduction. The \$36,956 decrease can be attributed to the reduction of severe winter weather conditions and corresponding street damage. The prior year was particularly hazardous in which the region experienced several severe winter storms and incurred significant damage.

The sewer enterprise fund also experienced a decline in its already reduced spending levels. As a result of the continued deficit, sewer spending was substantially reduced by 10%. However, continued spending reductions have taken their toll and necessary improvements to the aging system have been deferred. During the third quarter of the 06-07 year the Council, with the support of their citizens, increased the sewer rates to enable both deficit elimination and necessary capital improvements. As a result, spending levels for the 2007-2008 year are expected to be significantly higher in comparison.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Financial Analysis of the City's Funds**

As the City completed the year, its governmental funds reported a combined fund balance of \$1.68 million, a \$263 thousand increase in comparison to the prior year.

The general fund's fund balance decreased by 9% from the prior year with an ending fund balance of \$579,148. Throughout the year several old deficit project funds were closed into the general fund as a part of the balance sheet restoration effort performed by City staff. In recent years the General Fund has seen substantial increases derived from the increased assessed property values in relation to property tax, and increased building activity resulting from the housing boom. However years of deferred maintenance coupled with the now declining housing market will have an increased negative impact on the General Fund and the activities it supports in the years to come. Throughout the next year general fund revenue diversification strategies will likely be an important topic.

The Community Development Block Grant Fund experienced a significant increase of 40% with an ending fund balance of \$924,654. This year's increase is the result of the City collecting on notes receivable issued through the City's housing rehabilitation program. Although the City has not yet allocated the funds collected, they will likely be utilized to extend the CDBG 3rd and 4th Street paving project to be completed during the next fiscal year.

The DWR infrastructure project has incurred a deficit of (\$119,044) down from a zero balance the prior year. Many factors contributed to the decline such as potential reimbursements from developers partnered on the project, as well as project change orders and cost overruns. The project is scheduled to be completed during the fiscal year 2007-2008 at which time a final reconciliation and conclusion will be determined.

The DHS infiltration gallery project fund balance has increased from zero to \$168,653. During the year the City increased the projects financing to allow for cost overruns associated with its construction. The increase in the balance is associated with the increased funding and will likely be utilized and closed out during the next fiscal year.

Other governmental funds increased by 8% with an ending fund balance of \$127,180 at June 30, 2007. The other governmental funds experienced significant activity during the year as several old funds, many of them with deficits, were closed out.

**Financial Analysis of the Proprietary Funds**

**Table 4  
Sewer Fund Analysis  
Fiscal Year 2006-2007  
Prior Year Comparison**

	<b>Sewer Fund</b>			
	<b>2006</b>	<b>2007</b>	<b>Variance</b>	<b>% Change</b>
Total current assets	\$ 171,650	\$ 196,344	\$ 24,694	14 %
Total long-term assets	<u>659,645</u>	<u>734,767</u>	<u>75,122</u>	<u>11 %</u>
<b>Total Assets</b>	<u>831,295</u>	<u>931,111</u>	<u>99,816</u>	<u>12 %</u>
Total current liabilities	259,537	163,478	(96,059)	(37)%
Total long-term liabilities	<u>260,000</u>	<u>246,170</u>	<u>(13,830)</u>	<u>(5)%</u>
<b>Total Liabilities</b>	<u>519,537</u>	<u>409,648</u>	<u>(109,889)</u>	<u>(21)%</u>
<b>Total Net Assets</b>	<u>\$ 311,758</u>	<u>\$ 521,463</u>	<u>\$ 209,705</u>	<u>67 %</u>

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

During the 2006-2007 year the sewer fund improved its financial position significantly. Of the accomplishments are current assets up 14% compared to the prior year, and long-term Assets up 11% as a result of continued infrastructure investments. The City's small community wastewater grant award has provided the City with the funds to develop its wastewater facility and sewer effluent plans. The endeavor has translated into an increase in the fund's assets.

Current liabilities have decreased by a staggering 37% as a result of decreased spending and deficit reduction. In addition, long-term liabilities have decreased by 5% as the City continues to pay down outstanding debt.

Total net assets have increased by an astounding 67% as a result of deficit reduction and infrastructure investments. During the fourth quarter of the 06-07 year, new sewer rates were adopted effective July 1, 2007. Continued financial improvements are expected for next year.

**Table 5  
Water Fund Analysis  
Fiscal Year 2006-2007  
Prior Year Comparison**

	<b>Water Fund</b>			
	<b>2006</b>	<b>2007</b>	<b>Variance</b>	<b>% Change</b>
Total current assets	\$ 561,106	\$ 632,484	\$ 71,378	13 %
Total long-term assets	<u>7,394,651</u>	<u>9,244,660</u>	<u>1,850,009</u>	<u>25 %</u>
<b>Total Assets</b>	<u>7,955,757</u>	<u>9,877,144</u>	<u>1,921,387</u>	<u>24 %</u>
Total current liabilities	75,867	86,863	10,996	14 %
Total long-term liabilities	<u>162,505</u>	<u>150,839</u>	<u>(11,666)</u>	<u>(7)%</u>
<b>Total Liabilities</b>	<u>238,372</u>	<u>237,702</u>	<u>(670)</u>	<u>- %</u>
<b>Total Net Assets</b>	<u>\$ 7,717,385</u>	<u>\$ 9,639,442</u>	<u>\$ 1,922,057</u>	<u>25 %</u>

In comparison to the prior year, water fund net assets have increased in total by 25%. Current assets have increased by 13% as a result of rate increases and continued efficiencies resulting from infrastructure investments. Long-term assets have increased by 25% during the year, also as a result of continued infrastructure investments.

The water fund continues to improve its financial position as a result of a rate increase in 2005 and with continued infrastructure investments. Over the next year, investments in infrastructure will continue, however net assets may be reduced if the City experiences capital project overruns at the close of the water infrastructure and water infiltration gallery projects.

**General Fund Budgetary Highlights**

Over the course of the year, general fund revenues exceeded initial estimates by 21% as a result of increased property taxes resulting from increased assessed property values, as well as increased activity in the City, documented by sales and occupancy taxes, and increased licenses and permits. Franchise fees were also increased as corresponding rates were adjusted.

Expenditures were 28% less than budgeted, resulting in excess revenue in the amount of \$97,672.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

However, as a result of the closure of several outdated project funds, many of them with deficit balances, net transfers totaled (\$157,996) and resulted in a decrease in fund balance of \$60,324. The general fund balance as of June 30, 2007 was \$579,148.

**Capital Assets**

**Table 6  
Capital Assets  
Fiscal Year 2006-2007  
Prior Year Comparison**

	<u>Capital Assets 2006</u>	<u>Capital Assets 2007</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities</b>				
<b>(Less accumulated depreciation)</b>				
Land	\$ -	\$ 378,885	\$ 378,885	- %
Construction in progress	-	78,778	78,778	- %
Buildings and improvements	-	-	-	- %
Equipment	121,288	62,265	(59,023)	(49)%
Vehicles	18,274	34,418	16,144	88 %
Streets and roads	462,766	452,920	(9,846)	(2)%
Infrastructure	<u>139,126</u>	<u>155,749</u>	<u>16,623</u>	<u>12 %</u>
<b>Total</b>	<b><u>\$ 741,454</u></b>	<b><u>\$ 1,163,015</u></b>	<b><u>\$ 421,561</u></b>	<b><u>57 %</u></b>
<b>Business-type Activities</b>				
<b>(Less accumulated depreciation)</b>				
Land	\$ 252,715	\$ 252,715	\$ -	- %
Construction in progress	6,779,630	8,874,025	2,094,395	31 %
Buildings and improvements	53,362	49,059	(4,303)	(8)%
Equipment	457,496	293,402	(164,094)	(36)%
Vehicles	13,750	9,036	(4,714)	(34)%
Infrastructure	<u>273,663</u>	<u>261,190</u>	<u>(12,473)</u>	<u>(5)%</u>
<b>Total</b>	<b><u>\$ 7,830,616</u></b>	<b><u>\$ 12,065,457</u></b>	<b><u>\$ 2,751,933</u></b>	<b><u>35 %</u></b>

The City experienced several changes within its capital assets over the 2006-2007 fiscal-year:

**Governmental Activities:**

- In continued response to GASB 34, land values in the amount of \$378,885 were added to the governmental activities balance sheet.
- The police department purchased an alternative patrol vehicle.
- The planning phase of sewer facilities and effluent planning began adding to governmental activities construction in progress.
- \$20,000 in street drainage improvements were completed on Northern Wildwood Ave.

**Business-Type Activities:**

- In continued response to GASB 34 land values in the amount of \$252,715 were added to the business-type activities balance sheet.
- Construction in progress increased by 31% from continued construction of infrastructure pipes and the infiltration gallery and tank.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Long-Term Liabilities**

**Table 7  
Long-Term Liabilities  
Fiscal Year 2006-2007  
Prior Year Comparison**

	<u>Long-Term Liabilities 2006</u>	<u>Long-Term Liabilities 2007</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities</b>				
DHS Infiltration Gallery Loan	\$ 2,412,602	\$ 2,720,000	\$ 307,398	- %
Compensated absences	<u>36,337</u>	<u>16,301</u>	<u>(20,036)</u>	<u>(55)%</u>
<b>Total</b>	<b><u>\$ 2,448,939</u></b>	<b><u>\$ 2,736,301</u></b>	<b><u>\$ 287,362</u></b>	<b><u>12 %</u></b>
<b>Business-type Activities</b>				
FMHA Emergency Drought Relief Loan	\$ 70,000	\$ 66,000	\$ (4,000)	(6)%
FMHA Sewer Assessment Bonds	280,000	260,000	(20,000)	(7)%
State of California DWR Loan	113,900	96,496	(17,404)	(15)%
Compensated absences	<u>9,430</u>	<u>18,755</u>	<u>9,325</u>	<u>99 %</u>
<b>Total</b>	<b><u>\$ 473,330</u></b>	<b><u>\$ 441,251</u></b>	<b><u>\$ (32,079)</u></b>	<b><u>(7)%</u></b>

The City's governmental activity long-term liabilities increased by nearly 12% during the year. The City's water infiltration gallery project experienced significant cost overruns resulting in increased financing and long-term liabilities.

In comparison, the City's business-type activities long-term liabilities decreased by nearly 7% as a result of annual payments made. Although long-term liabilities decreased overall, compensated absences experienced a staggering 99% increase resulting in the redistribution of debt between the funds.

**Significant Economic Factors and Next Years Budget and Rates**

The housing market continues to decline, stifling building permits, assessed property values and corresponding property taxes, and also reducing the value of timber products and building materials which translates into a reduction of local jobs. The result:

- Potential stagnancy of property tax revenues.
- Potential reduction of building and planning permit revenue.
- Potential reduction of business licenses issued.
- Potential reduction of local consumer spending.
- Potential reduction of general fund revenue.

Sewer rates will increase effective July 1, 2007. The result:

- The sewer fund deficit should be reduced and eventually eliminated.
- Funds should be generated for capital improvements and purchases which should increase plant efficiencies and net assets.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Rio Dell Finance Department at 675 Wildwood Ave, Rio Dell, California 95562, (707)-764-3532, or [finance1@riodellcity.com](mailto:finance1@riodellcity.com).

**CITY OF RIO DELL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and Investments (Note 2)	\$ 1,145,460	\$ 475,164	\$ 1,620,624
Accounts and Grants Receivable	798,323	234,180	1,032,503
Interest Receivable	8,389	-	8,389
Prepaid Expenses	31,069	35,744	66,813
Notes Receivable (Note 5)	917,209	-	917,209
Assessments Receivable	-	260,000	260,000
Capital Assets, net (Note 3)	<u>1,163,015</u>	<u>9,739,427</u>	<u>10,902,442</u>
<b>TOTAL ASSETS</b>	<u>4,063,465</u>	<u>10,744,515</u>	<u>14,807,980</u>
 <b><u>LIABILITIES</u></b>			
Accounts Payable	297,300	120,350	417,650
Accrued Expenses	17,049	-	17,049
Customer Deposits (Note 2)	-	22,009	22,009
Accrued Compensated Absences (Note 7)			
Due within one year	1,956	2,250	4,206
Due in more than one year	14,345	16,505	30,850
Long-Term Liabilities (Note 7)			
Due within one year	-	41,992	41,992
Due in more than one year	<u>2,720,000</u>	<u>380,504</u>	<u>3,100,504</u>
<b>TOTAL LIABILITIES</b>	<u>3,050,650</u>	<u>583,610</u>	<u>3,634,260</u>
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	(1,556,985)	9,358,923	7,801,938
Restricted for redevelopment activities	1,830,164	-	1,830,164
Unrestricted	<u>739,636</u>	<u>801,982</u>	<u>1,541,618</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,012,815</u>	<u>\$ 10,160,905</u>	<u>\$ 11,173,720</u>

See accompanying notes to the basic financial statements.



**CITY OF RIO DELL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental activities:</b>							
General government	\$ 1,430,150	\$ 985,106	\$ -	\$ -	\$ (445,044)	\$ -	\$ (445,044)
Public safety	219,033	23,287	100,068	-	(95,678)	-	(95,678)
Highways and streets	73,264	6,914	27,743	-	(38,607)	-	(38,607)
Housing and community development	297,833	48,257	165,176	-	(84,400)	-	(84,400)
Public Services	<u>82,895</u>	<u>4,807</u>	<u>23,451</u>	<u>1,833,619</u>	<u>1,778,982</u>	-	<u>1,778,982</u>
<b>Total government activities</b>	<u>2,103,175</u>	<u>1,068,371</u>	<u>316,438</u>	<u>1,833,619</u>	<u>1,115,253</u>	-	<u>1,115,253</u>
<b>Business-type activities:</b>							
Sewer	390,765	599,960	-	-	-	209,195	209,195
Water	<u>567,550</u>	<u>619,478</u>	-	-	-	<u>51,928</u>	<u>51,928</u>
<b>Total business-type activities</b>	<u>958,315</u>	<u>1,219,438</u>	-	-	-	<u>261,123</u>	<u>261,123</u>
<b>Total primary government</b>	<u>\$ 3,061,490</u>	<u>\$ 2,287,809</u>	<u>\$ 316,438</u>	<u>\$ 1,833,619</u>	<u>\$ 1,115,253</u>	<u>\$ 261,123</u>	<u>\$ 1,376,376</u>
<b>General revenues:</b>							
Taxes:							
Property					\$ 89,565	\$ -	\$ 89,565
Sales					105,292	-	105,292
Occupancy					11,478	-	11,478
Use					30	-	30
Gas					167,042	-	167,042
Interest and use of property					78,386	1,883	80,269
Transfers					<u>(1,868,756)</u>	<u>1,868,756</u>	-
<b>Total General Revenues and transfers</b>					<u>(1,416,963)</u>	<u>1,870,639</u>	<u>453,676</u>
<b>Change in Net Assets</b>					<u>(301,710)</u>	<u>2,131,762</u>	<u>1,830,052</u>
<b>NET ASSETS, JULY 1, 2006</b>					<u>935,640</u>	<u>8,029,143</u>	<u>8,964,783</u>
<b>Prior Period Restatement</b>					<u>378,885</u>	-	<u>378,885</u>
<b>NET ASSETS, RESTATED JULY 1, 2006</b>					<u>1,314,525</u>	<u>8,029,143</u>	<u>9,343,668</u>
<b>NET ASSETS, JUNE 30, 2007</b>					<u>\$ 1,012,815</u>	<u>\$ 10,160,905</u>	<u>\$ 11,173,720</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<b>General Fund</b>	<b>CDBG</b>	<b>DWR- Infrastructure Project</b>	<b>DHS - Infiltration Gallery</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b><u>ASSETS</u></b>						
Cash and Investments	\$ -	\$ 660,715	\$ -	\$ 131,695	\$ 353,050	\$ 1,145,460
Accounts Receivable	91,657	-	663,633	43,033	-	798,323
Interest Receivable	1,364	2,451	-	3,921	653	8,389
Prepaid Expenses	25,390	-	-	-	5,679	31,069
Due From Other Funds	612,539	312,230	-	-	-	924,769
Notes Receivable	-	917,209	-	-	-	917,209
	-	917,209	-	-	-	917,209
<b>TOTAL ASSETS</b>	<b>\$ 730,950</b>	<b>\$ 1,892,605</b>	<b>\$ 663,633</b>	<b>\$ 178,649</b>	<b>\$ 359,382</b>	<b>\$ 3,825,219</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 134,753	\$ 62,441	\$ 1,266	\$ 9,996	\$ 88,844	\$ 297,300
Due to Other Funds	-	-	781,411	-	143,358	924,769
Accrued Expenses	17,049	-	-	-	-	17,049
Deferred Revenue	-	905,510	-	-	-	905,510
	-	905,510	-	-	-	905,510
<b>TOTAL LIABILITIES</b>	<b>151,802</b>	<b>967,951</b>	<b>782,677</b>	<b>9,996</b>	<b>232,202</b>	<b>2,144,628</b>
<b>FUND BALANCES</b>						
Fund balances, unreserved	579,148	924,654	(119,044)	168,653	127,180	1,680,591
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 730,950</b>	<b>\$ 1,892,605</b>	<b>\$ 663,633</b>	<b>\$ 178,649</b>	<b>\$ 359,382</b>	<b>\$ 3,825,219</b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS- GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

Fund balance - total governmental funds	\$ 1,680,591
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$622,666	1,163,015
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities	905,510
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Note Payable	(2,720,000)
Compensated Absences	<u>(16,301)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,012,815</u></b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>CDBG</u>	<u>DWR- Infrastructure Project</u>	<u>DHS - Infiltration Gallery</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b><u>REVENUES</u></b>						
Taxes						
Property	\$ 89,565	\$ -	\$ -	\$ -	\$ -	\$ 89,565
Sales	105,292	-	-	-	-	105,292
Occupancy	11,478	-	-	-	-	11,478
Use	30	-	-	-	-	30
Gas	-	-	-	-	167,042	167,042
Charges for Services	-	-	-	-	2,491	2,491
Intergovernmental	8,867	485,628	692,331	1,038,018	245,342	2,470,186
Licenses, permits, and franchise fees	1,055,223	-	-	-	10,657	1,065,880
Interest and use of property	74,773	(961)	-	3,921	653	78,386
	<u>1,345,228</u>	<u>484,667</u>	<u>692,331</u>	<u>1,041,939</u>	<u>426,185</u>	<u>3,990,350</u>
<b>Total Revenues</b>						
<b><u>EXPENDITURES</u></b>						
Current Operations						
General Government	1,217,686	19,896	-	-	276,567	1,514,149
Public Safety	130	-	-	-	203,461	203,591
Highways and Streets	288	691	-	-	60,059	61,038
Housing and Community Development	-	208,137	-	-	78,521	286,658
Public Services	-	-	-	-	19,183	19,183
Capital Outlay	29,452	16,891	-	-	34,925	81,268
	<u>1,247,556</u>	<u>245,615</u>	<u>-</u>	<u>-</u>	<u>672,716</u>	<u>2,165,887</u>
<b>Total Expenditures</b>						
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>97,672</u>	<u>239,052</u>	<u>692,331</u>	<u>1,041,939</u>	<u>(246,531)</u>	<u>1,824,463</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Proceeds from Issuance of Debt	-	-	-	307,398	-	307,398
Operating Transfers In	135,748	26,540	-	-	390,507	552,795
Operating Transfers Out	(293,744)	(882)	(811,375)	(1,180,684)	(134,866)	(2,421,551)
	<u>(157,996)</u>	<u>25,658</u>	<u>(811,375)</u>	<u>(873,286)</u>	<u>255,641</u>	<u>(1,561,358)</u>
<b>Total Other Financing Sources (Uses)</b>						
<b>Net Change in Fund Balance</b>	<u>(60,324)</u>	<u>264,710</u>	<u>(119,044)</u>	<u>168,653</u>	<u>9,110</u>	<u>263,105</u>
<b>FUND BALANCE, JULY 1, 2006</b>	<u>639,472</u>	<u>659,944</u>	<u>-</u>	<u>-</u>	<u>118,070</u>	<u>1,417,486</u>
<b>FUND BALANCE, JUNE 30, 2007</b>	<u>\$ 579,148</u>	<u>\$ 924,654</u>	<u>\$ (119,044)</u>	<u>\$ 168,653</u>	<u>\$ 127,180</u>	<u>\$ 1,680,591</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	263,105
Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:		
Capital asset purchases		126,368
Depreciation expense		(83,692)
Governmental funds report issuance of debt as revenue while governmental activities report the debt as a liability on the statement of net assets:		
Issuance of Long-Term Liabilities		(307,398)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in deferred revenue		(320,129)
Compensated absences		<u>20,036</u>
<b>CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(301,710)</u></b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 475,164	\$ 475,164
Accounts and Grants Receivable	162,982	71,198	234,180
Prepaid Expenses	13,362	22,382	35,744
Due From Other Funds	-	63,740	63,740
Assessments Receivable, Current Portion	20,000	-	20,000
<b>Total Current Assets</b>	<b>196,344</b>	<b>632,484</b>	<b>828,828</b>
Long-Term Assets			
Assessments Receivable, Net of Current Portion	240,000	-	240,000
Capital Assets			
Construction in Progress	161,244	8,726,531	8,887,775
Land	252,715	129,100	381,815
Infrastructure	290,992	379,774	670,766
Machinery, Vehicles & Equipment	13,750	612,626	626,376
Less: Accumulated Depreciation	(223,934)	(603,371)	(827,305)
Capital Assets, net	494,767	9,244,660	9,739,427
<b>Total Long-Term Assets</b>	<b>734,767</b>	<b>9,244,660</b>	<b>9,979,427</b>
<b>TOTAL ASSETS</b>	<b>\$ 931,111</b>	<b>\$ 9,877,144</b>	<b>\$ 10,808,255</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	78,281	42,069	120,350
Due to Other Funds	63,740	-	63,740
Customer Deposits	616	21,393	22,009
Current Portion of Long-Term Liabilities	20,841	23,401	44,242
<b>Total Current Liabilities</b>	<b>163,478</b>	<b>86,863</b>	<b>250,341</b>
Long-Term Liabilities			
Accrued Compensated Absences	6,170	10,335	16,505
Notes and Bonds Payable	240,000	140,504	380,504
<b>Total Long-Term Liabilities</b>	<b>246,170</b>	<b>150,839</b>	<b>397,009</b>
<b>TOTAL LIABILITIES</b>	<b>409,648</b>	<b>237,702</b>	<b>647,350</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	254,767	9,104,156	9,358,923
Unrestricted	266,696	535,286	801,982
<b>TOTAL NET ASSETS</b>	<b>\$ 521,463</b>	<b>\$ 9,639,442</b>	<b>\$ 10,160,905</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 931,111</b>	<b>\$ 9,877,144</b>	<b>\$ 10,808,255</b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b><u>OPERATING REVENUES</u></b>			
Sale of Water	\$ -	\$ 573,838	\$ 573,838
Service Fees	501,894	665	502,559
Grant Revenue	71,258	-	71,258
Connection Fees	6,197	17,830	24,027
Late Fees	-	23,196	23,196
Other Revenue	<u>20,611</u>	<u>3,949</u>	<u>24,560</u>
<b>Total Operating Revenues</b>	<u>599,960</u>	<u>619,478</u>	<u>1,219,438</u>
<b><u>OPERATING EXPENSES</u></b>			
Personnel	155,169	220,833	376,002
Insurance	7,766	10,105	17,871
Utilities	35,900	53,812	89,712
Maintenance and Operations	132,746	135,234	267,980
Depreciation	<u>43,534</u>	<u>142,050</u>	<u>185,584</u>
<b>Total Operating Expenses</b>	<u>375,115</u>	<u>562,034</u>	<u>937,149</u>
<b>Operating Income/(Loss)</b>	<u>224,845</u>	<u>57,444</u>	<u>282,289</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Transfers in	-	1,992,059	1,992,059
Transfers out	-	(123,303)	(123,303)
Interest income	510	1,373	1,883
Interest expense	<u>(15,650)</u>	<u>(5,516)</u>	<u>(21,166)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(15,140)</u>	<u>1,864,613</u>	<u>1,849,473</u>
<b>Change in Net Assets</b>	<u>209,705</u>	<u>1,922,057</u>	<u>2,131,762</u>
<b>NET ASSETS, JULY 1, 2006</b>	<u>311,758</u>	<u>7,717,385</u>	<u>8,029,143</u>
<b>NET ASSETS, JUNE 30, 2007</b>	<u>\$ 521,463</u>	<u>\$ 9,639,442</u>	<u>\$ 10,160,905</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<b>Business-type Activities</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers	\$ 480,709	\$ 797,681	\$ 1,278,390
Cash received from governments	71,258	-	71,258
Cash deposits (refunded) received	281	246	527
Cash paid to suppliers	(262,394)	(207,309)	(469,703)
Cash paid to employees	(152,108)	(214,569)	(366,677)
<b>Net Cash Provided by Operating Activities</b>	<b>137,746</b>	<b>376,049</b>	<b>513,795</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Cash paid to other funds	-	(187,043)	(187,043)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Acquisition of fixed assets	(102,606)	(1,992,059)	(2,094,665)
Principal paid on debt	(20,000)	(21,404)	(41,404)
Interest payments on debt	(15,650)	(5,516)	(21,166)
Transfers in from other funds	-	1,992,059	1,992,059
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(138,256)</b>	<b>(26,920)</b>	<b>(165,176)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest on cash and investments	510	1,373	1,883
<b>Net Cash Provided by Investing Activities</b>	<b>510</b>	<b>1,373</b>	<b>1,883</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-</b>	<b>163,459</b>	<b>163,459</b>
<b>CASH AND CASH EQUIVALENTS JULY 1, 2006</b>	<b>-</b>	<b>311,705</b>	<b>311,705</b>
<b>CASH AND CASH EQUIVALENTS JUNE 30, 2007</b>	<b>\$ -</b>	<b>\$ 475,164</b>	<b>\$ 475,164</b>

See accompanying notes to the basic financial statements.



**CITY OF RIO DELL**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

**RECONCILIATION OF OPERATING INCOME TO NET CASH**  
**PROVIDED BY OPERATING ACTIVITIES**

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Operating Income	\$ 224,845	\$ 57,444	\$ 282,289
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	43,534	142,050	185,584
Changes in assets and liabilities			
(Increase) Decrease in accounts and grants receivable	(27,382)	(9,273)	(36,655)
(Increase) Decrease in prepaid expenses	(13,362)	(22,382)	(35,744)
(Increase) Decrease in due from other funds	-	187,476	187,476
Increase (Decrease) in accounts payable and accrued expenses	33,566	20,488	54,054
Increase (Decrease) in deposits payable	281	246	527
Increase (Decrease) in due to other funds	<u>(123,736)</u>	<u>-</u>	<u>(123,736)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 137,746</u></b>	<b><u>\$ 376,049</u></b>	<b><u>\$ 513,795</u></b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Current Assets	
Cash (Note 2)	\$ 3,666
Interest Receivable	\$ <u>7</u>
<b>Total Assets</b>	<b>\$ <u><u>3,673</u></u></b>
<b>LIABILITIES</b>	
Current Liabilities	
Deposits in Trust	<u>3,673</u>
<b>Total Liabilities</b>	<b>\$ <u><u>3,673</u></u></b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The City of Rio Dell was incorporated under the laws of the State of California on February 26, 1965. The City operates under a Council-Manager form of government and is governed by five elected city council members. The City provides the following services as authorized by its charter: public safety (police), streets and highways, public improvements, land use, building and housing standards, utilities (water and sewer), and administrative and fiscal services.

The financial statements of the City have been prepared in conformity with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

The accounting methods and procedures adopted by the City conform to generally accepted accounting principles as applied to government entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14. No component units were determined to exist and therefore are not included in this financial statement.

The accounting methods and procedures adopted by the City conform to generally accepted accounting principles as applied to government entities. Included within the reporting entity is the City of Rio Dell. Excluded from the reporting entity are several other governmental agencies, including the County of Humboldt, the Rio Dell Elementary School District and the Rio Dell Fire Protection District, which provide services in the City of Rio Dell.

**Joint Powers Authorities**

Also excluded from the reporting entity were the following joint powers authorities in which the City of Rio Dell participates:

Humboldt Transit Authority

Humboldt Transit Authority (HTA) was created as a separate legal entity by a joint powers agreement between Humboldt County and the Cities of Fortuna, Eureka, Arcata, Trinidad, and Rio Dell. The governing board consists of a city council member and an alternate member appointed from each participating city, as well as two board members and up to two alternate members appointed by the Humboldt County Board of Supervisors. HTA is responsible for adopting its own budget and has the power to incur debts, liabilities, or other obligations. On commencement of operations of HTA, the County contributed 50 percent of the initial equity, and the participating cities jointly contributed 50 percent based upon population data. The participants do not have an ongoing equity interest in HTA. However, the participants do share operating costs of HTA, and the current share of the City of Rio Dell is 2.8 percent. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received and property shall be divided in a manner agreed upon by the parties. During the year ended June 30, 2007, the City's share of operating cost was \$26,091 to operate the Redwood Transit System. Complete financial statements for Humboldt Transit Authority may be obtained at the offices of the Authority at 133 V Street, Eureka, California 95501.

Hazardous Materials Response Authority

Hazardous Materials Response Authority (HMRA) was created as a separate legal entity by a joint powers agreement between the County of Humboldt, the County of Del Norte, and Cities of Eureka, Crescent City, Arcata, Blue Lake, Fortuna, Trinidad, and Rio Dell. (The City of Ferndale withdrew from the agreement during 1994-1995). The purpose of this joint venture is to pool resources of the participants to provide a united, coordinated, orderly,

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

positive, and more effective means of aiding and assisting in the formulation, administration, implementation and maintenance of an area-wide hazardous materials response team.

HMRA is governed by a board of directors comprised of one member and an alternate appointed by each participant. It adopts its own budget and has the powers to incur debts, liabilities, or obligations. The City of Eureka is responsible for directing the operations of Hazardous Materials Response Teams and for the accounting of HMRA, and in return HMRA reimburses the City of Eureka for the costs of operation and accounting services. On commencements of HMRA, the participants agreed to contribute a proportionate share of the cost of operations based on population. The participants do not have an ongoing equity interest in HMRA. However, the participants do share the operating costs on HMRA, and the current share of the City of Rio Dell is 1.9 percent, based on population. At termination of the agreement, all surplus monies will be returned to the participants in proportion of the amounts received by HMRA; property shall be divided in a manner agreed upon by the participants. Complete financial statements of HMRA are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

Redwood Region Economic Development Commission

Redwood Region Economic Development Commission (RREDC) was established on November 1, 1977, under a Joint Exercise of Powers Agreement among the nineteen public agencies within Humboldt County, including the City of Rio Dell. RREDC is a separate public entity created to aid, assist, and coordinate the formulation, administration, and the implementation of the Economic Development Action Plan and Strategy for Humboldt County, and to assist in the implementation of economic development projects and programs to improve the quality of life in the area. RREDC is governed by one member and an alternate appointed by each participant. Complete financial statements for RREDC are on file at the offices of RREDC at 520 E Street, Eureka, California 95001.

**B. Basis of Presentation**

The City's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police, recreation, and general and administrative services are classified as governmental activities. The City's sewer and water services are classified as business-type activities.

*Government-wide Financial Statements:*

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Program revenues must be directly associated with the function (police, public works, etc.) or a business type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF RIO DELL**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Nonmajor funds are combined in a single column in the fund financial statements.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CDBG - The CDBG Fund is used to account for the transactions involving the Community Development Block Grant funding.

DWR Infrastructure Project - The DWR - Infrastructure Project Fund is used to account for the water infrastructure project undertaken by the City using funds provided by the Department of Water Resources.

DHS Infiltration Gallery - The DHS Infiltration Gallery Fund is used to account for revenue and expenditures related to funding from the State's Department of Health Services for the City's Water Infiltration Gallery Project.

The City reported the following major proprietary funds in the accompanying financial statements:

Sewer - The Sewer fund is used to account for the operation and maintenance of the City's wastewater collection system and treatment facility.

Water - The Water fund is used to account for the operation and maintenance of the City's water distribution system.

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**CITY OF RIO DELL**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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

**Proprietary Funds**

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Fiduciary Funds (not included in government-wide statements)**

Agency Fund - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All Governmental Funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b. All Proprietary Funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**D. Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less and pooled cash when purchased to be cash equivalents.

**E. Inventory**

The City does not record an inventory of expendable supplies. The cost is recorded as an expenditure at the time individual inventory items are purchased. Any amounts on hand at June 30, 2007 are not material.

**F. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2007, were not considered material. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Any doubtful accounts at June 30, 2007, were not considered material.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

**G. Fixed Assets**

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, fixed assets with a historical cost over \$5,000 are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30 years
Improvements	30 years
Equipment	7 years
Vehicles	7 years
Infrastructure	50 years
Roads	50 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**H. Accumulated Compensated Absences**

It is the City's policy to permit employees to accrue earned but unused vacation and sick leave, which will be paid to employees upon separation from City services. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees, while proprietary funds report the liability as it is incurred.

**I. Long Term Liabilities**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**CITY OF RIO DELL**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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

**J. Interfund Transactions**

Following is a description of the four basic types of interfund transactions made during the year and the related accounting policies:

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Operating Transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

**K. Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

**L. Property Tax Revenues**

The lien date for secured property taxes is March 1 of each year. Taxes are levied as of July 1 on all secured real property and are due and payable on November 1 and February 1 of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the City does not levy a specific tax rate but receives a share of the property tax revenue based on a State formula. The City's tax rate is \$1.00/\$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, the State passed legislation which permanently shifted an additional amount of property taxes from cities to schools. This amount was partially offset by one-time payments by the State to cities from the State "Transportation Planning and Development" amount. Also during 1993-94, an alternate method of property tax allocation ( the "Teeter Plan") was adopted. Under this plan, the City receives 100 percent of the secured property tax levied to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible and no allowance for uncollectible taxes is provided. Property tax revenues are recognized when they become available. "Available" means due, or past due, and receivable within the current period and collected or expected to be collected soon enough thereafter to be used to pay liabilities for the current period. This period is 60 days from the end of the fiscal year.

**M. Grant Revenues**

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met.

**N. Operating Revenues**

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue not related to capital and related financing, noncapital financing or investing activities.

**O. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental fund expenditures are classified by character, proprietary fund expenditures are classified by operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**P. Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Governmental activities	\$ 1,145,460
Business-type activities	475,164
Fiduciary activities	<u>3,666</u>
Total cash and investments	<u>\$ 1,624,290</u>

Cash and investments are carried at fair value as of June 30, 2007 and consist of the following:

Cash in investment pools	\$ 1,433,974
Deposits with financial institutions	189,916
Cash on hand	<u>400</u>
Total cash and investments	<u>\$ 1,624,290</u>

Authorized Investments of the City

The City does not have a formal investment policy but elects to follow the general provisions of the California Government Code. The table below identifies the investment types that are authorized by the general provisions of the California Government Code. This table does not address investments of debt issuances held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Repurchase Agreements	1 year	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper (Minimum rating of "A" or higher)	270 days	25%	10%
Medium-term Corporate Notes (Minimum rating of "AA" or higher)	5 years	30%	None
Negotiable Certificates of Deposit issued in California	5 years	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Insured savings account or money market account	N/A	None	None
Mutual Funds	N/A	20%	10%

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2007:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Cash in investment pools	\$ 1,433,974	\$ -	\$ 1,433,974
	<u>\$ 1,433,974</u>	<u>\$ -</u>	<u>\$ 1,433,974</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Minimum Legal Rating	Rating as of Fiscal Year End		
			S&P	Moody's	N/A
State Investment Pool (LAIF)	\$ 1,433,974	N/A			Not rated

Concentration of Credit Risk

The City complies with the limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The City holds no investments in any one issuer (other than external investment pools) that represent 5% or more of total City investment.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution 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 (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2007, the carrying amount of the City's deposits was \$189,916 and bank balances were \$189,036, of which \$100,000 was insured.

Investment in State and County Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in these pools are reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Reverse Repurchase Agreements

State statutes permit the City to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. However, at no time during the fiscal year did the City borrow funds through the use of reverse repurchase agreements.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 3: CAPITAL ASSETS**

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments (Note 11)</u>	<u>Balance June 30, 2007</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated					
Land	\$ -	\$ -	\$ -	\$ 378,885	\$ 378,885
Construction-in-progress	\$ -	\$ 78,778	\$ -	\$ -	\$ 78,778
Total capital assets not being depreciated	<u>-</u>	<u>78,778</u>	<u>-</u>	<u>378,885</u>	<u>457,663</u>
Capital assets being depreciated					
Buildings and improvements	-	-	-	79,833	79,833
Equipment	455,203	-	-	-	455,203
Vehicles	104,248	27,590	-	-	131,838
Streets and roads	492,304	-	-	-	492,304
Infrastructure	<u>148,840</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>168,840</u>
Total assets being depreciated	<u>1,200,595</u>	<u>47,590</u>	<u>-</u>	<u>79,833</u>	<u>1,328,018</u>
Less accumulated depreciation					
Buildings and improvements	-	-	-	(79,833)	(79,833)
Equipment	(333,915)	(59,023)	-	-	(392,938)
Vehicles	(85,974)	(11,446)	-	-	(97,420)
Streets and roads	(29,538)	(9,846)	-	-	(39,384)
Infrastructure	<u>(9,714)</u>	<u>(3,377)</u>	<u>-</u>	<u>-</u>	<u>(13,091)</u>
Total accumulated depreciation	<u>(459,141)</u>	<u>(83,692)</u>	<u>-</u>	<u>(79,833)</u>	<u>(622,666)</u>
Governmental activities capital assets, net	<u>\$ 741,454</u>	<u>\$ 42,676</u>	<u>\$ -</u>	<u>\$ 378,885</u>	<u>\$ 1,163,015</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

<b>Governmental Activities:</b>	
General government	\$ 3,377
Public safety	7,505
Highways and streets	9,846
Public Services	<u>62,964</u>
<b>Total governmental activities depreciation expense</b>	<u>\$ 83,692</u>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 3: CAPITAL ASSETS (Continued)**

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance at June 30, 2007</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated					
Land	\$ 252,715	\$ -	\$ -	\$ -	\$ 252,715
Construction in progress	<u>6,779,360</u>	<u>2,094,665</u>	<u>-</u>	<u>-</u>	<u>8,874,025</u>
Total capital assets not being depreciated	<u>7,032,075</u>	<u>2,094,665</u>	<u>-</u>	<u>-</u>	<u>9,126,740</u>
Capital assets being depreciated					
Infrastructure	379,774	-	-	-	379,774
Buildings and improvements	129,100	-	-	-	129,100
Equipment	903,618	-	-	-	903,618
Vehicles	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
Total assets being depreciated	<u>1,439,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,439,992</u>
Less accumulated depreciation					
Infrastructure	(106,111)	(12,473)	-	-	(118,584)
Buildings and improvements	(75,738)	(4,303)	-	-	(80,041)
Equipment	(446,122)	(164,094)	-	-	(610,216)
Vehicles	<u>(13,750)</u>	<u>(4,714)</u>	<u>-</u>	<u>-</u>	<u>(18,464)</u>
Total accumulated depreciation	<u>(641,721)</u>	<u>(185,584)</u>	<u>-</u>	<u>-</u>	<u>(827,305)</u>
Business-type capital assets, net	<u>\$ 7,830,346</u>	<u>\$ 1,909,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,739,427</u>

**NOTE 4: RESTRICTED CASH**

The City is legally and contractually required to maintain restricted cash balances for various grant projects, loans and other uses. Those restrictions are as follows:

CDBG Revolving Loan Fund and Program Income Reuse

The City has received Community Development Block Grants, most of which have been used for drainage projects and to provide housing rehabilitation loans to Rio Dell citizens. State and federal regulations require that a percentage of the repayment of the loans and income earned on those loans be retained and either loaned once again or used for other eligible CDBG activities. As of June 30, 2007, the City had \$660,715 in cash deposits set aside for this purpose.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 5: NOTES RECEIVABLE**

The City has received a number of Community Development Block Grants, portions of which have been used for housing rehabilitation and economic development (small business) loans. The City has two basic types of housing rehabilitations loans: Deferred Rehabilitation Loans (DRL) and Full Assurance Loans (FAL).

The Deferred Rehabilitation Loans are non interest-bearing loans that are due and payable to the City when the property is either sold or title of the property is transferred. As of June 30, 2007, there was \$811,147 in outstanding DRL loans.

Full Assurance Loans bear interest from 1 to 5 percent, are generally amortized over 15 years, and require the borrowers to make monthly payments. As of June 30, 2007, there was \$106,062 in outstanding FAL loans.

The non-current balance of notes receivable has been offset in the financial statements by deferred revenue as it is not expected to be repaid within the current fiscal year.

**NOTE 6: INTERFUND TRANSACTIONS**

Interfund transactions for the year ended June 30, 2007, were as follows:

Transfer from the DWR Infrastructure Fund to the General Fund for expenses related to the Water Infrastructure Project	\$ 811,375
Transfer from the DHS Infiltration Gallery Fund to the General Fund for expenses related to the Infiltration Gallery Project	1,180,684
Transfer from the General Fund to the Animal Control Fund to close the Animal Control Fund	42,418
Transfer from the General Fund to the CDBG Fund to close one of the CDBG Sub Funds	26,540
Transfer from the General Fund to the TEA 21 Fund to close the TEA 21 Fund	133,199
Transfer from the General Fund to the Rural Community Assistance Fund to close the Rural Community Assistance Fund	18,215
Transfer from the General Fund to the FEMA/OES Fund to close the FEMA/OES Fund	24,882
Transfer from the General Fund to the Street & Transportation Improvement Fund to close the Street & Transportation Improvement Fund	33,177
Transfer from the General Fund to the Clean Water Grant Match Fund to close the Clean Water Grant Match Fund	205
Transfer from the General Fund to the Clean Water Grant Well Fund to close the Clean Water Grant Well Fund	88
Transfer from the General Fund to the Weed Abatement Fund to close the Weed Abatement Fund	8,207
Transfer from the General Fund to the Code Enforcement Fund to close the Code Enforcement Fund	1,446
Transfer from the General Fund to the DWR Grant Fund to close the DWR Grant Fund	5,367
Transfer from the CDBG PTA Sub Fund to the General Fund to close the CDBG PTA Sub Fund	882



**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 6: INTERFUND TRANSACTIONS (Continued)**

Transfer from the Peace Officer Standards and Training Fund to the General Fund to close the Peace Officer Standards and Training Fund	5,702
Transfer from the Drug Abuse Resistance Education Fund to the General Fund to close the Drug Abuse Resistance Education Fund	21,335
Transfer from the Prop 204 Fund to the General Fund to close the Prop 204 Fund	81,289
Transfer from the Transfer from the Water Pump Replacement Fund to the General Fund to close the Water Pump Replacement Fund	26,540
Transfer from the Water Fund to the Water Feasibility Fund to close the Water Feasibility Fund	<u>123,303</u>
<b>Total Interfund Transfers</b>	<b>\$ <u>2,544,854</u></b>

**NOTE 7: LONG TERM LIABILITIES**

Governmental Activities

The following is a summary of long-term liabilities transactions related to governmental activities of the City for the year ended June 30, 2007:

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Retirement</b>	<b>Balance June 30, 2007</b>	<b>Current Portion</b>
DHS Infiltration Gallery Loan	\$ 2,412,602	\$ 307,398	\$ -	\$ 2,720,000	\$ -
Compensated Absences	<u>36,337</u>	<u>-</u>	<u>(20,036)</u>	<u>16,301</u>	<u>1,956</u>
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ <u>2,448,939</u></b>	<b>\$ <u>307,398</u></b>	<b>\$ <u>(20,036)</u></b>	<b>\$ <u>2,736,301</u></b>	<b>\$ <u>1,956</u></b>

DHS Infiltration Gallery Loan

In August 2005, the City entered into a loan agreement with the California Department of Health Services, Drinking Water and Environmental Services Division, for a loan in an amount up to \$2,720,000. The proceeds from the loan are to be used to assist in financing construction of a project which will enable the City to meet safe drinking water standards established under the Health and Safety Code and California Code of Regulations. The non-interest bearing loan calls for 50 equal semiannual payments due in July and January of each year, beginning in July 2009. At June 30, 2007 the balance of the note was \$4,000.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 7: LONG TERM LIABILITIES** (Continued)

Based on the maximum balance of the loan the annual requirements to amortize the note are as follows:

Year Ending June 30	Principal
2010	\$ 108,800
2011	108,800
2012	544,000
2013 - 2017	544,000
2018 - 2022	544,000
2028 - 2032	544,000
2033 - 2035	326,400
<b>Total</b>	<b>\$ 2,720,000</b>

Compensated absences

The liability for compensated absences is the accrued liability for earned but unused vacation which will be paid to employees upon separation from the City's service.

Business-type Activities

The following is a summary of long-term debt transactions related to business-type activities of the City for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
<b>Notes payable:</b>					
FMHA Emergency Drought Relief Loan	\$ 70,000	\$ -	\$ (4,000)	\$ 66,000	\$ 4,000
FMHA Special Assessment Bonds	280,000	-	(20,000)	260,000	20,000
State of California Department of Water Resources	113,900	-	(17,404)	96,496	17,992
<b>Total notes payable</b>	<b>463,900</b>	<b>-</b>	<b>(41,404)</b>	<b>422,496</b>	<b>41,992</b>
<b>Other liabilities:</b>					
Compensated Absences	9,430	9,325	-	18,755	2,250
<b>Business-type Activities Long-term Debt</b>	<b>\$ 473,330</b>	<b>\$ 9,325</b>	<b>\$ (41,404)</b>	<b>\$ 441,251</b>	<b>\$ 44,242</b>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 7: LONG TERM LIABILITIES (Continued)**

*Notes Payable:*

FMHA Emergency Drought Relief Loan

On March 3, 1978, the City entered into a loan agreement with Farmer's Home Administration for a loan in the amount of \$129,100. The agreement calls for eighty semiannual payments of interest at 5 percent due in June and December of each year, and annual payments of principal that increase from \$1,000 per year at the beginning of the loan to \$5,000 in later years. Currently, the annual principal payments are at \$4,000. The loan matures in the year 2018.

The annual requirements to amortize the note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,000	\$ 3,100	\$ 7,100
2009	5,000	2,850	7,850
2010	5,000	2,600	7,600
2011	5,000	2,350	7,350
2012	6,000	2,050	8,050
2013 - 2017	33,000	5,550	38,550
2018	<u>8,000</u>	<u>-</u>	<u>8,000</u>
<b>Total</b>	<b>\$ <u>66,000</u></b>	<b>\$ <u>18,500</u></b>	<b>\$ <u>84,500</u></b>

FMHA Special Assessment Bonds

In November 1978, the City borrowed \$535,800 through the issuance of bonds to finance improvements to the City's sewage collection system. The terms of an agreement with FMHA require semiannual payments of interest at 5 percent and annual payments of principal that increase from \$10,000 in the early years of the agreement to \$30,000 in the later years. Currently, the principal payments are \$20,000. The bonds mature in 2018.

The annual requirements to amortize the note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,000	\$ 13,000	\$ 33,000
2009	20,000	12,000	32,000
2010	20,000	11,000	31,000
2011	20,000	10,000	30,000
2012	20,000	9,000	29,000
2013 - 2017	130,000	27,500	157,500
2018	<u>30,000</u>	<u>1,500</u>	<u>31,500</u>
<b>Total</b>	<b>\$ <u>260,000</u></b>	<b>\$ <u>84,000</u></b>	<b>\$ <u>344,000</u></b>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 7: LONG TERM LIABILITIES** (Continued)

State of California Department of Water Resources

On February 25, 1991, the City entered into a loan agreement with the State of California Department of Water Resources to finance improvements of the City's water system. Under this agreement, the City borrowed \$304,324 at an interest rate of 3.4 percent. The note is payable in forty semiannual payments of \$10,583 on April and October of each year for twenty years.

The annual requirements to amortize the note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 17,992	\$ 3,174	\$ 21,166
2009	18,627	2,539	21,166
2010	19,267	1,899	21,166
2011	19,935	1,227	21,162
2012	<u>20,675</u>	<u>536</u>	<u>21,211</u>
<b>Total</b>	<b>\$ <u>96,496</u></b>	<b>\$ <u>9,375</u></b>	<b>\$ <u>105,871</u></b>

*Compensated absences:*

The liability for compensated absences is the accrued liability for earned but unused vacation which will be paid to employees upon separation from City service.

**NOTE 8: DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time, non-seasonal City employees, allows them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City adopted a revised deferred compensation plan in August 1997. The assets of the retirement plan are held in a trust for the exclusive benefit of the participants and their beneficiaries and are not accessible by the government or its creditors. The participants or beneficiaries assume the risk of loss from declines in the value of plan assets. The plan is administered by an independent plan administrator, International City/County Managers' Association, through an administrative service agreement with the City.

Effective June 30, 1998, the City adopted GASB 32 which provides accounting and reporting guidance for deferred compensation plans under the revised provisions of Internal Revenue Code Section 457. Under GASB 32, the assets and liabilities of the plan are not reported in the financial statements of the City.

For the fiscal year ended June 30, 2007, the following contributions were made to the plan:

Direct contributions to employees' benefit	\$ 7,638
Deferred contributions from employees' compensation	<u>51,933</u>
<b>Total</b>	<b>\$ <u>59,571</u></b>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 9: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Small Cities Organized Risk Effort Joint Powers Authority (SCORE). SCORE provides insurance coverage for general liability, property, and workers' compensation claims under the terms of a joint-powers agreement with the City and several other governmental municipalities.

SCORE is insured up to \$500,000 per general liability and \$1,000,000 per property claim. and has purchased excess of loss insurance policies providing coverage above the self-insurance limit to a maximum of \$25,000,000. The City has a \$2,500 - \$50,000 deductible per claim for general liability, property and workers' compensation cases. When the deductible is met, the SCORE becomes responsible for payment of the excess claim.

Payment for insurance claims are recorded as expenditures in the funds in which the liabilities were incurred. In accordance with Governmental Accounting Standards Board Statement No. 10, if the third party administrator, SCORE, does not insure the loss occurrence then the City shall accrue a loss, if probably and reasonably estimable. As of June 30, 2007, the City has no uninsured occurrences. The City has not used an actuary in determining the liability reserve if needed. Because the actual claim liabilities depend on such complex factors and inflation and changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims are evaluated periodically to take into account recently settled claims, the frequency of claims and other economic and social factors.

**NOTE 10: CONTINGENCIES**

The City has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

**NOTE 11: PRIOR PERIOD ADJUSTMENTS**

The accompanying Statement of Net Assets and Statement of Activities as of June 30, 2007 have been restated. A prior period adjustment in the amount of \$378,885 has been added to net assets to recognize land and buildings owned by the City that had not previously been recognized on the Statement of Net Assets.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RIO DELL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes				
Property	\$ 79,620	\$ 79,620	\$ 89,565	\$ 9,945
Sales	92,338	92,338	105,292	12,954
Occupancy	9,200	9,200	11,478	2,278
Use	45	45	30	(15)
Intergovernmental	-	-	8,867	8,867
Licenses, permits, and franchise fees	911,919	911,919	1,055,223	143,304
Interest and use of property	16,000	16,000	74,773	58,773
Miscellaneous	<u>4,865</u>	<u>4,865</u>	<u>-</u>	<u>(4,865)</u>
<b>Total Revenues</b>	<u>1,113,987</u>	<u>1,113,987</u>	<u>1,345,228</u>	<u>231,241</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General Government	1,330,902	1,330,902	1,217,686	113,216
Public Safety	400,290	400,290	130	400,160
Highways and Streets	-	-	288	(288)
Capital outlay	<u>8,855</u>	<u>8,855</u>	<u>29,452</u>	<u>(20,597)</u>
<b>Total Expenditures</b>	<u>1,740,047</u>	<u>1,740,047</u>	<u>1,247,556</u>	<u>492,491</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (626,060)</u>	<u>\$ (626,060)</u>	<u>97,672</u>	<u>\$ 723,732</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfers in	-	-	135,748	(135,748)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(293,744)</u>	<u>293,744</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(157,996)</u>	<u>157,996</u>
<b>Net Change in Fund Balance</b>	<u>(626,060)</u>	<u>(626,060)</u>	<u>(60,324)</u>	<u>565,736</u>
<b>FUND BALANCE, JULY 1, 2006</b>			<u>639,472</u>	
<b>FUND BALANCE, JUNE 30, 2007</b>			<u>\$ 579,148</u>	

**CITY OF RIO DELL**  
**CDBG FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Intergovernmental	\$ 625,091	\$ 625,091	\$ 485,628	\$ (139,463)
Interest and use of property	<u>3,000</u>	<u>3,000</u>	<u>(961)</u>	<u>(3,961)</u>
<b>Total Revenues</b>	<u>628,091</u>	<u>628,091</u>	<u>484,667</u>	<u>(143,424)</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General Government	33,505	33,505	19,896	13,609
Highways and Streets	-	-	691	(691)
Housing and Community Development	519,955	519,955	208,137	311,818
Capital outlay	<u>-</u>	<u>-</u>	<u>16,891</u>	<u>(16,891)</u>
<b>Total Expenditures</b>	<u>553,460</u>	<u>553,460</u>	<u>245,615</u>	<u>307,845</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>74,631</u>	<u>74,631</u>	<u>239,052</u>	<u>164,421</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfers in	-	-	26,540	(26,540)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(882)</u>	<u>882</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>25,658</u>	<u>(25,658)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 74,631</u>	<u>\$ 74,631</u>	<u>264,710</u>	<u>\$ (190,079)</u>
<b>FUND BALANCE, JULY 1, 2006</b>			<u>659,944</u>	
<b>FUND BALANCE, JUNE 30, 2007</b>			<u>\$ 924,654</u>	



**CITY OF RIO DELL**  
**DWR INFRASTRUCTURE PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 692,331	\$ (307,669)
<b>Total Revenues</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>692,331</u>	<u>(307,669)</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General Government	517	517	-	517
Capital outlay	<u>1,026,670</u>	<u>1,026,670</u>	<u>-</u>	<u>1,026,670</u>
<b>Total Expenditures</b>	<u>1,027,187</u>	<u>1,027,187</u>	<u>-</u>	<u>1,027,187</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(27,187)</u>	<u>(27,187)</u>	<u>692,331</u>	<u>719,518</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(811,375)</u>	<u>(811,375)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (27,187)</u>	<u>\$ (27,187)</u>	<u>(119,044)</u>	<u>\$ (91,857)</u>
<b>FUND BALANCE, JULY 1, 2006</b>			<u>-</u>	
<b>FUND BALANCE, JUNE 30, 2007</b>			<u>\$ (119,044)</u>	

**CITY OF RIO DELL**  
**DHS INFILTRATION GALLERY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 1,038,018	\$ 38,018
Interest and use of property	-	-	3,921	3,921
<b>Total Revenues</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,041,939</u>	<u>41,939</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General Government	1,075	1,075	-	1,075
Capital outlay	<u>1,207,550</u>	<u>1,207,550</u>	-	<u>1,207,550</u>
<b>Total Expenditures</b>	<u>1,208,625</u>	<u>1,208,625</u>	-	<u>1,208,625</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(208,625)</u>	<u>(208,625)</u>	<u>1,041,939</u>	<u>1,250,564</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds from Issuance of Debt	-	-	307,398	307,398
Operating Transfers Out	-	-	<u>(1,180,684)</u>	<u>(1,180,684)</u>
<b>Total Other Financing Sources (Uses)</b>	-	-	<u>(873,286)</u>	<u>(873,286)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (208,625)</u>	<u>\$ (208,625)</u>	<u>168,653</u>	<u>\$ 377,278</u>
<b>FUND BALANCE, JULY 1, 2006</b>			-	
<b>FUND BALANCE, JUNE 30, 2007</b>			<u>\$ 168,653</u>	

**SUPPLEMENTARY INFORMATION**

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

<b><u>ASSETS</u></b>	<b><u>Animal Control</u></b>	<b><u>Rural Community Assistance</u></b>	<b><u>Gas Tax</u></b>
Cash and Investments	\$ -	\$ -	\$ 165,662
Interest Receivable	-	-	298
Prepaid Expenses	-	-	3,674
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>169,634</b>
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 169,634</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	-	-	26,412
Due to Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>26,412</b>
FUND BALANCES:			
Unreserved: Undesignated	-	-	143,222
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>143,222</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 169,634</b>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

<b><u>ASSETS</u></b>	<b><u>TDA</u></b>	<b><u>Traffic Safety</u></b>	<b><u>ISTEA</u></b>
Cash and Investments	\$ 95,495	\$ 15,835	\$ -
Interest Receivable	172	29	-
Prepaid Expenses	<u>2,005</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>97,672</u>	<u>15,864</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 97,672</u>	<u>\$ 15,864</u>	<u>\$ -</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	6,498	-	-
Due to Other Funds	<u>-</u>	<u>-</u>	<u>1,790</u>
<b>TOTAL LIABILITIES</b>	<u>6,498</u>	<u>-</u>	<u>1,790</u>
FUND BALANCES:			
Unreserved: Undesignated	<u>91,174</u>	<u>15,864</u>	<u>(1,790)</u>
<b>TOTAL FUND BALANCES</b>	<u>91,174</u>	<u>15,864</u>	<u>(1,790)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 97,672</u>	<u>\$ 15,864</u>	<u>\$ -</u>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Solid Waste</u>	<u>FEMA/OES</u>	<u>Special Law Enforcement Service</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 19,411	\$ -	\$ 21,110
Interest Receivable	35	-	38
Prepaid Expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>19,446</u>	<u>-</u>	<u>21,148</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,446</u>	<u>\$ -</u>	<u>\$ 21,148</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	14,493	-	518
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>14,493</u>	<u>-</u>	<u>518</u>
FUND BALANCES:			
Unreserved: Undesignated	<u>4,953</u>	<u>-</u>	<u>20,630</u>
<b>TOTAL FUND BALANCES</b>	<u>4,953</u>	<u>-</u>	<u>20,630</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 19,446</u>	<u>\$ -</u>	<u>\$ 21,148</u>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Local Law Enforcement Block Grant</u>	<u>Vehicle Abatement</u>	<u>Peace Officer Standards &amp; Training</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 2,701	\$ 9,166	\$ -
Interest Receivable	21	17	-
Prepaid Expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>2,722</u>	<u>9,183</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,722</u>	<u>\$ 9,183</u>	<u>\$ -</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	-	(1)	-
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>(1)</u>	<u>-</u>
FUND BALANCES:			
Unreserved: Undesignated	<u>2,722</u>	<u>9,184</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>2,722</u>	<u>9,184</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,722</u>	<u>\$ 9,183</u>	<u>\$ -</u>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Drug Abuse Resistance Education</u>	<u>Street &amp; Transportation Improvement</u>	<u>California Law Enforcement Technology &amp; Equipment Program</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ -	\$ -	\$ 434
Interest Receivable	-	-	1
Prepaid Expenses	-	-	-
<b>Total Current Assets</b>	<u>-</u>	<u>-</u>	<u>435</u>
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	-	8,278	-
Due to Other Funds	-	<u>11,700</u>	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>19,978</u>	<u>-</u>
FUND BALANCES:			
Unreserved: Undesignated	-	<u>(19,978)</u>	<u>435</u>
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>(19,978)</u>	<u>435</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435</u>



**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

<u><b>ASSETS</b></u>	<u>Prop 204</u>	<u>Clean Water Grant Well #6</u>	<u>Recycling</u>
Cash and Investments	\$ -	\$ -	\$ 14,473
Interest Receivable	-	-	26
Prepaid Expenses	-	-	-
<b>Total Current Assets</b>	<u>-</u>	<u>-</u>	<u>14,499</u>
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,499</u>
<u><b>LIABILITIES AND FUND BALANCES</b></u>			
LIABILITIES:			
Accounts Payable	-	-	346
Due to Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>346</u>
FUND BALANCES:			
Unreserved: Undesignated	-	-	14,153
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>14,153</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,499</u>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Weed Abatement</u>	<u>Code Enforcement</u>	<u>DWR Grant</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ -	\$ -	\$ -
Interest Receivable	-	-	-
Prepaid Expenses	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	-	-	-
Due to Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
FUND BALANCES:			
Unreserved: Undesignated	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Winter Storm Damage</u>	<u>Water Pump Replacement</u>	<u>TEA-21</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ -	\$ -	\$ -
Interest Receivable	-	-	-
Prepaid Expenses	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	-	-	-
Due to Other Funds	129,851	-	-
<b>TOTAL LIABILITIES</b>	<b>129,851</b>	<b>-</b>	<b>-</b>
FUND BALANCES:			
Unreserved: Undesignated	(129,851)	-	-
<b>TOTAL FUND BALANCES</b>	<b>(129,851)</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Water Feasibility Study</u>	<u>Brownfield Grant EPA</u>	<u>Clean Water Grant Match</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ -	\$ -	\$ -
Interest Receivable	-	-	-
Prepaid Expenses	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Accounts Payable	-	32,300	-
Due to Other Funds	-	17	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>32,317</b>	<b>-</b>
FUND BALANCES:			
Unreserved: Undesignated	-	(32,317)	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>(32,317)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

<b><u>ASSETS</u></b>	<b><u>Fund 90</u></b>	<b><u>Totals</u></b>
Cash and Investments	\$ 8,763	\$ 353,050
Interest Receivable	16	653
Prepaid Expenses	<u>-</u>	<u>5,679</u>
<b>Total Current Assets</b>	<b><u>8,779</u></b>	<b><u>359,382</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,779</u></b>	<b><u>\$ 359,382</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
LIABILITIES:		
Accounts Payable	-	88,844
Due to Other Funds	<u>-</u>	<u>143,358</u>
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>232,202</u></b>
FUND BALANCES:		
Unreserved: Undesignated	<u>8,779</u>	<u>127,180</u>
<b>TOTAL FUND BALANCES</b>	<b><u>8,779</u></b>	<b><u>127,180</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 8,779</u></b>	<b><u>\$ 359,382</u></b>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Animal Control</u>	<u>Rural Community Assistance</u>	<u>Gas Tax</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ 67,007
Charges for Services	2,491	-	-
Intergovernmental	-	-	27,743
Licenses, permits, and franchise fees	-	-	-
Interest and use of property	-	-	298
	<u>-</u>	<u>-</u>	<u>298</u>
<b>Total Revenues</b>	<u>2,491</u>	<u>-</u>	<u>95,048</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	-	42
Public Safety	-	-	-
Highways and Streets	-	-	60,039
Housing and Community Development	-	-	-
Public Services	-	-	-
Capital Outlay	-	-	20,067
	<u>-</u>	<u>-</u>	<u>20,067</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>80,148</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>2,491</u>	<u>-</u>	<u>14,900</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	42,418	18,215	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>42,418</u>	<u>18,215</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>44,909</u>	<u>18,215</u>	<u>14,900</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>(44,909)</u>	<u>(18,215)</u>	<u>128,322</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,222</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>TDA</u>	<u>Traffic Safety</u>	<u>ISTEA</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ 100,035	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	-	16,091
Licenses, permits, and franchise fees	-	1,101	-
Interest and use of property	172	29	-
	<u>172</u>	<u>29</u>	<u>-</u>
<b>Total Revenues</b>	<u>100,207</u>	<u>1,130</u>	<u>16,091</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	120,245	-	-
Public Safety	-	-	-
Highways and Streets	20	-	-
Housing and Community Development	-	-	-
Public Services	-	-	-
Capital Outlay	3,036	-	-
	<u>3,036</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>123,301</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(23,094)</u>	<u>1,130</u>	<u>16,091</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(23,094)</u>	<u>1,130</u>	<u>16,091</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>114,268</u>	<u>14,734</u>	<u>(17,881)</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ 91,174</u>	<u>\$ 15,864</u>	<u>\$ (1,790)</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Solid Waste</u>	<u>FEMA/OES</u>	<u>Special Law Enforcement Service</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	-	100,069
Licenses, permits, and franchise fees	4,668	-	-
Interest and use of property	35	-	38
	<u>4,703</u>	<u>-</u>	<u>100,107</u>
<b>Total Revenues</b>	<u>4,703</u>	<u>-</u>	<u>100,107</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	592	-	-
Public Safety	-	-	199,760
Highways and Streets	-	-	-
Housing and Community Development	-	-	-
Public Services	19,183	-	-
Capital Outlay	-	-	-
	<u>19,775</u>	<u>-</u>	<u>199,760</u>
<b>Total Expenditures</b>	<u>19,775</u>	<u>-</u>	<u>199,760</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(15,072)</u>	<u>-</u>	<u>(99,653)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	-	24,882	-
Transfers Out	-	-	-
	<u>-</u>	<u>24,882</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>24,882</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(15,072)</u>	<u>24,882</u>	<u>(99,653)</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>20,025</u>	<u>(24,882)</u>	<u>120,283</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ 4,953</u>	<u>\$ -</u>	<u>\$ 20,630</u>



**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Local Law Enforcement Block Grant</u>	<u>Vehicle Abatement</u>	<u>Peace Officer Standards &amp; Training</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	(1)	-	1,918
Licenses, permits, and franchise fees	-	4,888	-
Interest and use of property	21	17	-
	<u>20</u>	<u>4,905</u>	<u>1,918</u>
<b>Total Revenues</b>	<u>20</u>	<u>4,905</u>	<u>1,918</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	-	-
Public Safety	-	2,827	-
Highways and Streets	-	-	-
Housing and Community Development	-	-	-
Public Services	-	-	-
Capital Outlay	-	-	-
	<u>-</u>	<u>2,827</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>2,827</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>20</u>	<u>2,078</u>	<u>1,918</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	-	-	-
Transfers Out	-	-	(5,702)
	<u>-</u>	<u>-</u>	<u>(5,702)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(5,702)</u>
<b>Net Change in Fund Balance</b>	<u>20</u>	<u>2,078</u>	<u>(3,784)</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>2,702</u>	<u>7,106</u>	<u>3,784</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ 2,722</u>	<u>\$ 9,184</u>	<u>\$ -</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Drug Abuse Resistance Education</u>	<u>Street &amp; Transportation Improvement</u>	<u>California Law Enforcement Technology &amp; Equipment Program</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	-	-
Licenses, permits, and franchise fees	-	-	-
Interest and use of property	-	-	1
	<u>-</u>	<u>-</u>	<u>1</u>
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>1</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	62,400	-
Public Safety	-	-	874
Highways and Streets	-	-	-
Housing and Community Development	-	-	-
Public Services	-	-	-
Capital Outlay	-	16,078	-
	<u>-</u>	<u>16,078</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>78,478</u>	<u>874</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>(78,478)</u>	<u>(873)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	-	33,177	-
Transfers Out	(21,335)	-	-
	<u>(21,335)</u>	<u>33,177</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(21,335)</u>	<u>33,177</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(21,335)</u>	<u>(45,301)</u>	<u>(873)</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>21,335</u>	<u>25,323</u>	<u>1,308</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ -</u>	<u>\$ (19,978)</u>	<u>\$ 435</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prop 204</u>	<u>Clean Water Grant Well #6</u>	<u>Recycling</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	-	23,451
Licenses, permits, and franchise fees	-	-	-
Interest and use of property	-	-	26
	<u>-</u>	<u>-</u>	<u>26</u>
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>23,477</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	-	1,455
Public Safety	-	-	-
Highways and Streets	-	-	-
Housing and Community Development	-	-	7,783
Public Services	-	-	-
Capital Outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>9,238</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>-</u>	<u>14,239</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	-	88	-
Transfers Out	(81,289)	-	-
	<u>(81,289)</u>	<u>88</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(81,289)</u>	<u>88</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(81,289)</u>	<u>88</u>	<u>14,239</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>81,289</u>	<u>(88)</u>	<u>(86)</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,153</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Weed Abatement</u>	<u>Code Enforcement</u>	<u>DWR Grant</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	-	-
Licenses, permits, and franchise fees	-	-	-
Interest and use of property	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	14	-
Public Safety	-	-	-
Highways and Streets	-	-	-
Housing and Community Development	-	-	-
Public Services	-	-	-
Capital Outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>14</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>(14)</u>	<u>-</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	8,207	1,446	5,367
Transfers Out	-	-	-
	<u>8,207</u>	<u>1,446</u>	<u>5,367</u>
<b>Total Other Financing Sources (Uses)</b>	<u>8,207</u>	<u>1,446</u>	<u>5,367</u>
<b>Net Change in Fund Balance</b>	<u>8,207</u>	<u>1,432</u>	<u>5,367</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>(8,207)</u>	<u>(1,432)</u>	<u>(5,367)</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Winter Storm Damage</u>	<u>Water Pump Replacement</u>	<u>TEA-21</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	-	-
Licenses, permits, and franchise fees	-	-	-
Interest and use of property	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	-	-
Public Safety	-	-	-
Highways and Streets	-	-	-
Housing and Community Development	70,738	-	-
Public Services	-	-	-
Capital Outlay	(4,256)	-	-
	<u>66,482</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>66,482</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(66,482)</u>	<u>-</u>	<u>-</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	-	-	133,199
Transfers Out	-	(26,540)	-
	<u>-</u>	<u>(26,540)</u>	<u>133,199</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(26,540)</u>	<u>133,199</u>
<b>Net Change in Fund Balance</b>	<u>(66,482)</u>	<u>(26,540)</u>	<u>133,199</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>(63,369)</u>	<u>26,540</u>	<u>(133,199)</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ (129,851)</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Water Feasibility Study</u>	<u>Brownfield Grant EPA</u>	<u>Clean Water Grant Match</u>
<b><u>REVENUES</u></b>			
Taxes			
Gas	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Intergovernmental	-	66,071	-
Licenses, permits, and franchise fees	-	-	-
Interest and use of property	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>-</u>	<u>66,071</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>			
Current			
General Government	-	90,582	-
Public Safety	-	-	-
Highways and Streets	-	-	-
Housing and Community Development	-	-	-
Public Services	-	-	-
Capital Outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>90,582</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>(24,511)</u>	<u>-</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	123,303	-	205
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>123,303</u>	<u>-</u>	<u>205</u>
<b>Net Change in Fund Balance</b>	<u>123,303</u>	<u>(24,511)</u>	<u>205</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>(123,303)</u>	<u>(7,806)</u>	<u>(205)</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ -</u>	<u>\$ (32,317)</u>	<u>\$ -</u>

**CITY OF RIO DELL**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Fund 90</u>	<u>Totals</u>
<b><u>REVENUES</u></b>		
Taxes		
Gas	\$ -	\$ 167,042
Charges for Services	-	2,491
Intergovernmental	10,000	245,342
Licenses, permits, and franchise fees	-	10,657
Interest and use of property	<u>16</u>	<u>653</u>
<b>Total Revenues</b>	<u>10,016</u>	<u>426,185</u>
<b><u>EXPENDITURES</u></b>		
Current		
General Government	1,237	276,567
Public Safety	-	203,461
Highways and Streets	-	60,059
Housing and Community Development	-	78,521
Public Services	-	19,183
Capital Outlay	<u>-</u>	<u>34,925</u>
<b>Total Expenditures</b>	<u>1,237</u>	<u>672,716</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>8,779</u>	<u>(246,531)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Transfers In	-	390,507
Transfers Out	<u>-</u>	<u>(134,866)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>255,641</u>
<b>Net Change in Fund Balance</b>	<u>8,779</u>	<u>9,110</u>
<b>FUND BALANCES, JULY 1, 2006</b>	<u>-</u>	<u>118,070</u>
<b>FUND BALANCES, JUNE 30, 2007</b>	<u>\$ 8,779</u>	<u>\$ 127,180</u>

**CITY OF RIO DELL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<b>Environmental Protection Agency</b>		
DHS Safe Drinking Water State Revolving Fund	66.468	\$ 1,180,684
Brownfield Assessment and Cooperative Grant	66.818	90,582
<b>Office of Community Planning and Development, Department of Housing and Urban Development</b>		
Community Development Block Grants	14.248	<u>245,615</u>
		<u>\$ 1,516,881</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor and Members of the City Council  
City of Rio Dell  
Rio Dell, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Dell (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents and have issued our report thereon dated October 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the City of Rio Dell as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Rio Dell's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rio Dell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rio Dell's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

The City of Rio Dell does not have adequate controls over the year end financial reporting process to ensure the proper conversion from fund financial statements to full accrual GASB 34 financial reporting.

**PRINCIPALS**

Chris A. Mann, CPA, CFP John R. Urrutia, CPA Michelle O. Nelson, CPA, CFE, CVA Christine L. Collins, EA  
Kriss Ann Mann, CPA, CCPS Justin J. Williams, CPA

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rio Dell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Rio Dell in a separate letter dated October 23, 2007.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mann, Urrutia, Nelson CPAs*

Sacramento, California  
October 23, 2007

#### **PRINCIPALS**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133**

The Honorable Mayor and Members of the City Council  
City of Rio Dell  
Rio Dell, California

We have audited the compliance of the City of Rio Dell with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Rio Dell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Rio Dell's management. Our responsibility is to express an opinion on the City of Rio Dell's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rio Dell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Rio Dell's compliance with those requirements.

In our opinion, the City of Rio Dell complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Rio Dell is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Rio Dell internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**PRINCIPALS**

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This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Mann, Urrutia, Nelson CPAs*

Sacramento, California  
October 23, 2007

**PRINCIPALS**

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**CITY OF RIO DELL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Major programs are as follows: 66.468 DHS Safe Drinking Water State Revolving Fund	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.	None
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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Findings and questioned costs for Federal Awards, which includes audit findings and defined in Section 510(a).	None
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