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**CITY OF RIO DELI  
ANNUAL FINANCIAL REPORT  
AS OF JUNE 30, 2009  
WITH  
INDEPENDENT AUDITOR'S REPORT**



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**CITY OF RIO DELL**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2009**

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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, 2009, 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, 2009, and the respective changes in the financial position and cash flows, where applicable, 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 July 26, 2010 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 grant agreements and other matters. 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 2 through 9 and budgetary comparison information on pages 37 to 39 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.

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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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  
July 26, 2010

### PRINCIPALS

Chris A. Mann, CPA, CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA ♦ Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA ♦ Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**Fiscal Year Ending June 30, 2009 Financial Highlights**

This year's financial highlights reflect the City's continuous efforts to improve the fiscal foundation and increase the level of municipal services provided to the community. Overall net assets and fund balance have increased which indicate the City's financial position is improving.

Efforts to replace and upgrade failing infrastructure remained a priority throughout the year and the City added over one million dollars in fixed assets to the statement of net assets with the continuance of the Sewer Facility and Effluent Disposal, Safe Routes to School, and Water Infrastructure Projects, as well as the completion of the 3rd and 4th Street Paving, and North Wildwood Avenue Paving Rehabilitation Projects. Similar to the prior year, the City continued to pursue community development activities including the Eel River Sawmills Brownfield's research, and Home and CDBG Housing Rehabilitation Programs. In addition, a total of \$189,000 of fully depreciated assets were removed from this year's balance sheet.

**Citywide:**

- At June 30, 2009, the City's net assets totaled \$13,652,002, an increase of \$1,050,665, from the prior year.
- Combined citywide revenues totaled \$4,081,056, including charges for services of \$2,056,124, operating grants and contributions of \$1,070,916, capital grants and contributions of \$536,571, and general revenues in the amount of \$417,445.
- Citywide expenses totaled \$3,030,391, a 9% increase 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
- 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 comprise 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

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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 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 three major funds in 2009: the General Fund, CDBG, and the Street & Transportation Improvement Program.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The comparison of net assets from year to year serves to measure a government's financial position. As of June 30, 2009, assets exceeded liabilities by \$13,652,002 (net assets).

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Net Assets  
Fiscal Year 2008-2009**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
Current and other assets	\$ 3,112,490	\$ 3,578,513	\$ 724,363	\$ 360,966	\$ 3,836,853	\$ 3,939,479
Capital assets	<u>2,208,983</u>	<u>2,649,745</u>	<u>10,128,045</u>	<u>10,337,964</u>	<u>12,337,028</u>	<u>12,987,709</u>
Total assets	<u>5,321,473</u>	<u>6,228,258</u>	<u>10,852,408</u>	<u>10,698,930</u>	<u>16,173,881</u>	<u>16,927,188</u>
Long-term debt	16,041	-	2,960,599	3,027,811	2,976,640	3,027,811
Other liabilities	<u>436,355</u>	<u>196,015</u>	<u>159,549</u>	<u>51,360</u>	<u>595,904</u>	<u>247,375</u>
Total liabilities	<u>452,396</u>	<u>196,015</u>	<u>3,120,148</u>	<u>3,079,171</u>	<u>3,572,544</u>	<u>3,275,186</u>
Net assets:						
Invested in capital assets, net of related debt	2,208,983	2,649,745	7,165,236	7,310,153	9,374,219	9,959,898
Restricted for redevelopment activities	715,958	854,505	-	-	715,958	854,505
Unrestricted	<u>1,944,136</u>	<u>2,527,993</u>	<u>567,024</u>	<u>309,606</u>	<u>2,511,160</u>	<u>2,837,599</u>
Total net assets	<u>\$ 4,869,077</u>	<u>\$ 6,032,243</u>	<u>\$ 7,732,260</u>	<u>\$ 7,619,759</u>	<u>\$ 12,601,337</u>	<u>\$ 13,652,002</u>

The City's total net assets increased by \$1,050,665, or 8% over the prior year.

Net assets of the City's business-type activities decreased by \$112,501 from the prior year, resulting from the disposal of assets and cash reductions.

Governmental activities experienced a \$1,163,166 increase in net assets. Cash and assets increased by 17%, coupled with a 45% decrease in accounts payable as compared to the prior year.

**Changes in Net Assets  
Fiscal Year 2008-2009**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
Total revenues	\$ 2,577,281	\$ 2,663,007	\$ 1,466,485	\$ 1,418,049	\$ 4,043,766	\$ 4,081,056
Total expenses	<u>1,536,153</u>	<u>1,500,765</u>	<u>1,237,739</u>	<u>1,529,626</u>	<u>2,773,892</u>	<u>3,030,391</u>
Excess (deficiency) before transfers	<u>1,041,128</u>	<u>1,162,242</u>	<u>228,746</u>	<u>(111,577)</u>	<u>1,269,874</u>	<u>1,050,665</u>
Transfers	<u>(13,000)</u>	<u>924</u>	<u>13,000</u>	<u>(924)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>1,028,128</u>	<u>1,163,166</u>	<u>241,746</u>	<u>(112,501)</u>	<u>1,269,874</u>	<u>1,050,665</u>
Net assets, beginning	<u>3,840,949</u>	<u>4,869,077</u>	<u>7,490,514</u>	<u>7,732,260</u>	<u>11,331,463</u>	<u>12,601,337</u>
Net assets, ending	<u>\$ 4,869,077</u>	<u>\$ 6,032,243</u>	<u>\$ 7,732,260</u>	<u>\$ 7,619,759</u>	<u>\$ 12,601,337</u>	<u>\$ 13,652,002</u>

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Primary Government Sources of Revenue  
Fiscal Year 2008-2009  
Prior Year Comparison**

	<u>Revenue 2008</u>	<u>Revenue 2009</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities</b>				
Program revenues:				
Charges for services	\$ 741,112	\$ 660,623	\$ (80,489)	(11)%
Grants - operating	743,898	1,059,251	315,353	42 %
Grants - capital	624,888	536,571	(88,317)	(14)%
General revenues:				
Taxes	426,305	389,719	(36,586)	(9)%
Interest and use of property	36,516	16,513	(20,003)	(55)%
Miscellaneous	<u>4,562</u>	<u>330</u>	<u>(4,232)</u>	<u>(93)%</u>
Total governmental revenues	<u>2,577,281</u>	<u>2,663,007</u>	<u>85,726</u>	<u>3 %</u>
<b>Business-type Activities</b>				
Charges for services	1,411,891	1,395,501	(16,390)	(1)%
Grants - operating	47,679	11,665	(36,014)	(76)%
Interest and use of property	6,915	281	(6,634)	(96)%
Gain on disposal	-	10,596	10,596	- %
Miscellaneous	<u>-</u>	<u>6</u>	<u>6</u>	<u>- %</u>
Total business-type revenues	<u>1,466,485</u>	<u>1,418,049</u>	<u>(48,436)</u>	<u>(3)%</u>
Total Citywide revenues	<u>\$ 4,043,766</u>	<u>\$ 4,081,056</u>	<u>\$ 37,290</u>	<u>1 %</u>

As the statement of activities shows, the three primary revenue sources for 2008-09 are charges for services (50%), operating grants and contributions, (26%), and capital grants (13%).

Dramatic variances are common when comparing revenues from year to year as a result of fluctuating grant and special program revenues. Interest and use of Property decreased 96% within the Business-type Activities, and 55% within Governmental Activities. The City's rapid progress on the sewer infrastructure and other capital projects has significantly reduced the City's cash balances and accrued interest on those balances. The result is a significant variance from prior year comparisons relating to interest income.

Governmental Activity Operating Grants Increased by 42%, in comparison to the Business-type activity Operating Grants revenue which decreased by 76%. During the 2008-2009 fiscal-year the City received Operating Grant revenues to fund several activities including the CDBG Housing Rehabilitation Program, the Headwaters Economic Development Strategic Plan as well as road maintenance funds. This year's revenue was significantly higher as a result of additional grant funded projects and their subsequent reimbursements. Within the Business-type activities, Operating Grant revenues were significantly reduced as many prior year funding sources were eliminated, including disaster operations funding from the Office of Emergency Services, and final disbursements from the Water Infrastructure project completed in 2008.

Overall total revenues remained relatively stable when comparing the two years with total Governmental revenues increasing an overall 3%, and Business-type revenues decreasing 3%.



**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Primary Government Expenses  
Fiscal Year 2008-2009  
Prior Year Comparison**

	<u>Expenses 2008</u>	<u>Expenses 2009</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities</b>				
General government	\$ 738,696	\$ 768,461	\$ 29,765	4 %
Public safety	101,252	147,584	46,332	46 %
Highways and streets	202,063	253,791	51,728	26 %
Housing and community development	449,873	288,324	(161,549)	(36)%
Public services	<u>44,269</u>	<u>42,605</u>	<u>(1,664)</u>	<u>(4)%</u>
Total	<u>1,536,153</u>	<u>1,500,765</u>	<u>(35,388)</u>	<u>(2)%</u>
<b>Business-type Activities</b>				
Sewer	538,061	760,739	222,678	41 %
Water	<u>699,678</u>	<u>768,887</u>	<u>69,209</u>	<u>10 %</u>
Total	<u>1,237,739</u>	<u>1,529,626</u>	<u>291,887</u>	<u>24 %</u>
Total Citywide expenses	<u>\$ 2,773,892</u>	<u>\$ 3,030,391</u>	<u>\$ 256,499</u>	<u>9 %</u>

During the 2008-2009 year total citywide expenses increased by 9%. Governmental Activity expenditures decreased overall by 2% primarily the result of the City's Housing Rehabilitation Program coming to a close. Public Safety expenditures reflect a 46% increase due to the additional use of reserves to fund one time purchases within the department in addition to the standard operations expenditures that repeat each year. Several public safety purchases were made in an effort to replenish equipment and expend one time revenues that had been retained by the City for several years. Streets expenditures also increased under similar circumstances as a result of using accumulated reserves to fund one time purchases and projects within the streets department.

The water and sewer expenditures both reflect the increased purchasing ability allowed for by the new rate structures that have been put into place. The largest expenditure increases within the Business-type Activities are sewer expenditures which document an increase of 41% in comparison to the prior year. The increased sewer expenditures during the year are directly related to the additional efforts to proceed with the City's Wastewater Facility and Effluent Disposal Project. The City has applied significant resources to propel the planning and design efforts of the project in hopes of meeting its compliance schedule with the State Water Resources Control Board.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

The City's governmental funds reported a combined fund balance of \$2,049,153, a 30% increase in comparison to the prior year.

The General Fund's fund balance remains relatively stable once again with a marginal increase of 5%

The CDBG Fund balance has increased by 50% and now totals \$858,105. The increased fund balance is the result of many activities including the conclusion and receipt of CDBG paving fund and rehabilitation reimbursements. Activity in Housing Rehabilitation increased the City's Notes Receivable balance as well as the asset total, and current liabilities were significantly less than the prior year; all contributing to the increase in Fund Balance.

The City's Street Transportation Improvement Fund reflects an increased fund balance of 556% or roughly \$327,000, with an ending Fund Balance of \$385,840. During the year the City received funding for streets rehabilitation projects in progress including Safe Routes to School, and Proposition 1b funds for the Rehabilitation of South Wildwood Avenue. The Streets Fund has no liabilities.

Other Governmental Fund Balances decreased by 12%. The decrease in fund balance is most directly related to the reduction in cash within the funds that has been used during the year to fund additional operations and special projects. The total Other Governmental Fund year-end Fund Balance totals \$218,731.

The City's Sewer Fund Net Assets total \$807,562, a 6% increase. The Fund's Net Assets have increased as a result of the construction in progress on the Wastewater Facility and Effluent Disposal Project. Total Liabilities have increased by 21% and total \$443,422 as an additional equipment lease was added to the balance sheet during the year.

**General Fund Budgetary Highlights**

General Fund revenues proved to be significantly higher than originally anticipated with year-end totals exceeding projections by 23%. Fund closures and grant revenues represented 43% of the increase. The State's increased vehicle license fees resulted in the City's revenues increasing and represent 17% of the overall General Fund revenue increase. Many of the other General Fund revenues increased including property taxes, franchise fees, and sales taxes, all contributing to the overall total. General Fund expenditures remained relatively true to projections exceeding estimates by 1%.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Capital Assets**

**Capital Assets  
Fiscal Year 2008-2009  
Prior Year Comparison**

	<u>Capital Assets 2008</u>	<u>Capital Assets 2009</u>	<u>Variance</u>	<u>% Change</u>
<b>Governmental Activities (Less accumulated depreciation)</b>				
Land	\$ 378,885	\$ 378,885	\$ -	- %
Construction in progress	1,144,099	91,257	(1,052,842)	(92)%
Equipment	61,866	62,081	215	- %
Vehicles	28,687	25,281	(3,406)	(12)%
Streets and roads	443,074	433,228	(9,846)	(2)%
Infrastructure	<u>152,372</u>	<u>1,659,013</u>	<u>1,506,641</u>	<u>989 %</u>
<b>Total</b>	<b><u>\$ 2,208,983</u></b>	<b><u>\$ 2,649,745</u></b>	<b><u>\$ 440,762</u></b>	<b><u>20 %</u></b>
<b>Business-type Activities (Less accumulated depreciation)</b>				
Land	\$ 252,715	\$ 252,715	\$ -	- %
Construction in progress	9,358,819	9,632,781	273,962	3 %
Buildings and improvements	44,756	40,453	(4,303)	(10)%
Equipment	218,716	84,531	(134,185)	(61)%
Vehicles	4,322	91,240	86,918	2,011 %
Infrastructure	<u>248,717</u>	<u>236,244</u>	<u>(12,473)</u>	<u>(5)%</u>
<b>Total</b>	<b><u>\$ 10,128,045</u></b>	<b><u>\$ 10,337,964</u></b>	<b><u>\$ 209,919</u></b>	<b><u>2 %</u></b>

The City experienced the following changes within its capital assets during the 2008-2009 fiscal-year:

**Governmental Activities:**

- Completed 3rd and 4th Street Paving Construction in Progress in the amount of \$1,052,842 was transferred to Infrastructure, in conjunction with completed Wildwood Avenue Paving added directly to Infrastructure bringing the ending balance to \$1,659,013.
- Annual depreciation was recorded.

**Business-Type Activities:**

- Sewer Facility and Effluent Disposal progress was added to Construction in Progress.
- The City leased a new Backhoe.
- \$165k in machinery and equipment was disposed of during the year.
- Annual depreciation was recorded.

**CITY OF RIO DELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Long-Term Liabilities**

<b>Long-Term Liabilities Fiscal Year 2008-2009 Prior Year Comparison</b>				
	<b>Long-Term Liabilities 2008</b>	<b>Long-Term Liabilities 2009</b>	<b>Variance</b>	<b>% Change</b>
<b>Governmental Activities</b>				
Compensated absences	18,228	24,881	6,653	36 %
<b>Total</b>	\$ 18,228	\$ 24,881	\$ 6,653	36 %
<b>Business-type Activities</b>				
DHS Infiltration Gallery Loan	\$ 2,720,000	\$ 2,720,000	\$ -	- %
FMHA Sewer Assessment Bonds	240,000	220,000	(20,000)	(8)%
Capital leases	-	87,811	87,811	- %
Compensated absences	23,408	23,651	243	1 %
<b>Total</b>	\$ 2,983,408	\$ 3,051,462	\$ 68,054	2 %

**Governmental Activities:**

- Compensated absences increased by 36%.

**Business-Type Activities:**

- DHS Infiltration Gallery Loan payments are deferred with the first payment scheduled for July 2010.
- The City continues to make annual payments on the Sewer Assessment Bonds of 1978.
- The City added a capital lease to acquire a new backhoe.

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

The current California State budget crisis and continued economic downturn has many implications for local municipalities. The City has established significant reserves which has assisted the City in stabilizing the operations and capital budgets and backfilling revenues temporarily and permanently illuminated by the State.

The City continues to analyze its revenues and expenditures in search of a sustainability plan to ensure long-term stability for public service within the community.

**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.

**CITY OF RIO DELL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and investments (Note 2)	\$ 1,326,064	\$ 7,261	\$ 1,333,325
Accounts and grants receivable	97,698	148,607	246,305
Grants receivable	216,909	561,890	778,799
Interest receivable	1,081	1	1,082
Internal balances	576,793	(576,793)	-
Notes receivable (Note 4)	1,359,968	-	1,359,968
Assessments receivable	-	220,000	220,000
Capital assets, net (Note 3)	<u>2,649,745</u>	<u>10,337,964</u>	<u>12,987,709</u>
<b>TOTAL ASSETS</b>	<u>6,228,258</u>	<u>10,698,930</u>	<u>16,927,188</u>
 <b><u>LIABILITIES</u></b>			
Accounts payable	140,341	55	140,396
Accrued expenses	30,793	2,076	32,869
Customer deposits	-	25,578	25,578
Accrued compensated absences (Note 6):			
Due within one year	1,715	9,719	11,434
Due in more than one year	23,166	13,932	37,098
Long-term liabilities (Note 6):			
Due within one year	-	38,393	38,393
Due in more than one year	<u>-</u>	<u>2,989,418</u>	<u>2,989,418</u>
<b>TOTAL LIABILITIES</b>	<u>196,015</u>	<u>3,079,171</u>	<u>3,275,186</u>
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	2,649,745	7,310,153	9,959,898
Restricted for redevelopment activities	854,505	-	854,505
Unrestricted	<u>2,527,993</u>	<u>309,606</u>	<u>2,837,599</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 6,032,243</u>	<u>\$ 7,619,759</u>	<u>\$ 13,652,002</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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	\$ 768,461	\$ 17,293	\$ 50,044	\$ -	\$ (701,124)	\$ -	\$ (701,124)
Public safety	147,584	14,598	99,134	-	(33,852)	-	(33,852)
Highways and streets	253,791	324,062	-	508,794	579,065	-	579,065
Housing and community development	288,324	216,229	877,525	-	805,430	-	805,430
Public services	<u>42,605</u>	<u>88,441</u>	<u>32,548</u>	<u>27,777</u>	<u>106,161</u>	-	<u>106,161</u>
<b>Total government activities</b>	<u>1,500,765</u>	<u>660,623</u>	<u>1,059,251</u>	<u>536,571</u>	<u>755,680</u>	-	<u>755,680</u>
<b>Business-type activities:</b>							
Sewer	760,739	799,296	-	-	-	38,557	38,557
Water	<u>768,887</u>	<u>596,205</u>	<u>11,665</u>	-	-	<u>(161,017)</u>	<u>(161,017)</u>
<b>Total business-type activities</b>	<u>1,529,626</u>	<u>1,395,501</u>	<u>11,665</u>	-	-	<u>(122,460)</u>	<u>(122,460)</u>
<b>Total primary government</b>	<u>\$ 3,030,391</u>	<u>\$ 2,056,124</u>	<u>\$ 1,070,916</u>	<u>\$ 536,571</u>	<u>\$ 755,680</u>	<u>\$ (122,460)</u>	<u>\$ 633,220</u>
<b>General revenues:</b>							
Taxes:							
Property					\$ 96,870	\$ -	\$ 96,870
Sales					112,574	-	112,574
Occupancy					8,960	-	8,960
Use					25	-	25
Gas					171,290	-	171,290
Interest and use of property					16,513	281	16,794
Miscellaneous					330	6	336
Gain on disposal of capital assets					-	10,596	10,596
Transfers					<u>924</u>	<u>(924)</u>	-
<b>Total General Revenues and transfers</b>					<u>407,486</u>	<u>9,959</u>	<u>417,445</u>
<b>Change in Net Assets</b>					<u>1,163,166</u>	<u>(112,501)</u>	<u>1,050,665</u>
<b>NET ASSETS, JULY 1, 2008</b>					<u>4,869,077</u>	<u>7,732,260</u>	<u>12,601,337</u>
<b>NET ASSETS, JUNE 30, 2009</b>					<u>\$ 6,032,243</u>	<u>\$ 7,619,759</u>	<u>\$ 13,652,002</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<b>General Fund</b>	<b>CDBG</b>	<b>Street &amp; Transportation Improvement Program</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 92,574	\$ 749,281	\$ 277,940	\$ 206,269	\$ 1,326,064
Accounts receivable	42,017	-	-	55,681	97,698
Grants receivable	3,000	106,013	107,896	-	216,909
Interest receivable	6	1,069	4	2	1,081
Due from other funds	620,014	-	-	-	620,014
Notes receivable	-	1,359,968	-	-	1,359,968
	-	1,359,968	-	-	1,359,968
<b>TOTAL ASSETS</b>	<b>\$ 757,611</b>	<b>\$ 2,216,331</b>	<b>\$ 385,840</b>	<b>\$ 261,952</b>	<b>\$ 3,621,734</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 140,341	\$ -	\$ -	\$ -	\$ 140,341
Due to other funds	-	-	-	43,221	43,221
Accrued expenses	30,793	-	-	-	30,793
Deferred revenue	-	1,358,226	-	-	1,358,226
	-	1,358,226	-	-	1,358,226
<b>TOTAL LIABILITIES</b>	<b>171,134</b>	<b>1,358,226</b>	<b>-</b>	<b>43,221</b>	<b>1,572,581</b>
<b>FUND BALANCES</b>					
Unreserved, reported in:					
General fund	586,477	-	-	-	586,477
Special revenue funds	-	858,105	385,840	218,731	1,462,676
	586,477	858,105	385,840	218,731	2,049,153
<b>TOTAL FUND BALANCES</b>	<b>586,477</b>	<b>858,105</b>	<b>385,840</b>	<b>218,731</b>	<b>2,049,153</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 757,611</b>	<b>\$ 2,216,331</b>	<b>\$ 385,840</b>	<b>\$ 261,952</b>	<b>\$ 3,621,734</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, 2009

Fund balance - total governmental funds	\$ 2,049,153
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$665,531	2,649,745
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities	1,358,226
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated Absences	<u>(24,881)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 6,032,243</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, 2009**

	<b>General Fund</b>	<b>CDBG</b>	<b>Street &amp; Tran- sportation Improve- ment Program</b>	<b>Other Govern- mental Funds</b>	<b>Totals</b>
<b><u>REVENUES</u></b>					
Taxes:					
Property	\$ 96,870	\$ -	\$ -	\$ -	\$ 96,870
Sales	112,574	-	-	-	112,574
Occupancy	8,960	-	-	-	8,960
Use	25	-	-	-	25
Gas	-	-	-	171,290	171,290
Intergovernmental	58,728	877,525	508,794	150,775	1,595,822
Licenses, permits, and franchise fees	463,206	-	-	13,575	476,781
Interest and use of property	9,833	4,649	1,220	811	16,513
Miscellaneous	329	-	-	1	330
<b>Total Revenues</b>	<b><u>750,525</u></b>	<b><u>882,174</u></b>	<b><u>510,014</u></b>	<b><u>336,452</u></b>	<b><u>2,479,165</u></b>
<b><u>EXPENDITURES</u></b>					
Current operations:					
General government	681,062	-	-	15,738	696,800
Public safety	3,283	-	-	128,339	131,622
Highways and streets	229	-	-	196,287	196,516
Housing and community development	-	262,973	-	2,132	265,105
Public services	391	-	-	17,194	17,585
Capital outlay	<u>52,372</u>	<u>331,598</u>	<u>182,969</u>	<u>60,307</u>	<u>627,246</u>
<b>Total Expenditures</b>	<b><u>737,337</u></b>	<b><u>594,571</u></b>	<b><u>182,969</u></b>	<b><u>419,997</u></b>	<b><u>1,934,874</u></b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b><u>13,188</u></b>	<b><u>287,603</u></b>	<b><u>327,045</u></b>	<b><u>(83,545)</u></b>	<b><u>544,291</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Operating transfers in	17,084	-	-	-	17,084
Operating transfers out	-	-	-	(16,160)	(16,160)
<b>Total Other Financing Sources (Uses)</b>	<b><u>17,084</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(16,160)</u></b>	<b><u>924</u></b>
<b>Net Change in Fund Balance</b>	<b><u>30,272</u></b>	<b><u>287,603</u></b>	<b><u>327,045</u></b>	<b><u>(99,705)</u></b>	<b><u>545,215</u></b>
<b>FUND BALANCE, JULY 1, 2008</b>	<b><u>556,205</u></b>	<b><u>570,502</u></b>	<b><u>58,795</u></b>	<b><u>318,436</u></b>	<b><u>1,503,938</u></b>
<b>FUND BALANCE, JUNE 30, 2009</b>	<b><u>\$ 586,477</u></b>	<b><u>\$ 858,105</u></b>	<b><u>\$ 385,840</u></b>	<b><u>\$ 218,731</u></b>	<b><u>\$ 2,049,153</u></b>

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, 2009**

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	\$	545,215
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		512,716
Depreciation expense		(71,954)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue		183,842
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 compensated absences		<u>(6,653)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>1,163,166</u></b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 7,261	\$ -	\$ 7,261
Accounts receivable	77,915	70,692	148,607
Grants receivable	12,989	548,901	561,890
Interest receivable	<u>1</u>	<u>-</u>	<u>1</u>
<b>Total Current Assets</b>	<b><u>98,166</u></b>	<b><u>619,593</u></b>	<b><u>717,759</u></b>
Long-term assets:			
Assessments receivable, net of current portion	<u>220,000</u>	<u>-</u>	<u>220,000</u>
Capital Assets:			
Construction in progress	554,466	9,078,315	9,632,781
Land	252,715	-	252,715
Buildings & improvements	-	129,100	129,100
Infrastructure	-	379,774	379,774
Machinery, vehicles & equipment	281,273	693,260	974,533
Less: accumulated depreciation	<u>(155,636)</u>	<u>(875,303)</u>	<u>(1,030,939)</u>
Capital assets, net	<u>932,818</u>	<u>9,405,146</u>	<u>10,337,964</u>
<b>Total Long-Term Assets</b>	<b><u>1,152,818</u></b>	<b><u>9,405,146</u></b>	<b><u>10,557,964</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,250,984</u></b>	<b><u>\$ 10,024,739</u></b>	<b><u>\$ 11,275,723</u></b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ -	\$ 55	\$ 55
Accrued interest	1,038	1,038	2,076
Due to other funds	154,460	422,333	576,793
Customer deposits	<u>11,969</u>	<u>13,609</u>	<u>25,578</u>
<b>Total Current Liabilities</b>	<b><u>167,467</u></b>	<b><u>437,035</u></b>	<b><u>604,502</u></b>
Long-term liabilities:			
Accrued compensated absences	12,050	11,601	23,651
Notes and bonds payable	<u>263,905</u>	<u>2,763,906</u>	<u>3,027,811</u>
<b>Total Long-Term Liabilities</b>	<b><u>275,955</u></b>	<b><u>2,775,507</u></b>	<b><u>3,051,462</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>443,422</u></b>	<b><u>3,212,542</u></b>	<b><u>3,655,964</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	668,913	6,641,240	7,310,153
Unrestricted	<u>138,649</u>	<u>170,957</u>	<u>309,606</u>
<b>TOTAL NET ASSETS</b>	<b><u>807,562</u></b>	<b><u>6,812,197</u></b>	<b><u>7,619,759</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,250,984</u></b>	<b><u>\$ 10,024,739</u></b>	<b><u>\$ 11,275,723</u></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, 2009**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b><u>OPERATING REVENUES</u></b>			
Sale of water	\$ -	\$ 568,451	\$ 568,451
Service fees	795,846	1,840	797,686
Grant revenue	-	11,665	11,665
Connection fees	3,450	11,260	14,710
Late fees	-	14,654	14,654
Other revenue	<u>3</u>	<u>3</u>	<u>6</u>
<b>Total Operating Revenues</b>	<u>799,299</u>	<u>607,873</u>	<u>1,407,172</u>
<b><u>OPERATING EXPENSES</u></b>			
Personnel	306,429	314,198	620,627
Insurance	45,736	30,385	76,121
Utilities	39,405	58,637	98,042
Maintenance and operations	305,347	233,266	538,613
Depreciation	<u>49,129</u>	<u>129,708</u>	<u>178,837</u>
<b>Total Operating Expenses</b>	<u>746,046</u>	<u>766,194</u>	<u>1,512,240</u>
<b>Operating Income/(Loss)</b>	<u>53,253</u>	<u>(158,321)</u>	<u>(105,068)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Transfers out	-	(924)	(924)
Gain on sale of assets	5,596	5,000	10,596
Interest income	281	-	281
Interest expense	<u>(14,693)</u>	<u>(2,693)</u>	<u>(17,386)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(8,816)</u>	<u>1,383</u>	<u>(7,433)</u>
<b>Change in Net Assets</b>	<u>44,437</u>	<u>(156,938)</u>	<u>(112,501)</u>
<b>NET ASSETS, JULY 1, 2008</b>	<u>763,125</u>	<u>6,969,135</u>	<u>7,732,260</u>
<b>NET ASSETS, JUNE 30, 2009</b>	<u>\$ 807,562</u>	<u>\$ 6,812,197</u>	<u>\$ 7,619,759</u>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers	\$ 817,927	\$ 612,604	\$ 1,430,531
Cash received from governments	-	11,665	11,665
Cash paid to suppliers	(490,389)	(334,779)	(825,168)
Cash paid to employees	(306,323)	(314,061)	(620,384)
	<b>21,215</b>	<b>(24,571)</b>	<b>(3,356)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Cash received from other funds	151,575	184,096	335,671
	<b>151,575</b>	<b>184,096</b>	<b>335,671</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Acquisition of fixed assets	(123,902)	(150,060)	(273,962)
Proceeds from sale of capital assets	596	-	596
Principal paid on debt	(29,261)	(9,261)	(38,522)
Interest payments on debt	(13,655)	(1,655)	(15,310)
	<b>(166,222)</b>	<b>(160,976)</b>	<b>(327,198)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest on cash and investments	693	1,451	2,144
	<b>693</b>	<b>1,451</b>	<b>2,144</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>7,261</b>	<b>-</b>	<b>7,261</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<b>\$ 7,261</b>	<b>\$ -</b>	<b>\$ 7,261</b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

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

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Operating Income (Loss)	\$ 53,253	\$ (158,321)	\$ (105,068)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	49,129	129,708	178,837
Changes in assets and liabilities			
(Increase) Decrease in accounts receivable	(1,707)	27,419	25,712
(Increase) Decrease in grants receivable	-	(11,665)	(11,665)
(Increase) Decrease in assessments receivable	20,000	-	20,000
Increase (Decrease) in accounts payable and accrued expenses	(99,901)	(12,491)	(112,392)
Increase (Decrease) in compensated absences	106	137	243
Increase (Decrease) in deposits payable	<u>335</u>	<u>642</u>	<u>977</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b><u>\$ 21,215</u></b>	<b><u>\$ (24,571)</u></b>	<b><u>\$ (3,356)</u></b>
<b>Noncash investing, capital, and financing activities:</b>			
Borrowing under capital lease	\$ 57,397	\$ 57,397	\$ 114,794
Capital asset trade-ins	\$ 5,000	\$ 5,000	\$ 10,000

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2009**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Current assets	
Cash (Note 2)	\$ <u>4,024</u>
<b>Total Assets</b>	<b>\$ <u>4,024</u></b>
<b>LIABILITIES</b>	
Current liabilities	
Deposits in trust	\$ <u>4,024</u>
<b>Total Liabilities</b>	<b>\$ <u>4,024</u></b>

See accompanying notes to the basic financial statements.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**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 the financial statements.

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. During the year ended June 30, 2009, the City paid HTA \$28,217. 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. 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, 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. During the year ended June 30, 2009, the City paid HMRA \$1,601. 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.



**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

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

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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

*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.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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.

Street & Transportation Improvement Program (STIP) - The STIP Fund is used to account for the Street & Transportation Improvement Program grant funding.

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.

**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.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

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

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.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type 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, 2009 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, 2009, 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.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

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

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, 2009, were not considered material.

**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, which will be paid to employees upon separation from the City. Sick leave is accrued and paid out upon separation from the City to those employees with at least 5 years of service. Sick leave accrues based on a percentage of the employee's term. 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, 2009

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

**J. Interfund Transactions**

Following is a description of the three 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 placed 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.

**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**

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Governmental activities	\$	1,326,064
Business-type activities		7,261
Fiduciary activities		<u>4,024</u>
 Total cash and investments	 \$	 <u><u>1,337,349</u></u>

Cash and investments are carried at fair value as of June 30, 2009 and consisted of the following:

Investments	\$	187,117
Cash with county		10,061
Deposits with financial institutions		1,139,521
Cash on hand		<u>650</u>
 Total cash and investments	 \$	 <u><u>1,337,349</u></u>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
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%

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 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, 2009:

	<u>Remaining Maturity</u>		
	<u>12 months or less</u>	<u>1-5 years</u>	<u>Fair Value</u>
Cash in investment pools	\$ 3,486	\$ -	\$ 3,486
Money market funds	<u>183,631</u>	<u>-</u>	<u>183,631</u>
	<u>\$ 187,117</u>	<u>\$ -</u>	<u>\$ 187,117</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments that are highly sensitive to interest rate fluctuations.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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.

	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>		
			<u>S&amp;P</u>	<u>Moody's</u>	<u>N/A</u>
State Investment Pool (LAIF)	\$ 3,486	N/A			Not rated
Money Market Funds	\$ 183,631	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 U.S. Treasury securities, external investment pools and mutual funds) that represent 5% or more of total City investment.

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, 2009, the carrying amount of the City's deposits was \$1,139,521 and bank balances were \$1,230,029, of which \$250,000 was insured.

Investment in State 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, 2009**

**NOTE 3: CAPITAL ASSETS**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2009</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated					
Land	\$ 378,885	\$ -	\$ -	\$ -	\$ 378,885
Construction-in-progress	<u>1,144,099</u>	<u>91,257</u>	<u>-</u>	<u>(1,144,099)</u>	<u>91,257</u>
Total capital assets not being depreciated	<u>1,522,984</u>	<u>91,257</u>	<u>-</u>	<u>(1,144,099)</u>	<u>470,142</u>
Capital assets being depreciated					
Buildings and improvements	79,833	-	(79,833)	-	-
Equipment	483,509	18,412	-	-	501,921
Vehicles	134,923	6,312	-	-	141,235
Streets and roads	492,304	-	-	-	492,304
Infrastructure	<u>168,840</u>	<u>396,735</u>	<u>-</u>	<u>1,144,099</u>	<u>1,709,674</u>
Total assets being depreciated	<u>1,359,409</u>	<u>421,459</u>	<u>(79,833)</u>	<u>1,144,099</u>	<u>2,845,134</u>
Less accumulated depreciation					
Buildings and improvements	(79,833)	-	79,833	-	-
Equipment	(421,643)	(18,197)	-	-	(439,840)
Vehicles	(106,236)	(9,718)	-	-	(115,954)
Streets and roads	(49,230)	(9,846)	-	-	(59,076)
Infrastructure	<u>(16,468)</u>	<u>(34,193)</u>	<u>-</u>	<u>-</u>	<u>(50,661)</u>
Total accumulated depreciation	<u>(673,410)</u>	<u>(71,954)</u>	<u>79,833</u>	<u>-</u>	<u>(665,531)</u>
Governmental activities capital assets, net	<u>\$ 2,208,983</u>	<u>\$ 440,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,649,745</u>

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

Governmental Activities:	
General government	\$ 3,977
Public safety	4,434
Highways and streets	40,063
Public Services	<u>23,480</u>
<b>Total governmental activities depreciation expense</b>	<u>\$ 71,954</u>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2009</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 252,715	\$ -	\$ -	\$ 252,715
Construction in progress	<u>9,358,819</u>	<u>273,962</u>	<u>-</u>	<u>9,632,781</u>
Total capital assets not being depreciated	<u>9,611,534</u>	<u>273,962</u>	<u>-</u>	<u>9,885,496</u>
Capital assets being depreciated				
Infrastructure	379,774	-	-	379,774
Buildings and improvements	129,100	-	-	129,100
Equipment	997,595	-	(165,356)	832,239
Vehicles	<u>27,500</u>	<u>114,794</u>	<u>-</u>	<u>142,294</u>
Total assets being depreciated	<u>1,533,969</u>	<u>114,794</u>	<u>(165,356)</u>	<u>1,483,407</u>
Less accumulated depreciation				
Infrastructure	(131,057)	(12,473)	-	(143,530)
Buildings and improvements	(84,344)	(4,303)	-	(88,647)
Equipment	(778,879)	(134,185)	165,356	(747,708)
Vehicles	<u>(23,178)</u>	<u>(27,876)</u>	<u>-</u>	<u>(51,054)</u>
Total accumulated depreciation	<u>(1,017,458)</u>	<u>(178,837)</u>	<u>165,356</u>	<u>(1,030,939)</u>
Business-type capital assets, net	<u>\$ 10,128,045</u>	<u>\$ 209,919</u>	<u>\$ -</u>	<u>\$ 10,337,964</u>

**NOTE 4: 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, 2009, there was \$1,297,174 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, 2009, there was \$62,794 in outstanding FAL loans.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 5: INTERFUND TRANSACTIONS**

**Due to/from other funds**

The composition of interfund balances as of June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 154,460
General Fund	Water Fund	422,333
General Fund	Special Law Enforcement Service Fund	41,089
General Fund	HOME Program Fund	<u>2,132</u>
		<u>\$ 620,014</u>

Balances recorded as Due to/from other funds resulted from loans made to cover operating cash deficits.

**Interfund transfers**

The following schedule briefly summarizes the City's transfer activity:

Transfer from the Traffic Safety Fund to the General Fund to close the Traffic Safety Fund	\$ 16,160
Transfer from the Water Fund to the General fund to cover administrative expenses	<u>924</u>
<b>Total Interfund Transfers</b>	<u>\$ 17,084</u>

**NOTE 6: 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, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Compensated Absences	\$ <u>18,228</u>	\$ <u>16,943</u>	\$ <u>(10,290)</u>	\$ <u>24,881</u>	\$ <u>1,715</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 18,228</u>	<u>\$ 16,943</u>	<u>\$ (10,290)</u>	<u>\$ 24,881</u>	<u>\$ 1,715</u>

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. For governmental activities, compensated absences are liquidated by the general fund.

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6: LONG TERM LIABILITIES (Continued)**

**Business-type Activities**

The following is a summary of long-term liability transactions related to business-type activities of the City for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
<b>Notes payable:</b>					
DHS Infiltration Gallery Loan	\$ 2,720,000	\$ -	\$ -	\$ 2,720,000	\$ -
FMHA Special Assessment Bonds	<u>240,000</u>	<u>-</u>	<u>(20,000)</u>	<u>220,000</u>	<u>20,000</u>
<b>Total notes payable</b>	<u>2,960,000</u>	<u>-</u>	<u>(20,000)</u>	<u>2,940,000</u>	<u>20,000</u>
<b>Capital leases:</b>					
Ford F-350	-	26,310	(4,939)	21,371	4,811
John Deere	<u>-</u>	<u>80,023</u>	<u>(13,583)</u>	<u>66,440</u>	<u>13,582</u>
<b>Total capital leases</b>	<u>-</u>	<u>106,333</u>	<u>(18,522)</u>	<u>87,811</u>	<u>18,393</u>
<b>Other liabilities:</b>					
Compensated Absences	<u>23,408</u>	<u>58,556</u>	<u>(58,313)</u>	<u>23,651</u>	<u>9,719</u>
<b>Business-type Activities Long-term Liabilities</b>	<u>\$ 2,983,408</u>	<u>\$ 164,889</u>	<u>\$ (96,835)</u>	<u>\$ 3,051,462</u>	<u>\$ 48,112</u>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6: LONG TERM LIABILITIES (Continued)**

Notes Payable

*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 were 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, 2009 the balance of the note was \$2,720,000.

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

<u>Year Ending June 30</u>	<u>Principal</u>
2010	\$ 90,666
2011	90,666
2012	90,666
2013	90,666
2014 - 2018	453,330
2019 - 2023	453,330
2024 - 2028	453,330
2029 - 2033	453,330
2034 - 2038	453,330
2039	<u>90,686</u>
<b>Total</b>	<b>\$ <u>2,720,000</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>
2010	\$ 20,000	\$ 10,000	\$ 30,000
2011	20,000	9,000	29,000
2012	20,000	8,000	28,000
2013	25,000	7,000	32,000
2014	25,000	5,750	30,750
2015 - 2018	<u>110,000</u>	<u>10,250</u>	<u>120,250</u>
<b>Total</b>	<b>\$ <u>220,000</u></b>	<b>\$ <u>50,000</u></b>	<b>\$ <u>270,000</u></b>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6: LONG TERM LIABILITIES (Continued)**

Capital leases

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when all terms of the lease agreements are met. Amortization of leased assets is included with depreciation expense.

The assets acquired through capital leases are as follows:

Asset:		
Vehicles	\$	114,794
Less: accumulated depreciation		<u>(25,912)</u>
Net	\$	<u>88,882</u>

The following schedule presents future minimum lease payments as of June 30, 2009.

Year ending June 30,		
2010	\$	19,736
2011		19,736
2012		19,736
2013		19,736
2014		13,583
2015-2019		<u>13,583</u>
Total requirements		<u>106,110</u>
Less Interest		<u>(18,298)</u>
Present value of remaining payments	\$	<u>87,812</u>

Compensated absences

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

**NOTE 7: 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, 2009, the following contributions were made to the plan:

Direct contributions to employees' benefit	\$	69,951
Deferred contributions from employees' compensation		<u>29,254</u>
<b>Total</b>	\$	<u>99,205</u>

**CITY OF RIO DELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 8: 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, 2009, 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 9: 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 10: COMMITMENTS**

At year-end, the City had commitments outstanding, in the form of contracts and purchase orders, of approximately \$200,000, primarily for planning of future construction projects.

**NOTE 11: SUBSEQUENT EVENT**

On July 28, 2009, the California legislature and Governor Arnold Schwarzenegger passed the state budget and approved a provision allowing the state to borrow 8% of the amount of property tax revenue apportioned to cities, counties, and special districts. Under the provision, the state will be required to repay those obligations by June 13, 2013. The provision also created an option for California local public agencies to relieve the burden of loaning the state property tax revenue. The provision, called Proposition 1A Securitization, authorizes the California Statewide Communities Development Authority ("California Communities") to purchase the receivable due to local agencies from the State. In a simultaneous transaction, California Communities will issue bonds and remit the cash proceeds to the participating local public agencies. To offset the shortages related to the borrowing of property taxes, the City has elected to participate in the Proposition 1A Securitization program.

**NOTE 12: DEFICIT FUND BALANCE**

At June 30, 2009 the HOME Program fund had a deficit balance of \$2,132. The deficit will be funded through future revenues of the fund.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF RIO DELL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 79,800	\$ 79,800	\$ 96,870	\$ 17,070
Sales	102,000	102,000	112,574	10,574
Occupancy	12,000	12,000	8,960	(3,040)
Use	30	30	25	(5)
Intergovernmental	-	-	58,728	58,728
Licenses, permits, and franchise fees	412,200	412,200	463,206	51,006
Interest and use of property	6,000	6,000	9,833	3,833
Miscellaneous	-	-	329	329
	<u>612,030</u>	<u>612,030</u>	<u>750,525</u>	<u>138,495</u>
<b>Total Revenues</b>				
	<u>612,030</u>	<u>612,030</u>	<u>750,525</u>	<u>138,495</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General government	670,695	670,695	681,062	(10,367)
Public safety	3,284	3,284	3,283	1
Highways and streets	229	229	229	-
Public services	391	391	391	-
Capital outlay	<u>31,373</u>	<u>31,373</u>	<u>52,372</u>	<u>(20,999)</u>
	<u>705,972</u>	<u>705,972</u>	<u>737,337</u>	<u>(31,365)</u>
<b>Total Expenditures</b>				
	<u>705,972</u>	<u>705,972</u>	<u>737,337</u>	<u>(31,365)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(93,942)</u>	<u>(93,942)</u>	<u>13,188</u>	<u>107,130</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfers in	-	-	17,084	(17,084)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>17,084</u>	<u>(17,084)</u>
<b>Total Other Financing Sources (Uses)</b>				
	<u>-</u>	<u>-</u>	<u>17,084</u>	<u>(17,084)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (93,942)</u>	<u>\$ (93,942)</u>	<u>30,272</u>	<u>\$ 124,214</u>
<b>FUND BALANCE, JULY 1, 2008</b>			<u>556,205</u>	
<b>FUND BALANCE, JUNE 30, 2009</b>			<u>\$ 586,477</u>	

See accompanying notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, General Fund and Major Special Revenue funds.

**CITY OF RIO DELL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CDBG FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 3,000,000	\$ 3,000,000	\$ 877,525	\$ (2,122,475)
Interest and use of property	<u>-</u>	<u>-</u>	<u>4,649</u>	<u>4,649</u>
<b>Total Revenues</b>	<u>3,000,000</u>	<u>3,000,000</u>	<u>882,174</u>	<u>(2,117,826)</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
Housing and community development	-	-	262,973	(262,973)
Capital outlay	<u>-</u>	<u>-</u>	<u>331,598</u>	<u>(331,598)</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>594,571</u>	<u>(594,571)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,000,000</u>	<u>3,000,000</u>	<u>287,603</u>	<u>(2,712,397)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>287,603</u>	<u>\$ 2,712,397</u>
<b>FUND BALANCE, JULY 1, 2008</b>			<u>570,502</u>	
<b>FUND BALANCE, JUNE 30, 2009</b>			<u>\$ 858,105</u>	

See accompanying notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, General Fund and Major Special Revenue funds.

**CITY OF RIO DELL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**STREET & TRANSPORTATION IMPROVEMENT PROGRAM**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 528,000	\$ 528,000	\$ 508,794	\$ (19,206)
Interest and use of property	<u>-</u>	<u>-</u>	<u>1,220</u>	<u>1,220</u>
<b>Total Revenues</b>	<u>528,000</u>	<u>528,000</u>	<u>510,014</u>	<u>(17,986)</u>
<b><u>EXPENDITURES</u></b>				
Capital outlay	<u>528,000</u>	<u>528,000</u>	<u>182,969</u>	<u>345,031</u>
<b>Total Expenditures</b>	<u>528,000</u>	<u>528,000</u>	<u>182,969</u>	<u>345,031</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>327,045</u>	<u>327,045</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>327,045</u>	<u>\$ 327,045</u>
<b>FUND BALANCE (DEFICIT), JULY 1, 2008</b>			<u>58,795</u>	
<b>FUND BALANCE, JUNE 30, 2009</b>			<u>\$ 385,840</u>	

See accompanying notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, General Fund and Major Special Revenue funds.

**CITY OF RIO DELL**  
NOTES TO THE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2009, expenditures exceeded appropriations in the General Fund and the CDBG Fund by \$485,003 and \$594,571, respectively. The excess expenditures were covered by available fund balance in the funds.

**SUPPLEMENTARY INFORMATION**

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

<b><u>ASSETS</u></b>	<b><u>Gas Tax</u></b>	<b><u>TDA</u></b>	<b><u>Traffic Safety</u></b>	<b><u>ISTEA</u></b>
Cash and Investments	\$ 113,162	\$ 34,034	\$ -	\$ 15,828
Accounts Receivable	6,608	3,000	-	-
Interest Receivable	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 119,772</u></b>	<b><u>\$ 37,034</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,828</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Unreserved: Undesignated	<u>119,772</u>	<u>37,034</u>	<u>-</u>	<u>15,828</u>
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>119,772</u>	<u>37,034</u>	<u>-</u>	<u>15,828</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 119,772</u></b>	<b><u>\$ 37,034</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,828</u></b>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<u>Solid Waste</u>	<u>Special Law Enforcement Service</u>	<u>Local Law Enforcement Block Grant</u>	<u>Vehicle Abatement</u>
<b><u>ASSETS</u></b>				
Cash and Investments	\$ 12,648	\$ -	\$ 2,916	\$ 9,352
Accounts Receivable	-	46,073	-	-
Interest Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 12,648</u></b>	<b><u>\$ 46,073</u></b>	<b><u>\$ 2,916</u></b>	<b><u>\$ 9,352</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
Due to Other Funds	-	41,089	-	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>41,089</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
FUND BALANCES:				
Unreserved: Undesignated	12,648	4,984	2,916	9,352
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b><u>12,648</u></b>	<b><u>4,984</u></b>	<b><u>2,916</u></b>	<b><u>9,352</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 12,648</u></b>	<b><u>\$ 46,073</u></b>	<b><u>\$ 2,916</u></b>	<b><u>\$ 9,352</u></b>

**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<b>California Law Enforcement Technology &amp; Equipment Program</b>	<b>Recycling</b>	<b>Brownfield Grant EPA</b>	<b>Fund 90</b>
<b><u>ASSETS</u></b>				
Cash and Investments	\$ 443	\$ 6,943	\$ -	\$ 8,943
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 443</u></b>	<b><u>\$ 6,943</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,943</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
Due to Other Funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
FUND BALANCES:				
Unreserved: Undesignated	443	6,943	-	8,943
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b><u>443</u></b>	<b><u>6,943</u></b>	<b><u>-</u></b>	<b><u>8,943</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 443</u></b>	<b><u>\$ 6,943</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,943</u></b>



**CITY OF RIO DELL**  
**COMBINING BALANCE SHEETS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<b>Planned Development Park Fees</b>	<b>HOME Program</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 2,000	\$ -	\$ 206,269
Accounts Receivable	-	-	55,681
Interest Receivable	-	-	<u>2</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 261,952</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
LIABILITIES:			
Due to Other Funds	<u>-</u>	<u>2,132</u>	<u>43,221</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>2,132</u>	<u>43,221</u>
FUND BALANCES:			
Unreserved: Undesignated	<u>2,000</u>	<u>(2,132)</u>	<u>218,731</u>
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>2,000</u>	<u>(2,132)</u>	<u>218,731</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 261,952</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, 2009**

<u>REVENUES</u>	<u>Gas Tax</u>	<u>TDA</u>	<u>Traffic Safety</u>	<u>ISTEA</u>
Taxes:				
Gas	\$ 61,141	\$ 110,149	\$ -	\$ -
Intergovernmental	27,777	-	-	-
Licenses, permits, and franchise fees	-	-	-	-
Interest and use of property	297	202	45	68
Miscellaneous	-	1	-	-
<b>Total Revenues</b>	<u>89,215</u>	<u>110,352</u>	<u>45</u>	<u>68</u>
 <u>EXPENDITURES</u>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	7,160
Highways and Streets	67,907	128,380	-	-
Housing and Community Development	-	-	-	-
Public Services	-	-	-	-
Capital Outlay	<u>14,908</u>	<u>41,806</u>	<u>-</u>	<u>3,593</u>
<b>Total Expenditures</b>	<u>82,815</u>	<u>170,186</u>	<u>-</u>	<u>10,753</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>6,400</u>	<u>(59,834)</u>	<u>45</u>	<u>(10,685)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(16,160)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(16,160)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>6,400</u>	<u>(59,834)</u>	<u>(16,115)</u>	<u>(10,685)</u>
<b>FUND BALANCES (DEFICIT), JULY 1, 2008</b>	<u>113,372</u>	<u>96,868</u>	<u>16,115</u>	<u>26,513</u>
<b>FUND BALANCES (DEFICIT), JUNE 30, 2009</b>	<u>\$ 119,772</u>	<u>\$ 37,034</u>	<u>\$ -</u>	<u>\$ 15,828</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, 2009**

	<u>Solid Waste</u>	<u>Special Law Enforcement Service</u>	<u>Local Law Enforcement Block Grant</u>	<u>Vehicle Abatement</u>
<b><u>REVENUES</u></b>				
Taxes:				
Gas	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	99,134	-	-
Licenses, permits, and franchise fees	11,575	-	-	-
Interest and use of property	32	76	8	27
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>11,607</u>	<u>99,210</u>	<u>8</u>	<u>27</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	542	-	-	-
Public Safety	-	121,179	-	-
Highways and Streets	-	-	-	-
Housing and Community Development	-	-	-	-
Public Services	11,442	-	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>11,984</u>	<u>121,179</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(377)</u>	<u>(21,969)</u>	<u>8</u>	<u>27</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(377)</u>	<u>(21,969)</u>	<u>8</u>	<u>27</u>
<b>FUND BALANCES (DEFICIT), JULY 1, 2008</b>	<u>13,025</u>	<u>26,953</u>	<u>2,908</u>	<u>9,325</u>
<b>FUND BALANCES (DEFICIT), JUNE 30, 2009</b>	<u>\$ 12,648</u>	<u>\$ 4,984</u>	<u>\$ 2,916</u>	<u>\$ 9,352</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, 2009**

	<b>California Law Enforcement Technology &amp; Equipment Program</b>	<b>Recycling</b>	<b>Brownfield Grant EPA</b>	<b>Fund 90</b>
<b><u>REVENUES</u></b>				
Taxes:				
Gas	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	5,000	18,864	-
Licenses, permits, and franchise fees	-	-	-	-
Interest and use of property	1	30	-	25
Miscellaneous	-	-	-	-
	<u>1</u>	<u>5,030</u>	<u>18,864</u>	<u>25</u>
<b>Total Revenues</b>	<u>1</u>	<u>5,030</u>	<u>18,864</u>	<u>25</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	-	-	15,196	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Housing and Community Development	-	-	-	-
Public Services	-	5,752	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>5,752</u>	<u>15,196</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>1</u>	<u>(722)</u>	<u>3,668</u>	<u>25</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>1</u>	<u>(722)</u>	<u>3,668</u>	<u>25</u>
<b>FUND BALANCES (DEFICIT), JULY 1, 2008</b>	<u>442</u>	<u>7,665</u>	<u>(3,668)</u>	<u>8,918</u>
<b>FUND BALANCES (DEFICIT), JUNE 30, 2009</b>	<u>\$ 443</u>	<u>\$ 6,943</u>	<u>\$ -</u>	<u>\$ 8,943</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, 2009**

	<b>Planned Development Park Fees</b>	<b>HOME Program</b>	<b>Totals</b>
<b><u>REVENUES</u></b>			
Taxes:			
Gas	\$ -	\$ -	\$ 171,290
Intergovernmental	-	-	150,775
Licenses, permits, and franchise fees	2,000	-	13,575
Interest and use of property	-	-	811
Miscellaneous	-	-	1
	<u>2,000</u>	<u>-</u>	<u>336,452</u>
<b>Total Revenues</b>			
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	-	-	15,738
Public Safety	-	-	128,339
Highways and Streets	-	-	196,287
Housing and Community Development	-	2,132	2,132
Public Services	-	-	17,194
Capital Outlay	-	-	60,307
	<u>-</u>	<u>-</u>	<u>60,307</u>
<b>Total Expenditures</b>	<u>-</u>	<u>2,132</u>	<u>419,997</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>2,000</u>	<u>(2,132)</u>	<u>(83,545)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers Out	-	-	(16,160)
	<u>-</u>	<u>-</u>	<u>(16,160)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(16,160)</u>
<b>Net Change in Fund Balance</b>	<u>2,000</u>	<u>(2,132)</u>	<u>(99,705)</u>
<b>FUND BALANCES (DEFICIT), JULY 1, 2008</b>	<u>-</u>	<u>-</u>	<u>318,436</u>
<b>FUND BALANCES (DEFICIT), JUNE 30, 2009</b>	<u>\$ 2,000</u>	<u>\$ (2,132)</u>	<u>\$ 218,731</u>

## **OTHER REPORTS**

**CITY OF RIO DELL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<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	\$ 4,913
Brownfield Assessment and Cooperative Grant	66.818	15,197
<b>Office of Community Planning and Development, Department of Housing and Urban Development</b>		
Community Development Block Grants	14.228	<u>594,573</u>
		<u>\$ 614,683</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF RIO DELL**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE A—BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Rio Dell and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.





**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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2010. 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, we considered the City of Rio Dell's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rio Dell's internal control over financial reporting.

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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA • Justin J. Williams, CPA, CVA • Neil J. Beeman, CPA

We noted certain other matters that we reported to management of the City of Rio Dell in a separate letter dated July 26, 2010.

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.

*Man Unt' Nul CPAs*

Sacramento, California  
July 26, 2010



**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

Compliance

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, 2009. 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 auditing standards generally accepted in the United States of America; 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

Internal Control Over Compliance

The management of 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 the City of Rio Dell's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rio Dell's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

City of Rio Dell's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Rio Dell's response and, accordingly, we express no opinion on it.

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA • Justin J. Williams, CPA, CVA • Neil J. Beeman, CPA

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.

*Man Unt: Nel CPAs*

Sacramento, California  
July 26, 2010

**CITY OF RIO DELL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies 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: 14.228 HUD - Office of Community Planning and Development, Community Development Block Grants	
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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**CITY OF RIO DELL**  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009

Recommendation	Current Status	Explanation if not implemented
Finding 2008-1 The City of Rio Dell should implement a policy that requires an inventory of fixed assets in accordance with A-133 requirements.	Implemented	N/A